



House of Commons
CANADA

Standing Committee on Natural Resources

RNNR • NUMBER 042 • 3rd SESSION • 40th PARLIAMENT

EVIDENCE

Tuesday, February 8, 2011

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Chair

Mr. Leon Benoit

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• (1530)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good afternoon, everyone. Welcome.

We are here today to continue our study on energy security in Canada, and we're back to the topic of the oil sands.

We have just one panel today, for an hour and a half. After that we go into future business of the committee.

The three witnesses we have today are Elizabeth Dowdeswell, former chair, Oilsands Advisory Panel. Welcome. We have, from ConocoPhillips Canada, Joe Marushack, president. Welcome. And by video conference from Calgary, we have Peter Tertzakian, chief energy economist and managing director, ARC Financial Corp. Welcome to you, sir.

We will have the presentations in the order listed on the agenda, and we'll start with Ms. Dowdeswell.

Please go ahead, for up to seven minutes, please.

Ms. Elizabeth Dowdeswell (Former Chair, Oilsands Advisory Panel, As an Individual): Thank you very much, and good afternoon, everyone. It's a great pleasure to have been invited to speak with you today.

One of the most vexing challenges of our times is how to meet ever-increasing energy needs in a responsible and environmentally sustainable way. I think you'd agree that any analysis of the current state of geopolitics and economic development in a carbon-constrained world reveals a pervasive sense of insecurity about future energy supply. So your study is not only timely but of considerable importance.

I appreciate your acknowledgement that any discussion of Canada's oil sands could not take place without considering the scientific facts and evidence that must underpin any responsible development of this important resource. That certainly was the fundamental tenet that shaped the analysis and recommendation delivered in December by the independent advisory panel on monitoring the Athabasca River and surrounding waterways.

As you know, at the end of September 2010, the former Minister of the Environment, the Hon. Jim Prentice, asked a very straightforward question: does Canada have a world-class monitoring system in the oil sands area? And if not, what changes would we recommend to make it so? This was a 60-day charge, a very short time. But the charge to the panel was a direct response, I think, to serious concerns that had been raised by Dr. Schindler and his

academic colleagues at the University of Alberta. Conflicting scientific opinions called into question the availability of credible data that are so essential to sound policy decisions and also to the enforcement of legislation and regulation. It was my privilege to chair that panel, to coordinate and oversee the work of five eminent scientists who comprised it.

In the short time we had, we reviewed an extensive catalogue of documentation, including key peer-reviewed scientific publications. The panel was made aware of but did not attempt to duplicate numerous studies of oil sands development that had been or were in various stages of completion. Nor did we undertake original research to validate the observations and conclusions contained in these studies. All of this documentation was supplemented with interviews and discussions with federal and provincial government experts, representatives of selected first nations, recognized academic experts, industry practitioners, and non-governmental organizations, as well as of course a site visit.

The focus of our very brief study was to try to articulate the principles for design and implementation of an effective monitoring system. Then we wanted to determine whether or not the current system actually incorporated those principles. In other words, would the system help decision-makers make correct choices and sound trade-offs, both now and in the future?

The panel was unanimous in finding the current system wanting. We found fragmentation of effort. We found a lack of leadership and coordination. We found that activities were not integrated. We found that activities were not always credible because they lacked scientific rigour. We also found that raw data and information were not transparent and accessible in a timely manner in order to allow parties to draw their own conclusions and make their own basis for the judgments. We did not have confidence that the current approach was or would be sensitive to a very fast-paced, dynamic, and extensive oil sands sector or to changes either in technology or in climate, for example.

We believe that until these significant shortcomings are addressed, there's going to continue to be debate about the data, and about uncertainty and public distrust, both of industry's environmental performance but also of government's oversight.

So our principal recommendation, entirely accepted by the federal government through Minister John Baird, was that a shared vision for monitoring, which would align priorities, policies, and programs, be developed collaboratively among stakeholders, and that a holistic and integrated monitoring system and management framework be developed and implemented. Furthermore, we suggested some key elements of the approach.

• (1535)

We were not naive about the challenges of managing in a multi-jurisdictional setting, but it was our view as a panel that this ambitious vision of a very impressive socio-scientific project was simply too big, too complex, and too important to be undertaken by any one jurisdiction or sector. A new, credible, coherent, and collaborative governance model is required to build public trust. The pace and scope of change in the region and the growing expectations of stakeholders require no less.

The panel observed that Environment Canada has considerable credible science capacity and a mindset that recognizes the reality that environmental systems are integrated and holistic, and environmental media like water, air, and wildlife interact and affect each other. Any responsible monitoring system must reflect this reality.

We were pleased that when we delivered our report in December, the government pledged to respond immediately. Specifically, and appropriately, Environment Canada pledged to exercise the visionary leadership we called for to design the first component of a monitoring system with some urgency within the next 90 days, and to do so in collaboration with the Province of Alberta and other stakeholders. I don't claim to know the details of how Environment Canada is reacting, other than to say I understand that the project is well under way and on track to be completed on time.

It was a genuine privilege for the panel to contribute to this evolving dialogue and policy development about such an important issue. We believe that the establishment of a world-class system is absolutely fundamental to not only long-term environmental sustainability but to economic viability and, most importantly, building trust and confidence in the eyes of Albertans, Canadians, and the international community.

Thank you, Mr. Chairman.

• (1540)

The Chair: Thank you very much, Ms. Dowdeswell, for agreeing to chair the panel and do that work, and for coming here today to talk about it.

Mr. Marushack, from ConocoPhillips Canada, please go ahead with your presentation for up to seven minutes.

Mr. Joe Marushack (President, ConocoPhillips Canada): Thank you.

Good afternoon, Mr. Chair and members of the committee.

Thank you for the opportunity to be here today to share my company's views on energy security, particularly on the oil sands and the vital role they play in meeting future energy demand.

I know CAPP and others have been here to talk about global demand and that we'll need all forms of energy to meet it in the decades to come. ConocoPhillips shares that view.

Any vibrant and growing economy requires a secure and consistent energy supply. In order to meet our energy needs as a country and as a continent, supply diversity is critical and will entail the use of a combination of many energy sources. These sources must include conventional and unconventional, oil and natural gas, coal, nuclear power, as well as renewable resources.

The Canadian oil sands will play a vital role in helping meet the worldwide need for additional energy.

Because we believe we see increased demand in worldwide energy for the foreseeable future, we encourage governments to ensure a balanced energy policy approach. These energy policies should not discriminate against fuel sources, as all sources will be needed to meet significantly higher global energy demand in the coming decades.

I'd like to give a brief overview of my company. ConocoPhillips is an integrated energy company with interests around the world. We are active in exploration and production, as well as refining oil and gas into usable products.

With a global workforce of about 30,000 people, we operate in over 30 countries, including Canada. Our Canadian operations are headquartered in Calgary. In Calgary, we have a leading land position in the oil sands, and we are one of the country's top three producers of natural gas. We have substantial potential future developments in the Canadian Arctic region, as well as actively working on the Mackenzie gas pipeline project. We are also participating in the current NEB offshore Arctic drilling discussions.

In Canada, we have about 2,000 talented and committed employees. These employees are primarily based throughout Alberta, but with a presence in B.C. We invest significant capital in our Canadian asset base. We've invested between \$1 billion and \$2 billion in Canada every year for the past four years.

Occasionally, I'm asked what I see as my most important role as ConocoPhillips Canada's president. My most important role is the function that makes sure our employees and contractors recognize working safely as their most important day-to-day goal. We're committed to seeing that we minimize the risk of injury or environmental occurrence. We believe it is impossible to have a truly efficient operation if it isn't a safe place to work.

I also see my role as setting the tone for how we want to develop our oil sands and gas assets.

We're very proud of our Canadian operations. They're among the best in our global portfolio, and we see enormous potential here, especially for our oil sands business.

With regard to the oil sands developments, we're focused solely as an in situ development producer, using the steam-assisted gravity drainage, SAGD, process. We're likely the second-largest SAGD producer in Canada at the current time.

We currently produce about 60,000 barrels per day, net, from our oil sands assets, and we hold some 16 billion barrels of potential resource.

We're the operator of the Surmont developments, holding a 50% working interest in these. We're a 50% co-venturer as non-operator in the Foster Creek and Christina Lake projects, and in addition, we hold leases in the Athabasca region.

We acknowledge there are environmental challenges, and we believe technology is the key to mitigating them. We're investing in improving and applying technology across all aspects of our business.

There has been substantial discussion about the potential of the Canadian oil sands. The oil sands are one of the largest and most reliable long-term sources of energy in the world, second in size only to Saudi Arabia. They represent about 14% of the global oil reserves and about 51% of the world's accessible reserves. They are essential for Canada's energy security.

National security also has to include a view on how the resources will aid in the creation of jobs in Canada. We see the oil sands creating thousands of well-paid jobs for decades to come and adding billions of dollars to the national tax base.

One of the unique international aspects of our Canadian oil sands development is that the government approvals are subject to a rigorous regulatory regime that is open to scrutiny from the citizens of Canada.

I'd like to focus for a moment on the benefits of our local communities in the regions, because we spend a great deal of time and energy creating those direct and indirect opportunities.

We're very active in the local aboriginal communities nearest to our oil sands assets. We work to create capacity to ensure community members fully benefit from the oil sands developments.

In the development and construction of Surmont 1, more than \$60 million was spent on services provided by local and aboriginal businesses and contractors. For Surmont 2, we plan to spend \$175 million on services provided by local and aboriginal businesses and contractors.

• (1545)

We work to ensure that we have contracts and activities of a size and scope so that local communities can participate in the development of these assets. We believe that in doing so, over time, sustainable businesses will thrive in these communities and they will be able to add capacity and further participate in even larger ways on larger developments. We also provide substantial amounts of funding for community-level programs—

Hon. Denis Coderre (Bourassa, Lib.): A point of order.

The Chair: A point of order, Monsieur Coderre.

Hon. Denis Coderre: It's a nice point of order.

Would you speak a little slower? There are some fumes coming out of the translation.

Mr. Joe Marushack: I would be happy to.

Hon. Denis Coderre: Thank you. That was a nice point of order.

The Chair: Continue, please, Mr. Marushack.

Mr. Joe Marushack: I will slow down, sorry.

We provide a substantial amount of funding for community-level programs. This includes important local community initiatives and training.

With regard to oil sands technology, we're planning to spend over \$300 million over the next five years to advance heavy oil technology for our worldwide operations. A significant portion of this will be spent in the oil sands to improve environmental and economic performance of our projects.

Our technology development is focused on managing greenhouse gas emissions, reducing water use, and minimizing land disturbances. I could cite several examples, and would be happy to do so, but in general, each concept is either focused on reducing the steam-oil ratio, improving recovery, lowering our greenhouse gas emissions, or reducing the size of our oil sands footprint. Improving our environmental performance has a dual benefit in that less water, energy, or land almost always improves economic performance.

Our technology program is exciting, but we're also doing other work to reduce our impact through pioneering best practices. Faster forests is one example. We have planted 130,000 trees so far in this program for reclamation and will be expanding that effort. We have a comprehensive sustainable development portal on the web, and that has many more details about our programs. I invite you to visit it.

In addition to industry's role in the oil sands development, it is obvious that government plays a significant part in securing and delivering the value of these resources. Specifically, we believe governments should support the continuation of a world-class and cost-effective regulatory system and the establishment of fair policies for industry that encourage responsible and economically viable oil sands development.

One of the key attributes of the Canadian regulatory process is its transparency. We believe government policy must ensure access to markets and fair international competition for bitumen. We encourage maintaining competitive fiscal regimes that enable companies like mine to compete for capital within our global portfolios. We believe governments have responsibilities to develop coordinated climate and energy policies that promote energy efficiency. We're open to discussions about how governments can best support and facilitate technological developments.

In closing, ConocoPhillips believes oil sands developments will enhance Canada's economic energy security. Development of these assets can be achieved in a manner that powers our national economy, preserves and creates jobs, and ensures quality of life for Canadians. We're proud to be part of this exciting future. I'm honoured to be with you today and would be pleased to answer any questions you may ask.

The Chair: Thank you very much for your presentation, Mr. Marushack, president of ConocoPhillips Canada.

We go now to our final presenter for this panel, by video conference, from ARC Financial Corp., Mr. Peter Tertzakian, chief energy economist and managing director.

Thank you very much for being with us today, and for your patience. Go ahead with your presentation, for up to seven minutes.

Mr. Peter Tertzakian (Chief Energy Economist and Managing Director, ARC Financial Corp.): Thank you, Mr. Chairman and the committee, for inviting me to speak.

Just as a quick background, I am chief energy economist and managing director of ARC Financial. ARC Financial has been around for over 20 years. In the past 10 to 12 years, it has raised \$2.7 billion from domestic and foreign sources to invest in Canada's energy industry, predominantly the oil and gas business. We are investing mostly in oil and gas and oil and gas services, including the oil sands, and we continue to do so.

The topic today is energy security, in particular with respect to the oil sands. Energy security, as I think of it, has a number of different dimensions. It's a relatively nebulous term. We can think of security as either being our own Canadian security, continental security, or if the world feels secure in its energy needs that makes us all feel secure. To me, it's a rather difficult question or context to be speaking in.

I'm not an environmental expert on the oil sands. My expertise spans a couple of different dimensions. One is understanding how societies evolve with their energy needs and fulfill those energy needs on the supply side, and the changes that occur over time as unsustainable events occur. I translate those trends into investment theses, which my firm then takes and decides how to allocate capital into different types of energy systems and commodities.

I'm also following very closely the Canadian oil and gas business in terms of the financial flows, how it is that the Canadian oil and gas industry has evolved over the last 100 years, and what it is that makes it profitable or not profitable. The oil sands are indeed a very large part of that.

I will speak about the oil sands, but I have to tell you that speaking exclusively about the oil sands is a very limiting conversation. I do believe you really have to look at the hydrocarbon economy in general within Canada: conventional oil, oil sands, and natural gas all together. I don't really think you can disaggregate one of those commodities out of the other, because they all tap into the same labour pools and the same capital pools. So again, it's complex to be thinking about isolating just the oil sands out of the entire industry.

I am going to highlight two big issues that face us as Canadians and the industry. But as a backdrop to that, the sale of all upstream

hydrocarbon products—oil, oil sands, and natural gas—amounts now to about \$100 billion a year, or \$270 million per day. The sale of oil sands products as a total of that \$100 billion is about \$36 billion per year. It is actually the largest product selling commodity in Canada.

The things that concern not only my firm but also me as a Canadian citizen are that we have made a conscious decision for almost a century to export our hydrocarbons. I'm very concerned that we are not maximizing the value of those hydrocarbons in a global context. In other words, we sell our hydrocarbons at a discount, and we, as Canadian citizens, are not optimizing the value. The principal issue is that we are selling into one market, the United States market, which now has a flat to declining demand. It is also not as wanting of our hydrocarbon commodities as other global players.

If we consider that the discount we are receiving, whether it's on the natural gas side or the oil side...we conservatively estimate that at 10%, that is a \$10 billion a year loss of revenue. Every Canadian should be very concerned about this and the royalties and taxes that are mitigated as a consequence of this. The discounts are not narrowing; they're actually widening.

● (1550)

The second big issue I'd like to highlight is that this \$100 billion a year that comes into our economy, in particular the \$36 billion from the oil sands, which is growing, is a very large sum of capital. And \$55 billion of that \$100 billion is reinvested back into the oil and gas economy.

We in Alberta in particular are a very small labour pool. That means we are very susceptible to wage and service inflation. And these inflationary pressures are building up again. That is a detriment not only to the oil sands, as costs go up and commodities are potentially priced out of the global market; it's also inflation that spills over into other segments of the economy and certainly into other segments of the hydrocarbon economy. The inflationary forces are something we need to be very concerned about. They spill over into issues such as human resources and how we are going to tap into skilled labour and labour pools going forward.

That's a backdrop to some of my thoughts. As I said, two big issues as they relate to the hydrocarbon economy, in particular the oil sands, are first, not maximizing the value—having widening discounts, which we are seeing for both natural gas and our oil products—and second, the cost inflation we see.

I'm going to leave it at that. If the discussion takes us into other areas of concern, I can highlight those as well. But in the context of the time I have, that's all I'd like to say.

● (1555)

The Chair: Thank you very much, Mr. Tertzakian, for your presentation today from ARC Financial Corporation.

We'll go now directly to questions and comments, starting with the official opposition.

Monsieur Coderre, you have up to seven minutes.

[*Translation*]

Hon. Denis Coderre: Thank you, Mr. Chair.

I am impressed, once again, by the quality of our witnesses today. Ms. Dowdeswell,

[*English*]

you spoke about lack of leadership and lack of scientific rigour. You talked about the lack of monitoring. And I agree. I myself went out in the field, and that's the first thing you realize. You have the federal government. You have the provincial government. Some in the industry are saying that we should get our act together. There's a role for both to play, of course, while respecting jurisdiction and conventions.

This will sound like a political question, but it's not. Since you feel that the monitoring process is not that accurate right now, if you were able to take a decision...? There is more and more productivity. There are more and more projects. I'm against a moratorium, for the record. Do you think we should slow down new projects and wait for those monitoring processes, for the sake of quality of life or for the sake of the industry itself, so that they might not have a bigger problem in the future? How do you perceive that? With your round table, with your panel, you had those kinds of issues to look at. If the scientific data is not all accurate, of course....

I also met Mr. Schindler, who had some of his data. Like him or not, he's scientific, and he has credentials. I think the best way to address credentials is with other credentials.

How do you perceive monitoring versus new projects?

The Chair: Ms. Dowdeswell, go ahead.

Ms. Elizabeth Dowdeswell: I believe the panel's approach was to say that there are some fundamental principles that should guide a world-class monitoring system, and while we said the current situation was lacking, we also were very quick to say it could be fixed.

In my mind the primary issue is not one of time but one of willingness to come together in a comprehensive and coherent way so that individual jurisdictions can do what they are mandated to do, but they do so within a framework and with a common vision about what direction they're headed in. That way everyone knows what the ground rules are, and they can also harness the best resources they have. In some cases, on some elements of monitoring in some geographic locations, industry is vital, and the contribution it makes to the development of technology is crucial.

On the other hand, you may in fact want to effectively use the resources you have in a local community, not in an ad hoc way and not as part of a patchwork quilt, but rather with a coherence so that people know what vision they have, what they're working toward, and what part they play in achieving that.

Some of the kinds of principles we suggested had to do with transparency and accessibility, so that in fact each person knows what the others are doing. They don't know now, and consequently

there are gaps not only in what we are monitoring but in people's understanding. Consequently, I think the fundamental part, the fundamental premise of our work, was that if we want effective policy for the environment and for the economy and for the well-being of our citizens, we need to make sure we're all operating with good data. You are going to have that data only if you have a sound monitoring system in place.

• (1600)

Hon. Denis Coderre: Who should be in charge?

Ms. Elizabeth Dowdeswell: I think, as we said in our report, this is a question of multi-jurisdictional complexity and challenge. That's the nature of Canada, and certainly in the environmental field.

Hon. Denis Coderre: I'm from Quebec. I understand.

Ms. Elizabeth Dowdeswell: We described this as a socio-scientific project that actually does require visionary leadership by all parties involved, and that's why establishing that vision and then deciding who does what part of it best, who has the mandate to do which part of it best, is really the conversation that needs to take place.

Hon. Denis Coderre: Would it be accurate to say that you need a process—monitoring—and you need good principles attached to it through your grid—transparency and accountability? There is kind of a vacuum between some of the jurisdictions.

Do you think you can manage all those issues by having a Canadian national strategy?

Ms. Elizabeth Dowdeswell: I believe if there is a wish to have a world-class system for the purposes of ensuring we are stewards of our environment, ensuring we are economically viable as a country, and ensuring there is equity for citizens of Canada, then surely, with a common vision, we can in fact design a program, use what we already have, and really build on the resources that are available.

Hon. Denis Coderre: Thank you.

Mr. Tertzakian, regarding competitiveness, do you believe the federal government should get rid of tax breaks and subsidies to the industry and instead reinvest in innovations in the technology? Do you think that with all the money they're making right now, those tax breaks are a necessity?

The Chair: Go ahead, please.

Mr. Peter Tertzakian: Thank you.

With respect to your phrase “with all the money they're making”, actually, I can demonstrate to you that the oil and gas industry over the long term achieves its cost of capital and just a little bit more. There are periods in the history of the oil and gas business where they achieve returns above normal and plenty of periods where it's below normal. So I don't believe that any change—

Hon. Denis Coderre: No, I agree with that. I understand that.

Mr. Peter Tertzakian: In terms of innovation, the business over the last 150 years has demonstrated a great ability to innovate and become more productive. I think the issue I'm pointing out is the access to skilled people to be able to effectively develop these resources that are such a vital part of our economy. I think the federal government needs to be thinking about how it is that this industry is going to be able to attract—and from where—skilled people, because we probably don't have enough in this country to be able to fulfill the needs of the business, which is only going to breed potentially more.

Although you don't feel the inflation in other parts of the country, I should remind you that the last time we saw this sort of activity in this area—between 2005 and 2008—the inflation rate within the business was running at around 14% per year. The conditions for that kind of inflation are brewing again if you look at the labour statistics and the service statistics. I think in terms of competitiveness, what the government can do is try to address how it is we're going to attract people to keep our costs contained so that we remain globally competitive with these commodities going forward.

• (1605)

The Chair: Thank you, Mr. Coderre.

We go now to the Bloc Québécois.

Madam Brunelle, you have up to seven minutes. Go ahead, please.

[*Translation*]

Ms. Paule Brunelle (Trois-Rivières, BQ): Good afternoon, madam and gentlemen. I thank you for coming here today.

Ms. Dowdeswell, you chaired an advisory panel on tar sands. I would like to know who appointed the members of the panel. Were you been appointed by the government? Were you supposed to submit your report to the Minister of the Environment or to the Minister of Natural Resources?

[*English*]

Ms. Elizabeth Dowdeswell: We were asked to undertake this task by the former environment minister, the Hon. Jim Prentice, and we were appointed directly by him.

[*Translation*]

Ms. Paule Brunelle: Alright.

In your statement, you said that the monitoring system was insufficient, that scientific data were unreliable and that you suggested some key elements to improve the situation.

We received, from the Commissioner of the Environment and Sustainable Development, a letter concerning the impact of climate change. It says:

The lack of a federal strategy and action plan has hindered departments' efforts in coordinating actions to address the effects of climate change. The audit found that for the most part, the departments examined have identified and assessed the potential impacts of climate change on their assets and program activities, but that they have taken few concrete steps, such as adjusting or developing policies and programs, to respond to these impacts.

Thus, we are told that few concrete steps have been taken. I link this with what you tell us about the need for new governance models. If there is no strategy or government action plan and if we need new

governance models, who is going to come up with a solution to this situation?

[*English*]

Ms. Elizabeth Dowdeswell: Well, I would hope that one of the results of our brief study was to put the issue on the table and to actually make some suggestions. I think there is evidence that it was taken seriously by the minister on behalf of the government, and certainly tackling the first phase of it...we have yet to see what those results will be.

But I think it's safe to say that the panel would very much concur with the Commissioner of the Environment and Sustainable Development that there are gaps in the system now, and we question whether or not we have the basic data that's going to allow us to adapt to future change, and such fast-paced change as will exist.

[*Translation*]

Ms. Paule Brunelle: Your answer, nevertheless, leads me to believe that this remains worrisome. You mentioned the Athabaska River, you mentioned Dr. Schindler's report which has been criticized by some but supported by others. Nevertheless, we seem to be late in our response to environmental impacts.

With vague comments like yours, can we expect concrete results or, 10 years from now, will we find ourselves at this same table, talking about the same situation, with an environment even more deteriorated and native people more and more desperate?

[*English*]

Ms. Elizabeth Dowdeswell: I believe our report would give the reader the understanding that there is an urgency in dealing with this and, as importantly, a need to deal with it in a systemic way. Right now we deal with things in bits and pieces, in fragmentation. We don't link the water quality to groundwater. We don't make the link, or at least there are gaps in our understanding of groundwater.

There are gaps in our understanding of the cumulative effects over time across all media, and certainly the impact you're having on neighbouring jurisdictions. We're saying that until you have a sound monitoring system in place, you're always going to have debates about the quality of the data. Consequently, people will be hesitant to actually use the data in developing good policy.

So there are a lot of gaps. There is a lot of opportunity for technological developments. There are all kinds of opportunities for bringing this together if there is a system and the will to do that.

• (1610)

[*Translation*]

Ms. Paule Brunelle: Mr. Marushack, you said that you were going to invest 300 million dollars to develop technologies for oil sands. What type of technologies are we dealing with? Is it to increase production levels? Is it for carbon capture and sequestration? What do you want to do?

[*English*]

The Chair: Go ahead, please.

Mr. Joe Marushack: What we do with the technology is really based on a number of different factors, all of which are related. For instance, right now we're testing ceramic membranes in order to separate the oil and water more efficiently. We're investing in vacuum-insulated tubing in order to reduce our emissions.

On everything we're trying to do in all of our technology, there are really three phases, and they come together. They're intended to reduce our steam-oil ratio, which reduces our greenhouse gas emissions. They're intended to reduce our water consumption, which makes good economic, environmental, and business sense. Finally, we're trying to reduce our footprint as well. All of those things are environmentally sound, good from a safety standpoint, and good business decisions.

[Translation]

Ms. Paule Brunelle: Do I have time left?

[English]

The Chair: Make it a very short question.

[Translation]

Ms. Paule Brunelle: So, you want to reduce your ecological footprint.

Do you think that you are doing enough research to progress rapidly?

We know that governments and companies have counted largely on carbon capture and sequestration projects, which some scientists do not judge really useful, necessary or performing.

Do you think that you are doing enough?

[English]

Mr. Joe Marushack: On whether we think we're doing enough on research and development, I guess my answer is that we're doing a lot. We're doing what we think is appropriate at this time. We believe we're putting a substantial amount of commitment into this and a substantial amount of people into it. Whether we're doing enough, I don't know, but we are doing a lot, and we're very committed to what we're doing to improve our environmental and safety footprints.

[Translation]

The Chair: Thank you, Ms. Brunelle.

[English]

Mr. Cullen, you have up to seven minutes.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Thanks, Chair, and thank you to our witnesses.

Ms. Dowdeswell, some have commented that the concern about the impact on water quality—that was the focus of your work—by the oil sands was simply a public relations concern rather than an actual concern; it was just a matter of getting the message out about the impact of the projects, more than understanding the impacts themselves. I've heard this from a number of industry leaders and various ministers of government.

Let me ask you that question directly. Do you think this is simply a public relations exercise to get better at the water quality monitoring around the oil sands?

Ms. Elizabeth Dowdeswell: May I ask a question in return?

Mr. Nathan Cullen: Sure.

Ms. Elizabeth Dowdeswell: On the part of whom is it a public relations exercise?

Mr. Nathan Cullen: It's on the part of both industry and the Government of Canada. The only task needing to be done is to make the public relations exercise better and clearer. That will alleviate concerns of the public, and everything will be tickety-boo.

Ms. Elizabeth Dowdeswell: Certainly those witnesses, those people with whom we interacted for that brief 60 days, were absolutely consistent in saying that we need a better system.

Mr. Nathan Cullen: Full stop.

Ms. Elizabeth Dowdeswell: Full Stop.

Mr. Nathan Cullen: So it's more than just the way it's communicated; it's the system itself.

Ms. Elizabeth Dowdeswell: That's right. We need a better system.

Mr. Nathan Cullen: You sound quite optimistic about the potential to improve the system. You say the working parts are there.

What's concerning to me is that when Dr. Schindler or others raised concerns, those concerns were often dismissed, not just by oil companies but also by the current government, as being crackpot science or not legitimate. But in your report, and I'm quoting, it says that “a statistically sound decision-making process that can allow for adaptive management in a rapidly changing oil sands environment does not exist”. The report goes on to say, “It is not producing world-class scientific output in a transparent, peer-reviewed format and it is not adequately communicating its results to the scientific community or the public.”

You sound as if you confirmed that the monitoring of the projects was not sufficient, was not transparent, and was not statistically accurate. There is not just a perception of doubts; there are legitimate doubts over the numbers coming in over the water quality.

With respect to the pace of development, which you also recognized, your committee didn't make a recommendation on whether projects should continue to be approved without an adequate means of monitoring them. You say that projects are overrunning sites that are being set up to monitor the water quality. The sites are being destroyed by new projects that weren't even envisioned when you set up the site in the first place. Is that true?

● (1615)

Ms. Elizabeth Dowdeswell: I think the view of the panel would be that it was not their mandate to determine the future of the oil sands.

Mr. Nathan Cullen: Right.

Ms. Elizabeth Dowdeswell: We were asked to look at what would make a world-class monitoring system, and to assess whether or not we had one. It was our judgment that we do not.

Mr. Nathan Cullen: That's helpful.

Mr. Marushack, we've heard from a number of energy companies, oil companies, that there is a need for a Canadian energy security strategy. There isn't one strategy governing this country in energy development, use, or export. Does your company confirm that need?

Mr. Joe Marushack: I can only tell you what we're doing. We're trying to provide information. We're trying to participate on panels. We're trying to put our message out that we think we need a system that encourages lots of different developments, and we think we need a system that's transparent and competitive between this country and other countries.

I would say that we're participating in providing the information so that energy strategies can be made by those governments.

Mr. Nathan Cullen: Certainty is a big thing to your company. You're a large company. You've got \$152 billion in assets, \$142 billion in revenue this past year. You make long-term plans.

The minister recently confirmed a policy statement by the Prime Minister saying that Canada's policy is not to export raw bitumen to jurisdictions with lower environmental standards.

Are you aware of this policy?

Mr. Joe Marushack: I am aware of the actual amount of production that is upgraded in this country, and I'm aware of the amount that goes to the U.S. and is upgraded there, or refined there. Those are the things I'm primarily aware of.

Mr. Nathan Cullen: My question is specific. The Prime Minister himself, and his minister in charge of this file, has said it is Canadian policy not to export raw bitumen.

We had the Alberta Heartlands Industrial Group in front of us. They had a report commissioned by the federal and provincial governments that showed a loss of revenue to government and a loss of jobs resulting from refining outside Canada, taking raw bitumen and exporting it, whether it's to the United States or to other countries.

So there is the economic loss to Canada and the apparent policy that we are not exporting to anywhere with lower standards, which, I assume, includes China, Korea, and the Asian states. I would think this would have an influence on whether you involve yourselves in an oil sands project that has raw bitumen exports. These are major investments your company is making.

Mr. Joe Marushack: Yes, and I believe that 75% of the bitumen is upgraded right now in this country. The rest goes to the U.S.

There is extra capacity in many of those refineries right now. They're not at full rate. They're capable of processing heavy crudes, much like we produce here. So it makes sense to have some of the bitumen go down to be processed in those facilities, at least until the others are fully up to speed.

My concern with labour is that there's not enough labour right now. In the projects we're working on in the oil sands, there is much opportunity, a lot of aboriginal opportunity. We actually have trouble getting enough skilled labour.

Mr. Nathan Cullen: Then I'm confused why.... One would imagine that in an energy security strategy for Canada, labour would be one of the questions and environment would be one of the questions that would be built into such a strategy. I'm surprised that

you're not more enthusiastic, as some of your competitors are, about having a Canadian energy security strategy that would include some of the concerns that you're.... It just doesn't feel as if there's much of a plan.

Former Premier Lougheed and others have said, "We lament that we didn't have much a plan for this, that it was too rushed." Now we're hearing that the environmental monitoring that's meant to be put in place doesn't meet the capacity of what already exists, let alone what is proposed; that you're running out of workers and don't have enough workers to get the job done.

All of these pieces seem to be in want of some sort of coherent leadership from the federal and provincial governments.

I'm surprised that you didn't just answer yes to my question about the need for such a strategy.

• (1620)

The Chair: Go ahead, please.

Mr. Joe Marushack: All over the world we live within the regimes that are put into place. The government puts in the regulatory regime, the environmental regimes, the requirements. We evaluate those and then we develop the projects accordingly under those plans. So we will—

Mr. Nathan Cullen: If there were one, you'd work under it; that is essentially what you're saying.

Mr. Joe Marushack: We will provide information to it, we'll try to provide what we think is the right direction on some of those things that help with the developments, and then we will live under the existing laws, yes.

The Chair: Thank you, Mr. Cullen.

We go now to the government side, to Mr. Anderson, for up to seven minutes.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Thank you, Mr. Chair.

I always find it a little ironic that my NDP colleagues oppose oil sands development but then really want to protect the jobs that are there, apparently. They think they need to support both, if they're going to support one.

Ms. Dowdeswell, you said that you had strong support for a better system from everyone.

Do you get the feeling that there's a sense of willingness to improve? Was that genuine, that there is a real interest in improving?

Ms. Elizabeth Dowdeswell: Yes.

We had, first of all, absolute cooperation from anyone we asked to speak with or receive information from. In most of the sessions, when I was talking to people, I ended by asking, "So how can I help you?" This rather surprised them, but the point of my message was to know what it was I could recommend that would help them either remove roadblocks or pave the way for a more certain future, either economically or environmentally. We didn't differentiate; we didn't put one against the other. That wasn't our view at all.

Many people felt damaged by the lack of trust and confidence of their citizens, and they particularly felt angry at the view that was being held in many places internationally. They genuinely asked how they might deal with that, saying that it might be wrong and they might not believe it, but wondering what it is that is actually going to allow them to be proud and stand up and say, we have a world-class system in place.

When I hear that discussion and debate, I see that there is a genuine desire for people to be part of it. Now, when it comes to the specifics of any program or plan or design, certainly there will be argumentation; there will be debate back and forth.

But if you ask me the straightforward question—were people genuine?—I would have to say yes.

Mr. David Anderson: Thank you.

Mr. Marushack, Mr. Cullen was just talking a little about exporting bitumen and the products from the oil sands.

Is there a need for a pipeline to the west coast, in your company's opinion?

Mr. Joe Marushack: I believe it would be helpful to have more outlets for the product we make here, yes.

Mr. David Anderson: I assume that means both expansion and/or a new pipeline?

Mr. Joe Marushack: Yes.

Mr. David Anderson: Mr. Tertzakian, I wanted to ask you a couple questions about.... You said you felt we weren't optimizing the value of our resource. I'm wondering whether you have a couple of suggestions for how we might do that. We're looking at energy security, and certainly optimizing the value of the resource should be of concern to us.

I think my colleague is later going to talk a little more about the labour market, but I'd like to focus on this. Then I have a couple of specific questions, if I can get to them, about shale gas. I assume you've done some work on that as well in your estimates for the future.

The Chair: Go ahead, please, Mr. Tertzakian.

Mr. Peter Tertzakian: Optimizing the value of our resources, given that we have made a conscious decision to be exporters of meaningful quantity, means that we need market diversification.

I certainly support access to the west coast for both oil and natural gas, to be able to export these global commodities to other markets, whether it's in Asia or beyond. That would certainly help us get away from being hostage to the weather in Chicago, or pipeline breakages, or refinery fires, or just lack of capacity in a market—the United States—that, as I have mentioned before, is now flat to declining in overall energy demand.

• (1625)

Mr. David Anderson: Your main call is to try to diversify our markets, you're saying.

Mr. Peter Tertzakian: Yes, absolutely. The global prices are higher than the continental prices.

Mr. David Anderson: Okay. Good.

I want to talk a little about the value of investment in shale gas. We've spent a couple of weeks talking about it. I know today is not specifically about that, but do you have any idea of the potential values of investment in New Brunswick, Quebec, and British Columbia?

Mr. Peter Tertzakian: I can speak to British Columbia. It's pretty high. The natural gas business—I have the numbers here—is substantial. It's about 37% of the \$100 billion in revenues, so it's \$37 billion. A large fraction of that is in Alberta, but it's expanding more into B.C.

The important thing to remember about the oil and gas business is that it re-invests almost every dollar of cashflow back into the ground. That is unlike most other industries in Canada. So the dollar value in Quebec and New Brunswick, as the production grows, is very substantial.

Mr. David Anderson: Let's talk a little about foreign investment, in particular in the oil sands. I'm wondering whether there are things you want to say about that. What is the level of foreign investment there? Is this something for which we should be looking for larger foreign investment? Do you have any thoughts on that?

Mr. Peter Tertzakian: Sure. It's already coming. In the last 18 months, \$17 billion worth of foreign capital has come into Canada that is not from the United States or Europe. In 2010 alone, there was \$10 billion, most of which was directed toward the oil sands.

The oil and gas industry, because it is so capital-intensive, has always historically been very dependent upon access to foreign capital, because we don't have enough of a capital base here in Canada to develop these resources ourselves. The balance of where that capital comes from is shifting. Historically it has come from the United States and to a certain degree from Europe, but now the large quantum of capital are coming from Asia, and I believe we are going to need more, if we want to maintain the level of investment and prosperity that we derive from this industry.

Mr. David Anderson: Do you see the majority of new money, then, coming from that Asian area? I wonder whether you could talk a little about some of the benefits and drawbacks of that shift in investment.

Mr. Peter Tertzakian: The debt and equity that come in under normal circumstances is not all going to come from there. It's still about \$10 billion per year that comes in.

Actually, no; debt plus equity is closer to \$15 billion to \$20 billion per year. I can get you the numbers.

It is going to become increasingly important that we be amenable to having investment from other parts of the world come in, as we cannot always count on the capital being there from traditional western sources. We're going to need more and we have to be open to it.

Mr. David Anderson: Are you comfortable, then, with investment from foreign state-trading enterprises in our national economy?

Mr. Peter Tertzakian: Yes.

The Chair: Okay.

Thank you, Mr. Anderson.

We go now to the second round, starting with Mr. Tonks, for up to five minutes.

Mr. Alan Tonks (York South—Weston, Lib.): I'd like to follow up on that last question that Mr. Anderson asked.

Mr. Tertzakian, when we were talking about Ontario and the acquisition of natural resources assets there, the issue of Chinese capital through state-owned corporations came up. What is the difference between private capital coming from Asia—in particular, China—and the issues related, I guess, to the value and culture system and interests of Chinese state-owned corporations? And does that source have implications with respect to whether we should tie that capital investment to a different protective regime, if you will?

• (1630)

The Chair: Mr. Tertzakian.

Mr. Peter Tertzakian: I'm not an expert on cross-cultural issues. I can just tell you that the world is becoming more global. Other countries in the world—like Australia, which is also very resource-rich—are very active in dealing with the Chinese and other countries. It's not exclusively the Chinese; it's Indian capital, Thailand capital, Korean, and Japanese.

If we are going to isolate ourselves and be scared of accepting capital from these sorts of countries, competitively we are going to be left behind.

Mr. Alan Tonks: Yes. I think it was in relation to fair trading practices and fair state issues with respect to labour standards and that kind of thing, and there were concerns raised. But we'll leave that for the moment.

My question is to Ms. Dowdeswell.

Ms. Dowdeswell, in the Royal Society of Canada report there were a couple of recommendations on which I'd like to get your response. When we were talking about shale gas, we were talking about the cumulative effects and the lack in the environmental regime of establishing clear assessment of cumulative effects for flowback water and the content of that water in terms of the impact on the water tables, and so on.

I notice in the Royal Society of Canada report there are two flags that have been raised. The first one is in terms of the regional cumulative impact on groundwater quantity and quality, which has not been assessed, and they're transposing that to the environmental assessment process.

And the second is the last recommendation—at least that we have before us—that environmental data access for cumulative impact assessment needs to be improved. That is a general statement with respect to the general regulatory regime in Alberta.

My question to you is, given those caveats and those concerns, how do you see the public's confidence, especially on new applications, being guaranteed if there isn't any immediate response to those kinds of concerns that have been raised through the Royal Society of Canada's report?

The Chair: Ms. Dowdeswell.

Ms. Elizabeth Dowdeswell: First of all, the panel would concur with what the Royal Society, in its report, said about cumulative

effects. We raised that ourselves, and I think it is important that that be done.

I cannot speak to the motives of Environment Canada, but I can say that the minister's commitment to immediately starting work on the kind of coherent monitoring plan that would address those issues is under way, to the best of my knowledge.

Mr. Alan Tonks: And how rigorous is the reporting back with respect to that? Is there a targeted date?

Ms. Elizabeth Dowdeswell: The minister committed to releasing a plan within 90 days, and depending on whether or not you count weekends or just work days, that should be toward the end of March, I believe.

Mr. Alan Tonks: Okay.

Do I have time for just one short one to Mr. Marushack?

Mr. Marushack, just in terms of the point that was raised on capital, if you were to prioritize the reinvestment strategies with respect to in situ mining—and I understand you're not involved in open mining—where would the technology priority be that would assuage the concerns the public has that the footprint is not being narrowed? In fact, application after application seems to be just widening that footprint, perhaps unnecessarily. Where would it be that you would tactically suggest the maximum return could be made on an investment in technology?

The Chair: Briefly, Mr. Marushack.

Mr. Joe Marushack: I'll answer only from the in situ standpoint here. Right now I believe we're making great strides in this. Roughly 95% of the water we use is recycled water. We don't take any water from open sources and none from the Athabasca River. We're using non-potable water; effectively it's not quite saline, but it's non-potable water.

So I really think that the technology we're using right now... When I came over to this particular job from Australia, I was very impressed with the level of technology that's being used right now.

The next major step that we need to do, in my view, is getting that steam-oil ratio down, and we're looking at that by.... If you use less natural gas, you could have less steam, you could have fewer greenhouse emissions, and that's a real focus area for us, as well as the water usage.

• (1635)

Mr. Alan Tonks: Thank you.

Thanks, Mr. Chairman.

The Chair: Thank you, Mr. Tonks.

Mr. Allen, up to five minutes, please.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you, Chair, and I thank our witnesses for being here today.

Mr. Marushack and Mr. Tertzakian, I want to follow up on some of the labour issues and the inflationary pressures.

Mr. Marushack, what are the types of skills...? Obviously, it's a different skill base in situ as opposed to the open pit, in terms of the profile of people you're actually going to need. I'm assuming there is a little less resource profile on the in situ side than the open pit as well, but what are the kinds of skills that you are looking for? Is it a broad range from skilled trades? Is it a combination? You said you had 2,000 employees in Canada today. What is the anticipated demand that you're looking at over the next five to ten years?

Mr. Joe Marushack: Mr. Chair, in short, just about everything. To be specific, we're looking at how we, first of all, employ people who have our safety culture. That's the most important thing to us, to make sure we don't have a number of safety issues. We're training people on that. That goes all the way from engineers to the people who actually do the grubbing and construction work out on the field.

The second thing is we're looking at how we make these contracts small enough so that aboriginal people and people in the local communities can actually participate. Those would be things like clearing the ground, reclaiming the ground, ditching, pipeline work.

Then we go to the next level of work. We need everything from pipefitters to welders, to construction people, to mechanics. We need operators. We need skilled people all the way up to the engineers and geologists, so that we know how to best reclaim, how to best produce this product, and how to do it to get the most recovery, get the best technologies out there. It goes all the way up to scientists looking at how we take that new technology and make a step change in how we're producing this. It goes all the way from unskilled to very, very skilled people. We need more of everything.

Mr. Mike Allen: What are the types of things you're doing at ConocoPhillips to actually build that workforce? I know we've got a significant number of people from Atlantic Canada who are working out west right now. As development proceeds in Atlantic Canada on shale gas, potentially, on the development of the Lower Churchill and other developments, we're going to require a bunch of people back in eastern Canada, which will probably draw on that labour pool. What are you doing as a company to actually get people? What do you see as key success factors? Is immigration going to solve the problem? Are there other incentives to get people in the workforce? What is it?

Mr. Joe Marushack: Mr. Chair, we're working with universities. We spend quite a bit of time working with the universities on various programs. We are talking to engineers, to geologists. We spend quite a bit of time working with a lot of the aboriginal communities to try to describe what our projects are and what kind of skill level we need. We try to provide training and educational assistance.

It is a very, very large issue. We try to do relatively smart things with our development. A lot of times you'll have a project and you'll have a lot of labour at the end. We're trying to level out those things so that we can better match up.

I don't have huge numbers of solutions. I think it's a wonderful opportunity for Canada to have this many jobs, relatively high-paying, long-term jobs. I'd also like to make the point that this isn't a five-year phenomenon; this is going to go on for 50 years. We have time to train folks, and then they can expect long-term employment on these particular activities.

Mr. Mike Allen: I was intrigued by some of the numbers. At the dip in the economic downturn, we had an unemployment rate of slightly over 8%, which is masking a bigger problem that we have in the economy from a resource pool standpoint. I agree. I'm a little concerned with that side of it.

You commented about a competitive fiscal regime. Maybe you and Mr. Tertzakian could both comment on this. What are some of the key things you see as part of the fiscal regime for you to be able to attract capital?

The Chair: Mr. Marushack, if you could answer in about 30 seconds so we could give Mr. Tertzakian an opportunity to answer as well....

Mr. Joe Marushack: Yes, sir.

I look for predictability. I look for sustainability. I look for whether the economy right there has a good regulatory regime, a good government regime and a stable government. What I'm saying is, if we're going to invest several billions of dollars, we'll invest it up front, but we need to get that back over time. I look to make sure there aren't ups and down in the tax policies and fiscal policies and that we have faith the government we're investing in is going to remain true to form, if you will.

• (1640)

The Chair: Mr. Tertzakian.

Mr. Peter Tertzakian: I agree with everything Mr. Marushack said about the fiscal regime. I also agree with him about the labour, except for one thing, and that is that I think it's an immediate problem. I don't think this is a solved problem that spans 50 years. I think you're going to see inflation within this business creep up.

You mentioned that at the dip, the unemployment rate was 8% in Alberta. Now it's down to 5.5% to 6%, but that's for the province as a whole. Within this business, I would suggest to you, the unemployment rate is about 0%. In the next month or two we will probably be above 155,000 workers in the oil and gas business, which was where we were when it peaked in early 2008.

So I think the people issue is acute. The thing that happens is that wages start going up, services start going up, and they're sticky on the way down. So we progressively price ourselves out of the global market. What I mean by that is we become the highest-cost producer of oil in the world and we become progressively more vulnerable to any weakness in price, any volatility in price.

So to me, it's a much more urgent issue. I personally am a believer in figuring out immigration, intelligent immigration policies that are streamlined to be able to ward off the potential inflationary problems that we saw between 2005 and 2008.

The Chair: Thank you, Mr. Allen.

Monsieur Pomerleau, up to five minutes.

[Translation]

Mr. Roger Pomerleau (Drummond, BQ): Thank you, Mr. Chair.

I thank the three of you for coming here today to share with us such interesting experiences.

My first question is for you, Ms. Dowdeswell. You have chaired the Advisory Panel on Oil Sands. I don't know you and I only ask you this question to know who you are. You seem to have a very good knowledge of the subject and related matters. What was your experience and why have you been chosen to chair that panel?

[English]

Ms. Elizabeth Dowdeswell: I think I was chosen because of experience in chairing a wide variety of panels on a wide variety of issues.

However, I also spent five years as Under-Secretary General and head of the United Nations Environment Programme. I also had experience working with industry on the question of nuclear waste and working with government, both in Environment Canada and other departments.

I was not the physical scientist on the team; the other five were, and they covered the range of expertise from geology to biology—the full range of expertise. I was the person who had the experience in managing panels and bringing them together to arrive at some consensus. I would say that my work experience has primarily been around issues of governance and organizational development.

[Translation]

Mr. Roger Pomerleau: Then, choosing you was a good decision.

You have been working at the international level. Earlier, you used the term “geopolitical”. Nowadays, when we talk about energy, we can no longer do so in isolation; it is always geopolitical.

In spite of the fact that we talk a lot about it and make a lot of efforts, how do you explain Canada's current poor reputation on the world scene? Do some people hold a grudge against us? Are some groups jealous of us? Have we really done something that was not quite correct? What is the problem and what is the solution if you see one?

[English]

Ms. Elizabeth Dowdeswell: I'm not sure I can answer as to the motivations of other nations and other people.

Voices: Oh, oh!

Ms. Elizabeth Dowdeswell: I can say that certainly in the environmental field, increasingly we are under a microscope. Most countries are under a microscope.

•(1645)

Mr. Roger Pomerleau: Even here.

Ms. Elizabeth Dowdeswell: Even here, because we're so interconnected these days. It's not only an interconnection in the environmental field, where what you do with water in one jurisdiction affects another downstream or upstream. What you do with respect to air, obviously, affects other jurisdictions, so there's that environmental relationship.

But it also relates to trading regimes and economic regimes. We now have international regimes, a significant body of law, certainly on the environmental front, that is built on the premise that we're all in this together. We are all interconnected, and we need to be able to rely on people, so when they negotiate agreements that are in the best interests of the international community, including Canada, they

want to see us at the table. They want to see us meeting our commitments that we've made, and I think now more than ever, that is the climate in which we are actually operating. So we are so interdependent and interconnected that people have expectations of us, rightly or wrongly. I think that drives them—as well as, of course, the self-interests of countries. So it's a whole range of reasons, I suspect.

[Translation]

Mr. Roger Pomerleau: Alright. I thank you very much.

My next question will be for you, Mr. Tertzakian.

I entirely agree with you when you say that having a sole client is not a good thing. It is not very good either to have a sole source supplier. In any enterprise, the first thing to do is to diversify your activities to avoid future problems.

When you speak about diversifying, you say that we are not maximizing the value of our oil products. Do you mean that we do not transform enough our production locally or do you only mean that we do not have enough access to international markets other than the U.S.?

[English]

The Chair: A short response, please, Mr. Tertzakian.

Mr. Peter Tertzakian: I presume you're also talking about the upgrading and refining into higher-value products. We do quite a bit of that, but that is a much more complex question because there are issues of being close to market. I only highlight it at the very upstream end. Just to give you a couple of outlines, the world oil price is \$100 today, but we are only getting \$90 here in North America. The world price for natural gas is above \$9 per thousand cubic feet; we, in Canada, are only getting \$3.50 or maybe \$4, generally speaking. These are all a consequence of lack of diversity of markets.

Whether or not we should be adding value by processing and refining further, that is a much more complicated question that I can't answer.

The Chair: Thank you.

[Translation]

Thank you, Mr. Pomerleau.

[English]

We go now to Mr. Shory and, if there's time left, Mr. Hoback.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Mr. Chair.

It's actually very interesting to listen to all the witnesses in this committee, because some of the witnesses take a position that these explorations or expansions should be shut down immediately and some tell us the benefits of this industry. I, being from Calgary, Alberta, definitely see all the benefits every day. Those benefits are not for Albertans only; they are for the other provinces and territories also. I have seen workers from all over, and as a matter of fact, from overseas as well.

My first question is to Mr. Marushack. Mr. Marushack, your firm is listed as having interests in both natural gas and oil sands. With your oil sands operation, you must have seen the benefits to the local communities. In your opinion, what sorts of economic benefits for local communities can be expected if Canadian firms continue with that development of gas reserves?

• (1650)

Mr. Joe Marushack: Thank you, Mr. Chair.

First and foremost, many of the communities where we have not only our oil sands but also our gas operations are aboriginal communities. They are communities that don't have a lot of industry right now. So the biggest immediate benefit is to provide those particular jobs to the local communities. That requires training; that's the second thing. Generally, when we go up and we're in a new area, we do try to provide some education support, some community support, some training support. In addition to that, then, we take large contracts and we break them down into a small size so that an individual can buy a tractor and then do some clearing, or buy a welding machine and do some welding. We try to figure out how we can best provide the most amount of legitimate work in those communities where we operate. And it's not just the oil sands; it's all the gas properties as well.

Mr. Devinder Shory: The second question is to you, and maybe Mr. Tertzakian can answer as well.

We are expanding all our trade relations with numerous countries, specifically in the Asian markets. Given that, give us an idea of what the Asian markets mean to our oil sands.

The Chair: Mr. Marushack, go ahead.

Mr. Joe Marushack: I'm sorry, the question again was what does...?

Mr. Devinder Shory: What does it mean to the oil sands when we are expanding our trade relations with the Asian markets?

Mr. Joe Marushack: I think, as Mr. Tertzakian said, generally when foreign investors come in they bring capital with them. A lot of the Canadian companies have the expertise right now to develop these, so the foreign companies are coming in trying to develop... First of all, we've got a great asset base. We've got a secure government system. We've got rule of law. In a lot of places, this doesn't happen.

We've got a lot to build on, so they're wanting to invest in those assets. Then in the long term I think they would probably like to see access to those resources coming into their countries, to shore up and provide some energy security to their countries as well.

The Chair: Mr. Tertzakian, would you like to answer that as well?

Mr. Peter Tertzakian: I don't have much to add; I think Mr. Marushack answered it.

The Chair: Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Mr. Chair.

I want to welcome everybody here again, on behalf of my riding of Prince Albert. Believe it or not, even though we're in Saskatchewan, the oil sands impact us hugely.

The city of Prince Albert had its pulp mill shut down a few years ago. I think most of those employees were absorbed into the oil sands, but their families stayed in my riding. They stayed in Prince Albert; they wanted to raise their families there. They do the week in or two weeks out.

You've been very flexible in allowing employees to create a structure that works for their family needs plus their employment needs.

You talked about education and employment and getting skilled workers. One of the things we're doing out of Cumberland College is just that. We're doing it with aboriginal workers, bringing in the kids who are coming out of the reserves of the north and teaching them construction tools. By tools, I mean the big trucks, the graders—the heavy equipment stuff.

What type of other training are you providing or looking at for skills as new developments come forward? Are we going to see the proper type of education coming out of the universities? Are we seeing the proper kind of education coming out of the trade schools? As we go forward, we're going to see more and more complex ideas possibly being formulated. Do we have the skill sets to handle that?

The Chair: Mr. Marushack.

Mr. Joe Marushack: Yes, I believe we do. I think we need more of everything. The basic education system we've got in Canada—all the way from grade school to the trade schools, the unions, the colleges—provides lots of opportunities for folks. We just need more of those.

I will say, though, that I have a son who's in college right now, and I've tried to stress this to him. They don't teach this in college very well. The most important thing I believe we need to stress, to any level, is safety—safety culture, making sure you're not doing anything that puts you or a fellow worker at risk—and protection of the environment. That is our licence to operate.

If you join ConocoPhillips, we spend a lot of time working on those. When we go out to the communities, we talk about how important those things are as well.

The Chair: Thank you, Mr. Hoback.

We can go for about two minutes in the final round, so if you could just have short snappers....

Mr. Andrews, up to two minutes.

Mr. Scott Andrews (Avalon, Lib.): Thank you very much, Mr. Chair.

My question is for you, Mr. Tertzakian. In your opening statement you talked about maximizing benefits and how we're not doing a very good job of that, and I think in the last question from Mr. Pomerleau you alluded to it.

Could you expand on where you see us maximizing benefits and how we can do that? If you were to write a recommendation from this committee for government, what action will we have to take so we can maximize our benefits from the oil sands?

• (1655)

The Chair: Mr. Tertzakian, go ahead.

Mr. Peter Tertzakian: It's just a simple recommendation. The federal and provincial governments and industry together I think have to work at a fairly quick pace to expand market access to our oil and gas commodities off the west coast to international markets.

I'll repeat the number. We generate \$100 billion of revenue a year from these products. If we're losing even 10%, it's \$10 billion a year. If you multiply that by a 20% royalty rate, that's \$2 billion a year right there. And that doesn't include the taxes and all the derivative benefits.

Mr. Scott Andrews: I have a quick question for Elizabeth. Did your advisory panel make any recommendations regarding the Athabasca River and the water monitoring there, and what were the specific recommendations on how we can improve that situation?

Ms. Elizabeth Dowdeswell: No, we did not look at specific monitoring sites and make recommendations specific to them. We were designing the overarching system, and I believe Environment Canada is now looking at a plan to look at specific sites.

Mr. Scott Andrews: So you didn't look at the river specifically at all?

Ms. Elizabeth Dowdeswell: Oh yes, we certainly visited. We did not, however, get into the detail. We could not get into the detail of the specific technology that was being used or the specific locations where the monitoring was being done, and we did not undertake to design the details of the monitoring system.

The Chair: Thank you, Mr. Andrews.

Mr. Harris, you have two minutes.

Mr. Richard Harris (Cariboo—Prince George, CPC): Thank you, Mr. Chair.

Mr. Marushack, there's a reasonable amount of criticism from activist groups that would just prefer to see the oil sands shut down for reasons of their own. I just can't imagine being able to operate in a country like Canada without paying particular attention to the environmental regulations that our country has, and Ms. Dowdeswell probably shares that view. But what I need to know is whether in your company, ConocoPhillips, your environmental people are working, on an active day-to-day basis, with the regulatory people, not only to try to make sure you're in compliance all the time, but to even strengthen the environmental regulations so that they lessen the impact of the footprint and the environmental impact.

Mr. Joe Marushack: We have something like 12,000 gas wells in western Canada in all of our operations in the oil sands. We have a small army of folks who work on a day-to-day basis to make sure we're environmentally compliant in what we're doing. We're also working on trying to make sure the laws and regulations that are passed do make sense. We believe in transparency. We believe in providing data that is clear. We actually believe that the better the information that comes out, the better it will be for the industry. So, yes, we're very supportive of that. We also work with CAPP and all

the other different groups out there on better regulatory environments.

Mr. Richard Harris: Thank you very much.

The Chair: Thank you, Mr. Harris.

Mr. Anderson, you have two minutes.

Mr. David Anderson: Thank you, Mr. Chair.

I guess this is for both Mr. Marushack and Mr. Tertzakian. Would it help the oil sands industry to have your corporate tax rates hiked to where they were in the past?

Mr. Joe Marushack: No.

Mr. David Anderson: Mr. Tertzakian, do you see any advantage in raising your tax rates?

Mr. Peter Tertzakian: No.

Mr. David Anderson: Would it affect jobs?

Mr. Peter Tertzakian: Yes.

Mr. David Anderson: What would it affect?

Mr. Peter Tertzakian: It would affect the returns, which would affect the ability to bring capital in, which would affect growth, which would affect jobs.

Mr. David Anderson: Is that a pretty good summary, Mr. Marushack?

The Chair: Mr. Marushack, go ahead.

Mr. Joe Marushack: It affects your economic viability, and it goes right into the economics when you decide what projects to invest in. Yes, sir.

Mr. David Anderson: It would be a tragedy if something like that would happen then. I can hear that.

Mr. Tertzakian, you've been talking about labour issues and those kinds of things. I just want to ask you something. There is a very active oil and gas industry in my area. With inflation at 14% per year, do you have any comments on whether some of that is self-inflicted? Do the prices that are being paid for—I don't want to call them unskilled workers—entry-level workers in your industry not contribute to some of the problems you're talking about in terms of inflation? I'm not sure those wages need to be paid in order to get workers. Our problem right now is that we don't have enough labour, not that people won't work.

• (1700)

The Chair: Mr. Tertzakian.

Mr. Peter Tertzakian: That's correct. Just think of it this way. The industry—oil sands plus conventional oil and gas—is investing \$55 billion a year now, and there are 3.3 million people in Alberta. So that number of dollars coming into a province with such a little labour pool drives inflation. That \$55 billion doesn't include the \$10 billion from Asian sources and the \$20 billion from debt and equity.

Mr. David Anderson: Those are some of the investment opportunities that are available to the other provinces. Things like shale gas have developed as well. There are both positives and negatives to that, but the positive is the scale of the investment.

Mr. Peter Tertzakian: Oh, absolutely. Just look to Newfoundland and, I would say, Saskatchewan—and Manitoba now. Their investment is growing quite dramatically in both of those provinces as well.

The Chair: Thank you.

Finally, Mr. Cullen, for two minutes.

Mr. Nathan Cullen: I have just a very brief question. I'll stay with where we were with our friend from ARC.

Have you or any of your colleagues done any research as to how much of the current valuation of the Canadian dollar is in part due to our export and sale of petrochemicals? I was just looking over the amount of transport that's made up of our foreign investment, as well as how much we're exporting in valuation dollars.

I was just reading an article in *The Economist* that was talking about the Canadian dollar increasingly becoming a petro dollar. Have you done any research into this? Has anyone attempted to assign a value of so many cents on the dollar currently at our trading rates?

The Chair: Mr. Tertzakian.

Mr. Peter Tertzakian: We have done some research. There is a relationship between the price of oil and the Canadian dollar, but we should not forget that Canada has a resource-heavy economy, including agriculture, in which prices are up. Metals and all of those things have a contributing factor for the dollar as well.

Mr. Nathan Cullen: As economists, though, you make an effort to parse out some of these contributing factors, and there has been a

consistent and strong correlation between the price of oil and the Canadian dollar over the last 25 years. The same can't be said for wheat or even for some of the metals—for copper, gold, etc.

The question we're looking at is.... You're familiar with the Dutch disease, in terms of the effect on other parts of the economy. You've been mostly describing the benefits. Those are easy to assign because we can look at revenues coming into government, or taxes paid, but there's also a counter-effect, which I'm sure you're aware of as an economist, in pricing the dollar higher and having some impact on the manufacturing value-added sectors in our economy. I'm talking about forestry, auto manufacturing, aerospace, etc.

Have you bothered to look into that impact on the Canadian economy as well and on the Alberta economy specifically?

The Chair: A very short answer, please, Mr. Tertzakian.

Mr. Peter Tertzakian: The answer is yes. That's why I'm concerned about the inflation issue.

The Chair: Thank you.

Thank you, Mr. Cullen.

Thanks to all of you for your questions and comments.

Thank you very much to Ms. Dowdeswell, Mr. Marushack, and Mr. Tertzakian for excellent presentations and great answers to our questions. They will be very helpful to the committee.

I will suspend for about two minutes as we move in camera and as the room is cleared of those who are not allowed to be here for an in camera meeting.

[Proceedings continue in camera]

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