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Chair

Mr. Lee Richardson

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•(1105)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): Ladies and gentlemen, I think we're ready to proceed.

As you are aware, we have the pleasure of the Minister appearing this morning, the Honourable Gary Lunn, the Minister of Natural Resources, along with his deputy, Richard Fadden, and Howard Brown, and Margaret McCuaig-Johnston. It's nice to see you again, and thank you for coming.

The order of proceeding will be opening remarks, at your leisure. We usually go half an hour, but I think the indication is that you may want to shorten the time of the opening and leave more time for questions. I don't think there'll be any shortage of questions from this group, from what I've gathered, so we'll leave it to you.

When you've completed your remarks, we'll start with Mr. Cullen in questioning. I'd like to try to keep the questions and the answers a little shorter in the first round, so we'll have more rounds, if that's all right with you. Good. We're ready to proceed.

Mr. Lunn.

Hon. Gary Lunn (Minister of Natural Resources): Thank you very much, Mr. Chairman.

I have to tell you that it is a great pleasure to be before the committee. This is actually my first appearance before a committee of the House of Commons since becoming a minister. I have to admit I'm used to sitting in Mr. Cullen's seat, and not used to this end of the table, but I'm sure he'll be equally friendly to me as we were to him not that long ago.

But it is great to be here, and I'd like to start off by saying that since becoming the Minister of Natural Resources, I've had the opportunity to meet some of the 4,500 employees who are conducting some very innovative and groundbreaking research at Natural Resources—officials and dedicated employees working to ensure that effective programs are efficiently delivered to all Canadians.

Mr. Chairman, before inviting the committee's questions, I would like to say a few words about our overall approach to natural resources policy. Our approach is to step back and allow market forces to build the prosperity of the natural resources sector as much as possible. However, for this government, a key goal is to ensure that the regulatory framework will create a climate of certainty. Industry can manage risk under a stable regulatory environment; an unstable regulatory environment adds to that risk. We need clear

rules and clear regulations, and we will enforce them consistently and fairly. These rules will help the industry get the clear answers they need to make the investment decisions they have to.

Through this mix of market forces and a stable regulatory environment, we need to balance three objectives: economic prosperity; resource-based employment; and most importantly, environmental protection. When handled in the right way, these objectives enhance the successes of one another.

This committee is well aware of the importance of the natural resources sector to economic prosperity. Every single region of this country benefits. The economy of my own province is driven by mining and forestry. At the other end of the country, Newfoundland's offshore resources are now in production and are bringing great prosperity to that province. The Northwest Territories is entering a new era of prosperity, with the development of the diamond mines; and of course, Alberta has its oil sands; Quebec has its hydro resources; and Ontario is rich in many resources, both in the mining and forestry sectors. In fact, across the country, over 900,000 Canadians work directly in the natural resource industries, and many more Canadians work indirectly in the sectors that support natural resources.

Mr. Chairman, the natural resources sector accounted for a \$93.4 billion trade surplus last year alone—a record. If you took our energy exports alone, they would account for Canada's entire trade surplus in 2005 and 37% of Canada's business investment. Look at the financial pages of the newspapers and you can see ample evidence that Canada certainly has the first three objectives firmly established. We have built economic prosperity.

The government is confident that the development of natural resources or economic prosperity can co-exist with the other two objectives—support for the development of skilled workers and protection of the environment.

Resource-based employment includes the viability of hundreds of communities across the country, especially in northern regions that rely on the natural resources sector as their sole economic base. Consider the challenges faced by many communities during the softwood lumber crisis. Not only did the Canadian economy as a whole suffer, but there also was a cost to communities, as mills closed and people were laid off. The settlement of the softwood lumber dispute, under the leadership of the Prime Minister and the Minister of International Trade, will help restore certainty to the industry here at home for the first time in many, many years.

Another aspect of resource-based employment involves the challenges that this workforce faces. In Canada right now, we have a shortage of skilled workers. This is a topic that comes up in many of my discussions with my provincial colleagues. All sectors face skills shortages. For some, like oil and gas, it's a case of not being able to find enough skilled people to keep up with the burgeoning demand. For other sectors, it's a case of many of the best people leaving to seek higher-paying jobs in the oil and gas sector.

● (1110)

There are as many as 20,000 skilled trade positions that cannot be filled today, and that number is expected to rise to 50,000 by 2010. Despite this, only 17,000 people complete apprenticeships each year. As a result, our employment gap is going to grow. I'll be working with my colleague the Minister of Human Resources and Social Development to find ways to promote skills development for the resource sectors, and I'm proud that the new government is already moving to encourage growth and development of the skilled trades.

As most of you know, in the 2006 federal budget, the federal government included a number of key measures that encouraged employees to hire apprentices and help apprentices starting out with the much-needed tax incentives. Mr. Chairman, the federal budget also met the challenge of accommodating older workers whose skill levels have been overtaken by the demands of new technologies. Budget 2006 invested \$60 million in a worker adjustment program for the forestry sector and the creation of a sector council to address the development of workplace skills and longer-term human resource issues.

In the same way as this government is committed to looking after workers and their families, we are committed to developing our energy and resource sectors in ways that are more environmentally sustainable and energy efficient. Mr. Chairman, the committee is well aware that the government has made a commitment to pursue a clean air, clean water, clean land, and clean energy policy. Such a policy takes into account environmental, economic, and social realities. We will replace vague policy goals with concrete action for clean energy to reduce emissions and pollution.

I am very encouraged that the Minister of Finance allocated \$2 billion to the environment and energy efficiency fund in the recent budget. All initiatives are being re-examined to ensure they achieve real results for Canadians.

Mr. Chairman, there is one challenge that links each of these objectives—the economic prosperity, support for skilled and non-skilled workforce, environmental protection—and that challenge is the need to promote innovation, science, and technology throughout all natural resource sectors—innovation that helps produce resources more competitively and with less impact on the environment, innovation that raises the demand for continuous upgrading of skills in every community in Canada that relies upon the resource industry.

Over the past months, I've also had the opportunity to meet with my provincial colleagues. Let me say at the outset that this government respects the provincial jurisdiction over natural resources. These resources drive the economy in every single region. We will take an active part in areas of federal jurisdiction, such as nuclear energy, international trade, and environmental impacts that cross provincial and national boundaries.

I've had a very busy and productive time since the new government was sworn in. Last month, for example, I had the opportunity to meet in Washington with my colleagues the U.S. Secretary of Energy, Samuel Bodman, and the Mexican Secretary of Energy, Fernando Canales. As you know, the North American Energy Working Group continues to look at ways to encourage cooperation on energy issues, including electricity, oil sands, natural gas, science and technology, nuclear energy and efficiency, regulatory cooperation, and hydrocarbons.

Our competitiveness in the global economy will depend not just on the availability of the resource but on how smart we are in the stewardship of the resource, how efficient we are in the use of that resource, and how forward-thinking we are at identifying future market opportunities. The government will continue to invest in research and development and innovation. Canada remains at the forefront of research and development in mining, metallurgy innovation, and energy technology.

Across the country, we can point to examples where Canada is at the forefront of innovation. Canada is recognized as a world leader in the technology of enhancing oil and gas production by injecting carbon dioxide below the ground in order to help recover additional oil and gas. The Department of Natural Resources has been a key partner in this project, which involves other international partners.

As an example, in Weyburn, Saskatchewan, we are in the forefront of storage technology to capture carbon dioxide gas and put it permanently back in the ground. Working in a partnership with Sterling Homes and the town of Okotoks, Alberta, and other partners, Natural Resources Canada is supporting the installation of North America's first large-scale seasonal storage project. Solar energy will provide over 90% of space-heating requirements for 52 homes. Part of this unique system stores heat underground.

● (1115)

I know members of the committee will be interested to learn the Canadian GeoExchange Coalition, established with the help of Natural Resources Canada, has noted a substantial increase in inquiries with respect to the installation of ground-source heat pumps. A training program sponsored by the Canadian GeoExchange Coalition will provide the needed infrastructure for quality installations. The provincial governments of British Columbia, Manitoba, and Quebec have recently started activities supporting the deployment of this technology.

We will continue to support renewable energy in future, including solar and wind. Again, we are working as partners with leading-edge companies to create innovative solutions to meet our energy needs and environmental and social goals.

Innovation comes in many ways. Sometimes it involves making sure the technologies that have provided our competitive edge for generations remain at the cutting edge. This year, Natural Resources Canada is proud to celebrate the 100th anniversary of the Atlas of Canada. Today, the atlas is easily accessible to anyone with a computer and Internet connection. Every month it gets some 700,000 hits.

Mr. Chairman, when I look to the future of Canada's resource economy, I am very optimistic. In today's global economy, Canada's resource sectors compete fiercely with producers from around the world. We need to ensure our regulatory framework is competitive in that environment and still capable of ensuring we protect the environment.

Mr. Chairman, Canada is on the cusp of becoming an energy superpower, and we must make sure we do it correctly. I'm very optimistic because I believe strongly in Canada's ability to promote innovation, science, and technology. Canada became rich on the strength of our resource economy. We will continue to lead the world in finding better ways to use these resources to drive our economy, create jobs, and protect the environment.

With that, Mr. Chairman, I look forward to the committee's questions. Thank you.

The Chair: Thank you, Mr. Minister. That was an excellent opening. Thank you for that.

We are now going to go into it. Just for the information of those gathered, we have a format here for questioning where we have divided up the rounds to give equal access to questioning to all members of the committee. We begin with a five-minute round from each of the parties represented here.

Hon. Roy Cullen (Etobicoke North, Lib.): Five minutes?

The Chair: Five minutes. That's the format we have agreed to, leaving some latitude. I think we will again today. But let's try to not go too far beyond that. Otherwise, we simply don't get everybody in, and that's not fair to all the members of the committee.

So we're going to start with Mr. Cullen, followed by M. Bigras and Mr. Bevington.

I'll begin with Mr. Cullen.

Hon. Roy Cullen: Thank you, Mr. Chair.

Thank you, Minister and Mr. Fadden and other officials.

I'm sure we can co-exist. I used to live in your riding. I'm not sure my voting patterns would have met with your approval. But nonetheless I'm sure—

Hon. Gary Lunn: I'm working on them.

Hon. Roy Cullen: I had a bunch of questions, but I guess we're not going to get to them. I'll be very succinct, and I hope you can reply in a succinct way.

An energy framework or energy strategy for Canada: I'm looking for some timelines, the comprehensiveness, I hope, of what you're going to have. I presume something is in the works. I know under our watch there was something in the works. When do you think

you'll have something? I know people are waiting—provinces, stakeholders, critics. When do you think you'll have something?

Hon. Gary Lunn: Thank you very much.

I'm always reluctant to give out timelines, for a whole host of reasons, but I will this time. I will admit that, as you're aware, this has been in the works for some time, and we're redrafting, reworking this energy strategy as the vision of a new Conservative Government of Canada, where we can merge.... It's important that you look at all the aspects of this: the social dimension, the affordability of energy, the security of energy, the prosperity of energy. There are so many dimensions to the energy strategy, and I think it's important, as we move forward.

This is something I've been working on with Howard. Howard is the ADM on the energy side. I would hope the House will be rising in a few weeks, but I think sometime late in the fall or toward the end of the year we would have something concrete. But for something as important as this, we want to make sure we get it right. Clearly we're working on this to ensure that it reflects the vision of the new Conservative government.

So that's where we are with that.

• (1120)

Hon. Roy Cullen: Thank you.

On the softwood lumber draft agreement, I'm wondering what is your role? While it is a trade issue, it clearly affects the forestry communities across Canada.

I'm particularly concerned about the anti-circumvention clause. I know it's getting some attention, but if it's not crafted correctly, in my judgment it could take some forest policy sovereignty away not only from the federal government but also from the provinces. If the federal government wanted to act in a certain way—it could be to deal with training, value-added, or technology, and so on—the U.S. producers could argue that this would circumvent the softwood lumber deal.

So how do you get involved, and how can you guarantee that the anti-circumvention clause finally will not have that kind of impact?

Hon. Gary Lunn: Thank you very much. I'm pleased you raised this, because it's something I've lived through, as a member of Parliament. I've seen the dramatic impacts of what's happened with this dispute in my home province of British Columbia and the negative impacts it's had on that sector.

Resolving this dispute has been an enormous priority for this government, starting with the Prime Minister and right through our entire government. I have been involved in direct conversations with the Prime Minister. As you are very much aware, Mr. Cullen, this is the Minister of International Trade's file, but I will say this. As you are aware, there is a framework agreement, and final negotiations are concluding this. The anti-circumvention clause is a necessary part of any agreement. That clause protects our Canadian sovereignty and our forest policies. It's a two-way clause; in other words, the United States can't change their policies, and we can't be forced to change, nor can we change, ours.

The issue here is with the stumpage within British Columbia. As you know, this is an issue that's been looked at by the British Columbia government. It's an issue they've been working on for a number of years now and are getting very close to bringing into play. I'm confident they will be able to bring these policy changes with respect to stumpage in the interior. These changes were brought in to strengthen our position with respect to the entire reason why some of the countervail duties were put in place in the beginning. I can say this is only strengthening it. With respect to some of the specific issues surrounding that—specifically the stumpage in British Columbia—I genuinely believe that we will get around this.

This is good for Canada; this is good for the industry. As you know, when the price of lumber is above \$355 per thousand, we get unrestricted access to U.S. markets in every single province. This is the kind of certainty that the industry needs and has been looking for for a long time. There's flexibility within this agreement, where they can go to a quota-based system or an export tax when the price of lumber falls. Again, regarding the export tax, it's important to note that the money is staying in Canada. There are exemptions for the Atlantic provinces; there are exemptions for the mills in Quebec.

Finally, because you raised the issue of the \$5 billion, which has often been criticized, I want you to note that the Canadian industry will get \$4 billion. Eighty percent of that \$5 billion goes directly back to the industry. What did the United States get? They got \$500,000—only 10%—as a legal fund for the U.S. industry to recover its legal costs. The other \$500,000, or 10%, is a joint fund to cover humanitarian projects or promote the industry on both sides of the border.

This is a great deal for Canada, and something we're very proud of.

Hon. Roy Cullen: Thank you. I guess this is your first chance to put your position forward at this committee.

But I think the anti-circumvention clause goes beyond current stumpage considerations in British Columbia. In fact, if they're going to more of an auction system, that's what the U.S. wanted. If they're going to increase stumpage, that shouldn't cause any problems for the Americans. If they're going to decrease stumpage, that could be a problem in terms of anti-circumvention.

I was also dealing with it on a much broader basis, in that any actions the federal government took in its relations with the forest industry, or any province, could be misconstrued deliberately by the U.S. producers as circumventing the softwood lumber agreement.

Anyway, I want to move on to the mining. We know we have some declining reserves. I was glad to see you extended the super flow-throughs. But there's an issue regarding geomapping. If we're going to get people investing in development, they need to have a little more certainty than they have today. My understanding from your department is that they're looking for \$25 million over five years, or something similar. Those priorities have to come from you, sir. Are you saying this is going to be a priority moving forward, or not? Because I imagine the funds have to be reallocated from within, and I know you have a lot of competing demands.

•(1125)

Hon. Gary Lunn: I can answer that question. First of all, you are correct that there is the geomapping issue. I think it's \$500 million, which are matching funds from our provincial partners and the federal government. This has come up with the Council of Energy Ministers, with whom I will be meeting in the Yukon in late August. I'm looking forward to that meeting. This is something I am very committed to, and that I—as well as the officials in the department—have spoken very strongly in favour of. I think this is very important.

In this current fiscal framework, there were a number of overlapping commitments of the previous and the current administrations, so it's not in this fiscal framework. It's something I will push hard for in the coming budgets. Personally I believe in it, and I will support it very strongly.

But under no circumstances is this government prepared to go into a deficit situation, so it did not fit into this year's fiscal framework. But it's something that I can assure this committee I'm personally very supportive of, as are the people in my department.

Hon. Roy Cullen: Thank you. We'll be looking forward to that.

On the question of greenhouse gases, this is a huge topic, so I want to throw something out for you to consider: the greenhouse gas reduction targets and energy development project. With respect to the recycling of water in the oil sands, I've heard everything from 10%, to 65%, to 90% being recycled. The other day, CAPP said that 90% of the water is being recycled. I have a big problem buying that.

We have also carbon sequestration and capture as being an important part, but we know that this going to take technology. Is there a way that your department can put some muscle behind getting these technologies developed and in play, so that we can develop those projects responsibly and deal with greenhouse gases?

Hon. Gary Lunn: Absolutely, and this is something that this new government is very committed to. This is something about which we have had very detailed discussions within the department.

You mentioned carbon dioxide capture and storage. This is something in which we are investing in a project in Weyburn, Saskatchewan. This is something that I believe you will see happen very shortly. We have the ability, the technology, to capture 100% of the carbon dioxide gases and emissions from some of these large final emitters and pump back down into the ground.

We want to put in the resources required to do the science in order to see this move forward. We're also pushing the industry very hard so that they come to the table and put in their share as well. They can do a lot more, and they're very open to it. We're saying it's time for you to put in your share in. I will say that in all my meetings they have been very positive and receptive.

This technology is there now. So we're looking for the low-lying fruit. Where can we make significant gains on this file and clean up the air at the same time? These are very important priorities for this government, and we'll continue to support these projects. And my own opinion is that in years, not decades, we'll start seeing the recovery of carbon dioxide gases here in Canada on a commercial basis, such that we can put these carbon dioxide emissions back into the ground and prevent them from going up into the atmosphere. That's something that we're very committed to.

• (1130)

The Chair: Thank you, Mr. Cullen.

Thank you, Mr. Minister.

We did get a little longer than 5 minutes this time, and I am going to ask the committee for a some latitude today, because we don't get the minister on a regular basis. But I think we will have to keep it to 10, then I'll come down with the gavel if we go any longer.

Mr. Bigras, you have more than 5 minutes, so carry on.

[Translation]

Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ): Thank you very much Mr. Chairman.

Firstly, I would like to welcome you to this committee, Minister.

You said that you've been busy since you were appointed. When I look at the list of cuts that you've done to supposedly fight climate change since you were elected, I suppose amongst all of your colleagues you're seen as the champion of program cutting.

Secondly, you said that the conservative approach meant taking your time and doing things well. Nonetheless, that's all we see in terms of the fight against climate change. You scrapped over 18 programs including EnerGuide. We don't know what your strategy is to fight climate change no more do we know the content of your made in Canada option. And yet you're still announcing cuts to programs within your department.

Can you assure us that these cuts are now over? The cuts were done in accordance with a Treasury Board report conducted last fall that stated that some programs were inefficient. To not put an end to program cuts present your plan and tell us what your direction is?

Can you guarantee that there will no longer be any program cuts. I'm thinking about programs that encourage wind energy. Can you give us those assurances today?

[English]

Hon. Gary Lunn: Thank you very much, Mr. Bigras. I do really appreciate your question and the work you've done on this. I know you want to see meaningful change. To answer in reverse—because you asked me specifically on wind—wind is something that I believe is very important to Canada's energy mix and I'm very supportive of moving forward on it. Announcements will come in due course. But I do believe wind is an important part of our energy mix. That's what I'm saying.

As far as the program cuts are concerned, there was an independent review done. It was initiated by the previous government, and there were various ratings on the programs, from good, to not so good, to failing grades. The programs weren't

working, and there were over 100 programs. If some of these programs, from an independent review, were shown not to be getting the results they were intended to, we have to make a decision: should we continue with those programs? No, we didn't believe we should. Some of the programs had reached the end of what they were intended to do. They were actually completed; they weren't cut.

So it shouldn't surprise you that things are going to be done differently. You and I both know the record of the previous government. I want to give you straight answers, but even in their own government, probably some of the members had frustrations in their 13 years in office.

There were a number of programs. Of those 100 programs, there are still over 85 programs left in place. Will some of those change in the months and years ahead? I can't tell you which ones, but it won't surprise me, and I look forward to your input on which ones. Where can we redeploy money? Where can we get greater value for the taxpayer? When we're reviewing all of these programs, will we get it perfect the first time around? No. Will we be prepared to look at areas and take pieces of things that were working very well and say, this part of a program was working and maybe we can implement it in another program?

These are all the things that we're developing. We want to work with you to hear your ideas. I've said before in speeches that the largest source of untapped energy in Canada we have today, that we have not tapped into in any significant way, is the energy we waste. There's an enormous source of energy there, the energy waste. We want to do what we can as the government to invest the resources.

On energy efficiency, absolutely, we're looking at various programs. Will they be different from the previous government's? Without question. Will some of them remain the same? By all means, if they're working. But overall, yes, there will be changes. We are in a transition. I want to emphasize, talking about these program cuts, that 10% of the programs were either ended or cut, and they were not working. So we are looking forward to your input, and we're going to develop programs that we think are in the taxpayers' interest.

• (1135)

[Translation]

Mr. Bernard Bigras: How can you say you believe in eco-efficiency and energy efficiency when you cut a program like EnerGuide? That's completely unacceptable.

My second question deals with the agreement signed with the automobile industry by your predecessor. This agreement was based on a voluntary approach for industrial sectors. It had goals for the years 2007, 2008 and 2009. A first report on projections was to be conducted in 2005. Do the 2006 reports you've received indicate that the automobile sector is about to reach the targets set out in the signed agreement with regard to the reduction of greenhouse gases?

[English]

Hon. Gary Lunn: I don't have those exact numbers, but I believe Margaret might be able to help us with them.

Mrs. Margaret McCuaig-Johnston (Assistant Deputy Minister, Energy Technology and Programs Sector, Department of Natural Resources): The first report of the monitoring committee is not yet out and public; they're still gathering data. But we're optimistic that we will meet the ultimate target in 2010, and there are interim goals in 2007, 2008, and 2009. There isn't one for 2006.

[Translation]

Mr. Bernard Bigras: I understand, but article 9 of that agreement says:

Starting in 2005, the Canadian automobile industry will report its projections for GHG emissions of the next model year on November 30th, at the latest.

You have that report. Are you telling me that the automobile sector has not yet given you a report on its projection?

[English]

Hon. Gary Lunn: Mr. Bigras, we don't have that specific answer. I'm being straight with you, I don't have that answer, but I'm more than happy to get back to you with an answer by the end of today and give you the specifics.

[Translation]

Mr. Bernard Bigras: I'm sorry Mr. Minister, but this is important data, because in the green plan the reduction goals were set out at 5.3 megatons. Therefore, it's an important sector and that's why before the end of this meeting, I would like to see some figures—figures that should theoretically already be public.

Secondly, in your future made-in-Canada plan, what will be the reduction targets for large industrial emitters? We hope the plan's targets will be measurable. Can you tell us today that the plan's objectives will be measurable and to the large industrial emitters will continue to aim for the 33 Mt target?

[English]

Hon. Gary Lunn: I will be happy to try to get an answer to your previous question, but it is on a company-by-company basis. That data is being collected, and as soon as we have that data we'd be more than happy to get it to you. We will look into that.

As for the large final emitters, yes, there is a role for them to play to reduce greenhouse gases. As you know, we're working on this file, and we're moving forward. When we have announcements ready to make you'll hear about them, but you won't hear the numbers today.

Thank you.

The Chair: Mr. Ouellet, were you going to take the final two minutes?

[Translation]

Mr. Bernard Bigras: No. May I carry on with my questions? It's the Bloc's round.

In the green plan, there was a very specific 33 Mt target. Will large industrial emitters have the same target in your greenhouse gas emissions reduction plan? I know that Mr. Brown is with you and that he knows the file well because he negotiated with the large industrial groups. I admit that was no easy task. Can we say today that large industrial emitters will continue to bear the burden they had in the green plan?

[English]

Hon. Gary Lunn: All I can tell you, Mr. Bigras...and you're fully aware, you're talking about the Liberal plan. I want to emphasize that this was a plan of the old Liberal government. Greenhouse gas emissions, as you're fully aware, are 35% above the target set when they signed on to Kyoto—29% above, plus the minus 6.

Greenhouse gas emissions went up each and every single year under the old administration. So no, we are not going to accept every single part of its plan, and when we are ready to give you our details, we will. We already have announced areas where we're moving forward on reducing greenhouse gases, and I can tell you, yes, we are very much looking at large final emitters. When we're prepared to give you what we believe is in the best interests of Canadians, where we can create that balance to clean up the air and we can ensure the sustainability of where we want to go, as I've talked about in our strategic energy plan, we will let you know.

I do want to emphasize you can pull out bits and pieces of the old Liberal plan you think you might like, and I'm more than willing to sit down with you and listen to you as we evolve and develop our programs. But you shouldn't be surprised that everything the Liberals did we're not just going to pick up and say, that's great, that's what we're going to do—we're not. We're not going to.

We are going to make changes, and we want to ensure that at the end of the day we're getting results, the taxpayers are getting value for their money, and we're getting the greatest impact out of those investments. That is something where, as you can appreciate, after a government has been in power for 13 years and we take office, and we've been there for six months, we are moving forward.

As you know, we've made our announcement on renewable fuels, we've made our transit pass. We think it's important to get people out of their automobiles in some of the most polluted air basins, and yes, we're looking at other parts of the file. We're very committed with the large final emitters on carbon dioxide capture and storage. This is something where we think there's great opportunity.

So yes, we will be working with them, but you should not be surprised that every single thing the previous government did is not going to be adopted by this government, because we're not going to.

Thank you.

• (1140)

The Chair: Thank you, Mr. Minister. Thank you, Mr. Bigras.

Mr. Ouellet will have to wait until the next round.

Mr. Bevington, go ahead, please.

Mr. Dennis Bevington (Western Arctic, NDP): Thank you, Mr. Chairman.

Thank you, Mr. Lunn, for coming in today.

I think I want to follow this with my first question. I attended the SCM meeting last weekend in Montreal, and there was unanimous resolution that the EnerGuide program be reinstated in your made-in-Canada option. That's a validation from a fairly large group of serious people across the country, and non-partisan as well. That's an important consideration.

As far as our ability to analyze how we can help in terms of moving forward with a made-in-Canada option and assisting the government goes, I think it is important that we understand how the decision was made to remove the EnerGuide program. I'd like to see you table these reports to this committee, so that we could see where the program was falling down, and where we could work with you to improve that program if required.

Hon. Gary Lunn: Let me respond. First of all, these decisions, as you're aware, are not made by individuals; they are made by government collectively. So the decision to not continue with the current version of EnerGuide that was crafted by the previous Liberal government was a decision of the Government of Canada. It was made collectively, and there's nothing more I can say than that. My deputy said it was a cabinet confidence, but it was a decision by the government. Every decision that's made is a collective decision of the government. We can just leave it at that.

Let me just say that energy efficiency is very important to me personally. I believe there will be enormous opportunities for energy efficiency in homes in the years and the decades to come. Let me tell you my vision of where we are going.

There are some great opportunities in things like the heating and cooling of homes right across Canada. Ground-source heat pumps are an enormously efficient way of heating and cooling homes. The technology is there. It's been there for years. It's economical. I think we need to move the entire construction industry and the renovation industry to getting into these forms of energy efficiency.

Solar is still relatively expensive, but when I speak to people in the industry, I can see a day coming—whether it's 20 years from now—in which, when you will build a new home and put in a hot water tank, or you put in a heating or cooling system, you're going to put in a solar system, and we will have homes that are net zero users of energy. We will actually be able to put energy back on the grid. That technology exists today, and we want to support those technologies so we can move forward. Yes, we will come forward with energy efficiency programs.

There were parts of the EnerGuide program that were working, and there were other parts that were not. We're looking at those areas, as we develop our programs, which we think are in the interests of every single Canadian taxpayer. We're going to work with our provincial counterparts in the months ahead and partner with them again to ensure that we get the greatest value.

I want to say very strongly that I believe energy efficiency in the industrial sector, in our transportation sector, and in our housing sector plays a very significant role on this file, and it's something I'm very committed to. I look forward to your suggestions and to working with you.

• (1145)

Mr. Dennis Bevington: It would certainly help if we had some information about why this program was deemed inefficient. Certainly, the need to use energy audits to advance economic development in terms of retrofitting is something that I think should be taken into account and should be part of that.

However, to go on from there, I'm interested of course in some of the talk about the national energy strategy. We had the energy group here earlier this week. The energy group's framework discussion was only about the market forces. I'm pleased that you're talking about values here, and I assume that the values include the reduction of greenhouse gas emissions, improvement of the environment in terms of the use of energy, and the question of imports and exports of non-renewable resources from this country.

That brings me to the discussion around liquefied natural gas. There are two or three plants that have been approved already; there's another one coming up in Kitimat. These plants are going to link Canadians into importing energy into this country for a very long period of time. That is not going to be good for our balance of payments. That's not going to be good for the security of the nation in terms of where we're getting liquefied natural gas. I'd like to understand if the previous government has done any analysis in this regard and whether we're going to see some kind of analysis in front of this committee so that we can look at these decisions.

Hon. Gary Lunn: I want to tell you that we import energy today. We are a net exporter of energy, but as you can appreciate, we're a very large country and there are certain regions of the country where it makes more sense to import energy because it's a lot closer and a lot more efficient, and then we export more energy from other areas. That's just the way the market works. In some cases, it wouldn't make sense for the Atlantic provinces to get energy from Alberta when they have other sources that are a lot more affordable and a lot closer. Alberta is going to export its energy to other markets that are close.

That's the supply and demand of the market curve. But as I said in my opening comments about the amount of energy that we do export and what it provides to the economy.... You've heard me say publicly in the House that in the oil sands alone, the amount of money that's being invested there, and the returns, which allow us to deliver other areas in our social programs, provide a lot of revenue. There are other opportunities. We just want to make sure we do it well, which brings me back to your comment on the energy strategy.

Our energy strategy can never just be about one dimension of energy. We have to look at all the dimensions. We have to look at the social dimension. When the price of energy skyrockets, it hits the poorest of the poorest people in our nation the hardest. That's something we have to be very cognizant of. We have to remember that in our energy strategy.

There's the prosperity side, which is so important, but balanced with that is the environment. As I said in my opening remarks, we need a strong regulatory framework.

• (1150)

Mr. Dennis Bevington: Yes, but you're not importing—

Hon. Gary Lunn: We want to streamline that framework where we eliminate duplication, where we don't compromise the integrity. We can strengthen the regulatory framework but allow the certainty that the industry needs, and the security. The security of our energy supply and resource is obviously very important. Those are all parts of the energy strategy that we need to focus on and that we are focusing on as a government. With this, there are great opportunities.

Mr. Dennis Bevington: On liquefied natural gas, we've made decisions about this already. We have plants that are new. This is a new source of energy to Canada, and it's an outflow of our economy. We're going to be competing with our internal sources of natural gas for the provision of heating to homes in Quebec and Ontario. We're going to be competing with our internal sources of natural gas for the provision of gas to western industrial requirements.

So has this been decided already, or are we—

Hon. Gary Lunn: Energy is a continental market. It's not confined to Alberta; it's not confined to Canada. It's continental.

Regarding LNG—

Mr. Dennis Bevington: These aren't continental sources.

Hon. Gary Lunn: —we'll be importing LNG, and we'll be exporting LNG. Again, it's driven by market forces, and we want to make sure we're there and that, whatever we do with the development of this resource and as we export it, we come back and do things: we ensure that we provide the greatest protection of the environment and we provide the greatest security and the greatest safety.

With the size of Canada, it should not be a surprise to anybody that one region will export and another region will import, but overall, Canada's energy supply is very secure. We are a net exporter of energy, and Canadians can be very confident.

Mr. Dennis Bevington: Do I have more time?

The Chair: You can have a short one, if you want. Everyone else went overtime.

Mr. Dennis Bevington: I would like to go to another matter, which is the development of the diamond industry in Canada and the relatively rapid expansion of that industry and the need to look at it from a national perspective. We had some discussions at the committee during the mining session, and I'd like to get your thoughts on moving ahead with this kind of discussion, at the committee level, in a more organized fashion.

Hon. Gary Lunn: Mr. Bevington, there's nobody who knows this better than you, as the member of Parliament for the Northwest Territories. There is a great expansion of the diamond industry in that area, and the jobs it is creating and the development of the economy is something I will be discussing with all the energy ministers from Canada as we meet at the Council of Energy Ministers in August, up in the Yukon.

Oh, the mines ministers....

An hon. member: You said energy.

Hon. Gary Lunn: Sometimes it overlaps. We are actually meeting at the same time in the same city.

This is something we want to continue to support. I have met with some of the people from this industry. There are great economic opportunities for the north. There are high-paying, good jobs. There is value-added that can evolve as the market grows, as you and I have discussed, personally. Natural Resources Canada wants to support this industry in every way we can. We think there's a great future for it.

Mr. Dennis Bevington: I do, as well. But at the same time, there is a need to have a national perspective. We made an attempt in the previous government to move forward—

Hon. Gary Lunn: That's exactly why, when we get together, we're going to meet with all the mines ministers from every single region of this country and sit down and discuss the opportunities and the interests and where we move forward. And I think that's a great opportunity.

Mr. Dennis Bevington: That will come back, of course, to this committee.

Hon. Gary Lunn: Yes, well, I'll report. And as I said to you personally, I appreciate, as a member of Parliament from that region, your keen interest in this file.

• (1155)

Mr. Dennis Bevington: Thank you.

The Chair: Thank you, Mr. Bevington, and thank you, Mr. Minister.

We've come to the end of the first hour, and as we indicated earlier in the scheduling, we were pleased to get the minister to come this early in the mandate, and I'm pleased that you were able to fit it into your schedule to give us an hour today.

As I indicated at the outset, the officials will remain for the final hour. Because we did go considerably overtime in the first round of questioning, I wonder if I could ask you to finish the round and take a round of questions from this side of the table before you leave.

Hon. Gary Lunn: Yes, I would be happy to. I think we could stay for another five to ten minutes.

The Chair: Mr. Allen.

Hon. Gary Lunn: That's great, thank you.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you, Mr. Chair.

Mr. Minister, welcome to the committee.

The Energy Dialogue Group made a presentation to us the other day, and I just want to pick up on that in my first question.

I'm hopeful that in the future we can take a more overall look at the environment and focus on climate change, including greenhouse gas, including sulphur, including particulates, and not just on the one aspect called Kyoto. But it seems that one aspect of this that we haven't fully appreciated over the last number of years—and may not, quite likely, in successive governments—is the linkage between energy and the environment. What are you doing tangibly, right now and in the future, to make sure we keep these departments linked? I'm always worried about silos and wasting taxpayers' money on programs.

Hon. Gary Lunn: That's a great question, and you know, that has been a problem in the past. Without looking backwards, the gears of the two departments weren't meshing as they needed to mesh as you move forward. They're linked so integrally that it's the only way to actually get results and move forward.

I can tell you that I meet with the Minister of the Environment on a regular basis, every single week. I'm also pleased that it's not just at the ministerial and our staff levels, but it's also at the departmental level. The deputy and both the ADMs, Margaret and Howard, have been reaching out and have made great strides with their counterparts at Environment Canada, who have done so as well. We have sent a very clear direction that this needs to happen. This is something that both sides have been keen to say, you know what, if we're going to make this happen, this is where we need to move forward.

Just to give you some concrete examples, officials who work in my office have gone out and met with some of the industry folks in the energy sector, some of the large final emitters up in the oil sands, and they've gone as a group. They've gone as staff from both Environment Canada and Natural Resources Canada; they've gone collectively to sit down and say, we need to move forward on these files. It hasn't just been Natural Resources; it hasn't just been Environment Canada. It was very well received.

So all the right things are happening and we're going to make sure they continue to happen. It's happening at the staff level, at the executive level in both departments, and at the ministerial level. As a result of that, I think the big winners will be the Canadian people, the environment, and the industry itself.

Mr. Mike Allen: Following up on that, we saw last week with the heat wave here in Ottawa that if the energy suppliers in the eastern U.S. had experienced a similar heat wave, we would have had a problem from the margin standpoint on energy. I know that a number of electric utilities in Canada are facing that as well, to the point where we have to create supply over the next number of years.

You certainly indicated that there are some real short-term, low-hanging fruit on the efficiencies and conservation side. What can we do to move quickly on those programs to ensure that we don't end up with shortfalls?

Hon. Gary Lunn: It is a problem, and even more specifically in Ontario. It's something on which I have met with the provincial minister from Ontario to discuss this file. At the end of the day, the supply side of electricity is a provincial responsibility in every single province, but we recognize some of the strains that are put on the system. Here in Ontario, it is something that I believe is behind and needs to be looked at, and if there's any way our department can support the province in helping to find some short-term solutions for this, as we move forward.... We all remember the brownouts that happened here in Ontario only a few years ago. It's not impossible that they could happen again. So if there are ways that we can work with the province, we'll be there to support them.

At the end of the day, on the supply side of electricity and energy in different regions of Canada, I believe there are opportunities for increased wind capacity and solar production. I believe nuclear is a clean form of energy that emits no carbon dioxide gases. With hydroelectricity, there are opportunities for growth and expansion in certain parts of the country. As well, there's clean coal technology.

These are all parts that will be part of our energy mix. We want to use technology where we can to ensure we have the cleanest form of energy, and we'll support the provinces in any way we can to ensure they have the security of their supply.

• (1200)

Mr. Mike Allen: We talked about energy efficiency, and I want to get back to that because I think it's important, because lowering demand is the ultimate objective we want to achieve. We know that we want to try to cut down the administrative overhead or burden on these programs, so when your department is evaluating some of these programs, what kinds of numbers is it looking at when it draws a line that says a program is effective and cost-effective? What kind of overhead percentage do you think is realistic for us to invest in from an administrative standpoint, before a program makes the cut?

Hon. Gary Lunn: The higher the administration, one could argue, the less impact it's having on the actual environment. Right now there's a program for wind. They support wind by 1¢ per kilowatt hour, I believe, over a 10-year period. This is a very simple one to administer, very easy to monitor, very easy to figure out the amount and move forward.

I don't want to get into numbers. Some areas will have more overhead than others, but they'll have greater efficiency.

I also think it's important when we talk about efficiency to realize that efficiency cannot come just from making buildings more efficient, making cars more efficient. That's a very important part of the mix, as we see hybrids and very fuel-efficient cars, and I think we should be providing everything we can to move those forward. The Canadian people are moving in that direction—SUV sales are dropping and the sales of hybrids are increasing.

But also part of the energy efficiency side is changing how people operate, changing their mindset, making them think about energy. We waste energy in a lot of ways that we could change right now. It would be interesting to know how many members at the table leave their computers on in their offices all night. It uses a fair amount of energy. If you think about every single computer in the federal government that's left on, if they were shut down at night, how much energy would that save?

There are technologies available on our appliances; they go into a sleep mode. This is something I'm very keen on, the one-watt challenge by the G-8. Right now, your televisions are in sleep mode when you turn them off, and they're drawing 30 to 40, sometimes as much as 50 to 60 watts of electricity. There's technology available now so that when you turn those appliances off they'll draw only one watt of energy.

There are lots of ways we can promote energy efficiency, and we're going to be there to support that, to do that, to ensure it happens.

Coming back to your question, sometimes we'll have to spend more at the front end to get the big benefits at the back end, and we'll evaluate all those programs. But at the end of the day we want to ensure that the Canadian taxpayer is getting the best value for their tax dollars that we're entrusted to look after for them.

Mr. Mike Allen: Thank you, Mr. Lunn.

The Chair: Mr. Paradis, a very short one, please.

[*Translation*]

Mr. Christian Paradis (Mégantic—L'Érable, CPC): Mr. Minister, we know how important the forest industry is to Canada. Western Canada is facing problems such as the pine beetle, while at Eastern Canada faces productivity difficulties. I understand that this is no news to you, obviously, but I'd like to know how you envision the future of this industry.

• (1205)

[*English*]

Hon. Gary Lunn: I think it has a great future and it is something this government is very committed to. As you know, in our 2006 budget we committed \$400 million over the next two years to the forest sector alone—\$200 million specifically allocated to the pine beetle and \$200 million specifically to the restructuring of the industry and helping it meet some of its challenges.

I've met with the officials of the Forest Products Association of Canada. I'm looking forward to working with them. They've been very receptive in looking at how we can best provide services to them to ensure that this industry goes forward.

As we talked about earlier—and I won't get into this in any length—the Softwood Lumber Agreement has been an enormous weight around the neck of the forest industry, something that has caused it significant pain in recent years, and we now have an opportunity to move beyond that to give the industry the certainty it needs.

I think it's a very exciting opportunity. We have challenges in British Columbia with the pine beetle—no question about it. Natural Resources Canada is working collectively with the Province of British Columbia to support that industry, to do the research and put the investments in that are required.

I know the head of the Canadian Forest Service, Brian Emmett, at Natural Resources Canada is meeting with his counterparts in the province, and they're sitting down saying, it's not about B.C., it's not about Canada; it's about how we can best ensure that every dollar we spend complements the other, moving it forward to best help the industry.

The fact that we're making these investments, that there are people working on it, and that we're working with the provinces makes me very optimistic about where the forest industry can go in the next 10 years. This softwood lumber agreement is for seven years, with an option for two more years; it creates nine years of certainty. Throughout that period we can continue to ensure even longer certainty beyond that.

I think we have made absolute significant gains through this sector in the recent months, again, starting with leadership right from the Prime Minister and the Minister of International Trade to the Minister of Finance's committing \$400 million to one industry. This is a significant amount of money to commit in a budget, and it shows our commitment to that sector.

Thank you.

The Chair: Thank you.

And thank you, Monsieur Paradis, for keeping that short.

Mr. Minister, again on behalf of the committee, may I offer our thanks for making this time available today. We hope to have you back when we all have more time to get into some of these matters, but that was a good start and I very much appreciate your taking the time today to be with us.

As I mentioned to the committee, the officials have agreed to stay on until one o'clock. We can follow up with you, if you would like to make a brief closing remark.

Hon. Gary Lunn: I want to thank you for inviting me, and I want to sincerely point out that I look forward to working with all members of the committee as we move forward on these files. I want to work with you; I want to hear your solutions.

As I said in my opening remarks, what Natural Resources contributes to the Canadian economy is obviously more than significant, it's unprecedented. We want to ensure that we are there, that we support the industry, but we also want to ensure that we do the right things for the environment as well.

I look forward to your suggestions and working with you in the future, and thank you for inviting me.

The Chair: Thank you, again.

I thank the members for bringing out the more policy-oriented questions in the first round. We do have the officials here, and I'm sure there will be more questions that you may want to get into on details of the department's activities or other initiatives.

We'll start the second round with Mr. St. Amand.

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

This is to whichever one of you would like to answer a question about our aboriginal population. The minister mentioned in his remarks that there is currently a shortage of some 20,000 skilled trade individuals to fill positions, on the way to perhaps 50,000.

You folks will know that the only segment of Canada's population that is on the increase is the aboriginal sector. You'll know, as well, that the unemployment rate among aboriginals is significantly higher than in any other population group.

I'm just wondering, then, particularly with respect to development in the energy sector—the oil and gas sector, in particular, perhaps mining—what concrete plans there are to stimulate economic activity in our first nations communities, because as you know, unless a community has some economic stimulus or economic activity, it isn't going anywhere.

Can you address that? What concrete steps are being taken or are planned?

• (1210)

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

It's an area of interest, as you've implied, not just to the energy sector but also to the mining sector and the forestry sector. There are a variety of ongoing programs.

The aboriginal model forest program is one in the forestry area. We've had discussions over the last little while with a variety of companies in the energy area.

To be upfront with you, Mr. Chairman, I would have to say that we're now looking at this again. I was at a meeting the other day with a group of my colleagues, with the national chief of the first nations, Mr. Fontaine, and we've made arrangements that one of his executives is going to come over and have a chat so we can try to develop concrete programs about what we can do on this.

Two or three other deputy ministers and I are going to northern Alberta in a month to talk about labour shortages in that industry, and we plan to include considerations of what we can do for aboriginal communities.

With your indulgence, I would ask you to ask me the question again in the fall. We're conscious that you've raised a significant issue. There have been some things done in the past, but I think we would agree with the underlying premise that more needs to be done and we're working on something now.

Mr. Lloyd St. Amand: All right.

The genesis of my question, Mr. Fadden, is that my riding of Brant, about 20 miles west of Hamilton, immediately abuts the riding of Haldimand—Norfolk, in which riding the Caledonia situation is currently taking place. So it's fair to say in a non-partisan way that our first nations people are mighty frustrated, mighty upset, and want some light at the end of what they feel has been a long, dark tunnel. Certainly, economic activity being stimulated in their communities would be of great assistance.

I'll turn then, if I may, to the minister's presentation. As I understand it, the trade surplus is \$93.4 billion, which says to me, among other things, that huge profits are being made in the natural resources sector. It seems to be the case. As I understand it as well, the resource-based sector is a huge emitter of greenhouse gas emissions, so we can talk about transit passes, etc., and turning off computers, but the huge greenhouse gas emissions are emitted by the resource-based sector. What plans are afoot to have the profiteers, so to speak, do their bit collectively to combat greenhouse gas emissions?

Mr. Richard Fadden: Mr. Chairman, I'm not sure I would agree with the characterization of profiteer. It seems to me they're out trying to make a profit, like people in any industry. I don't remember the figures, maybe Mr. Brown does, but these industries pay significant taxes to the treasuries of Alberta, Saskatchewan, the other provinces, and to the federal treasury. In fact, if you think about it, the federal treasury benefits more from the oil sands than does Alberta, so a great many taxes are being paid today to various levels of government.

I have to be upfront with you, I cannot talk about the plans under way to see how we're going to deal with LFEs. My minister and Ms. Ambrose are in active discussions about this. As my minister said, I would expect he would be able to come back to you in the autumn with some concrete ideas, but he does recognize, as I think does Ms. Ambrose, that the oil sands do cause a particular challenge with respect to greenhouse gases, and it would be their intention to include means of dealing with it.

The Chair: We're going to try to keep it to five, so you're going to be really short.

Mr. Lloyd St. Amand: Not a question, just a comment.

I didn't mean, Mr. Fadden or others, to use the term "profiteers" in a condescending or sarcastic fashion; it's just a term that sprung to mind.

Thank you, Mr. Chair.

The Chair: Thank you for the question.

Without limiting the scope of questions too much, I appreciate your intent in asking that, but in fairness to the deputy and to the witnesses here, we have the minister here for the policy side of questioning today. I don't think it's really fair to push these witnesses on specific policy questions; those are for the House or for the minister, when we have him back.

With that, we'll move on to the Bloc, Mr. Ouellet.

• (1215)

Mr. Christian Ouellet (Brome—Missisquoi, BQ): I'll ask Mr. Fadden my question, or maybe my question or my comment will go to....

[*Translation*]

I would've liked to question the Minister himself. However, I will make a few observations that I would like for you to relay to him.

I agree with him that to reduce greenhouse gases, we have to turn to softer energies. Nonetheless, I would remind him that there is only one energy that is absolutely pollution free, and that's solar energy. All others pollute, including nuclear energy and its waste. Where will that waste end up in 100 or 1,000 years? Even if lobbyists would like us to believe that all will be well in 30 years, we are not there yet.

If solar energy is the only non polluting energy, we would have to invest a lot of money into it. Contrary to what the minister said, solar energy is inexpensive. It all depends on what kind of solar energy were talking about. You know as well as I do that some solar panels are very affordable. Passive solar energy costs absolutely nothing. All it requires is a bit of will. Passive solar energy used to heat water is also very affordable, but it just hasn't been developed.

I would also like to remind the minister that we spend \$5 million a year on R&D for solar and renewable energy, whereas we spend \$500 million on nuclear energy and \$2 billion on oil. There's an imbalance. When we are told that solar energy is more expensive, it's because we haven't managed to make other energies efficient yet.

I agree with him that the cheapest energy is the one we don't waste. That's very true. I was glad to hear that in his statement because we rarely do. People who come to lobby us here, such as those we met on Tuesday, don't agree with that at all. I also agree with him when he says that energy efficiency is an endless source of energy. Then why are programs like EnerGuide specifically targeted by the cuts?

There are electric engines also. A program entitled OSMCan was put in place towards the end of 2003. This program is not completed and is efficient. It was dedicated to engines running on one to 200 horses. It's a very efficient program that contributed to the reduction of GHGs because it significantly reduced the quantity of energy required to make engines run. Engines lasted a lot longer and there were much cheaper to run. This industry was largely based out of Montréal. Is it because these engines were made in Montréal that this program is targeted by the cuts? I wouldn't know.

I would've liked to remind the minister, and I'm counting on you to do so, that when he says that he will have 52 solar houses built this year, that's nothing next to what Mr. Mulroney was doing. I'm not talking about the Liberals, whom he dislikes, but of the Mulroney government. At the time, approximately 200 of those homes were built every year. I know because I was the president of SESCO back then.

So when he talks about 52 homes, it's a joke, a monumental farce. Had he tagged on two zeros at the end of that statement, had he talked about 5,200 houses a year, I would've thought he meant business. But 52 homes is a joke!

He said ground source heat is the way of the future, I agree with him, because that's the widest spread energy in Canada. But he didn't tell us what quantity he wanted to produce. In Sweden, a small country, the government announced two years ago that it would build 50,000 of those homes over three years. They weren't only talking about new homes and retrofitting like our minister. They're talking about existing houses that could be converted to ground source energy. I think this action is timid at best. Ground heating is an excellent way of reducing greenhouse gases across the country.

I would also like to point out that the Minister reminded us that a one cent per kilowatt hour of the wind energy is an efficient program. That's a one cent out of the 10.4¢ it costs to produce a kilowatt every hour of wind energy.

• (1220)

So why was the EnerGuide program scrapped if its overhead was only 12% of the budget? It's the same ratio, one cent over 10. He should be reminded Mr. Deputy Minister. It's important that he make the right comparisons.

Mr. Richard Fadden: I will make sure your comments are forwarded to him.

[English]

The Chair: Thank you, Mr. Ouellet.

Unfortunately you've gone over the five minutes with the question, so it doesn't leave any time for the answer.

We have asked and answered your question about EnerGuide, and we do want to get to the other members of the committee, so please be very brief in your response.

Mr. Richard Fadden: I'll be very brief, in the sense that Mr. Ouellet mostly asked me to transmit his thoughts to the minister, and I'll do that. But I would like to make one general comment on the areas he's been talking about.

Be it geothermal, solar, or wind, the previous government commissioned a blue ribbon panel to look at all of these things. We're about to start discussing with the provinces, and the minister intends to take these consultations into account when he recommends to his colleagues either the continuation, augmentation, or reduction of the programs in the fall.

I think it's fair to say that his mind and the minds of his colleagues are still open to these sorts of things. I go back to what he said. They've only been here for the last four or five months and that's not a long time to adjust all of these, but there are a number of review programs actively under way.

The Chair: Thank you, Mr. Fadden.

Mr. Paradis, you're going to begin. Then I'd like to move on to Mr. Trost, so please keep it brief.

[Translation]

Mr. Christian Paradis: Mr. Deputy Minister, I would like to know what the department's official reaction is to the findings of the Senate report entitled Water in the West, especially with regard to the recommendation to accelerate the mapping out of water tables.

Mr. Richard Fadden: Thank you Mr. Chairman.

We asked the minister the same question when he appeared before a Senate committee. He agreed with the existing research program and he asked me to see if it was possible to speed up the process.

As you are aware I'm sure, we hope to have the research program completed in 2010. He told me we should find resources within the department in order to accomplish it. We'll also check with federal departments if new funds could be made available.

I did not respond to your question specifically, but I wanted to give you an idea of the general direction things are headed in.

Mr. Christian Paradis: Thank you.

[English]

The Chair: Thank you.

Mr. Trost.

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

Before I start with a question I want to make a little statement. Committees being committees, we often wander off topic. I hope you'll forgive me for this, but there's got to be a forum to say the odd thing now and then.

One of the things Natural Resources and Environment...and we generally get way too many questions here at committee on Kyoto, climate change, and all that. But one of the things that I think should be noted is that not everyone in this world is quite as enthused about the whole spending on climate change, or is quite as convinced that it is actually a man-made thing that's happening.

To back my opinion, I'll cite things like the Heidelberg Appeal, which had 4,000 signatory scientists, including 72 Nobel Prize winners; and the Oregon Petition with 8,000, etc. They're basically calling for a debate on whether or not the questions that are presumed to be answered are actually being answered.

I have seen surveys. One was commissioned by the American Meteorological Society and the American Geophysical Union. They hired the Gallup polling firm to poll climatologists on whether or not man-made or human warming was actually occurring. These being North American scientists, 49% said no, approximately 17% said yes, and a percentage in between said maybe.

So I guess I'm saying that when you have discussions with your environment colleagues, or give advice to the minister or something, be cognizant of that opinion out there. I'm not really asking for a response on this statement; I'm just saying there are members of Parliament who sit in support of the government who don't totally agree with everything, in all the spending and so forth. We're a little concerned about \$2 billion over five years. We're not quite as convinced with the entirety of the rhetoric.

So I'm not really asking for a response. It's just that in committees you sometimes need to say things that are out there. At least there should be a debate. I know that Natural Resources is open to scientific opinion, debate, and so forth. I commend the department for that. As I've pointed out, I don't think Nobel Prize winners are generally viewed as flat-earth scientists, nor are members of the American Meteorological Society or the American Geophysical Union. So that's just a comment I want to start off with.

Now, to get to something that's probably more relevant to your responsibilities and to this committee, the Office of the Auditor General came out with a report, and part of it mentioned Natural Resources Canada and the management there. One of the statements she made was:

Natural Resources Canada has been working on a number of significant issues. However, the Department does not have a corporate strategic plan that addresses its legislative mandate and government priorities, is communicated to staff...

It goes on from there, and I'm sure you're all well aware of it.

I'm very curious. I understand you have been taking steps in responding to the Auditor General. I wonder if you might elaborate on what you've been doing to correct some of the questions that the Auditor General raised.

• (1225)

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

You're taking me back to two weeks after I was appointed to my current job. Your colleagues in the public accounts committee in the former Parliament also asked a similar question.

Mr. Bradley Trost: I've given you a little more time.

Mr. Richard Fadden: This is true.

I told the committee then—and the Auditor General was sitting next to me—that I thought she was being a little bit unkind when she characterized the way the department was carrying out its responsibilities. You don't necessarily need to have a formal plan with three gold stamps on it to mean that you're coordinated and know what you're doing.

Since then we have developed an overarching corporate approach to things. I had undertaken to give it to that committee in the previous Parliament. We suspended work on that a little bit at the time of the election, as we're required to do, and we're just about ready to talk to the minister about it.

I apologize, but I don't think I'm in a position to tell you a great deal about it, because we haven't had a substantive conversation with the minister. We did take the Auditor General's comment in general and have been working on it. If you ask us the same question in the fall, I think I would be able to give you a fairly concrete answer. I'm sorry I can't do better now.

Mr. Bradley Trost: That's fair enough. I wasn't quite sure where the planning was. I understood there was some work done. I thought maybe it was farther along.

I'll then go on to paragraph 1.2 of her report, where she pointed out, "The Department is the federal lead in developing civil emergency plans for co-ordinating federal response to emergencies in a number of areas...". Maybe your answer's going to be similar to the previous question, but what can you tell me about what you're developing and what stage—basically as much as you can? I know the minister will have more detailed questions than I can bring.

Mr. Richard Fadden: This is an area where we have in fact made a fair bit of progress since the hearing with the Auditor General. I can't quite remember, but it's 11 or 12 areas where the Emergencies Act requires the department to take the lead.

We have developed draft plans at the strategic level in every single case. We've gone down one level of detail to try to make sure that when an emergency actually happens, we have practical processes set out for people to deal with it. They are now tentatively in place.

For example, we opened the new operations centre in the department to be able to deal with these. Mr. Brown's sector is responsible for electrical reliability, and there's a specific plan to deal with that. If you were interested in asking him, I think he could tell you about it in a little more detail. It involves coordinating with the provinces to make sure we know who is involved in the provinces in terms of the sharing of electricity. We have similar arrangements with the United States. We have written arrangements now with the United States to deal with the sort of blackout that occurred in Ontario. We also have plans to ensure that notices of these kinds of events are put out in a very organized fashion.

There is another one where I in fact disagree and continue to disagree with the Auditor General, for example, when she said that our department's plan for dealing with mine disasters was inadequate. I had to remind her that this is a provincial responsibility. NRCan is responsible for one mine, and it's one mine that we own.

We have a plan for that. One of the difficulties we have in this area is that the actual resources are owned by the provinces. A large part of what we do is to coordinate and make sure that their plan and what we can do with the federal government are on the same wavelength. I think we've done that fairly effectively.

Perhaps you'd be interested in having Mr. Brown tell you a little about electrical reliability.

• (1230)

Mr. Bradley Trost: Well, since the chair is not watching the time, I'd take this opportunity.

Mr. Howard Brown (Assistant Deputy Minister, Energy Policy Sector, Department of Natural Resources): I'd be happy to come back at another time to tell you in detail about our responsibilities for electrical reliability.

I only have one small clarification. The federal government is of course not directly responsible for the reliability of the electrical system; it's the responsibility of the provinces. We are responsible for the federal government's role.

It's actually a little broader than that. More broadly, we are the lead federal department on supply disruptions in energy. Since taking over as deputy, Mr. Fadden has reminded the executive committee on several occasions that we are deficient in this area and we should do better. I think that I, Margaret, and the other ADM's are taking that to heart.

If I could give a little good news, I think one area where we're responsible is coordinating international cooperation in the event of a disruption in the supply of crude petroleum. This happened last fall. We're still working our way through the evaluation of how that worked, but I think that on the whole we did what we needed to do, and the International Energy Agency as a whole had a plan that worked. While I think we need to do better, I think we've started on that and there are some positive developments for plans that we have in place.

Mr. Bradley Trost: Thank you.

In the 30 seconds that are left, I'd suggest to the committee, with no major insistence, this might possibly be an area that we might look at further in the future.

Mr. Richard Fadden: Yes, I was hoping to do that.

The Chair: Thank you, Mr. Trost.

Yes, I think all of us had that notion when we spoke with the minister and the officials. The exercise today and for the past month is to be exploratory in terms of areas that we wish to pursue further. We would welcome input from the department on areas that you think might benefit from perusal by this committee.

Mr. Cullen.

Hon. Roy Cullen: Thank you, Mr. Chairman.

The minister mentioned hybrid vehicles. Has the department ever done any work on looking at an incentive because of the price spread? I know they have something in the United States. In fact, I'm told that the demand there is outstripping supply and they might even be looking at getting rid of the incentive. I'm not sure we're at that stage in Canada. Has the department ever looked at that?

Mrs. Margaret McCuaig-Johnston: The former government had in fact asked the National Round Table on the Environment and the Economy to look at exactly this question of rebates and feebates. The report came in a number of months ago and recommended that no action be taken on that issue now and that further work needed to be done.

We're taking the analysis that was done in the sector under advisement, and there are some further discussions with environmental groups and with the sector. It's something that in the medium term is potentially part of it.

Hon. Roy Cullen: Could we get a copy of that report? I imagine it's on their website, but—

Mrs. Margaret McCuaig-Johnston: Yes, that's right, it's on their website.

Hon. Roy Cullen: It's on their website, okay. I'm interested in it.

The Chair: Mr. Cullen, I haven't been able to advise the committee of this yet, but we have invited the commissioner and the round table representatives, as you requested. They will be appearing before the committee on June 20, so you'll have an hour or so to question them directly.

Hon. Roy Cullen: I'd be curious as to the rationale for that; nonetheless....

On the question of state-owned enterprises owned and operated by the People's Republic of China, they've been sniffing around the world, for reasons that are in line with their public policy interests, I guess, to acquire natural resource companies. We had China Minmetals looking at Noranda, and there are other companies looking at oil companies in Alberta and in other parts.

Now I'm just wondering what the role of NRCan would be. I know it's a question under the investment review act whether it's in Canada's strategic or national interest.

I didn't have time to ask the minister this, but it would have been a good question for him. What would go into the mix in terms of looking at whether it would be in Canada's national and strategic interest to allow state-owned enterprises, owned and operated by the People's Republic of China, to acquire one of our natural resource icons, be it an oil and gas company, a forestry company, or a mining company? What would your role be in that discussion?

• (1235)

Mr. Richard Fadden: I think, as you pointed out, Mr. Chairman, it's fundamentally a responsibility for Industry Canada. The way I understand Industry Canada works, it relies on the sectoral department in which the operation takes place to provide a detailed description of the sector, the economic impacts of the proposed purchase, and things of that nature.

So we would be in the nature of an expert witness—if you forgive the reference to the court system—and the criteria that are brought to bear are those prescribed in the Investment Canada Act. We're basically in the role of an expert witness to describe the sector and the consequences, pro and con, of what the foreign investment would be.

Hon. Roy Cullen: Well, I hope you'd also strongly assert the interests of the natural resource economy in that particular context as well.

If I could, just to change subjects, we're exporting 99% of our diamonds in pretty much a raw and uncut state. I've had people tell me that what we should be doing in Canada is setting up a bourse, a diamond commodity exchange. It wouldn't be feasible in Yellowknife, notwithstanding their best intentions. I started a dialogue with some of my colleagues in that area in the last Parliament.

I think they've made some efforts in Yellowknife and beyond to do some cutting and polishing, with some success. But I'm told that if you set up an exchange like they have in Antwerp and other parts of the world, then the value-added starts to move from that, because people want to be close to where the diamonds are being exchanged—and it's a matter of cutting, polishing, and points beyond, in terms of value-added. And it has to be in a large cosmopolitan centre to make it work.

Does the federal government have the authority, through NRCan, I presume, to direct that a proportion of those diamonds—30%, 40%, or 20%, whatever the number is—go into a diamond exchange in Canada, if it were shown to be feasible and a desirable place to go, for value-added processing in Canada? Has the department ever looked at something like that?

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

I think the short answer to the question is no. That would imply that the federal government has the capacity to take a natural resource and direct its end use. Mr. Lunn has made it very clear that this federal government has no intention of taking control of the natural resources, which are the responsibility of the provinces. There are a variety of federal powers that are brought to bear on natural resources, but how they're treated is not one of them.

Having said that—

Hon. Roy Cullen: Isn't it slightly different with the Northwest Territories, because we collect a lot of revenues directly?

Mr. Richard Fadden: It is, but the basic position is that it's a natural resource, and once it leaves the Northwest Territories, the federal government loses jurisdiction.

Having said that, this has been discussed by mines ministers and officials who deal with mines, and we have made a little bit of progress in talking amongst the provinces—because in the final analysis, I think you'd need the provinces to agree. There's a bit of a disagreement, I understand, between the provinces about where that centre you were talking about might be, which has slowed things down. But if I remember correctly, it is on the mines ministers' agenda again this year.

I'm afraid I don't remember any more details, Mr. Chairman. It's a relatively specific question. I'd be glad to get more information if you'd like.

Hon. Roy Cullen: If you could.

Also, for the mines ministers in the briefing, if you wanted to suggest Etobicoke North, that would be fine as well. There are a lot of “rough” diamonds there.

•(1240)

The Chair: I welcome Mr. Tonks to the committee, who is sharing his time with us from the Legislative Committee on Bill C-2.

I always appreciate it when you're able to come by, Mr. Tonks. I'm sorry you missed the minister.

Mr. Alan Tonks (York South—Weston, Lib.): Thank you.

The Chair: We'll go for another round. It's out of sequence, but it's a special day, so we're going to let Mr. Bigras take the last five minutes.

[*Translation*]

Mr. Bernard Bigras: Thank you very much Mr. Chairman.

I would like to delve a little bit further into the agreement that was signed with the automobile industry. I would like to know if all of its provisions were fulfilled. Article 6 mentions that no later than 180 days after the protocol is signed, i.e. April 5, 2005, the Joint Committee comprised of government and all industrial sectors will present an operation plan to enforce the agreement and that the plan will have to be ratified by both parties, i.e. government and the industrial sector.

Has the plan been tabled and has it been approved by the entire industrial sector?

Mrs. Margaret McCuaig-Johnston: Indeed, a plan has been submitted and according to my information, it will be finalized by the committee.

Mr. Bernard Bigras: If I understand correctly, the automobile industry approved the operation plan.

Mrs. Margaret McCuaig-Johnston: That's correct.

Mr. Bernard Bigras: On the other hand, industrial sectors had until November 30, 2005 to submit the results to government or to this committee.

Have all businesses submitted this plan?

Has the whole of the industrial sector presented a plan on its projections for GHGs? There were targets. On the other hand, there's talk of a report on results scheduled for November 30, 2005. Have all these reports been tabled?

Mrs. Margaret McCuaig-Johnston: I will check, but I believe all reports have been filed. As far as I know, all of the agreement's provisions have been fulfilled.

Mr. Bernard Bigras: May I add something else?

[*English*]

Mr. Richard Fadden: Mr. Chairman, I was only going to say that Monsieur Bigras is asking very specific questions. We would be more than happy to provide specific answers to both the questions he has asked and those he might want to ask, but when we prepare, it's impossible to be able to cover absolutely every area under the jurisdiction of the department.

Madam McCuaig-Johnston is responsible for this area, but she also has a great many others, so I would ask for your indulgence. We would be more than happy to provide additional answers.

[*Translation*]

Mr. Bernard Bigras: Mr. Chairman, I will submit my questions in writing. Would it be possible to answer all of these in writing as well?

Mr. Richard Fadden: Yes.

Mr. Bernard Bigras: If one of the parties fails to fulfill the agreement, the government can turn to the regulations. Does Natural Resources Canada have regulations in the works in the event one of the parties withdrew from the agreement?

Mrs. Margaret McCuaig-Johnston: There are none currently, but the government always retains the ability to regulate.

Mr. Bernard Bigras: So there are currently no draft regulations.

Mrs. Margaret McCuaig-Johnston: Our department has none.

[English]

The Chair: I'm sorry to interrupt, Madam McCuaig-Johnston, but I think we've gone a little beyond the scope of this committee with the questions.

If you have specific questions like that, I think it's generally understood that all the departments are quite willing to accede to requests from members of Parliament at any time; they don't have to come through the committee. But in this case, as Mr. Cullen has suggested, if there are specific questions, past practice is that they might be submitted through the clerk, who could forward them on and seek responses for you.

[Translation]

Mr. Bernard Bigras: Very well.

[English]

The Chair: In any event, that's probably good for the day.

I think we'll make one more exception, with the consent of the government members, for Mr. Bevington to have one short follow-up. Then, we'll wrap it up.

• (1245)

Mr. Dennis Bevington: Okay, I'll keep it brief.

Thank you, Mr. Chair. I just want to follow up on my colleague's remarks on the renewable energy technologies and the need to really understand where we're going with that.

It would be good if we could have a presentation on the state of the geothermal industry. I know that under the REDI program there were no subsidies available for geothermal, but geothermal can also include a number of components, including air-to-air heat pumps and water-based heat pump systems. So I think it would be very good to have a presentation on geothermal at some point.

On solar thermal energy as well, I think we have some industries in Canada right now that are fledgling and will be impacted by the lack of support for these industries. We have to be pretty careful with these, to ensure that they continue. I can't say it enough: the solar thermal industry in Canada is huge. We've seen in Europe, where they have a third less solar insulation on average and they're doing very well with solar thermal energy in all their buildings. We really need to approach this very quickly and very carefully to ensure that the industry we do have starting in Canada gets some added incentive to move on.

We've lost some of those programs. How can we get them back on this government's agenda? I'd like to see those two industries brought forward to the committee so we can take a look at them, because they're both great opportunities.

The Chair: I think that was more of a statement than a question. It is something that has been of interest to the committee as well. I think this is a good suggestion. I've just been discussing with officials at this end of the table about trying to extend the hearing we're going to have next week. If we could have somebody from

geothermal come along, we will add that to the list on our discussion of renewable fuels next Thursday.

So with that—

Mr. Christian Ouellet: Mr. Chairman, on geothermal, there's a new association. I think it was incorporated a year ago. I know the person who takes care of it is very knowledgeable, and as far as I can remember, his name is Denis Tanguay. The association is a Canadian association from coast to coast. I think it would be very interesting if we could invite him, because he knows all about geothermal. That's one thing.

Last week, somebody mentioned somebody from NRCan who has good experience in alternative energies. His name—I don't know him personally—is Graham Campbell. I wonder if we could invite this gentleman, because it would be a help.

The Chair: I thank you for that. We had sent out the request some time ago to all members to submit possible witnesses. The clerk is working on that. I'll take your point. My only concern is the short notice and our requirements for things like notice and translation and all that.

Mr. Christian Ouellet: You could postpone that to the fall.

The Chair: It may be just a little tight for next Tuesday, but we will keep it in mind. I think it's a general consensus of the committee that we would like to hear that. I'm leaving it to the clerk to see what can be done.

With that, I'm going to wrap.

Excuse me. Ron.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): I was just going to say, Mr. Chairman, I'd invite Mr. Bevington and any members of the committee who are ever in Kelowna—Lake Country.... We have a partnership with Natural Resources Canada and the provincial government of B.C. and the power company where we have a 2,000-lot subdivision using ground-source heat pumps. They've partnered with their own utility and they're using it as a developer's marketing tool. So it's the features, the advantages, the benefits for the consumers, where they're saving money, and they're also helping the environment.

There are some real success stories out there.

The Chair: Sorry, that would be where?

Mr. Ron Cannan: I'll even buy you a glass of wine if you want to come out and visit me.

The Chair: That would be where, again, Mr. Cannan?

• (1250)

Mr. Ron Cannan: Kelowna—Lake Country, the Okanagan Valley.

Mr. Alan Tonks: That sounds good to me.

Mr. Ron Cannan: Come on out and we'll get you some apples, or whatever you need.

The Chair: Thank you very much, again, for your patience and your responses. Thank you very much for attending.

With that, we are adjourned to the call of the chair.

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