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## **Standing Committee on Natural Resources**

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**EVIDENCE**

**Monday, November 28, 2011**

**Chair**

**Mr. Leon Benoit**



## Standing Committee on Natural Resources

Monday, November 28, 2011

• (1530)

[English]

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

Pursuant to Standing Order 81(5), we are here today to deal with supplementary estimates (B) for 2011-2012, specifically votes 1b, 5b, 10b, 15b, 20b, 25b, and 30b under Natural Resources. These were referred to the committee on November 3, 2011.

In the first hour, we have with us the Minister of Natural Resources, the Honourable Joe Oliver. Also from the Department of Natural Resources, we have Serge Dupont, the deputy minister.

We will start with you, Minister, giving your opening statement of somewhere around 10 minutes, and then we'll go directly to the questions.

In the second hour, we'll have Department of Natural Resources officials, whom I'll introduce at that time.

Go ahead please, sir.

**Hon. Joe Oliver (Minister of Natural Resources):** Thank you very much, Mr. Chairman. Merci. Thank you all for this opportunity to meet today with the Standing Committee on Natural Resources.

This is my first appearance before the committee, and I'm pleased to discuss my department's portfolio and supplementary estimates.

You've already introduced the deputy minister of Natural Resources, Mr. Serge Dupont.

[Translation]

Mr. Chair, members of the committee, our government's top priority continues to be supporting jobs and growth, and sustaining Canada's economy.

[English]

As we are all aware, Canada is not immune to the uncertainties of the global economy, but Canada is continuing to outperform our G-7 colleagues. We're the only country in the G-7 to have gained back all of the jobs and all of the economic output lost during the recession. In fact, we've gained it all back and then some—over 600,000 jobs.

A large part of Canada's success is the result of our strong natural resource sector. In 2010 the energy, mining, and forest sectors accounted for 11.3% of Canada's real GDP, or \$140 billion. These sectors provide significant employment in communities right across the country. In 2009 the energy, minerals and metals, and forestry

sectors were responsible for directly employing close to 760,000 Canadians.

Canada is a leading exporter of natural resource commodities and resource-based technology and knowledge. On the world stage, we are seen as a global mining giant and an energy superpower.

[Translation]

That's why the Government of Canada is making targeted investments to support innovation in the resource sectors, and the jobs and economic growth that these sectors provide.

[English]

Mining and mineral processing are directly responsible for the jobs of well over 308,000 Canadians. Thousands more work in related industries. In 2010 mineral production contributed more than \$35 billion to our GDP. Canadian mineral exports accounted for \$84 billion, and 21% of total exports came from minerals.

Many Canadians would be surprised at just how big a presence Canada's mining sector has in the world, with over 50% of equity raised in Canadian stock exchanges.

• (1535)

[Translation]

I was recently in China attending the China Mining Forum where numerous Canadian companies operate. I was impressed by their level of awareness of Canadian expertise in the mining sector. While there are issues surrounding sub-national governments, there is great potential for Canadian companies in China.

[English]

I'd like to acknowledge the work of this committee on this important file. I know that your current study of resource development in Canada's north will be beneficial, and I look forward to your final report.

NRCan is pleased to cooperate with the committee's study in any way we can.

[Translation]

With regard to the North, our government is making progress on many of the issues this committee has identified, such as the economic impact of mining in the north, shared responsibilities, aboriginal involvement, the environmental assessment process and regulatory system.

[English]

These numbers are all of vital importance to Canada's economy. Much of Canada's resource wealth—gold, silver, copper, zinc, diamonds, and oil and gas, and even rare earth elements—can be found in our vast northern lands.

I witnessed the potential of the north first-hand this summer when I joined the Prime Minister on his annual tour, and visited Meadowbank gold mine. The mine is providing great opportunity to the surrounding communities. Indeed, the mayor of Baker Lake told me that the unemployment rate in their community, which was over 40%, is now 2%—and he assured me that he wouldn't hire either of those two people either.

Just like mining, the forest sector represents the lifeblood of hundreds of Canadian communities. So our government is making unprecedented investments to help transform Canada's forest sector towards higher-value activities and global markets.

During my trip to China and Japan, I saw first-hand the dramatic progress we are making in growing and diversifying markets for Canadian forest products through initiatives such as Canada wood export program. Canada's lumber exports to China have doubled every year during the past five years. This year alone, exports in the first nine months of the year are up nearly 120% from levels just a year ago.

[Translation]

Thousands of Canadians are working in the forest sector today as a result of our efforts to expand demand for Canadian forest products in the fast-growing Asian markets.

[English]

Some of the initiatives covered in supplementary estimates (B) are supporting these important market expansion programs. In supplementary estimates (B), \$59.4 million will assist the continued transformation of Canada's forest sector through innovation, product diversification, and expanded opportunities for exports.

Finally, Canada's energy sector is a cornerstone of our national economy, and in an energy-hungry world, this sector is poised for great growth.

[Translation]

It is a dynamic industry with the right resource base, workforce, innovative spirit, leadership, and it's in the right environment to thrive like it never has before.

[English]

Canada is the second-largest producer of uranium, the third-largest producer of natural gas and hydroelectric power, and the world's sixth-largest producer of oil. We have the third-largest proven oil reserves in the world—almost all in the oil sands. These enormous energy assets are generating economic wealth across the country. In fact, energy represents roughly 7% percent of our gross domestic product, and creates hundreds of thousands of direct and indirect jobs throughout Canada.

Last year, for example, the energy sector provided direct employment for more than 270,000 people. It is estimated that last

year Canada's oil and gas industry paid more than \$4 billion in taxes and \$12 billion in royalties. These funds are being used across Canada to support our social systems, including our health and education systems.

• (1540)

[Translation]

And thanks to Canada's highly skilled work force and strong innovation, we are capable of increasing our energy production in an environmentally and economically sustainable manner.

[English]

This includes a growing portfolio of renewable energy, including hydro power, bioenergy, and wind. Many of our investments in innovation are in clean energy, and they're being funded by allocations through supplementary estimates (B). Additional NRCan funding included in the \$469.7 million in supplementary estimates (B) will support clean energy programs to strengthen Canada's economy and improve its environmental performance.

Another incredibly important energy sector is Canada's strong nuclear industry. As the members of this committee are aware, we have now completed the sale of the CANDU reactor division to an entrepreneurial Canadian company, SNC-Lavalin. This is a critical step in strengthening Canada's nuclear industry while reducing taxpayers' exposure to nuclear commercial risks.

Supplementary estimates (B) is requesting significant funding for Atomic Energy of Canada Limited. This funding will enable AECL to meet operational requirements, including isotope production, ensure safe and reliable operations at the labs at Chalk River, and meet contractual obligations and cover costs associated with the divestiture of the CANDU reactor division. I can assure this committee that this funding is necessary to ensuring that we meet our obligations.

[Translation]

Mr. Chair and members of the committee, Natural Resources Canada has an immense and diversified portfolio—all directly linked to Canada's economic health and prosperity.

[English]

Nevertheless, I don't want to leave you with the impression there are no challenges ahead. Clearly, we must continue to expand our markets beyond our current base of strength in North America. In order to realize the full potential of our abundant resource endowment, we need a timely, effective regulatory regime to develop the projects and infrastructure to diversify our markets into the Asia-Pacific region. This is urgent.

[Translation]

No matter how large our assets or our advancements in technology, they are of little benefit if our regulatory environment acts as a deterrent to their development. We're working on that.

[English]

We must also continue to increase the environmental performance of our energy sector, which our government has supported with over \$10 billion in investments. As I've recently promoted in my travels abroad, Canada is a reliable, environmentally friendly source of energy and natural resources. Everywhere I go my message is the same: Canada is a market-based, responsible, and reliable supplier and we are open for business and investment.

Thank you again for this opportunity to speak to this committee. I would be pleased to answer your questions.

**The Chair:** Thank you very much, Minister, for your opening comments. Welcome to our committee for your first appearance. I look forward to many more in the future.

We'll start the questioning with Mr. Harris. You have up to seven minutes. Go ahead, please.

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

Thank you, Minister, for your opening comments. We do appreciate your coming before us today to give us an update on a number of things.

I was particularly appreciative of how you touched on the critical role the forest industry plays in spurring jobs in our country and being of huge benefit to the economy. Three years ago, this committee did a major study on the state of the forest industry. In a couple of weeks we're going to be doing an update on that. We have the Forest Products Association of Canada coming to give us its advice and opinion on the forest industry, as it is now and where it's going.

Could you give the committee any feedback you might have been hearing from the forest industry stakeholders since your appointment as minister?

• (1545)

**Hon. Joe Oliver:** Thank you very much for the question.

I've been hearing and receiving strong feedback from our forestry sector. There have been many positive developments in forestry since the very difficult recession that hit the industry quite hard.

The positive feedback includes an increase of 600% in exports to China and over 13,000 more employees. Of course, there is still work to be done, and the industry is still in a period of transition. I have had a number of round tables with forestry companies to listen to their concerns, from coast to coast, and the message I've been receiving is that our programs are having a positive effect and that we need to stay the course.

**The Forest Products Association Canada recently said the following:**

The forest sector has been aggressively re-inventing itself with government as a critical partner. We are now at the point where industry efforts to transform are making an impact. However we still need an ongoing partnership so that industry can build on the existing momentum, and help protect jobs and rural communities.

Our government has been and will continue to be an ongoing partner with the forestry industry. I should just say that in a suite of market programs including Canada Wood, North American Wood First, and the Value to Wood, we are supporting the expansion of

market opportunities for Canadian wood producers. As I mentioned in my remarks, I was recently in China and Japan, where I witnessed these programs in action.

I was at the Tianjin economic development area, or what they call TEDA, for a celebration of the first four-storey wood-frame building. There was much fanfare, dragons, banners, and so on, and they were very pleased. Of course, it really showcased our wood and our cross-laminated technologies, as here we had the first four-storey wood building in China. This really creates great hope for the industry.

In Japan, I visited Sendai, which was one of the areas hit by the tsunami—and I have to say in that regard that the courage, dignity, and resourcefulness of the Japanese people is truly awesome. I was there when the first foreign ship had just arrived, carrying Canadian lumber. The Government of Canada had invested some \$2 million—the Government of British Columbia as well, and the forest industry. And so Canadian wood is going into the construction of community housing, because there are literally thousands, many thousands, of Japanese who are in temporary housing, and they can now see the beauty and durability of Canadian wood.

I heard a dismissive remark from another party that we don't want to promote wood because wood rots. Let me tell you that in Beijing, it was 1,400 years ago that the forbidden city was built, and it remains a source of tremendous pride to the Chinese to this day. So, talk about durability.

**Mr. Richard Harris:** Right.

**Hon. Joe Oliver:** We've gone a long way in diversifying our wood exports, and we've seen a 26-fold increase in exports to China over the last decade. Maybe I'm taking too long to answer your question, but I can go on. It's a subject that interests me and it's very encouraging.

**Mr. Richard Harris:** Well, actually I have a question along that line.

In June of 2008, in our report entitled "Canada's Forest Industry: Recognizing the Challenges and Opportunities", one of the many recommendations talked about market diversification and how important that was to our industry. I know that in the supplementary estimates, I think there is about \$59 million allocated to the forest sector to allow for the diversification of markets, which are so essential. In the time we have, maybe you could just talk a little bit about how successful that program has been, and share a couple of examples of how it has been positive for the industry, if you can.

• (1550)

**The Chair:** You have one minute please, Minister.

**Hon. Joe Oliver:** Yes.

I just mentioned there is a 26-fold increase in exports to China. The challenges in China are a lack of wood construction culture and the need for building codes. Canada Wood engages on both fronts through demonstration projects and working with local governments on wood building codes. I visited a large townhouse development in Shanghai that was made possible through a new building code. I referred to the four-storey wooden structure, the first one built in China.

It's been a very good news story for our forest products industry, and a large part of the success actually comes from these very programs.

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

We go now to the New Democratic Party and to Monsieur Gravelle—and Mr. Stewart if there's time left.

Go ahead please, Mr. Gravelle.

**Mr. Claude Gravelle (Nickel Belt, NDP):** Thank you, Mr. Chair.

Thank you, Mr. Minister, for being here today, and for keeping your answers short because our questions are going to be short. Thank you very much.

Mr. Minister, your colleague today confirmed that Canada will be withdrawing from the Kyoto Protocol this year, backing out of an international framework to deal with disastrous global warming. This month the International Energy Association confirmed that tracking climate change is more critical than ever.

Do you agree with the Environment Minister, and how are you going to justify this to Canadians?

**Hon. Joe Oliver:** First of all, I did not hear him say that we were getting out of Kyoto. What this government has said repeatedly is that the Kyoto requirements cannot be met. I think we all know the history behind this: the Liberal government signed Kyoto without an intention to comply. That's very clear; it's in a book written by the chief of staff to the Prime Minister at the time. In any event, absolutely nothing was done to comply with it, so when this government got in, it was already too late.

In any case, what we're talking about in Kyoto is a treaty that only covers 30% of the emitters. The other 70% are out, including the United States, China, India, and others.

What we are committed to doing is reducing greenhouse gas emissions by 17% from 2005 levels by 2020, as the Minister of the Environment has said, and we're adopting a sectoral approach to emissions reduction regulations, aligned with the United States.

**Mr. Claude Gravelle:** Thank you. I just want to move on to my second question.

**Hon. Joe Oliver:** Okay.

[*Translation*]

**Mr. Claude Gravelle:** Mr. Minister, up to now, the only energy strategy that your government seems to have had is exporting the oil sands and jobs from here. It's clear that six years of inaction in the regulation of the oil sands has stood in the way of approval of the Keystone project. It's high time the government woke up and invested in clean energy. The United States, per capita, is investing at the rate of 18 to 1 in renewable energy.

This government has created the ecoENERGY program. Why not create jobs by diversifying our energy economy and really investing in renewable energy?

**Hon. Joe Oliver:** First, clean energy is a very important goal for the government. Moreover, we have invested over \$10 billion to improve the efficiency of conventional energy and do research into alternative sources of energy. Funding of the clean energy programs

is used to improve energy efficiency and increase Canadian leadership in the development and promotion of clean energy technologies. The ecoENERGY program is a tangible element that will help Canadians and industries to take concrete measures to help the environment and reduce their energy bills.

● (1555)

[*English*]

**The Chair:** Mr. Stewart, go ahead.

**Mr. Kennedy Stewart (Burnaby—Douglas, NDP):** Thank you.

Minister, thanks again for coming today.

You say repeatedly that you support what we consider an outdated strategy to build three giant pipelines—TMX, Northern Gateway, and Keystone—to export millions of barrels of unrefined bitumen. But in July, you promised to develop a new national energy program.

We know you've been talking to the Chinese government, the U.S. government, and oil companies, but we're wondering when you're going to start talking to Canadians about this new program. Can you tell us exactly whom you're consulting about this program, and what date you'll be releasing program details?

**Hon. Joe Oliver:** I have, of course, been talking to Canadians from coast to coast to coast. Since I was appointed on May 18 to this position, I've been to St. John's and to Vancouver and Calgary and Montreal and Chatham and Toronto and Ottawa—

**Mr. Kennedy Stewart:** Was it specifically about this new program?

**Hon. Joe Oliver:** —and I've been talking about energy.

The start, really, of that conversation occurred in Kananaskis, Alberta, where I co-chaired a federal-provincial-territorial energy and mining session. We agreed to a cooperative and collaborative approach to energy, detailing certain specific issues that we want to proceed on. One that I personally put on the agenda and that was agreed by everyone was to improve the regulation to make it more efficient, effective, and less duplicative—

**Mr. Kennedy Stewart:** Is this on a national basis? Is this towards building a new national energy program for Canada?

**Hon. Joe Oliver:** Nomenclature isn't the important issue here. Our government respects the constitutional jurisdiction of the provinces. So we—

**Mr. Kennedy Stewart:** So we're not going to have a new one, then?

**Hon. Joe Oliver:** Pardon me?

**Mr. Kennedy Stewart:** I'm just trying to clarify whether all these discussions are moving towards a new national energy program, or whether we're not moving towards one.

**Hon. Joe Oliver:** We are not going to have another NEP—period.

**Mr. Kennedy Stewart:** Do you have any plans for a strategy, then?

**Hon. Joe Oliver:** I couldn't imagine—

**Mr. Kennedy Stewart:** Do you have any plans for a national strategy?

**Hon. Joe Oliver:** Pardon me?

**Mr. Kennedy Stewart:** Do you have any plans for a national strategy?

**Hon. Joe Oliver:** As I said, we believe in a national, pan-Canadian collaborative approach—

**Mr. Kennedy Stewart:** When can we see the details for this new strategy?

**Hon. Joe Oliver:** We're working on a number of different areas regarding efficiency, clean energy, regulation, and the smart grid.

**Mr. Kennedy Stewart:** Can we have some dates, though? This committee will probably be involved. We're just wondering whether we can have some dates regarding when we might see some of this work.

**Hon. Joe Oliver:** We're going to be meeting again, I think in September, in Charlottetown. In the meantime, the officials from my department are working with their counterparts in the provinces and territories.

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

I would like to ask questioners to give the minister reasonable time to answer the question. There are times, of course, when witnesses tend to drag out an answer. In that situation, it's fine, but that wasn't happening here. I'd encourage all members to make sure you give the minister reasonable time for a response.

Mr. Trudeau is next, for the Liberal Party.

**Mr. Justin Trudeau (Papineau, Lib.):** Thank you, Chair.

Turning now to the sale of the commercial division of AECL to SNC-Lavalin, reports have that sale as coming in at \$15 million for the federal government, with significant outlays of \$285 million in costs associated with the sale and \$75 million on workforce transition. Those are the costs this year associated with selling off this commercial division. What do we predict are going to be the continuing costs to Canadian taxpayers in years to come associated with this sale of the commercial division?

**Hon. Joe Oliver:** Thank you for the question.

As you know, AECL has been heavily supported by Canadian taxpayers for decades, and that's why our government moved forward to sell the CANDU reactor division to SNC-Lavalin, to protect taxpayers' interests while ensuring the continued strength of Canada's nuclear sector. We were fortunate that SNC-Lavalin was the last bidder standing. We had an open bidding process, as you know, and every one of the other bidders dropped out. Fortunately, SNC-Lavalin, a Canadian company, has an international presence and a lot of expertise in this area, and so we felt very comfortable selling it to them. It's in good hands.

As to the funding, we wanted to stop the additional liability acquired relating to new builds, but we of course retain the liability that we have had. It could not be passed on to the new buyer. The funding allocated to AECL will enable it to meet operational requirements and contractual obligations and cover costs associated with the divestiture of the CANDU reactor division.

I can't give you a specific number, however, about the process going forward. We have ongoing responsibility in respect to reactors that were built before.

●(1600)

**Mr. Justin Trudeau:** Thank you. That's one of the overall concerns.

You talk about the sale as being a way of limiting liabilities to the taxpayer because, yes, the taxpayer has been on the hook for many hundreds of millions associated with the nuclear industry in Canada. However, then we look at the fact that in Ontario, the Darlington reactor purchase, without government's back-stopping of CANDU reactors, is probably not going to go for a CANDU reactor. The refurbishment of the Point Lepreau reactors also has us significantly on the hook from being over-budget.

My concern is that we've managed to sell off the commercial division in such a way that we will remain on the hook for a while, and I'm not certain we've had any guarantees from SNC-Lavalin that it is intending to continue to develop and research new iterations of Canadian reactors. I think there's a real concern that it's just going to putter along as long as the government continues to send it money to do what it has to do, but will get out of the new reactor business, which is something that requires billions of dollars of investment perhaps more suited to government than private companies.

So I guess my question is this. Is the intention of this government that we simply get out of the nuclear industry altogether? Is that where we're doing? What sort of guarantees did we get from SNC that it would still be investing in research and upgrades and new technology around a significant source of energy?

**Hon. Joe Oliver:** In respect to the second-last point, this government supports a strong, dynamic and competitive nuclear industry. Actually that's one of the reasons we wanted to pass on the CANDU reactor to a strong private sector company.

We've been clear ever since we announced the sale that the liability is going to continue to be the responsibility of the government. It's common practice and you can't expect a new company to take over these contracts. They're contracts that were signed between AECL and the project proponents prior to the divestiture. So it's important to note that these contracts were the responsibility of the government. Whether we divested or didn't divest, the same cost would have been booked no matter if we had moved forward or we didn't. They do show one of the important reasons that we did move forward, that it shouldn't be the responsibility of taxpayers to pay for losses of what is essentially a commercial business going forward. These costs have been in the billings in the last few years, so future liabilities won't be the responsibility of taxpayers. The risk will now be borne by the new company.

As to SNC-Lavalin's intent, it made a significant investment. It is devoting a lot of time and attention. Clearly it sees potential here—and, in fact, we're encouraged that it's moving in the right direction. SNC is strong, and a strong private sector partner is what we need. I think there is a real potential still for CANDU technology. I'm pleased that the CANDU division of SNC already signed a contract with Argentina to refurbish a reactor.

●(1605)

**Mr. Justin Trudeau:** I'm sorry, Minister, but I would just like to change tack now. Thank you for your answer.

**Hon. Joe Oliver:** Sure.

**Mr. Justin Trudeau:** One of my concerns is that AECL's commercial division and the division for isotopes, etc., worked hand in hand with a lot of institutional cooperation and compatibility. Are we now worried, or what kind of safeguards do we have to make sure that we're not losing institutional knowledge and expertise by separating entities that in the past leaned on each other quite significantly and worked together quite harmoniously?

**Hon. Joe Oliver:** We expect there will be a continued relationship on this area between SNC-Lavalin and other companies. We retain the responsibility to provide research. We have the nuclear labs in Chalk River, as you know. We expect to see that kind of scientific interchange continue for a healthy industry.

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

You're out of time, Mr. Trudeau.

We go now to the government side for a five-minute round.

Mr. Trost, you'll have up to five minutes.

**Mr. Brad Trost (Saskatoon—Humboldt, CPC):** Thank you, Mr. Chair, and thank you, Mr. Minister, for being here.

In my seven years in the House of Commons, I've seen quite a few ministers, and I think this is about the fourth or fifth natural resources minister I've had the privilege of questioning. Welcome to our committee.

One of the things we hear frequently about from industry is regulation, regulation, and more regulation. I see that in these supplemental estimates we're asking for another \$13 million for the Canadian Nuclear Safety Commission, a couple of million dollars more for the Northern Pipeline Agency, and also for the National Energy Board. That brings to mind how absolutely important regulation is, particularly in the natural resources sector. In these last few months we've been doing a study on natural resource issues in the north, particularly mining issues, and one of the things that has come up over and over again is regulatory frustrations. There have been some comments about the Major Projects Management Office. It seems to be expediting some things, but there have been other frustrations that have been expressed.

Looking at this new money and other moneys that have gone into regulatory issues and into making regulations work better, what specifically is your department and your ministry doing to assist our companies to work through the regulatory process in a more efficient and streamlined way?

**Hon. Joe Oliver:** Thank you. This is a really important issue.

Canada is emerging as an energy superpower, and already is one in the mining area. Regulatory reform is actually the key to ensuring the future development of our resources. As I've said on a number of occasions, and most recently in a speech to the Manning Institute, there's too much duplication of effort and there are too many regulatory hurdles that need to be reformed. That's why in the Speech from the Throne we made it a priority to overhaul our regulatory system. This will involve moving to a one project, one review system that will provide predictable and timely regulatory review for the sector.

It's very important that we do this without undermining the regulatory integrity that is so important to ensuring that we address the environmental issues in a responsible way. There is no need and no desire and no intent to undermine that regulatory authority, but we need to make the system more efficient, less duplicative and, above all, more timely. Excess delay can undermine the economic viability of a project, and it can impede our progress.

We're looking at some \$500 billion in new projects in the next 10 years. If they are delayed by years, this has a terrible impact on the economy; it means jobs are not created as soon as they otherwise would be and that some projects may actually not go ahead. So this is an important issue. It's highly complex, but we have to get on to it, and this government is absolutely determined to do that.

So we give this a high priority, and I'm talking to my colleagues about this. I know that the Minister of the Environment is very much seized of this issue. We're taking a whole-of-government approach and expect to make some progress in this matter.

• (1610)

**The Chair:** You have a little more than a minute for a question and answer.

**Mr. Brad Trost:** I'm well aware of my time, Mr. Chair.

**Hon. Joe Oliver:** I can talk some more about that issue.

**Mr. Brad Trost:** Well, I want to ask you a little bit about this. First, because of the study we're doing here, I'll note that one of the recommendations I will be including is thresholding—

**Hon. Joe Oliver:** I'm sorry?

**Mr. Brad Trost:** —thresholding, so that small projects are not looked at in the same way as large projects.

In your final 30-odd seconds, can you give us a little more background on things you're doing in northern Canada? You mentioned the Meadowbank mine. As I mentioned, I worked as a mining geophysicist at that mine a decade ago. It's a great example of how mining has been helping to develop the north. Do you have any comments about the work in the north and how Natural Resources is helping to develop it, in the final few seconds here?

**Hon. Joe Oliver:** Mineral resource development is absolutely essential for northern economic growth. Economic opportunities north of 60 are driven by mineral development, accounting for 81% of resource production. There's further potential, actually, for oil and gas development in the medium to long term.

More than \$8 billion in new mine investment in the Northwest Territories and Nunavut is slated for the next five years. The government has launched an action plan to improve the northern regulatory regime to bring a whole-of-government approach to regulatory issues and to attract investment opportunities.



NRCan—my department, Natural Resources Canada—supports public geoscience in the north. And there the effort is to bring geological knowledge of 40% of Canada's land mass up to par with geoscience knowledge of the land mass south of 60. The geomapping program for energy and minerals—that's "GEM"—is a northern economic development program that's designed to provide public geoscience knowledge that industry needs to guide its exploration strategies in the three territories.

I have run out of time, but this is a really exciting area.

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

Thank you, Mr. Trost.

Mr. Allen, you have up to five minutes. Go ahead.

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

Minister, welcome to committee.

I want to pick up on the AECL sale and the restructuring. When it was announced, we were talking a little about jobs, and Mr. Trudeau was talking earlier a little bit about where we think SNC might be going in terms of developing the nuclear industry in Canada and staying with it. Maybe one of the big indications of that is found in the number of jobs that were saved by the transaction.

Can you give us an update, now that the transaction is getting to its closing point, on where we are concerning those jobs and how many of them were saved by the transaction?

**Hon. Joe Oliver:** Yes. Our government has protected over 1,500 jobs in the restructuring of the CANDU division of AECL. That's more than 300 jobs above the number predicted, and it's good news for Canada's nuclear sector.

Indeed, not a single unionized employee was laid off. We are of course honouring all our commitments on workforce transitions, including pensions, and we're providing \$75 million dollars to cover these costs, although we expect the bill will come in lower because of the larger-than-expected workforce being retained.

So I think the conditions are in place for a strong nuclear sector going forward.

**Mr. Mike Allen:** Can you tell me, then, based on the sale of the business to SNC-Lavalin, what your impressions are? Obviously this suggests to me that we're going to have a strong nuclear industry going forward. Based on your travels, what are your impressions of the nuclear industry in Canada and the business prospects for AECL now under SNC-Lavalin?

•(1615)

**Hon. Joe Oliver:** As I said, I think the conditions are in place for a strong, robust industry. First, SNC-Lavalin is a strong Canadian private sector partner, and it has an extensive international network of contacts to sell its services. Secondly, there is increased demand for these reactors from emerging economies, which can be tapped by the CANDU technology. Third, there is a great potential in the technology itself. Unlike light water reactors, the CANDU does not require highly enriched uranium, and we're actively pursuing the ability of the reactor to use thorium. This is especially important in

markets such as China, which doesn't have large uranium resources but has strong thorium resources.

Then, as I mentioned earlier, I was pleased to see that the new CANDU division of SNC has already signed a contract with Argentina to refurbish a reactor, and that's a several hundred million dollar contract—I think, a \$400-million contract. This shows that there is a market under the leadership of a private sector company.

**Mr. Mike Allen:** Thank you, Minister. That leads to my next question. It's going to be a little bit about isotope production in Chalk River.

The committee had an opportunity to travel out to Chalk River a little while back. It was a fascinating visit, to see the work going on to refurbish the isotope facility at the time. I know it enlightened many of the committee members at the time about just how complex that job was.

In the estimates, we're talking about \$200 million. The explanatory text talks about operational requirements and ongoing programs. Can you talk a little about the breakdown of that \$200 million? Maybe Mr. Dupont could reflect on this too. How much of the \$200 million is for the isotope facility? And could you give us your view of our continuing participation in Chalk River?

**Hon. Joe Oliver:** Let me make some general comments first.

Our government has been clear that we're moving away from isotope production at Chalk River in 2016. We sent a message out to that effect. We're working to transform the way medical isotopes are produced in Canada.

Earlier this year, we announced an investment in four projects by the non-nuclear-based isotope supply contribution program, NISP, to develop new ways of producing the key medical isotope technetium-99m. These investments will allow Canada to diversify its supply of isotopes in the medium term to long term.

While we know these isotopes can be produced using this technology, we are researching whether production can be scaled up while ensuring the quality of the isotopes. We look forward to reviewing the results.

I'm not sure, in terms of the breakdown of the numbers—

**The Chair:** We really don't have time to get into the numbers right now. Mr. Allen's time is up, so we have to go now to the official opposition, and Monsieur Gravelle, and then Monsieur Lapointe if there's time.

Go ahead please, Monsieur Gravelle.

**M. Claude Gravelle:** Thank you, Mr. Chair.

Mr. Minister, are you familiar with the study from Cornell University called *Pipe Dreams? Jobs Gained, Jobs Lost by the Construction of Keystone XL*?

**Hon. Joe Oliver:** No, I'm not.

**Mr. Claude Gravelle:** No, you're not? Okay.

Well, it's hard to figure out, because the government has been telling everybody that 140,000 jobs are going to be created because of this pipeline, but most of the pipeline for Keystone has already been built. The kinds of pipes required—they're called spiral pipes—are not made at the Camrose plant. Very few are made at the Evraz plant in Regina. These pipes are made in India and China; they're going to be the big winners here.

Can you table for this committee exactly what these 140,000 jobs will be, and how many manufacturing jobs there will be in Alberta and Saskatchewan?

**Hon. Joe Oliver:** The bulk of the jobs relate to the development of the oil sands. We know this pipeline is mainly going through the United States, so there will be jobs created in the United States. We've estimated there will be 20,000 construction jobs in the U.S. But there will be more jobs created in Canada because it's the oil sands development—which, of course, is feeding the bitumen into the pipeline for transport to the Gulf Coast, where it will be refined.

The oil sands, overall—

• (1620)

**Mr. Claude Gravelle:** Mr. Minister, we only have five minutes.

I think what you're telling me is that there won't be any manufacturing jobs created in Alberta and Saskatchewan, and that they're mostly going to be in the U.S.?

**Hon. Joe Oliver:** No, I said there will be a lot of jobs relating to the oil sands. That means companies will be supplying goods and services from all over Canada, including Ontario, Saskatchewan, and British Columbia. These are jobs for companies located across the country. The direct, indirect, and induced employment from the oil sands will be 450,000 at least. With the pipelines, it will be over 600,000 jobs.

[Translation]

**Mr. François Lapointe (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, NDP):** Thank you, Mr. Minister.

Here is an excerpt from your presentation: "[...] Canada is a reliable and environmentally friendly source of energy and natural resources."

As far as asbestos is concerned, you realize that the international community does not think that it is environmentally friendly. You must know that, for nearly a month now, mining production in Quebec has come to an overall halt. No one has been working in the asbestos mines for almost a month now.

You must certainly know that a lot of elected representatives, actually more and more, including some in your own caucus, no longer support the idea of financing this industry. You are aware, I hope, that a large part of civil society in Quebec—which is after all the province most concerned—no longer supports asbestos. Everyone in the CSQ, the CSN and the Coalition pour que le Québec ait meilleure mine no longer support asbestos.

So we have before us a historical moment to do what should be done, that is, to finance a transition plan for the asbestos workers in order to diversify the economy for the younger ones and help the older ones make it to their retirement, and stop operations.

Mr. Minister, do you plan to take advantage of these historical circumstances? If not, how can you justify a decision that would be so harmful for the health of hundreds of thousands of workers around the world, and now clearly as harmful for the economy of the asbestos region?

[English]

**Hon. Joe Oliver:** For over 30 years, Canada has promoted the controlled of chrysotile nationally and internationally—the safe use of it

[Translation]

**Mr. François Lapointe:** We've heard that 25 times.

**Hon. Joe Oliver:** Federal funds are given to the Chrysotile Institute under a standard contribution agreement, paid by the department. The agreement between the government and the CI, which initially was supposed to end in March 2011 after a three-year period, has been extended.

**Mr. François Lapointe:** In actual fact, no one is now working any longer. Are the—

[English]

**The Chair:** Monsieur Lapointe, give the minister a chance to answer the question. You only have about five seconds left, but I'd like the minister to complete his answer.

[Translation]

**Mr. François Lapointe:** My question wasn't about the Chrysotile Institute.

[English]

**The Chair:** Go ahead, Minister.

[Translation]

**L'hon. Joe Oliver:** I simply want to add that the institute uses these funds to provide information on how to manage the risks associated with the production and handling of chrysotile fibres. This information includes technical regulations, control measures, standards and best practices.

**M. François Lapointe:** My question was about the creation of jobs in the region.

[English]

**The Chair:** No, Mr. Lapointe, your time is more than up.

We go now to the government side to Mr. Calkins, for up to five minutes, please. Go ahead.

**Mr. Blaine Calkins (Wetaskiwin, CPC):** Thank you, Chair.

Thank you, Minister, for being here today. I appreciate your appearing before the committee and giving us a briefing on the excellent work the government is doing on the natural resources file.

My questions to you are in the context my being an Albertan. As an Alberta MP, of course I'm very concerned with some of the developments that have happened lately when it comes to the export of energy from Alberta, particularly the decisions made with the Keystone pipeline.

In your opening comments, you touched on the need to diversify Canada's energy export marketplace. What comes to mind immediately is the Northern Gateway pipeline to take product from Alberta and western Canada—from any point in Canada for that matter—to the west coast.

Could you provide this committee with any updates on any of the work that's being done, or any of the needs your department has insofar as these important strategic economic initiatives are concerned going forward?

• (1625)

**Hon. Joe Oliver:** Thank you.

Diversifying our markets is a key strategic objective of this government. Currently, 97% of our energy exports go to the United States, and while the U.S. has been a strong customer, its energy growth is stagnant. It is absolutely essential, a key strategic objective of this government, that we diversify our customer base.

Emerging economies such as China have a very fast growing appetite for our energy exports. China is now the largest consumer of energy in the world. We have the third largest oil reserves in the world, which need to go to market. There is a tremendous complementarity. We want to diversify our customer base and it wants to diversify its sources of energy.

To get it to market, infrastructure will need to be built. And for all proposed pipelines, this will of course go through the regulatory process to ensure the pipelines are environmentally sustainable and safe.

It's important to note that pipelines remain the safest form of transportation of our energy products. In fact, if I may just add an aside, the final Keystone XL environmental impact statement from the U.S. State Department said that Keystone would be safer than any of the domestic pipelines already built in the United States, because of some 57 conditions imposed on TransCanada Pipelines and because of technological improvement in the pipeline.

So we need to move quickly; we can't afford to move slowly. The expansion of our energy sector means hundreds of thousands of jobs for Canadians, billions of dollars for our government, and trillions of dollars for the economy, and we're committed to moving forward in a socially and environmentally responsible way.

**Mr. Blaine Calkins:** Thank you, Minister.

Do you have any numbers for this committee, when it comes to jobs created by these pipelines? It's been suggested by others that the jobs wouldn't be that significant in the North American marketplace. As an Albertan, I spend a lot of time driving around. Every time I see a pipeline going in, I see people out there working. These are good, high-paying jobs. These are technically sound jobs.

The pipelines put in years and years ago were sealed pipelines. Now we have all kinds of different materials used for pipelines—including fibreglass—and we have all kinds of developments in pipeline technology.

Does your department know if these jobs are strictly in the installation of the pipeline or in the engineering of the pipeline? Or is

there manufacturing going on in Canada and in the United States, for that matter, when it comes to making the pipeline?

**Hon. Joe Oliver:** The jobs are of high quality. The construction relates to the pipeline and to the development of the resource in the oil sands. With Keystone, we're talking here of some 160,000 jobs for the oil sands overall, and with the pipeline over 600,000 jobs—trillions of dollars in economic activity.

What people should understand is that the oil sands, at the end of the day, are a technology project, and the technology is improving. Greenhouse gas emissions have been reduced by some 30% over the last 15 years. Extraction methods are improving in terms of their efficiency. Several decades ago, it was just sitting there and had no particular economic relevance. Now, it's the third-largest reserve in the world. With technological improvement, that 170 billion barrels of proven reserves, can go up to well over 300 billion barrels, making it the largest reserve in the entire world. This is of immense benefit to Canada; we're extremely fortunate. We've got to go about it in an intelligent and responsible way.

**Mr. Blaine Calkins:** The last question I have—

**The Chair:** Mr. Calkins, unfortunately, your time is up.

Our time with the minister is up.

We will, first of all, thank the minister very much for being here today in his first appearance before the committee. We look forward, as I said before, to other appearances in the future.

The officials will remain, but will suspend the committee for a couple of minutes as we include the other departmental officials.

The meeting is suspended.

• (1630)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1630)

**The Chair:** We are resuming the meeting with officials from the Department of Natural Resources.

We have with us today, Bill Merklinger, assistant deputy minister and chief financial officer, corporate management and services sector; Cécile Cléroux, assistant deputy minister, AECL restructuring; Mark Corey, assistant deputy minister, energy sector; and Tom Rosser, assistant deputy minister, Canadian Forest Service.

Welcome. Thank you all for being here today.

We'll continue the questioning, unless you have opening statements. My understanding is that you don't.

We'll go directly to questioning. We'll start with Monsieur Lapointe, and Madam Day, if there's time.

Monsieur Lapointe.

[Translation]

**Mr. François Lapointe:** Good afternoon to you all. Thank you for being with us today.

The committee has met a large number of people linked to the mining industry from across the spectrum: as many social activists and representatives of aboriginal peoples as representatives of the mining industry. They have all systematically talked about a problem which differs, in my opinion, from what the minister has presented to this meeting.

The representatives of the various organizations have talked about an administration problem rather than duplication. The minister, however, talked to us about duplication. The representatives talked to us about the excessive time taken up by administrative management at every step of the way. The mining people didn't talk to us about lowering environmental standards; they talked to us systematically about that.

What is your point of view on this subject? If all those people are right, what is the plan in the short term for resolving this situation?

[English]

**The Chair:** Mr. Corey, go ahead.

[Translation]

**Mr. Mark Corey (Assistant Deputy Minister, Energy Sector, Department of Natural Resources):** Mr. Chair, I'd like to add something to what our minister said.

First, as the minister mentioned, at the annual Canada's Annual Energy and Mines Ministers' Conference held in Kananaskis in July, the ministers agreed on a Canada-wide approach for promoting the interests of the energy and mining sectors.

One of the ministers' priorities was to make the environmental assessments of projects more efficient.

• (1635)

[English]

Let me just expand briefly on that.

What the minister said was that they do not want to reduce the environmental standards. They do not want, in any way, to reduce the outcome. What they're looking for is to make sure that it's efficient. In some cases, they were talking about where we have duplicative processes.

So that's really what it's about: it's about making the process more efficient, not less effective.

The second—

[Translation]

**Mr. François Lapointe:** Forgive me, Mr. Corey.

Many witnesses have spoken to us about the lack of resources that would ensure that administrative management took place properly and quickly.

Do you think you'll resolve this particular problem in the short term?

**Mr. Mark Corey:** Mr. Chair, as I mentioned, the ministers expressed their clear intention to accelerate the processes and make them more efficient.

[English]

The second thing I'd mention is that we have a thing called the Major Projects Management Office. This is a major initiative of the Government of Canada for some of the bigger projects to start to manage them overall. It's to ensure, as was pointed out, that they do in fact have reasonable timelines that are respected, that people in fact do deliver the parts of the project when they're supposed to be doing an analysis. So there's an overview involved. There's in fact a committee of deputy ministers, for example.

[Translation]

This committee of deputy ministers meets pretty regularly in order to manage the process. As the minister mentioned, improving the process in the future is one of the government's big priorities at present.

**Mr. François Lapointe:** Is your department in favour of maintaining the Aboriginal Skills and Employment Partnership Program, which could be eliminated on March 31?

All the witnesses tell us that this program should not be abolished, but rather maintained and improved.

Are you for or against keeping the program?

**Mr. Mark Corey:** Mr. Chair, right now I can't say. We might be able to come back with an answer, if it's possible.

[English]

**The Chair:** Okay, if you could get an answer for the committee... Thank you.

Madame Day, you have about a minute.

[Translation]

**Mrs. Anne-Marie Day (Charlesbourg—Haute-Saint-Charles, NDP):** So I'll ask my first question quickly.

The ecoENERGY program is very popular with families and small businesses. Will it be renewed?

**Mr. Mark Corey:** Mr. Chair, the answer is yes.

The previous budget provided for a program that will be an extension of the program from past years. That means that we now have a five-year program. We saw to the renewal of the program.

Most of these programs are now included in the supplementary estimates (B) 2011-2012. The total for all these programs is \$469 million. Most of this amount is intended for the ecoENERGY Retrofit—Homes program, which is designed to defray the costs of improving houses.

In short, the answer is yes. It's already done.

**Mrs. Anne-Marie Day:** This program was renewed for one year last year, that is, for up to March 31 of this fiscal year, and it will be renewed. In view of that, can you tell me whether there's a chance of making it permanent?

**Mr. Mark Corey:** Mr. Chair, for the time being, the government has announced that it will renew the program this year only. That's the only announcement made by the government. That means that the program is renewed for the year 2011-2012. It's only for one year.

**Mrs. Anne-Marie Day:** Until March 30, 2012?

**Mr. Mark Corey:** Until March 31, that's right.

**The Chair:** Thank you, Ms. Day and Mr. Lapointe.

[English]

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

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

I think this is probably for Mr. Rosser in particular. I want to come back to China and what we're doing there. You're putting more money into the forest innovation program and expanding market opportunities program. Can you talk about what specific products account for the great increase in our shipments to China?

Secondly, talk about what things we're doing to try to convince them to use wood. The minister addressed this to some extent, but maybe you could expand on that.

• (1640)

**Mr. Tom Rosser (Assistant Deputy Minister, Canadian Forest Service, Department of Natural Resources):** Sure. Thank you for the question.

Regarding our forest product exports to China, as the minister described, we've seen very rapid growth, both on the pulp and paper side, particularly pulp products, and also on the wood products side. On the wood products side, there is a mix of products, but the bulk of that would be lumber. What's particularly exciting about the growth we see on the wood products side, and the minister alluded to this, is that although China has a long history of building with wood, it has been latent in recent years. Through the Canada wood export program, we have been actively promoting wood construction—that is, the use of wood products in traditional Chinese building techniques—with significant success. It's a demand that we in partnership with the provinces and industries have helped to create, by encouraging the Chinese to use more wood in their building practices. We've seen significant progress in that regard.

**Mr. David Anderson:** Is our goal then to get them to use wood as we traditionally do in our kind of construction, or are you talking about their traditional beam construction, using their methods? What's our longer-term goal here? Is it just to get them using wood for whatever way they want to use it, or are we trying to show them that the way it's used in North America is a very logical way for them to look at improving their construction?

**Mr. Tom Rosser:** It's a bit of both. Of course, in North America wood gets used in a variety of different types of construction, but primarily in residential construction. In China, of course, you tend to have much higher population densities, much more multi-family housing. So in many cases we've had to adapt our products and our building technologies to their circumstances. For example, we've had projects to build roofs out of wood on five- and six-storey apartment buildings as opposed to concrete or other materials. For example, regarding roof trusses, we've worked with affordable housing authorities in China to try to get them to use wood in interior walls.

So in some cases it's a transfer of traditional North American building practices to the Chinese context; in other cases we're adapting our products to their circumstances and realities.

**Mr. David Anderson:** What's NRCan's role in the building code development in Canada and then what role have you been playing in these other countries such as China and Japan? The minister alluded to that as well.

**Mr. Tom Rosser:** In the overseas context, we do fund programs in partnership with industry and provinces to do work on codes and standards to actively promote wood construction. In addition to that, in China and other target markets we maintain a government to government relationship, working with them on codes and standards. Of course, the use of wood in any construction, or construction in general, is governed by building codes worldwide. So government plays an important role in determining how and where wood can be used. In many cases, with governments in Japan, China, and elsewhere, we will have a government to government dialogue around building codes and standards, often in conjunction with other federal agencies.

In a domestic context the National Research Council is responsible for the model national building code; but again, we work with them on making sure that wood is appropriately recognized in the model national building code.

**Mr. David Anderson:** How are we partnering with industry then? We have two different programs there, including the forest product innovation program. I have been to one of the labs, and you can see the remarkable work that's being done there, but I'm also wondering about of the market opportunities program. What's the role of industry, what's the role of government, in those programs?

**Mr. Tom Rosser:** We co-fund what is called the Canada Wood Group. So there are federal, provincial, and industry contributions that go to a not-for-profit organization that administers offices—in the case of China, in Beijing, Chengdu, and Shanghai, as well as offices in Europe, South Korea, and Japan.

Beyond the funding model in the organization there's also robust cooperation on government to government dialogue. When Minister Oliver was in China, for example, he sat down with Premier Clark of British Columbia and some senior industry representatives with senior representatives of the Chinese ministry of housing and urban development to talk about some of these codes and standards issues.

So there is a formal partnership through the Canada Wood Group in terms of funding and governance; but more generally, there's a wider-ranging partnership with industry and provincial governments on related initiatives.

**Mr. David Anderson:** In my role in agriculture, I had a chance to go to Japan and see some of the work that we've been doing there in terms of branding our Canadian food and how successful that's been. Do you want to talk a little about how we've been branding Canadian wood and some of the certification programs that are involved in that?

• (1645)

**Mr. Tom Rosser:** Certainly we do have initiatives in partnership with industry to brand Canadian forest products as environmentally preferred. One of the selling points of wood construction is that on a life-cycle basis, wood construction tends to have a lighter energy and environmental footprint than alternative building materials.

Another major selling point of wood construction is that it has very good seismic properties. Wood buildings tend to fair very well in an earthquake. That is a major attraction of wood frame construction in earthquake-prone regions of the world.

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

We go now to the official opposition.

Madame Day, you have up to five minutes. Go ahead, please.

[*Translation*]

**Mrs. Anne-Marie Day:** Do I have seven or five minutes, Mr. Chair?

[*English*]

**The Chair:** Yes, you have five minutes.

[*Translation*]

**Mrs. Anne-Marie Day:** I'm going to digress from the ecoENERGY program to ask a question.

Mr. Trost, you asked the minister a question earlier about regulation, since this is a subject that affects you closely. In committee, businesses often come back to training, agreements with the first nations, infrastructure needs and obsolete energy systems. We're always adding on-site processing, in Canada, primary processing, which we're very committed to.

How will the government promote policies to try and achieve these overall goals of businesses? They've all stressed these points.

[*English*]

**The Chair:** Who's going to take this question?

Mr. Rosser, go ahead, please.

[*Translation*]

**Mr. Tom Rosser:** Maybe I can talk about our efforts to promote innovation and the production of value-added products in the forestry sector, if that can help answer your question.

**Mrs. Anne-Marie Day:** I'm talking about the mining sector and development in the far north.

**Mr. Tom Rosser:** That's fine.

**Mrs. Anne-Marie Day:** I'm going to ask you another question.

Apart from the ecoENERGY program, what is your department's overall financial strategy for combating climate change and developing energy efficiency in Canada?

[*English*]

**The Chair:** Go ahead, Mr. Corey.

**Mr. Mark Corey:** Mr. Chairman, again, the leadership on climate change is obviously with the Minister of the Environment, but Natural Resources Canada does play a role in it.

As we mentioned before, there is \$469 million in spending in the renewed ecoENERGY programs, which are in supplementary estimates (B). They were actually only introduced in the budget, which is why they're coming here now. Those programs are in fact all targeted at improving Canada's energy efficiency and reducing greenhouse gas emissions.

I'll give you some specifics. On the ecoENERGY efficiency program, we'll be spending \$35.6 million. On the marine renewable energy enabling measures, we'll be spending \$534,000. On the clean energy policy group, we'll be spending about \$2 million—again, directly related to policy issues around clean energy. On the ecoENERGY for alternative fuels, there will be \$735,000. On the ecoENERGY innovation initiative—this is the one where there is a lot of research and development—we'll be spending \$31.2 million. And as we mentioned, the largest program in the bunch, coming in at just under \$400 million, is the ecoENERGY home retrofit program.

These are some of the things our department is doing directly to encourage the use of clean energy, increase energy efficiency, and reduce greenhouse gas emissions.

[*Translation*]

**Mrs. Anne-Marie Day:** Regarding the ecoENERGY program, can you give me an idea of the current demand?

**Mr. Mark Corey:** I'm sorry, but I didn't understand your question about demand.

**Mrs. Anne-Marie Day:** Is this program used a lot? Are there enough funds? Is there a an "over-demand" for the ecoENERGY program?

**Mr. Mark Corey:** The ecoENERGY Retrofit—Homes program is very popular.

The government made a commitment to help up to 250,000 Canadians make net improvements to their houses. That is this year's goal and it's very popular.

This is the only program that targets individuals. There are many other research programs, with institutions, private companies and researchers.

With regard to the innovation program, we have received over 1,000 applications for our clean energy research program.

We can affirm that the programs are very popular.

• (1650)

**Mrs. Anne-Marie Day:** In 2010, there was an interruption in this program, for various reasons, probably linked to a lack of funding.

In 2011, will there also be an interruption in the program?

**Mr. Mark Corey:** We are presently in fiscal year 2011-2012. The government has undertaken to provide \$400 million for the program. However, it's only for this year; there's no commitment for the coming year.

**The Chair:** Thank you, Ms. Day.

[English]

We go now to Mr. Calkins, for up to five minutes.

Go ahead, please.

**Mr. Blaine Calkins:** Thank you, Mr. Chair.

I just want to follow up on a line of questioning. I assume that you guys were all in the room when I was talking when the minister was here. Just to put things back in context, obviously the strategic importance of having the ability to export oil and oil resources from Alberta is critical. The minister eloquently addressed the concerns I had when it came to the Gateway pipeline. And he addressed some of the concerns being addressed with regard to the Keystone pipeline.

We've been building pipelines in Alberta for years and years and years. We have a pretty good track record when it comes to having a safe, environmentally sensitive, and friendly way of transporting our energy resources. However, lately in Alberta I've noticed that diesel fuel is about 30¢ a litre more than gasoline, and it's because of an obvious refining-capacity issue. I get a lot of phone calls from constituents asking me specifically about this. The question that's often posed to me when we hear about these rejections or setbacks when it comes to the refining capacity on the Gulf coast is why we aren't refining more in Canada. Why aren't we building more of our own upgraders and capacity here in Canada? Why aren't we, instead of piping it south, piping it to places where people need the work, such as Ontario, and so on? Why aren't we piping it to the west coast?

We can have long debates about policy. I know that you're not here to discuss the technical merits of policy, but I guess my question is, just for my own edification, the following. When was the last time we had any serious investments by the industry? What's keeping the industry from building more capacity for upgrading in Canada and in the United States, so that we have more of this product available?

**Mr. Mark Corey:** Mr. Chair, I could say a couple of things related to that.

It's the policy of the Government of Canada that decisions related to upgrading and refining are made in the private sector. There are a number of factors that come into play when the industry makes those decisions, particularly related to the oil sands.

There is a decision on whether they take the raw bitumen and upgrade it to what they call synthetic crude, and then on where synthetic crude goes to become refined product. What the industry looks at is the margin between what they can sell diluted bitumen for, and what synthetic crude sells for. Sometimes, if it in fact costs more to upgrade than the price of synthetic crude, there's no return on their investment, so they won't do it. If there's a big gap between the two prices, it's more worthwhile for the private sector to invest. We see the margins. Sometimes they get bigger; sometimes they get smaller.

There are other factors, as well. Sometimes, for example, refiners will prefer to be closer to the markets, because it's cheaper to transport, for example, crude oil by pipeline. I'm talking about the difference between crude oil and refined product. What comes out of refineries is gasoline, jet fuel, and diesel. Those are separate streams.

They either have to batch them in the same pipeline, or they require dedicated pipelines. For example, some refineries will have a pipeline that will go directly from the refinery to a nearby major international airport, which is the case in a number of cities.

A third factor is that gasoline varies, depending on temperature and the region of the country. The gasoline you put in your car in the winter is a slightly different blend from what it is in the summer. Of course, the difference between Texas and Ontario at different times of the year can be considerable. Gasoline refineries will actually tailor their product to the local market. That's another reason that the refiners, rather than shipping refined products long distances, will choose to be a little closer to the markets.

Another factor is that crude oil is more easily shipped long distances than gasoline, for example, because impurities getting into gasoline can be a major problem. Sulphur, for example, can get in. You have to clean it out at the other end. It's not as much of a problem when you're dealing with crude.

The final thing is the cost of infrastructure. A lot of the oil that would move, for example, down the Keystone XL pipeline would be moving to refineries on the Gulf coast, where they're already set up to do heavy crude. Just as a matter of reference, the price of a new refinery for 250,000 to 300,000 barrels a day can be in the range of \$7 billion to \$8 billion. They have existing refinery capacity already set up to deal with heavy crude. Oil sands oil is heavy crude. A significant investment like that is one of the commercial reasons for moving it to those refineries.

As an example, if you're moving a refinery from dealing with light crude to heavy crude, you need to introduce a coker. One of those can be worth \$2 billion. It's a very capital-intensive business. What happens a lot of times is that the crude will go to the refining capacity, which again is a decision we leave in the hands of the private sector.

Those are some of the factors behind the private sector's investment decisions.

• (1655)

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

We'll go now to Mr. Allen for up to five minutes. Go ahead, please.

**Mr. Mike Allen:** Thank you very much, Mr. Chair.

And thank you, witnesses, for being here.

I want to follow up on one of the questions I asked in the first segment associated with the \$200 million for Chalk River. Which parts of that funding address the continued isotope production, and what is meant by "addressing legacy costs associated with the wind-down of the Dedicated Isotopes Facility"? Is that the MAPLES?

**Ms. Cécile Cléroutx (Assistant Deputy Minister, AECL Restructuring, Department of Natural Resources):** Of the \$200 million, there is about \$35 million for the isotope production, and it includes the costs related to finishing the work to mothball the MAPLES. So overall it's about \$35 million of the \$200 million.

**Mr. Mike Allen:** That's \$35 million for both of those activities?

**Ms. Cécile Cléroutx:** Yes, both of these activities.

**Mr. Mike Allen:** Is the total cost for the redevelopment of the Chalk River isotope facility included already, in terms of the reactor work that had to be done?

**Ms. Cécile Cléroux:** In 2011-12 we have no costs related to the NRU. The NRU has been back in service since August 2010—

**Mr. Mike Allen:** Correct.

**Ms. Cécile Cléroux:**—so it does include the cost of operating the NRU and supplying the isotope production. That is included in the \$35 million I mentioned.

**Mr. Mike Allen:** Okay, thank you very much.

I want to follow up on one of the comments that was made on forest certification. I think Mr. Anderson asked about that.

How do we compare with other countries on the certification of our forests? I do know that when we were doing our study before, Russia was actually going to stop exporting logs, and that type of thing, and we felt there was a big advantage for us in our certification efforts for international markets. What is your impression of how we compare with other countries on certification?

**Mr. Tom Rosser:** On certification of sustainable forest management practices, Canada is unambiguously the global leader in terms of the number of hectares certified. I'm quoting from memory, but my recollection is that Canadian forests account for something like 40% of the global number of hectares certified. It's something, as I said, in which we are a global leader. In the marketing and branding of Canadian forest products, certainly the sustainability attributes of products are becoming increasingly important in the global marketplace. Being able to demonstrate that our products meet the highest standards of sustainable forest management is a key competitive advantage.

**Mr. Mike Allen:** I want to ask a question about the pulp and paper green transformation fund. I know there's a significant fund—something like a billion dollar fund—that has been set up.

Can you tell me a little about the disbursements of that? I know there have been a few projects that have been approved, at least for one of the businesses in my riding—and in New Brunswick as well. Can you talk about the current status of the disbursements of the funds in the pulp and paper green transformation program?

● (1700)

**Mr. Tom Rosser:** As you alluded to, it's a \$1 billion program over three years, so it will end at the end of this fiscal year—that is, in the 2011-12 fiscal year.

We anticipate that all, or virtually all, of the moneys allocated under that program will be utilized to support capital investments in the pulp and paper mills across the country that have a demonstrable environmental benefit. To date we have seen investments, I believe, in 34 or 35 communities in 8 provinces across the country. They have had a real impact in terms of improving the sustainability of Canada's pulp and paper industry.

We've seen a reduction in greenhouse gas emissions from the industry of about 10% as a result of investments made by the program. We've seen 1.6 million kilowatt hours of green power being generated by the industry, which, to put it into context, is enough electricity to power a city the size of Quebec City. There

have been significant improvements in energy efficiency, and in addition to electricity generation, there have been significant increases in thermal energy generation from bioenergy and other renewable sources.

It's a program that's had a significant impact on lessening the environmental footprint of the industry, and also in terms of improving its sustainability and competitive performance.

**Mr. Mike Allen:** How much time do I have left?

**The Chair:** Just a short question.

**Mr. Mike Allen:** Can you talk to me a bit about the funding for the renewal of the genomics research and development initiative? It was \$1.8 million. What is the total value of that program, and how long does this extension carry us for?

**Mr. Tom Rosser:** In a forest-sector context, there are really two facets to genomics research. One is with respect to forest pests, finding better ways to detect and control forest pests. There are also genomics applications in terms of tree growth, forest management, etc.

My recollection is that funding extends over five years at \$1.8 million a year to support genomics-related research in a forest-sector context.

**The Chair:** Thank you, Mr. Allen. Your time is up.

We go now to M. Gravelle for up to five minutes.

**Mr. Claude Gravelle:** Thank you.

Recently a member of my riding came into my office. He's a lumber mill operator. Most of his business used to be in Quebec—probably 90% of his business was in Quebec. Because of the black liquor subsidy, he has now lost most of his business to Maine. Can you tell me what help there is for these forestry companies in department spending?

**Mr. Tom Rosser:** There were really two facets to our assistance for the forest sector. The minister touched on these. We've talked quite a bit about our efforts to diversify markets to make the Canadian industry, particularly the wood products sector, less reliant on the U.S. market. We feel we have made considerable progress in opening up markets, particularly in Asia, in that regard.

The other big thrust of activity within our department's suite of programs is with respect to innovation. We provide significant funding, again in partnership with provinces and industry, for transformative technologies, finding new products and new markets that can be serviced by the forest products industry. We feel we have made significant progress in placing Canada in a position of global leadership in the development and commercialization of some technologies that are potentially game changing for the forest industry. We see that as another means of creating new opportunities for firms and forest communities that have seen reductions in demand and jobs as a result of a changing global marketplace.

**Mr. Claude Gravelle:** Thank you.

I'm going to read a few things here, and I'd like you to get back to the committee on them, because these are big numbers, which I'm sure you don't have the answers about off the top of your head.



If you could get back to the committee on these, would that be appropriate?

**The Chair:** Go ahead.

**Mr. Claude Gravelle:** Can you tell us the total dollars for renewable energy versus tax breaks for oil and gas?

Can you tell us about the study of carbon reduction per dollar spent on various programs, including home retrofits, renewable power, carbon capture, and storage of biofuels? Can you also tell us the amount of funding for carbon capture and storage to date by project, indicating the federal, provincial, and private contributions and the amount of carbon sequestered so far?

Finally, given this government's failure to renew the ecoENERGY for renewable power program, while other countries continue to invest in renewable energy, how will Canada maintain its competitive position in attracting private investment in green power? How does the department plan to prevent investments and jobs from flowing across the border?

If you can get back to the committee on those, I would appreciate it.

•(1705)

**The Chair:** I think Mr. Corey is prepared to answer at least answer some of those questions.

Go ahead, Mr. Corey.

**Mr. Mark Corey:** Mr. Chair, of course we only have 25 minutes left—

**Mr. Claude Gravelle:** That's why I would like you to get back to the committee.

**The Chair:** You only have two minutes to answer these questions.

**Mr. Mark Corey:** I can actually provide answers to some of those questions, but I believe we should take notice and get back to you with more details. I think that's fair.

As for the new funding that's in supplementary estimates (B), it's \$469 million. I think I went through a lot of the various parts of that.

One of the things that is actually available on the Internet was this. We went through and did an evaluation of the energy efficiency programs that ran for the last five years. For example, just on some of the reductions we got coming out of that, we anticipate that the total anticipated reductions to date are about 30 megatonnes annually by 2020. For instance, for energy efficiency initiatives, we're calculating that there will be about 20 megatonnes. For renewable energy and clean electricity programs, we're estimating about 6 megatonnes. For clean fossil fuels and alternative funding, we're estimating about 4 megatonnes. In Tom's area, in pulp and paper transformation, we're estimating 1.4 megatonnes.

Again, we do that calculation. It's one of the measures we use to see if these programs are targeted. We looked at how much it cost for the programs, per megatonne, to determine whether they were effective or not effective. That was one of the factors that drove the whole new generation of programs we're funding through supplementary estimates (B).

In terms of carbon capture and storage, we are committed to a number of major projects. We can get you the specifics on those. It's

about \$1 billion, federally. On some of the numbers—and here again, I am going by memory—when you look at federal, provincial and private sector funding, I think the total spending on carbon capture and storage is about \$7 billion. There is a significant investment.

In my three minutes, that's an overview of what we're spending.

**Mr. Claude Gravelle:** Can you get back to us on the rest?

**Mr. Mark Corey:** We can.

**Mr. Claude Gravelle:** Thank you very much.

**The Chair:** Your time is up, Mr. Gravelle.

We go now to Mr. Trudeau for up to five minutes.

Go ahead, please.

**Mr. Justin Trudeau:** Thank you, Chair.

This is going to be on a different tack. I rarely have a chance to question representatives of the Ministry of Natural Resources.

Who's in charge of maps in this country?

**Mr. Mark Corey:** That would actually be our department. It's the mapping services branch of the earth sciences sector. They are responsible for Canada's topographic maps. That's at the 1:50,000 scale and 1:250,000 scale. We're pleased to say that we finished the 1:250,000 scale in 1967, and I think we're within a year or so of completing the mapping of Canada at the 1:50,000 scale. We also have the *Atlas of Canada*, so you're in the right department, absolutely.

**Mr. Justin Trudeau:** Thank you.

I'm asking not just because I've loved maps all my life, but also because as a country we rely so much on our natural resources for our economy. We have to be very much aware of where the resources are—where the oil is, where the minerals are, how the forests are doing, and how the water in the aquifers is doing. Water is going to be a big issue as well.

Even though Natural Resources Canada has an extraordinary overview role for mapping, various departments, from Environment Canada to Fisheries and Oceans, as well as private industry, also have geomatics and mapping technologies and data collection. Obviously, the various oil and gas companies have extensive mapping technology.

My question is, who collates all that? Is it done? Is there coordination between the different departments and areas?

•(1710)

**Mr. Mark Corey:** Mr. Chair, this is actually a question that's near and dear to my heart. As the former ADM of the earth sciences sector, I can tell you a little about that.

The Inter-Agency Committee on Geomatics is the group that coordinates that for the federal government. So you're right that Natural Resources Canada will provide a lot of the base mapping for the country, but then there are a number of major user departments, including Fisheries and Oceans Canada, Environment Canada, and National Defence. For example, when we had the ice storm back in the 1990s, National Defence Canada mobilized and basically ran the whole operation on our topographic maps. Back in those days we were still printing paper maps, so we had our printing presses working 24 hours a day, seven days a week to provide National Defence Canada with those topographic maps.

Geomatics is the emerging area that combines maps on computers, remote sensing information, and the ability to analyze it; and that's increasingly what the federal government does in bringing its information together.

**Mr. Justin Trudeau:** I had experience of this when I was working in the avalanche safety industry out west, where different ski resorts and guide operations would collate all their data in a central area so that we'd have a specific.... I know the challenges in making sure that the data are always collected with similar resolutions and details.

Who chairs this Inter-Agency Committee on Geomatics? How often does it meet, and when was the last time it met?

**Mr. Mark Corey:** I have to defer to my colleague, who's the current ADM. I know that when I was the ADM there, it met a couple of times a year. It was a group that was at the assistant deputy minister level.

I know some years ago we put together a major program that looked at bringing the mapping of the Government of Canada together. I think that program was so successful in the first five years that it was renewed for another five years. Departments have done a lot of work together to ensure that their mapping information works together. It works fairly well together right now. They say that standards never happen by accident, and it's been a lot of work, but I think we've done a pretty good job of it.

**Mr. Justin Trudeau:** I have one short follow-up comment. I was meeting with fellows from the Geomatics Industry Association of Canada, and they expressed concern that the Inter-Agency Committee on Geomatics hadn't been meeting as regularly or working as effectively as possible. So, on behalf of the committee, I would be interested in finding out if indeed it has slowed down, or if there's just been a realignment. I'd very much like to encourage it to continue, because it is extremely important, not just as a knowledge base but also as an economic base for our country.

**Mr. Mark Corey:** Mr. Chair, I think we would take that on notice and we would get back to you with fuller information.

I would mention, as well, that there's a federal-provincial-territorial group that also coordinates mapping among the federal government, provinces, and territories, as they also have significant map information as well.

**Mr. Justin Trudeau:** Thank you.

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

We go now to Mr. Trost for up to five minutes.

**Mr. Brad Trost:** Thank you, Mr. Chair.

I notice in the material that we've been given that the Nuclear Safety Commission is being allocated an extra \$13 million this year. Whenever I see extra money for a regulatory body, I'm always of two minds, and the question is this. Are more resources being given so that things can be done more efficiently, or will there be more duplication?

So I was wondering if you could give me some background as to why the safety commission needs extra resources, and particularly how they benchmark the effectiveness of these new resources coming in.

What is the particular thinking here? Is it to increase efficiency? Is there a greater workload? And can you give me some of the background behind this extra \$13 million?

**Mr. Mark Corey:** Mr. Chair, I could start by saying again that this is in supplementary estimates (B). It's \$13.3 million, and maybe I can just walk through some of the items. I do have the director general responsible for that program, and if I can't provide enough detail, I'll call him to the table.

The first item, which addresses workload pressures associated with fee-exempt licensees, is something that CNSC has done for a number of years now. The funding for that is basically just to continue to provide ongoing money for them. It's for non-recoverable activities required to fund fee-exempt licensees. These are things like hospitals, research and academic institutions, and other activities that CNSC undertakes to ensure the protection of health, safety, security, and the environment.

The second one is funding for regulatory services. Again, that's part of it. They have a number of transfers that go back and forth between National Defence and NSERC. Again, those are basically agreements that they have with them.

The greatest bulk, really, is the fee exemption for non-cost-recoverable activities, which basically covers their work with hospitals and others where they do not recover the costs because they're not profit-seeking organizations.

●(1715)

**Mr. Brad Trost:** So are we seeing an uptake in the workload for, as you said, hospitals? I'm sure universities, if my memory serves me correctly from other times I've been on this committee, are generally part of that.

Is that because of greater research? Is that because of changes in medical...?

What is driving the need for the extra \$13 million?

**Mr. Mark Corey:** Mr. Chair, I will start, and then I'm going to ask if Jonathan Will, our director general of the electricity branch, could come and address it in a bit more detail than me, because it's actually his file. I will say that we have seen the workload increasing for the Canadian Nuclear Safety Commission in this area.

Jonathan, would you give a little more background on that.

**Mr. Jonathan Will (Director General, Energy Resources Branch, Department of Natural Resources):** Yes. The workload from this activity, as Mr. Corey mentioned, has increased in this area. However, it is an increase from previous years. It is consistent with the amount of money they've been receiving since 2008, in fact.

**Mr. Brad Trost:** Okay. Then let me ask a more generalized question in regard to spending on regulations.

How do we benchmark the effectiveness of our spending when it comes to regulatory bodies? In our study on northern development, we've been hearing continual frustration with regulatory delays for approvals and duplication, and things of that nature. How is the department measuring its effectiveness in pushing through effective regulatory reform? If you could give an example—and here the Major Projects Management Office springs to mind—that would be appreciated.

**Mr. Mark Corey:** Mr. Chair, again, as the minister has said, one of the major preoccupations of the government right now is to make sure that... It's not that we would have any less effective regulation; we want the regulations to be as effective as they are now, or more effective. It's a question of efficiency and making sure that things are done in a timely manner. The Major Projects Management Office, as you noted, is one of the major initiatives we've taken in this area. The federal and provincial ministers of energy and mines agreed that this would be a major topic to be developed.

As the minister mentioned, we're now working federally, provincially, and territorially to see what exactly we can develop in the near term. I would mention as well that when we were renewing our suite of energy efficiency programs, we basically reviewed how much was spent on each program and how many megatonnes of GHGs were reduced as a result. That was one of the effectiveness measures that we developed for our own programs, and we found that actually—

**Mr. Brad Trost:** Not to interrupt too much, but regulatory-wise, how do we calculate whether or not the regulatory bodies are being efficient in servicing the industries that are approaching them? Do we have timelines? What do we do to say they're getting good value for the regulatory dollar spent?

**Mr. Mark Corey:** Again, Mr. Chair, I think I would just repeat what our minister said, which is that it's one of the major preoccupations of the government to improve the regulatory efficiency of the system right now.

Again, that's what ministers agreed to at the last federal-provincial conference. That's what the Major Projects Management Office is about, and that's what some of the other programs we have in the department dealing with energy efficiency are about. It's making sure that we have efficient regulation and that they are effective and they are cost-effective.

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

Mr. Cannan, up to five minutes. Go ahead, please.

**Mr. Ron Cannan (Kelowna—Lake Country, CPC):** Thank you, Mr. Chair, and thanks to our witnesses for being here.

I represent a riding in the Okanagan in beautiful British Columbia, Kelowna—Lake Country, and our provincial counterpart is the Minister of Forests. He had an opportunity to go with our federal

minister to Japan and China for the Canada wood export program, and it was very encouraging.

The associate dean of Okanagan College in my riding, Doug MacLeod, wrote a paper on the use of wood and the importance of emerging markets using wood and wood foundations for an environmental purpose, because of the immense reduction in greenhouse gases as a result compared to the use of concrete. I don't know if you guys and gals in the department have looked at that and reviewed that perspective, but I think it's another way that Canada can use....

It's great to see the lumber experts have doubled every year over the past five years, and 120% over the last nine months. I think it's the part that Canada is playing to help reduce greenhouse gases globally. Have you examined that perspective at all?

• (1720)

**Mr. Tom Rosser:** Yes, Mr. Chair. It is true that there is a fairly robust body of evidence that compares wood against other materials on what is usually called a life-cycle basis, meaning that you look at building a particular structure out of different materials—concrete, steel, wood—and you look at the total life-cycle environmental impact. From taking the raw material to producing the building product, transporting it to the site, construction, building life, to end of use disposal, you look at the entire life cycle of the product and what the greenhouse gas and environmental footprint associated with different building techniques is.

There's been a lot of analysis done along those lines, and it shows pretty consistently that wood has a lighter greenhouse gas and environmental footprint than other types of building materials.

We certainly are aware of this research and have been partners with different organizations and agencies conducting it over the years. And it is particularly in the international marketing of wood, where we're trying to encourage people, who don't have a deep culture of building with wood, that it is something they should consider. The environmental benefits and the green building benefits of wood, particularly wood from sustainably managed forests, is a major selling point in markets like China.

**Mr. Ron Cannan:** So wood is good. That's what we like to say. Thank you.

Moving on to Mr. Corey.

I just want to ask a supplemental question. It's something that I get asked often.

I grew up in Alberta. I used to have a gas station and dealt with the element of supply and refineries, and I spent many years in Edmonton. If you could maybe remind me, when was the last time a refinery was built in Canada?

**Mr. Mark Corey:** Mr. Chair, I was wondering if I could bring Jeff Labonté, the director general of the Petroleum Resources Branch, to the table, because he actually has a little bit more experience with this than I do. So Jeff, could you...?

**The Chair:** Go ahead, Mr. Labonté.

**Mr. Jeff Labonté (Director General, Petroleum Resources Branch, Department of Natural Resources):** From memory, I think it was the mid-eighties the last time a major refinery was built in Canada. There have been a number of upgrades to existing facilities to expand production and throughput, but it was the mid-eighties.

**Mr. Ron Cannan:** I just want to know, because my understanding—and you can maybe clarify some of the reasons why Mr. Corey alluded to the private sector doing a cost analysis—is that it's also a result of the time delays, the uncertainty, the regulatory reforms, environmental, in each province and territory....

There's a lack of harmonization and regulation in the review, and it takes a number of years. So when the investors are going to put millions and in some cases billions, as you mentioned, on the table, is that one of the delays? Are we looking at that with our Red Tape Reduction Commission on removing red tape within the bureaucracy? Is that something that is going to help harmonize and streamline the process?

**Mr. Jeff Labonté:** Certainly, the development and plan to build the refinery would encompass significant environmental regulatory reviews and approvals. But as Mark has pointed out, there are many other factors as well, so it's part of the factors that one would look at. Certainly, the economics between the premium achieved from upgraded, refined-in-Canada product and the price achieved in the market by doing it somewhere else—where the capital infrastructure exists—is one of the primary factors, but the timeline to build a refinery from a greenfield is estimated in the 5- to 10-year range, in terms of all the permitting and processes involved.

**Mr. Ron Cannan:** I have one last quick question on solar. I come from a place where there's 2,000 hours plus of sunlight in the Okanagan valley. We are a strong solar marketer and consumer, but we've had.... And here I want to compliment to Jeff Knapp from your department. Jeff Knapp, the solar chap, has been out to market his program, and we had a solar hot water heating program, working in partnership with provincial utilities.

There is a gap between using alternative energy sources to providing the carbon, or oil, for example, as our fuel source. My understanding is that it only uses 20% if we maxed out because of the intermittent power sources. Is that correct?

**Mr. Mark Corey:** Mr. Chair, I should say that the department has actually had a number of programs that have dealt with promoting renewables. As you mentioned, one of the issues with renewables is the fact that they are intermittent. But the way that we think people will deal with that has to do with things like smart grids, where you start developing an overall capacity for the grid to absorb intermittent power as part of how it actually operates in terms of load management. One of the areas the federal and provincial energy ministers identified as a priority at Kananaskis was smart grids. It deals with things like intermittent power and how you deal with that, along with a whole bunch of other issues.

The other thing I'd mention is that the provinces have really stepped up and promoted renewables, and in a lot of areas their programs are actually much more generous than ours now. For example, I know that Alberta is huge in terms of wind power right now, and if you drive through the southern part of Alberta, you will see field after field of turbines. In fact, it's well-priced power for them out there. It works well.

The question about intermittency is one that you have to deal with in terms of the larger design of the power grid.

• (1725)

**The Chair:** Thank you, Mr. Corey, and thank you, Mr. Cannan.

Finally for today, we go to Mr. Stewart, followed by Mr. Lapointe, if there is time.

**Mr. Kennedy Stewart:** Thank you, Mr. Chair.

I would just like to return to the topic of refining. I've been looking through a number of figures, and actually talking to many of the businesses in this sector. From my research, I found that in 1971 we had 41 refineries—or around that. Now we have about 19. Our peak year for refining oil was 1977. We refined about 2.3 million barrels then, and now we're down to under 2 million barrels.

The question earlier from Mr. Cannan was about increasing capacity. My fear is the other side, that it's an industry in decline—and perhaps rapid decline. There is a fear that if we are constructing large pipelines that just export crude or unrefined conventional oil, these will require long-term service contracts of 15 to 20 years, perhaps. Some of the refineries in Canada don't—at least some of the industry leaders I've talked to said they don't—want to sign on to a 20-year deal.

My big issue is that this industry might be on the verge of collapse over the next little bit. You were talking about how we haven't built refineries and how they have all the capacity in the U.S. states. So we might be in an absurd position wherein crude is exported out, and we then buy back gasoline at the cost of our own refineries, our own refining industry.

My question is, has this been discussed? We've been hearing a lot about pipelines: Keystone, Enbridge, Trans Mountain, TMX, these giant pipelines. Has there been any discussion about the future of the refining industry and what we can do to keep what we have, or is it all for naught? Should we just throw up our hands and say it's dead?

**Mr. Jeff Labonté:** That's a complex set of questions. Maybe I can try to deal with certain stages of it.

You're correct that the number of refineries in Canada has been declining, but the throughput in terms of the volume being refined is actually increasing, and has increased since the seventies.

What's happening is that the smaller, less economical refineries are replaced. The refineries go through upgrade cycles that are usually on two-to-five year horizons. Rather than upgrade facilities at the cost of hundreds of millions of dollars, a new, larger facility is typically built in the same brownfield—the same existing footprint, if you will.

The refining capacity is held fairly constant in Canada. We still remain a net exporter of refined product, as well as crude oil. From a supply-demand perspective in the country, Canada still exports more refined product than it actually imports.

**Mr. Kennedy Stewart:** But we are importing it much more than we used to. You say that our capacity has increased, but the other day I was looking at the figures provided by the refining industry itself, which show that it depends on where you mark the time. But it does look like, since 1977, we have had a decrease in the amount of oil that's been.... It's not dramatic, but it still is a decrease.

**Mr. Jeff Labonté:** I think you also have to look at the demand profile as well. From a demand perspective in the refining industry, and downstream, if you will, or the midstream part of the oil and gas sector, Canada's demand profile has been fairly flat as well. So from an investment point of view, from a market point of view in a market-driven refining sector, the market is being served by the existing capacity we have. We do see some flows that differentiate themselves in different parts of the country. That's particularly the case in U.S., where we have integrated transportation systems. And in New Brunswick, for example, New Brunswick is a net exporter of substantial amounts of refined product to the upper eastern United States, whereas in the Great Lakes region you tend to see some flows that go back and forth depending on the seasonality.

You have a number of variables that are going on. There's also the maintenance cycle of refineries.

**The Chair:** Okay, Mr. Stewart. We have to vote on these various groupings that we've been dealing with in the supplementary estimates. That's probably going to take a couple of minutes, so we'll have to thank you and dismiss the other witnesses too.

Let's get right to the votes. As a reminder to everyone, you can vote to reduce the amount but not to increase it.

#### NATURAL RESOURCES

##### Department

Vote 1b—Operating expenditures.....\$100,432,549

Vote 5b—Capital expenditures.....\$1

Vote 10b—The grants listed in the Estimates and contributions.....  
\$449,865,000

##### Atomic Energy of Canada Limited

Vote 15b—Payments to Atomic Energy of Canada Limited for operating and capital expenditures.....\$275,511,917

##### Canadian Nuclear Safety Commission

Vote 20b—Program expenditures.....\$13,107,396

##### National Energy Board

Vote 25b—Program expenditures.....\$1

##### Northern Pipeline Agency

Vote 30b—Program expenditures.....\$1,700,000

(Votes 1b, 5b, 10b, 15b, 20b, 25b, and 30b agreed to)

**The Chair:** Shall I report the votes under Natural Resources to the House?

**Some hon. members:** Agreed.

**The Chair:** Thank you all very much for expediting that process, and for your input at the meeting today. We'll see you again on Wednesday.

The meeting is adjourned.





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