



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on Natural Resources**

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RNNR • NUMBER 032 • 1st SESSION • 41st PARLIAMENT

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**EVIDENCE**

**Tuesday, March 27, 2012**

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**Chair**

**Mr. Leon Benoit**



## Standing Committee on Natural Resources

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•(0850)

[English]

**The Vice-Chair (Mr. Claude Gravelle (Nickel Belt, NDP)):** I will call the meeting to order.

First of all, I'd like to welcome the minister and Mr. Dupont for being here today.

Pursuant to Standing Order 81(4), we are dealing with the main estimates for 2012-13, votes 1, 5, 10, 15, 20, 25, and 30, under Natural Resources, referred to the committee on February 28, 2012.

Minister Oliver, the floor is yours, sir.

[Translation]

**Hon. Joe Oliver (Minister of Natural Resources):** Good morning and thank you.

Mr. Chair and members of the committee, thank you for the opportunity to meet with this committee. As a government, our number-one priority is jobs and economic growth.

[English]

We're concentrated on putting in place the economic fundamentals that will ensure Canada will prosper in the 21st century. We're lowering personal and corporate taxes, cutting red tape, investing in innovation, and promoting free trade.

It's not a coincidence that *Forbes* magazine ranked Canada as the best country in the world in which to do business, and we want to keep it that way. Both the IMF and the OECD predict that Canada's economic growth will be among the best this year and next in the G-7.

Canada's natural resources have underpinned Canada's strength, with energy, minerals, and forest products accounting for more than 10% of Canada's gross domestic product. Our natural resource sectors directly employ over 790,000 Canadians, generating economic activity right across the country, including in remote and aboriginal communities.

[Translation]

There is a tremendous new global opportunity for Canada to thrive economically if we make the right decisions today to capitalize on our resource development potential. Over the next ten years, we're looking at as much as \$500 billion in new energy and mining investment in major projects across Canada. The investments in these sectors are not limited to major projects. There are also the day-to-day investments in new machinery, equipment and buildings. According to Statistics Canada, our natural resource sectors intend

on spending \$125 billion on new capital investments this year. This represents nearly one-third of the \$400 billion in investment intentions across the broader economy.

[English]

Imagine what kind of investment that would mean for jobs and growth in our economy. Imagine what that investment would mean to generating billions of dollars in tax revenues, revenues that go to support health care, education, roads and bridges, and other important services and programs that give us the quality of life we enjoy in this great country.

But we cannot simply take those investments for granted. These companies have the opportunity to invest around the world. Without a strong investment-friendly atmosphere, they will simply take that capital elsewhere. We're going to have to compete for them, just like we're going to have to compete for global markets.

If we want to succeed, we have to get our outdated regulatory system right. The existing regulatory system was developed and added to over the course of many years without much consideration for the overall effect. The result is a tangled web of rules and procedures. We're reviewing literally thousands of small projects every year, projects that even the Canadian Environmental Assessment Agency says have virtually no impact on the environment.

This is a disincentive to investment that can cost Canadians good, well-paying jobs and jeopardize the economic viability of major projects. You need to keep in mind that the market for capital is as competitive as any market in the world.

[Translation]

Canada is not the only country that can provide the resources to growing economies in the Asia-Pacific region. For example, Australia is approximately the same distance from China and has a very similar economy to Canada. They have already taken action to tap the Chinese market and have progressed further down that road. If we want to get into this market, we need to move quickly or the opportunity will pass us by. I am confident that we can achieve a regulatory system that does its job to protect Canadians and the environment but, at the same time, supports Canada's competitive advantage.

• (0855)

[English]

Mr. Chair, let me now turn to the proposed spending under review by this committee. Let me emphasize at the outset that when it comes to spending, our government will continue on the path of prudent fiscal management.

The \$2.8 billion in proposed spending for 2012-13 in my department can be broken down into three major categories of expenditures: 40%, or \$1.12 billion, is for statutory payments that flow to the provinces of Newfoundland and Labrador and Nova Scotia under the offshore accords; 32%, or \$892 million, is for grants and contributions paid under different statutory or program authorities; and 28%, or \$778 million, comprises the operating expenditures of the department, including salaries, contributions to employee benefit plans, and other operating and maintenance costs.

[Translation]

Through funding we receive from Parliament, Natural Resources Canada is able to make a significant difference in our energy, forestry, and mining sectors. We are building on an impressive track record in research and innovation across all our natural resource sectors.

[English]

For example, in energy we are investing \$14 million in Aquistore, a carbon capture and storage demonstration project in Estevan, Saskatchewan. The Aquistore project, which I had the opportunity of visiting, will examine the potential for deep CO<sub>2</sub> storage in southeastern Saskatchewan. Canada is in an excellent position to lead the world in the development, implementation, and deployment of carbon capture and storage technology.

In forestry we've invested in the CelluForce facility in Windsor, Quebec, the world's first commercial-scale producer of nanocrystalline cellulose, or NCC, a company I also had the privilege of visiting.

[Translation]

Canada is becoming a global leader in transforming this organic material into a broad range of new industrial and consumer products. Our investments in research and development are also supporting the competitiveness of Canada's mining industry.

[English]

Our CANMET mining and mineral sciences labs have developed an enhanced leaching process for recovering precious metals. Companies using this new process have reportedly experienced productivity gains totalling \$28 million.

We're also helping to unlock the vast potential of Canada's north. Natural Resources Canada is Canada's leading centre of expertise for receiving, managing, and interpreting remotely sensed data by satellites and aircraft. We're using remote sensing to help ensure the health, safety, and security of Canadians. For more than 50 years, the polar continental shelf program has been helping scientists to unlock the mysteries of Canada's north.

[Translation]

This program supports a wide variety of scientific research, ranging from archaeology and geosciences to climatology and wild life studies. Every year, it provides air and ground support to about 130 scientific groups from more than 40 government departments and universities—from across Canada and around the world. Researchers heading up to Canada's High Arctic know they can count on this program to provide reliable and cost-effective source of equipment, supplies, support and expert advice.

[English]

A \$100 million GEM program, the geomapping for energy and mineral initiative, is about to enter its fourth field season. The program is modernizing geological methods and techniques to map Canada's northern resource potential. We've identified areas of high potential, not only for gold, but for nickel, platinum group elements, rare metals, base metals, and diamonds. GEM data is not just fuelling current exploration activity, it is laying a robust, modern foundation for years of future exploration, development, and land use planning.

[Translation]

These are only a few examples of concrete initiatives of the government to help make Canada a global leader in the responsible development and use of natural resources.

Mr. Chair and members of the committee, I have provided a brief overview to help set the context for our discussions.

Let me conclude by emphasizing that responsible resource development is vitally important to the continued health of Canada's economy.

• (0900)

[English]

Canada's abundant natural resources have an enormous potential to stimulate jobs and growth in a period of global economic uncertainty. The work of Natural Resources Canada and its portfolio agencies play a critical role in helping to unleash this potential.

I welcome your support in approving the proposed estimates, and I'm pleased to take your questions.

**The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)):** Thank you very much, Minister, for your comments in setting up this meeting. Thank you for appearing on such short notice and for the work you've done to date on helping to open markets to our natural resources, as well as for the work you've done to improve the regulatory process. Thank you for that in advance.

We'll get directly to questions and comments, starting with the government side, Mr. Allen, for up to seven minutes, please.

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

Minister, thank you for coming. Mr. Dupont, thank you for being here today.

I want to focus my questions specifically on the regulatory reform aspect of things. As you're aware, we've been doing a study on resource development in the north over the past little while. We have heard, and in your comments you indicate, that there are thousands of projects every year that the Environmental Assessment Agency says have virtually no impact on the environment. We've also heard from a number of witnesses in committee who talked about regulatory overlap and had concerns about the inefficiencies in the regulatory process. You've been making some statements over the past little while.

Could you comment in terms of what changes you believe need to be in the system in order to create that regulatory environment you've spoken about, which is competitive and attracts investment?

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

To ensure that responsible development of our natural resources proceeds as it should, Canada needs a modern, predictable, rigorous regulatory system. It's really crucial to our national prosperity, both in the short and the long term. Our government has already implemented a number of innovations to enhance the performance in the regulatory system for major projects. The major project management office has in fact halved the time needed for these projects on average. That's a first step, and there are others, but more must be done.

We need a system that is fair and independent, that considers different viewpoints, that is open to people who have a legitimate interest in participating, and that is based on science and facts. It must ensure that aboriginal groups are listened to, that we fulfill our constitutional obligations to consult, and that we engage the aboriginal communities in meaningful consultations and discussions.

The system should not take years and years to review a project. It's possible to make regulatory decisions in a reasonable amount of time without compromising the rigour or the standards of the process. We believe reviews for major projects can be accomplished in a more streamlined fashion. It isn't an either/or question.

Our ultimate goal is simple but not necessarily easy to achieve: one project, one review, in a clearly defined timeframe. We can achieve a regulatory system that protects Canadians and the environment while at the same time helping to ensure the future prosperity of Canadians across the country. We are immensely blessed with the resources that we have, and it's up to us to responsibly develop them.

**Mr. Mike Allen:** In your comments yesterday, Minister, you were talking about the single review, one review, process. You indicated that you felt confident that in some cases many provinces were a long way ahead in terms of undertaking that kind of review. I guess just as big a danger from the standpoint of having a lot of overlap would be the potential for a gap, to ensure that the federal government is supporting these processes.

You did bring up the project management office. I would like to ask, regarding the project management office, how do you perceive their role going forward? The reason I ask that question is because in some of the review we've done on resource development in the north, there was a significant difference between the operations of

the major project management office and the northern project management office. There were some gaps up there. They didn't think the northern project management office, maybe, was functioning as well.

Could you comment about the project management office? How is that functioning now, and how, under a one-review process, will that be a key element in terms of the success of these reviews?

● (0905)

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

As you know, I don't have responsibility for northern development. The major projects management office, which brings together the responsible deputy ministers, in a very practical way focuses on these projects to make sure they're handled efficiently and effectively, without in any way undermining the regulatory integrity or the ability of the regulator to conduct a thorough scientific review. Those principles will, of course, continue under any changes that we propose going forward.

What we have talked about is defined timelines that are enforceable, that make sure that the projects don't go on forever but provide adequate time for consultation and scientific review. We expect that the major project management office will continue to play an important role within the more modernized structure.

**Mr. Mike Allen:** Let's say you saw New Brunswick as being a good single point of entry for the review of a mining project. You would see the devolution of that responsibility to the province, yet the project management office would be the single point of entry to ensure that there were no gaps in the process. Is that kind of what...?

**Hon. Joe Oliver:** Right. What we can do, within our jurisdiction, is eliminate duplication so we don't have more than one federal regulatory body looking at the same project. That's the one project, one review, at the federal level. But as we know, the provinces have constitutional responsibility as well. Some projects they will be responsible for on their own—that's not our issue—and there will be some in which there will be overlapping jurisdiction. In that category, what we would like to see is an equivalency approach where either of the two, and certainly not necessarily the federal government, will take over the regulatory review. But no gaps would emerge from that because the review would be comprehensive. It's just a question of who would be doing it. If a province, such as Quebec or British Columbia, has that capability, they would have that opportunity.

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

We go now to the official opposition, starting with Mr. Gravelle. If you leave some time for Mr. Stewart, then we'll go to Mr. Stewart.

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

Thank you, Mr. Minister, for being here. It's too bad there are only two days before the next budget. Hopefully, we'll see you again after the budget.

Mr. Minister, my first question is about your cheerleading, cross-country, pipeline promotion tour.

Do you really think it's legitimate to dismiss Canadians' concerns about 60-plus thousand long-term permanent jobs in fisheries and wilderness tourism, generating billions of dollars each year and sustaining coastal communities, as radical? This sort of ideological attack by a government on its citizens is nearly unprecedented in Canadian history and shows a complete lack of understanding of the concerns about livelihood and environment that many people are expressing through the review process. It gives the impression that the government has already made up its mind and would be willing to approve any pipeline that increases oil companies' profits, regardless of the impacts on the environment and livelihoods.

**Hon. Joe Oliver:** The first point I'd like to say—and I've said this repeatedly but there are those who don't want to hear it—is that I have never characterized all environmental groups as radical. I have only said that there are some radical groups—and there are—that do not want any development whatsoever. They will deny they are against all development, but they oppose every development. So it pretty well comes to the same thing.

I've not—

• (0910)

**Mr. Claude Gravelle:** Could you name some of these groups?

**Hon. Joe Oliver:** I've not characterized all groups as radical, and I don't believe that's the case. I don't even think that's the case.

**Mr. Claude Gravelle:** Could you name some of these radical groups?

**The Chair:** No, Mr. Gravelle, as you know, at this committee we give.... When you asked the question, the minister clearly hadn't finished answering your question. Just give him some time to answer. If you feel he's dragging it out, then you can interject. Let's allow the minister a chance to answer.

Please continue with your answer, Minister.

**Hon. Joe Oliver:** We know that there's immense potential in the oil sands for generating employment and economic activity. In fact, if all the infrastructure needed to be built is built, over the next 25 years the oil sands can produce \$3.3 trillion in economic activity, over 700,000 jobs on an annual basis on average in Canada—

**Mr. Claude Gravelle:** Thank you, Mr. Minister. I only have a couple of minutes here.

**Hon. Joe Oliver:** —and tens, maybe hundreds of billions of dollars in government revenue to fund important social programs like health care, housing, education, and pensions.

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

I hope, Mr. Chair, you're not counting this interruption in my time.

**The Chair:** Go ahead, please, Mr. Gravelle.

**Mr. Claude Gravelle:** Mr. Minister, two weeks ago a delegation of B.C. first nations leaders came to Ottawa to share their concerns about the Northern Gateway pipeline and tanker project. They were refused meetings by all but the parliamentary secretary for fisheries, yet you meet regularly with oil companies.

Is your government so firmly beholden to the oil patch that you won't even bother listening to concerns?

**Hon. Joe Oliver:** I had the opportunity to meet with some of the chiefs at the crown-first nations meeting here in Ottawa. I've subsequently had meetings with chiefs in Vancouver and Winnipeg. I have been interviewed on aboriginal TV. I've had excellent, productive, constructive, respectful, equal conversations with aboriginal communities. I intend to continue to do that, because that's my responsibility.

**Mr. Claude Gravelle:** Thank you, Mr. Minister. My time is up.

**The Chair:** Mr. Stewart, you have about three minutes.

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

Thank you, Mr. Minister, for presenting yourself here today.

You've stated that your intention is to gut the National Energy Board review process and eliminate public input on particular pipeline and mining projects. You call the process outdated, but it was chiefly designed to protect the rights of property owners.

Does this mean that property owners and first nations affected by these projects will have to resort to civil disobedience to save their lands from expropriation?

**Hon. Joe Oliver:** That's quite a question, with a number of false assumptions.

We do not intend to gut the process. Quite to the contrary, we want to strengthen it and make sure that no project goes ahead if it isn't safe for Canadians and the environment. We will not be eliminating the role of the National Energy Board. The National Energy Board will continue to do comprehensive environmental reviews, as it has done before. We obviously respect the right of all Canadians, including property owners.

I think people should wait to see precisely what they're going to do. The fact that the proposals are criticized before people have even had a chance to see them is probably indicative of what they're going to say once they've seen them. Frankly, it undermines the credibility of critics to criticize them before.

**Mr. Kennedy Stewart:** So you're committing that the public will have a chance to comment on these changes you're proposing. We'll have a chance to review them at this committee, and then you'll be conducting widespread public consultation before you go ahead with changing the National Energy Board review process—or will you just go ahead and do it in the budget on Thursday?

**Hon. Joe Oliver:** The proposed review will require legislative change; therefore, it will undergo the same sort of review that every other piece of legislation does.

• (0915)

**Mr. Kennedy Stewart:** But you've committed, in the papers anyway, to putting it in the budget on Thursday.

**Hon. Joe Oliver:** Yes, it will be announced in the budget on Thursday. There will be legislation dealing with it subsequently.

**Mr. Kennedy Stewart:** Will that be buried in the budget bill, or will there be a separate process by which this change will be reviewed?

**Hon. Joe Oliver:** Nothing is buried in the budget bill. I have not seen the budget, but I'm told there will be a high-level discussion of this. Then, of course, there will be a detailed explanation when the legislation is brought forward.

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

We'll go now to Mr. McGuinty for up to seven minutes.

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

Thank you, Minister, for being here this morning.

I just want to pick up where my colleague left off. Before your election your government actually did bury, in a paragraph in budget bill 2010, changes to the Canadian Environmental Assessment Act. Are you now publicly committing to Canadians that there will be a separate legislative process where this committee, or the environment committee, or perhaps a special legislative committee, will be brought together to review the changes you're contemplating?

**Hon. Joe Oliver:** This, as you know, Mr. McGuinty, is my first session, my first year, in Parliament. I haven't gone through this legislative process.

I can tell you there is discussion in the budget. There will be a rollout of the legislation such that everyone will understand precisely what is being proposed, and it will go through as all legislation does.

As for the specific details surrounding it, I'm not in a position to say at this point.

**Mr. David McGuinty:** I appreciate that, Minister.

It would be important, though, just to note as the new minister, recently elected, that Canadians are a little skeptical. In 2010 the Supreme Court of Canada ruled against your government with respect to the Red Chris mine in northern B.C. Your government, to overcome the decision by the Supreme Court of Canada to uphold the way in which the Canadian Environmental Assessment Agency was doing its job, actually brought in legislation, through a budget bill, which was never properly debated and never sent to the appropriate committee.

Perhaps, going forward, it would be better for Canadians to have an opportunity, as my colleague suggested earlier, to have some input.

I want to turn, if I could, to theme number two, Mr. Minister. I want to talk about aboriginal participation. I don't know what you did or did not say in a speech, which was reported as quoting your

having said that there are aboriginal communities that are socially dysfunctional. I don't know what you meant. I don't know what the context of those remarks were. I think they were perhaps intemperate remarks. But I want to talk to you about aboriginal participation.

You alluded earlier to the notion that there would be appropriate consultations and discussion. In your thinking about regulatory reform and perhaps creating the better environment for the exploitation of our massive natural resources, is your government contemplating equity participation by aboriginal communities?

**Hon. Joe Oliver:** First of all, to your comments about what I said in the speech, I didn't say anything like that in the speech. There was a question period after and I was referring to the potentially transformative impact that resource development can have on aboriginal communities. I cited a visit that I had the privilege of participating in with the Prime Minister during his tour of the north, to Baker Lake, where the unemployment rate had decreased from 40% to 50% down to 2% as a result of a mine being opened in the area.

I said there are immense opportunities for communities that have been suffering from high unemployment for a very long period of time to extricate themselves from this situation through the employment opportunities, as well as cash payments and equity participation, which I gather is being offered right now by the sponsor of the Northern Gateway project. So I don't want to talk about that project beyond that, because it's under regulatory review.

But it is a fact, it's in the public record, that there is some billion dollars on the table for aboriginal communities, and therefore there are opportunities for these communities to really extricate themselves from, in some cases, long periods of high unemployment rates, which all of us decry.

We're living in Canada, a wealthy country, and we all want the very best for aboriginal communities. We see resource development as being potentially an extremely positive opportunity for these communities and for other Canadians as well.

• (0920)

**Mr. David McGuinty:** Could I turn to theme number three now, Minister, because of the shortage of time? I want to talk to you about the Prime Minister's speech in 2008, when he delivered his first "Canada as energy superpower" speech in London, England.

At the time, Mr. Harper stood up and told the world that by 2016 Canada would be pricing carbon at \$65 per tonne. Obviously, given your mandate in the natural resources sector, this is an important announcement. Can you tell us where you are with this? What is your thinking? Where is the government going? Will you be achieving a price of \$65 per tonne in the next three to five years?

**Hon. Joe Oliver:** You are obviously an historian, Mr. McGuinty, because you're confronting me with a lot of political history. I'm not aware of that, and won't comment on it directly.

In any case, it's a matter that falls under the responsibilities of the Minister of the Environment.

**Mr. David McGuinty:** It does? Canada has a sustainable development act that binds your department. It binds the Prime Minister's office. It binds every line department and agency, board, and commission in the country. It was ratified by your government three years ago.

**Hon. Joe Oliver:** Well, you know that we fought and won an election in part against carbon taxes. You understand what our government's position is on that.

**Mr. David McGuinty:** So the government's position is that you will not be pricing carbon emissions.

**Hon. Joe Oliver:** The government's position is that we will not be imposing a carbon tax.

**Mr. David McGuinty:** Are you bringing in a cap-and-trade system?

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

We go back to the government side. This is a five-minute round now, starting with Mr. Calkins, please.

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

Thank you, Minister, for being here today. I certainly appreciate it.

As a member of Parliament from Alberta, I just want to publicly say thank you very much for some of the comments you've made in the House of Commons with respect to defending Alberta's natural resource sector. I would also like to thank you for bringing to Canadians' attention some of the issues pertaining to resource extraction and resource development.

I know, as an Albertan, how beneficial our natural resource sector is to not only our economy in Alberta but also the broader economy across our great country. My questioning will be along that line.

Minister, you made a comment in your opening speech here about the fact that our government wants to focus on creating jobs and economic opportunities, at the same time doing so in a responsible manner while streamlining the regulatory process.

Could you remind this committee of how many jobs we are looking at when it comes to Alberta's oil sands in particular? There are a number of sources for this information, but whether it's the Canadian Energy Research Institute or various other forecasting bodies, they all predict economic investment and the spinoff jobs that would be created by that.

Could you just remind us of what the current levels of jobs are in the Alberta oil sands? As well, what is the projected number of jobs and opportunities that would come from the projected investment that's coming down the road?

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

The oil sands are, as I said, one of the most important economic engines in our country, and the largest energy project in the entire world. This resource has attracted more than \$137 billion in capital investment—of that, more than \$116 billion in the last ten years alone.

The oil sands are responsible for more than 400,000 jobs in Canada. These jobs are in every sector of the economy, in the skills trade, manufacturing, clerical, financial—everywhere.

Of course, as I said, they are a large source of revenue for governments at all levels. In fact, over the past five years the oil and gas extraction sector has added \$22 billion a year to government revenues. That's \$22 billion for governments to invest in things like education, health care, roads, bridges, cutting-edge research, and lower taxes for Canadian families. I talked about the 700,000 jobs, on average, over the next 25 years, assuming the oil sands proceed and are developed with all the accompanying infrastructure.

● (0925)

**Mr. Blaine Calkins:** Let's talk about some of that accompanying infrastructure, then. As we know, and we have had witnesses before this committee who have testified, increasing the ability to export our products, whether it's to the United States through the Keystone pipeline, whether it's to the west coast through the Northern Gateway pipeline, or whether it's shipping it east in Canada through a change in how our pipelines are flowing.... For example, there are some pipelines that currently are flowing east to west rather than west to east in our country, particularly in eastern Canada.

Some of the issues pertaining to this, of course, have been political issues in the United States. We have domestic political issues here, and we have the regulatory review process, which, as you have eloquently articulated, is perhaps not as efficient and effective as it could be or needs to be.

The reality, Minister, is that Canada is an environmentally and socially responsible producer of energy, and we know that the world is looking for those energy opportunities. Our committee heard testimony from various economic witnesses about the fact that when the sole export market for Canada's oil is the United States, there is a lot of money left on the table.

Do you have any information, Minister, that you could share with us about the impacts of broadening our market opportunities to, say, the Asia Pacific gateway and through a potential pipeline that's being built to the west? What could that do for not only my province of Alberta but also for the federal government and all Canadians?

**Hon. Joe Oliver:** Let me answer that specific question first, and then I'll comment more broadly.

It's been estimated by the economist Jack Mintz, who did a study for the University of Calgary's public policy group, that the differential between the domestic price we're currently attracting for our oil in the United States and the international price would, over the next 25 years, result in a difference of \$132 billion. So that much is at stake just in the price differential, to say nothing, of course, about the additional size of the market that diversification would bring to Canada.



We're really on the edge of a historic choice, which is to diversify our markets away from our traditional trading partner or to continue with the status quo. With the massive growth seen in the Asia Pacific, and the enormous demand for energy, it's very clear to our government what we should do.

I had the opportunity to go to China twice in the last several months, the second time with the Prime Minister. There's tremendous complementarity. We want to diversify our markets. China and other Asia Pacific economies want to diversify their sources of supply. There is a tremendous interest in all our resources, not just oil but also gas, particularly in Japan, and also minerals, throughout the area.

We have an enormous opportunity there, but it's highly competitive. If we don't move fairly quickly, others will enter into long-term contracts, and we could be disadvantaged in that regard. The market in the United States is simply not large enough for all of our resources.

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

Now we'll go to Mr. Anderson for up to five minutes. Go ahead, please.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** Thank you, Mr. Chair, and thank you to the minister and deputy minister for being here today.

The radical elements that really oppose oil sands development aren't just here in Canada. They're also found internationally. There are people who would like to stop the development of the oil sands and influence Canadian prosperity.

I guess I'm concerned about the European fuel quality directive. They've come in and put this in place. It really discriminates unfairly against Canadian oil sands. Other oil developments have similar greenhouse gas emissions.

I'm just wondering if you can comment a bit on what our government is doing to deal with the European fuel quality directive and its unfairness towards Canadian industry. What are we doing to protect Canadian interests in that situation?

• (0930)

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

Any policies that discriminate against the oil sands will impede the free flow of global oil supplies and will be detrimental to overall energy security.

The implementation of the European fuel quality directive, which is non-scientific and discriminatory, could have significant and unintended consequences for the world supply to the extent that it introduces these discriminatory impediments to global energy markets.

We have spoken out against it. I have met with my European counterparts. I have spoken to the European commissioner. We have written to each of the parliamentarians. I've written again to each of my counterparts. Our embassies are working hard. We were encouraged that about a month ago the committee looking at it rejected the fuel quality directive as drafted. When I attended the

International Energy Forum in Kuwait, I met again with key European ministers and senior officials to reinforce our position.

We are not opposed to the fuel quality directive in principle in that we don't have a problem with their objective of reducing emissions from transportation fuels. However, we want a system that is science-based and that doesn't pigeonhole and single out the oil sands for negative treatment.

By the way, the Europeans do not purchase oil from the oil sands in any great quantity, and they give a free pass to oil with the same level of emissions, or a higher level, coming from Russia, for example, which they do import. That's grandstanding.

Frankly, I found it distressing that the NDP would meet with European officials to support a policy that discriminates against Canada.

**Mr. David Anderson:** Thank you, Mr. Minister.

I have another question.

There are a few of us on the committee who have seen a number of steps in the isotope discussion over the last few years. We've made some decisions in the last couple of years to spend a substantial amount of money to find another source and another supply of isotopes. In the last few days that has been in the news as well. I'm just wondering if you can comment on where we're going and how the programs are going in terms of the isotope development.

**Hon. Joe Oliver:** As you know, our government continues to focus on the health and safety of Canadians. We've worked, and we continue to work, domestically and internationally to promote a more secure supply of medical isotopes. Through Budget 2010, the government committed \$48 million over two years for the isotope supply initiative to diversify the supply of isotopes and enhance the supply chain. This initiative has met with success with the recent announcement that companies have produced medically viable isotopes through a cyclotron and linear accelerator process, which does not use highly enriched uranium. We are very hopeful that that can be commercially produced and companies can continue to work at making these isotopes commercially viable on a large scale. By producing these isotopes through non-reactor-based means, we also help move the world away from highly enriched uranium, which has numerous nuclear proliferation concerns, as you know.

**Mr. David Anderson:** I'm just wondering if you have had any discussion about the comment the other day that perhaps we should have a pipeline from western Canada to eastern Canada. We had a number of witnesses who came in and talked to us about refineries and pipelines. We're doing a study on that presently. I think we've heard that the refinery capacity in Canada is adequate. We've heard that some parts of the country export a bit of oil and some parts import a bit, but that we have a good balance there. We've heard that there's really no reason to increase refining capacity in the country, but that certainly we need more pipelines across this country in order to handle the production we have. I'm just wondering if you can talk about some of the various initiatives and ways that you feel pipelines could be helpful to the Canadian economy, as well as the Northern Gateway, which we've talked about a bit. But talk to us about some of the other areas and how this might develop the Canadian economy.

• (0935)

**The Chair:** Minister, if you could, please give a short answer. Mr. Anderson's time for questioning has expired.

Go ahead, please.

**Hon. Joe Oliver:** I'll be very brief.

In Canada, which has a market-based system, decisions to pursue the construction of pipeline infrastructure are made by the companies based on the business need, but it's very clear that in order to get our oil and gas and other resources from where they are to where they're wanted, we need the infrastructure, which, in the case of oil and gas, is our pipelines. We're committed to ensuring that pipeline projects proceed in a manner that's environmentally sustainable, economically feasible, and socially beneficial.

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

Thank you, Mr. Anderson.

Monsieur Lapointe and, if there's time left, Madame Day.

Go ahead, please, Monsieur Lapointe.

[*Translation*]

**Mr. François Lapointe (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, NDP):** Thank you, Mr. Chair. I would also like to thank the minister for joining us this morning.

Candu Energy Inc. was sold for only \$15 million. So it is safe to say that this type of privatization brings almost nothing to the public purse. But, again this year, \$274 million will be spent to cover cost overruns for refurbishing nuclear reactors. This situation was caused by bad agreements made by your government.

Is there a plan to stop emptying the public purse? If so, what is it? Will it include timeframes? Could you describe the context and how it will be done?

**Hon. Joe Oliver:** Our government believes in both nuclear energy and the future of our Canadian nuclear industry.

The funding allocated in the Main Estimates 2012-13 will allow AECL to meet its operational and contractual obligations. Given the restructuring of the business entity, the reactor division is now in good hands in the private sector. That protects us from new risks of accumulating debt.

**Mr. François Lapointe:** Yet an amount of \$200 or \$300 million is supposed to come out of the public purse again. How can spending so much money mean that we are protected from debt? I am trying to understand how that makes sense.

[*English*]

**Hon. Joe Oliver:** The important thing to understand in this context is that the entity in question, the CANDU, had certain contractual obligations, certain liabilities, which of course no potential buyer would be willing to assume, so we continue to be responsible for those liabilities. The sale prevented the government from incurring any additional liability.

Understand that at the end of this process there was only one bidder in the entire world. Happily, that was a Canadian company with tremendous expertise in the field, domestically and internationally. If we had decided not to sell it, we would have continued to assume additional liability. If we had closed it, we would still have had the liability but incurred additional, much higher costs. We would have destroyed the industry and we would have tarnished the international reputation.

We sold it to a very solid company, and we look forward to a brighter future for the nuclear industry.

[*Translation*]

**Mrs. Anne-Marie Day (Charlesbourg—Haute-Saint-Charles, NDP):** Thank you, Mr. Minister, but we have other questions for you.

Have you not told Canadians and the provincial governments that the government was going to earmark \$400 million for the ecoENERGY Retrofit-Homes program whereas the industry estimates show that less than half of that amount will actually be spent? It is a very simple yes or no answer.

• (0940)

Have you promised \$400 million?

**Hon. Joe Oliver:** We don't have the final results yet. So it is not possible to give you an answer right now.

**Mrs. Anne-Marie Day:** Do you agree with the observation that the ecoENERGY Retrofit-Homes program is effective, makes it possible to save energy, reducing Canadians' energy bills, protects the environment, generates taxes and creates thousands of jobs in the eco-energy sector? Do you agree with that, yes or no?

**Hon. Joe Oliver:** First, I find it interesting that the New Democratic Party voted against that program and it is now complaining...

**Mrs. Anne-Marie Day:** I am sorry, Mr. Minister, but that's not the question.

**Hon. Joe Oliver:** No, but it has to be mentioned...

[*English*]

**The Chair:** Madame Day, would you give the minister a chance to answer when you ask the question, please?

[Translation]

**Mrs. Anne-Marie Day:** Mr. Chair, the minister is not answering the questions.

**Hon. Joe Oliver:** The ecoENERGY Retrofit-Homes program has successfully created jobs across Canada and it has enabled homeowners to save on average 20% of their energy consumption. Our decision is evidence of prudent management on the government's part. We want to make sure that we can have balanced budgets in this climate of fiscal restraint. The program has reached its goal of 250,000 registered homeowners. We are no longer accepting new registrations because it is crucial that those in charge of the program make sure that all registered participants get a chance to participate.

**Mrs. Anne-Marie Day:** But why are you cutting a program that is good for the environment and the economy?

**Hon. Joe Oliver:** Could you repeat the question?

**Mrs. Anne-Marie Day:** Why are you cutting a program that is great for both the economy and the environment?

**Hon. Joe Oliver:** The government remains determined to promote energy efficiency. We have invested an additional amount of \$117 million in energy efficiency projects to help businesses and Canadian households make better choices and, as a result, to save energy. But in a period of fiscal restraint, it is also a matter of being prudent.

[English]

Frankly, I find it a little surprising, as I said, that the NDP is pushing so hard to reinstitute a program that was completed, a program that they themselves opposed in the first place.

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

Merci, Madame Day.

We go now to Mr. Trost, for about three minutes, please.

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

I'll make it very brief, Mr. Minister. In our study on northern resource development, northern mining, there were discussions about the GEM program. It's coming up to its fourth year.

I am wondering specifically about the GEM program and geomapping in general. Where do you see the department going? How do you see it developing? And in whatever time we have, could you talk about any other programs and initiatives your department has to help develop our mineral resources in northern Canada?

**Hon. Joe Oliver:** This is really an excellent program. Through this geomapping for energy and minerals program, we're investing \$100 million over five years to expand and modernize our geoscience and knowledge base.

GEM is exploring innovative approaches to help aboriginal communities benefit from the new knowledge it generates. For example, Nunascience is a new initiative being piloted by Iqaluit's Arctic College to make GEM project results accessible and understandable to all northerners, including local governments, land use planners, elders, and students.

The GEM program over the years has generated some \$3 for every \$1 in government expenditure. The \$3 is in exploration, and then of course development will follow from that. It is doing what private companies cannot or haven't been able to do, and that is to map large sections of the north to focus companies on areas that are most promising and then to provide that information free to everyone. That results in a kind of gold rush mentality, where companies will stake claims and commence exploration activities. That is producing employment, economic activity, and revenue for governments.

It's a very successful program. We're very proud of it, and we intend to see it continue.

• (0945)

**Mr. Brad Trost:** Do I have any time left?

**The Chair:** You have a minute.

**Mr. Brad Trost:** Are there any other initiatives that we haven't covered as far as northern mineral resources? You dealt specifically with GEM, but is there anything else?

**Hon. Joe Oliver:** Are you speaking of the north specifically?

**Mr. Brad Trost:** I'm speaking of the north specifically.

**Hon. Joe Oliver:** You know, Canada has tremendous potential for mineral development in the north. We're only beginning to tap that potential. We also have a national targeted geoscience initiative. We've invested \$25 million in this program to support the development of next generation geoscience knowledge and innovative techniques to help ensure industry has the tools it needs to search more effectively for the deep mineral deposits that will be crucial to the mining future over the long term.

We're expecting almost 140 million new mining projects alone to break ground across Canada. We have several key ingredients in place to attract investments, such as competitive tax rates, a stable political environment, non-discriminatory regulatory policies. Then, of course, we have to get on with modernizing the regulatory environment because that can also affect the ability to attract our potential investments.

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

Thank you, Mr. Trost.

Thank you to all members of the committee for their questions for the minister. This meeting will continue after a short break.

I want to thank you, Minister, for coming today, for answering the questions, and for your presentation to start the meeting. I know we'll see you again at committee some time in the not too distant future.

Thank you.

I'll suspend the meeting for a minute or two as the minister leaves. As the other officials come to the table, then we'll continue the meeting.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (0950)

**The Chair:** We will resume the committee meeting with officials from the Department of Natural Resources.

Thank you very much, both, for being here. Mr. Dupont, you were at the table with the minister, of course.

We will continue questioning from where we left off. Mr. Stewart, if you're ready, go ahead, please, for up to five minutes.

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

Thank you for coming here today.

Last June the minister promised to develop a national energy strategy. He made a commitment to do this, and he's recommitted a number of times since. I'm wondering if you can give us some indication of how this is coming along, if we can expect, perhaps, discussion papers on this strategy, if there'll be public forums, or if there's anything in the budget, for example, that's specifically allocated to this task.

**Mr. Serge Dupont (Deputy Minister, Department of Natural Resources):** Thank you, Mr. Chair.

I do not recall the record, sir, showing the minister would have committed to launching a national energy strategy. There were a number of parties across Canada asking for such a strategy. The minister met with his counterparts from the provinces and territories in Kananaskis at a meeting that he co-chaired with Mr. Ron Liepert of Alberta, at which time ministers agreed—all of them—to pursue a collaborative approach to energy in Canada. A document was laid out at that time with certain themes and headings that continue to guide the work of officials in helping jurisdictions work together towards shared objectives in the area of energy policy. The minister did not commit or undertake to launch a national energy strategy that would be a federal kind of perspective on Canada's energy future.

**Mr. Kennedy Stewart:** So there is no national energy strategy. We shouldn't be expecting one in the future.

**Mr. Serge Dupont:** I'm saying that there is work proceeding on a range of energy issues, collaboratively with provinces and territories. Government was very clear in its statement in Kananaskis that governments share a wide range of objectives with regard to energy. We're working collaboratively, respectful of each one's jurisdiction.

**Mr. Kennedy Stewart:** So there's nothing in this budget, for example, or these estimates, that we would have any additional meetings with the provinces, with first nations, with affected industry partners? Nothing like that, that we could expect in the near future?

**Mr. Serge Dupont:** There are regular consultations with a wide range of parties right across Canada. The minister meets domestically and internationally with a wide range of parties. The energy and mines ministers' meetings occur on an annual basis. Officials work to support those discussions through the year. Therefore, there is collaborative work done on energy through the year and it continues to be done.

**Mr. Kennedy Stewart:** It just seems bizarre that we're developing into a so-called energy super power but we have no plan for it. I'll leave that, but thank you for your response.

I'm also wondering, have there been any studies conducted by your department concerning how decreasing the Canadian Brent crude differential, as we've heard from the minister, will affect domestic gas prices?

- (0955)

**Mr. Serge Dupont:** Domestic gasoline prices...?

**Mr. Kennedy Stewart:** That's right.

**Mr. Serge Dupont:** Fundamentally, Canada's gasoline prices... We've had officials from my department come to testify before this committee around gasoline prices and around refining capacity. There's a wide range of factors that take place that affect gasoline prices over time, from the price of crude oil internationally and the North American market, refining margins, retailing margins, provincial taxes, and so forth. These evolve over time; all of these variables evolve.

**Mr. Kennedy Stewart:** Sure, but if the differential decreases and we use primarily oil from Alberta—at least in the west of Canada—for our gasoline production and consumption, does this necessarily lead to a gasoline price increase? Even if this possibility exists, I was wondering if your department has done any specific studies on this aspect of the differential decrease.

**Mr. Serge Dupont:** If you're asking if the department has done any specific study to essentially connect one to one the Brent and WTI differential to gasoline prices in Canada, the answer, to my knowledge, would be no. Again, gasoline prices respond to quite a range of market factors, international, domestic, and from both upstream and downstream parts of the sector.

**Mr. Kennedy Stewart:** The primary determinant would be the price of the crude from which the gasoline is distilled, I imagine. Have there been any wider studies on this? Again, this is why we're calling for a national energy strategy and why we're developing such a strategy ourselves, because these factors and how they're going to affect Canadians should be looked at. It seems to be a very piecemeal approach. Whatever pipeline is proposed, the government backs indiscriminately.

To your knowledge, there hasn't been anything on how this is going to affect domestic consumers?

**Mr. Serge Dupont:** I was responding to a specific question as to whether we had a study that would tie the differential between WTI and Brent to the price of gasoline. My answer to that was no.

**Mr. Kennedy Stewart:** How about a slightly wider study, then?

**Mr. Serge Dupont:** Again, we don't purport to try to project or forecast gasoline prices.

**The Chair:** Thank you. Your time is up.

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

**Mr. Joe Daniel (Don Valley East, CPC):** Thank you, Mr. Chair, and thank you, gentlemen, for being here with us.

We've noticed the way the main estimates are divided down into 40%, 32%, and 28%. I wonder if you'd talk a bit more about the 32% that is \$892 million for grants and contributions. Are there any specific programs or issues as to how that is broken down? Can you talk a little bit about that?

**Mr. Serge Dupont:** Sure. Actually, the information is quite transparent there for parliamentarians. If one turns to page 260 of the main estimates, if those are handy to the members of the committee, Mr. Chair, you will see there the major categories of transfers that include grants and contributions. I think what one would call the big-ticket items are the clean energy fund, the ecoENERGY for biofuels program, the ecoENERGY for renewable power program—that's in 2012-13. The estimates are there—and there is a legacy program still paying moneys out, the wind power production incentive contribution program. As well there are investments in forest industry transformation. Last year, of course, there was the pulp and paper green transformation program. You see that one at the bottom part of the page.

Those are the kinds of initiatives the department has been conducting, and typically through competitive processes, where different proposals come in, we analyze them and they pay moneys out to proponents based on a range of criteria and circumstances.

**Mr. Joe Daniel:** Thank you.

If we take a look at these, we see there's been a substantial increase in the clean energy fund. Are there any specific focus areas that this money is going to? Can you expand on that a little bit for us?

**Mr. Serge Dupont:** Sure, and if you'll allow me just to flip to...so I can be a bit more precise about it—or not. It's going to be easier if I don't go through all the paper.

Essentially, the clean energy fund was a \$1 billion five-year program. When it was introduced over five years, it would have been at \$200 million each year. The reality is that this largely has to be very responsive to proponent proposals, including carbon capture and storage sequestration. We have three large projects that have been earmarked, representing \$465 million of that original billion dollar amount. For those, we have to be responsive to when the private sector participant is actually going to go ahead with a program.

What you're seeing here is not so much an increase as a reprofiling of moneys to try to align it better. We're simply changing the distribution of the billion dollars over the five years to better align with the requirements of the project partners we have.

Overall, of the billion dollars, I should add, \$205 million was moved over to home retrofit programs. That was a Budget 2010 decision, I believe. Beyond that, we're essentially trying to work with the outstanding portion of that program and make it work as best we can.

Apart from the carbon capture and storage projects, we've funded over 20 projects—clean energy demonstration projects—across Canada, which I could elaborate upon if there is time or inclination.

• (1000)

**Mr. Joe Daniel:** Maybe you could expand a little bit on some of those projects. Clearly, carbon dioxide is one of the big issues, but there are other....

**Mr. Serge Dupont:** I've got it here, if you'll allow me.

There are actually 19 demonstration projects, apart from the carbon capture and storage. The carbon capture and storage that we've announced, where funds are committed, are the Shell Quest project, which is carbon capture and storage in an upgrader in Alberta; the Project Pioneer, which would be essentially using carbon capture and storage technology in a coal-fired power plant; and the Alberta trunk line, which would essentially fund a pipeline to stimulate enhanced total recovery and at the same time carbon sequestration.

Apart from that, demonstration projects included renewable and alternative energy technologies, including smart-grid technologies. For example, there have been 19 successful proposals from all regions of Canada that we have funded. And of course we could give the committee a full list of those projects and the types of activities they've been funding.

**Mr. Joe Daniel:** From the carbon capture programs, do we have any sense of how efficiently or how well or how much we could potentially reduce the carbon footprint for this country?

**Mr. Serge Dupont:** We're looking at demonstrating technologies in these programs.

Certainly, even internationally, when the International Energy Agency has looked at how carbon could be reduced in the world, there is a very substantial portion in its scenarios that is most aggressive in terms of reduction of GHGs that count on this technology.

I think the number that would come from carbon capture and storage technology is in the range of 20% of their emission reductions. It's really important for us, as Canada—and Canada has leadership and knowledge in this, in Saskatchewan notably—to fully explore that technology, to work in partnership with those who have the expertise in the private sector or in academia in Saskatchewan, for example, so that we fully assess the potential, which could be quite substantial, to store carbon and therefore improve the GHG performance of the economy.

**Mr. Joe Daniel:** So it's a good investment.

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

**Mr. Serge Dupont:** It certainly is a worthwhile investment to test technology.

**The Chair:** Thank you. We go now to Mr. Gravelle.

If there is time left, then we go to Mr. Lapointe and Madame Day.

**Mr. Claude Gravelle:** I have a very quick question for Mr. Dupont.

When Mr. Corey was here in November, we asked him the following question: can you tell us the total tax dollars for renewable energy versus tax breaks for oil and gas? He gave us the answer to the first question on renewable energy.

Can you supply to this committee the tax breaks for oil and gas companies?

**Mr. Serge Dupont:** What is sometimes referred to as “tax expenditures” are reported by the Department of Finance typically on an annual basis. I don’t have those numbers with me, and there is always a lot of debate about what a tax expenditure is versus what is quite simply a recognition of an expense to earn income.

I would like to defer to my colleagues in tax policy in the Department of Finance to answer those kinds of questions.

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

•(1005)

[Translation]

**Mr. François Lapointe:** Mr. Dupont, you are fully bilingual, correct?

**Mr. Serge Dupont:** Yes, absolutely.

**Mr. François Lapointe:** I urge you to demonstrate a degree of good faith when answering this question. My question doesn’t have to do with the contested notion of the so-called safe handling of asbestos; it has to do with the collapse of the asbestos mining industry. Mines have no longer been operated in months.

So does this year’s budget include an adequate economic transition plan to help the asbestos region? If so, what is it? If not, why not?

**Mr. Serge Dupont:** Mr. Chair, I was asked to demonstrate good faith, and I have taken note of that. That being said, the hon. member will understand that I am in no position to discuss what the budget might include in any way, shape or form.

**Mr. François Lapointe:** I have also taken note.

The pulp and paper green transformation program (PPGTP) is facing cuts in the amount of \$550 million. Yet the CEO of the Forest Products Association of Canada testified before the Standing Committee on Natural Resources and said the following:

...the most strategic investment lies in focusing on those things that transform the industry, things that support the change, such as export development, R and D, environmental reputation, and green transformation.

That’s what we’re hoping to see from the next budget. More important, this is what we’re hoping to see over many years.

So why are there such cuts in the sector when continuing the program could, as it says on the Natural Resources Canada site, “secure jobs through forest sector innovation and renewal” for many years to come?

**Mr. Serge Dupont:** Thank you for the question.

The pulp and paper green transformation program was initially announced as a temporary three-year program with \$1 billion available to address specific market conditions.

**Mr. François Lapointe:** Do you think that the conditions are really different two or three years later?

**Mr. Serge Dupont:** I am coming to that. This program has actually been a success; the impact on the competitiveness of the industry and the environmental performance has been and will be significant.

There are also other forestry sector programs that are due to expire, including market expansion and innovation. We will see what the budget has in store for those programs in the future.

There are also other programs where contributions are still made right now. There is the forestry industry transformation program. That’s a \$100 million program, phased over four years. Meanwhile, there is continued support for businesses.

We are working closely with the forestry industry, and, actually—I agree with the quote you mentioned—innovation and growth are at the heart of this industry’s future prosperity.

**Mr. François Lapointe:** How is the federal government committing to act over the next few years, if there are cuts, as you say, if all the projects expire, if we have no idea what will be in the next budget, and if everyone agrees that this is the right direction?

**Mr. Serge Dupont:** Mr. Chair, we will have to wait for a few days. The committee will then have more answers than what I am able to provide today.

**Mr. François Lapointe:** Thank you, Mr. Dupont.

[English]

**The Chair:** Thank you, Monsieur Lapointe. Your time is up.

We go now to Mr. Calkins. You have up to five minutes, please.

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

This is my second round. I’ll be asking some fairly specific questions in regard to the estimates. If I have any time remaining, I’ll be sharing it with my colleagues.

In the operating expenditures for vote 1, contrary to what my colleagues across the table are saying—they’re indicating that there are cuts to energy programs and so on—it looks like we have an increase in the ecoENERGY efficiency program of \$33 million and an increase in the ecoENERGY innovative area of \$32.7 million.

Could you explain to us what those increases in funding are directly attributed to and what the benefit is to Canadians?

**Mr. Serge Dupont:** I appreciate the challenge it can be sometimes for parliamentarians to look at main estimates versus main estimates and to interpret increases or decreases, because there can be different factors at play. In some cases, for example, what appears as a decrease is actually relative to a number that it was last year, not in main estimates but in supplementary estimates.

With regard to the two programs that you cited, on ecoENERGY efficiency and ecoENERGY innovation, those were announced last year in Budget 2011 and therefore were not found last year in the main estimates, but found their way into the supplementary estimates. That is simply the way the budget process works. Those are successful programs that were renewed.

I should mention as well, as this is pertinent to the issues concerning forestry, that our department, Natural Resources Canada, has been funded largely over the last number of years by what is called C-base funding, which is temporary funding. We're given moneys over a period of years and we have to go and report back on the results. If we show that the results were positive, then we are given another three or five years to continue with the same programs, or to modify the programs, based on the performance, based on the evaluations we conduct.

In terms of clean energy, we conducted those reviews, conducted the evaluations, and we were able to make the case to the Department of Finance and to the other authorities—obviously, the minister, and the Prime Minister, ultimately—that these were sensible programs, useful programs.

They were renewed in Budget 2011 to both foster greater efficiency in the use and production of energy and to create innovation. And we have there a competitive process where we are funding a range of energy innovation initiatives right across the country.

•(1010)

**Mr. Blaine Calkins:** Is that funding going to move from C-base funding to a different level? These are taking these temporary programs.... Is that what I'm to understand is happening?

**Mr. Serge Dupont:** No, it remains temporary funding, but we're basically given another five years, or three years, depending. For example, last year there was a one-year renewal of some forestry programs, and we have to go back this year to make the case.

**Mr. Blaine Calkins:** Okay.

I have a question for you about the decreased funding. I don't understand what the role is. I used to be on the fisheries committee, and we spent a lot of time talking about Arctic sea floor mapping and the various roles the Department of Fisheries and Oceans has when it comes to Canada's waters. But here I see a decrease in the United Nations Convention on the Law of the Sea of \$5.9 million.

I'm wondering what Natural Resources role in that actually was, or is, or continues to be, and if the funding could be explained.

**Mr. Serge Dupont:** Sure.

Basically what Natural Resources Canada is doing with regard to the United Nations Convention on the Law of the Sea is defining the outer limit of the extended continental shelf in the Arctic and Atlantic oceans. That work basically involves geology. It involves expert geological resources that we're deploying in collaboration with Fisheries and Oceans and DFAIT, with a view to extending our continental shelf and for the claim we could have ultimately on resources under the seabed.

We've been working closely on that for a number of years now, and we have basically completed the scientific work; we've actually

sent ships with various instrumentation to measure and to test, to try to assess, and to build a scientific case for the claim in terms of our continental shelf space. We are now at a stage where we will have to assemble that information to submit it in 2013 to UNCLOS. Therefore, the expenditures are going down because the bulk of the spending, sending the ships up there in the north, has basically been completed.

**Mr. Blaine Calkins:** All right. So it's not a program cut or anything; it's just that the work has been done and there's money left over.

**Mr. Serge Dupont:** That's right. It's the one shot we have to bring our scientific evidence to that international body to stake a claim on the continental shelf.

**Mr. Blaine Calkins:** Okay.

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

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

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

I want to pick up on one of the questions Mr. Lapointe was asking about the pulp and paper green transformation program. I see the decrease of \$538.6 million, and I recognize that the program ends in 2012.

There was a process for that in which each of the companies eligible for funding under the pulp and paper green transformation program had to submit their projects for funding. Is that \$1 billion fully subscribed, and do we expect a full payout of the \$1 billion by 2012?

•(1015)

**Mr. Serge Dupont:** I could perhaps refer to one of my colleagues here, if he may come to the table.

We have contribution agreements in place for \$950 million. These were essentially credits that had to be earned by the various producers, and we have contributions in place that could fund up to \$950 million out of the \$1 billion envelope.

But perhaps I could ask my colleague, Tom Rosser, who is responsible for the Canadian Forest Service, to answer more specifically.

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

**Mr. Tom Rosser (Assistant Deputy Minister, Canadian Forest Service, Department of Natural Resources):** The deputy minister is quite correct. About \$950 million of that \$1 billion total was allocated to firms in the industry. Obviously, we still have a few days left in the program. We don't have precise figures, but our expectation is that the great majority of those funds will be invested in capital projects at pulp and paper mills across the country.

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

The next question is about the major projects management office; I was asking the minister about that when he was in here before. One of the things I'd like to understand is the amount committed in the budget to the major projects management office and the future plans for that office.

**Mr. Serge Dupont:** Thank you for the question.

The major projects management office is another one of these temporarily funded programs. It originally had three-year funding at roughly \$4 million per year, Mr. Chair, that we have used to do two things. One is to monitor all of the large projects under the MPMO, to do the tracking, to systematically do all the coordination of the regulatory work on all of these projects, an operational kind of function.

The other part of the office basically dealt with looking at how we could further improve the system, which is more policy development work, including a fair amount of discussion with provinces as to how we could better align our regulatory system with theirs. We've been working closely with some jurisdictions to assess the better opportunities to achieve regulatory alignment.

In our estimation, those two functions continue to be important. That said, those are part of the considerations going into a budget that will now decide what kind of funding there will be for the major projects management office going forward after March 31 of this year.

**Mr. Mike Allen:** So March 31 of this year is the sunset on that one as well?

**Mr. Serge Dupont:** Correct.

**Mr. Mike Allen:** Thank you very much. That's helpful.

I noticed a couple of increases in Sustainable Development Technology Canada under vote 10, under the grants and contributions. There's also \$59.3 million under increased funding, which is statutory for the Canada Foundation for Sustainable Development Technology.

How do those two numbers work? Are they basically an increase in the estimates because of supps from last year? What is the reason for those increases?

**Mr. Serge Dupont:** Again, I have to apologize. I'm not quite sure on behalf of whom, because it's just the way the system works, but it is a bit complicated.

There was a commitment to Sustainable Development Technology Canada for next-generation biofuels of \$500 million. This is a bit like the question concerning the clean energy fund. The issue here is aligning those funds over time to when the projects...because those are in partnership. Typically SDTC will fund up to a third of a project; somebody else has to come up with the other two-thirds, and they actually have to come forward with a viable project. You can't necessarily program that in a budget line right from the get-go.

It was a bit further complicated by the fact that part of the funding for that portion of it, SDTC, the next-generation biofuels, was statutory, i.e., set out directly in the legislation and approved by Parliament in the enabling legislation, and another portion is actually dealt with through normal appropriations. So we have two different categories of funding streams that we then have to juggle over time

to try to align and slot with the actual projects that may be brought forward by the private sector and by proponents.

What you're seeing, again, is reallocation of those moneys over time, across those two envelopes: statutory and program.

• (1020)

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

We go now to Madame Day, followed by Mr. McGuinty.

[*Translation*]

**Mrs. Anne-Marie Day:** Thank you, Mr. Chair.

My question is for Mr. Dupont. Earlier Mr. Oliver said the following: "Through funding we receive from Parliament, Natural Resources Canada is able to make a significant difference in our energy, forestry, and mining sectors."

Right now, Canada's forestry sector has to fight against the powerful lobbies of the steel and concrete sectors; it is also faced with a stagnant construction industry in the U.S. and it has to cope with its loss of global competitiveness in the paper, wood and construction sectors.

Canada has an opportunity to emerge as a world leader in innovative products, which require investments in research and marketing and they include nanocrystalline cellulose, smart paper and conductive paper.

In your view, what impact will these drastic cuts have on the program? How does the government plan to support the forestry sector transformation now? We are talking about \$550 million in cuts.

**Mr. Serge Dupont:** The \$550 million cut would not affect innovative cellulose technologies or the actual market expansion. As I said, for three years, the pulp and paper green transformation program has taken into account major international initiatives and market conditions that the Government of Canada had to face.

In terms of the market expansion program, I just mentioned that some programs are expiring, but we will have to wait for the Minister of Finance's budget on Thursday to find out what the government's decision is on extending those programs.

On our end, we have assessed some of those programs. We have concluded that there was a positive effect, as the Minister mentioned. The department supported the nanocrystalline cellulose project in Quebec. We have also seen a significant expansion of the Chinese market for Canada's wood products, which is quite a major opportunity for Canada and it is changing the industry. It started in the west, but the impact is felt across Canada.

So there are major initiatives underway and they have yielded results. We will see in Thursday's budget what will happen next.

**Mrs. Anne-Marie Day:** You are aware of the consequences for Quebec's industry, the industry in eastern Quebec—the forestry and pulp and paper industry is crucial for us.

Let me go back to ecoenergy. I am asking you this question because I did not have the time to ask the minister. Why was this program suspended two months in advance?



**Mr. Serge Dupont:** The program was suspended in advance because it was supposed to end in 2011. In the 2011 budget, the government decided to extend the program and set a target of 250,000 Canadian homes to be renovated for energy savings.

The program was launched in July. At the department, we obviously have to manage the program carefully and ensure that we are able to respond to future requests. Over 250,000 Canadians registered through the department's website. In theory, everyone is eligible for a grant of up to \$5,000. Of course, those 250,000 people are not going to be getting the maximum amount overnight.

As public servants, we have to do the math to see how many of the 250,000 registered people will do the pre-retrofit review and complete the renovations by March 31, and submit their claims afterwards.

It is very difficult, because a number of parameters have to be taken into account. We cannot afford to run over the proposed budget. As officials, we also couldn't afford to tell the Minister to continue a program beyond a deadline when we could not be sure whether we would have the necessary funding, given the uncertainty of the parameters. So we have made a balanced decision by recommending that we stop at 250,000 registrations.

• (1025)

**Mrs. Anne-Marie Day:** Mr. Lapointe is going to continue.

[English]

**The Chair:** We have time for a very short question.

[Translation]

**Mr. François Lapointe:** In terms of the Minister's remarks that some Canadian organizations are purely radical, does that carry through to the department? Do you have a list of organizations whose submissions you are supposed to burn as soon as you receive them? Is that list going around somewhere? If there is a black list, who is on it?

**Mr. Serge Dupont:** Mr. Chair, both the short answer and the long answer are "no".

**Mr. François Lapointe:** So the reference to Canadian organizations being radical simply reflects the minister's position, not the department's policy.

**Mr. Serge Dupont:** The department has no such policy. The department provides opinions and recommendations. We don't have a black list or anything like that. We receive input from various groups and we treat them in the same way.

**Mr. François Lapointe:** Thank you.

**The Chair:** I would like to thank Mrs. Day and Mr. Lapointe.

[English]

Mr. McGuinty, go ahead, please.

**Mr. David McGuinty:** Thank you, Mr. Chair.

Mr. Dupont, for a Canadian watching, who gets on the Internet or picks up the phone and calls 1-800-O-CANADA, if she goes to the website for NRCAN, does the ecoEnergy program to assist homeowners still exist?

**Mr. Serge Dupont:** No. If you go to the website at this time, it will say that the program is no longer accepting registrations.

**Mr. David McGuinty:** The program has been cancelled?

**Mr. Serge Dupont:** The program is not cancelled. If you have registered—

**Mr. David McGuinty:** It doesn't receive applications?

**Mr. Serge Dupont:** It does not consider *new* applications. If you have registered and you have been conducting the pre-retrofit and you complete your renovations by March 31, we will accept claims. In fact, we've announced that the post-retrofit evaluation can take place until June, and that means we expect claims to be filed. The program is active but is no longer accepting registrations.

**Mr. David McGuinty:** Mr. Dupont, in plain English or *en simple français*, for anybody who's looking to see whether the federal government is going to assist with their condo corporation or their home or their co-op in order to make their homes more energy efficient, the program is cancelled.

**Mr. Serge Dupont:** Those people had about four years to participate in this program.

**Mr. David McGuinty:** The program is cancelled now.

**Mr. Serge Dupont:** The program is no longer accepting registrations.

**Mr. David McGuinty:** Does the commercial building retrofit program still exist? This was a program to help small businesses, say, a garage mechanic employing four people who wanted to make the garage more energy efficient.

**Mr. Serge Dupont:** No, it does not. I can bring a colleague of mine to the table to elaborate.

**Mr. David McGuinty:** No, it's okay. I just needed to know. It doesn't exist anymore, does it?

**Mr. Serge Dupont:** I want to check and get you the best answer.

**Mr. David McGuinty:** All I need is a quick yes or no. Can a small business applying for support to make its installations more energy efficient get any funding from the federal government right now? Can they get online? Can I tell my constituents where to go to apply with that money?

**Ms. Carol Buckley (Director General, Office of Energy Efficiency, Department of Natural Resources):** Thank you for the question.

The grant provisions under the small and medium ecoENERGY program no longer exist. They were offered for four years, but your constituents can still go to our website and call our staff in order to get other services, such as benchmarking services, installation guides, technical information, financial information, training, and a whole range of services to assist them with energy efficiency recommendations, but not financial assistance.

**Mr. David McGuinty:** There's no financial support. So that's gone too. Okay.

Let's talk about SDTC. In 2001 our government sold Petro-Canada. We took \$550 million. We put it into an SDTC fund. It has funded 228 demonstration projects, many of which are now preparing to go public. It was set up because at the time we were trying to prepare Canada to compete in the Clean Tech Competition globally, the Clean Tech Competition that President Obama referred to front and centre in his last big speech. It was set up to fill a void in our venture capital markets.

Right now, as of March 31, several days away, if a Canadian start-up wants to apply to SDTC, is there any money available for the Canadian start-up?

• (1030)

**Mr. Serge Dupont:** Mr. Chair, I think the best people to answer the question would be Sustainable Development Technology Canada. Sustainable Development Technology Canada still has a fund. The fund has accrued interest. Sustainable Development Technology Canada has to, with its current essentially cash position, determine how many projects it can still fund while continuing to operate for the time that it will require to manage the existing projects.

**Mr. David McGuinty:** Mr. Dupont, it was on the front page—

**Mr. Serge Dupont:** There may be a time—

**Mr. David McGuinty:** Mr. Dupont, they were on the front page of the "Report on Business" two days ago. Vicky Sharpe gave an interview and informed Canadians that there is no more money and that the fund will run out as of this fiscal year.

Unless we see a replenishment in this budget, SDTC will also be gone. Is that true?

**Mr. Serge Dupont:** Again, Mr. Chair, I think one would have to ask Vicky Sharpe about the resources that are currently with the entity.

I mention as well that there is the NextGen biofuels fund, which is another fund SDTC administers. Again, one will have to see in the budget or in subsequent financial decisions of the Government of Canada whether and to what extent SDTC may have additional resources.

**Mr. David McGuinty:** How's my time, Mr. Chair?

**The Chair:** You have about 10 seconds, time for a very short question and a very short answer.

**Mr. David McGuinty:** I have a very short comment.

For Canadians, the ecoENERGY program is gone for their homes. For small businesses, the commercial buildings retrofit program is gone for their businesses, and for large companies that are trying to start up in the clean tech sector, according to the president of SDTC, that fund will be gone as of March 31 as well.

Thank you, Mr. Chair.

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

We go finally to Mr. Trost for about five minutes. Then we go to the votes on the main estimates.

Go ahead, Mr. Trost.

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

I don't know if you'll have any information on this. I just saw a small note about funding for SaskPower and Maritime Electric Company of \$1.2 million. Since I come from Saskatchewan, that piqued my interest, so out of sheer curiosity, what was that for?

**Mr. Serge Dupont:** It was way before my time, I guess. About 10 years ago there was a commitment of \$17 million. If memory serves, about \$12.5 million was to Maritime Electric and about \$4.5 million was to SaskPower. It was to fund in those two jurisdictions acquisition by the federal government of renewable power, wind power basically.

It served as a guaranteed customer for 10 years for those two utilities to sell and deliver wind power. They have obviously established the capacity to do that. That capacity being established, the support is no longer required. Essentially the government has eliminated the subsidy.

**Mr. Brad Trost:** So this was \$17 million over 10 years.

**Mr. Serge Dupont:** That's correct. It was over 10 years.

**Mr. Brad Trost:** So it was really small potatoes in the overall scheme of things. Okay. I was just curious.

Turning to Atomic Energy of Canada Limited, AECL, having been on this committee, I do understand that even if you're in the public and you think it's been completely privatized, there are still going to be some expenses to go forward.

I was wondering if you might break down a little bit what money is going to be spent on AECL, and in particular what's going to be spent on ongoing finishing up, shall we say, of commercial obligations, commercial contracts, and if we can divide that away as much as possible from the costs from the more, how shall we say, public policy initiatives that it has done. If you could briefly go through that, I would appreciate it.

**Mr. Serge Dupont:** Sure. I appreciate doing so.

What you have in the main estimates are two components. You have \$102 million, which is essentially for the nuclear laboratories, because that is now what is basically left of Atomic Energy of Canada Limited. The \$102 million is roughly the annual appropriation that Atomic Energy of Canada has had over a number of years. Of course, they've had other additions of funding, but that has always been the base. That is renewed again in the main estimates.

The second portion that's in the main estimates is the contractual obligations, essentially, that are related to the former CANDU reactor division as that division is completing the projects at Point Lepreau and at Bruce Power. Also, eventually, if the Government of Quebec and Hydro-Québec decide to move forward with Gently-2, there's also a contract there that we have to honour. Those essentially were contracts that turned out, quite unfortunately, as the committee knows, to be non-lucrative contracts for Atomic Energy of Canada, and therefore would not simply be bought lock, stock, and barrel by the private sector.

So we basically are subcontracting to SNC-Lavalin to complete those projects. That is essentially the number you see here. That is a number that will go down as these projects are completed and get off the books. When SNC-Lavalin develops its new projects, such as, for example, the project in Argentina now, which is a refurbishment, or the projects in Ontario that are refurbishments and then may be new builds, then there will be no funding line in the federal budget related to that, because it's going to be on the books of a private sector....

• (1035)

**Mr. Brad Trost:** Over how many years is the estimate right now? I realize that there can always be engineering delays and that things of that nature can happen. But what is the timeline we're looking at for that line in the expenditures to be eliminated? In how many years will I not be asking this question?

**Mr. Serge Dupont:** We're quite optimistic with regard to Point Lepreau, of course. Actually, the regulator now has allowed the reactor at Point Lepreau to be refuelled, which is really quite a step, and of course we've had a first start-up—unsuccessful, but that's normal—at Bruce, so those two projects are pretty well completed now. The Wolsong project in Korea is back on. That also, of course, was a deficit-making kind of project, but it's back on and basically supplying power to the grid in Korea, so that's good.

So really, the outstanding one will be Gently-2, and there we're a bit dependent on some decisions by Hydro-Québec as to when and whether that project will go ahead. But obviously AECL has done some work on that, and there may be more.

I would say that we are basically seeing the tail now. It's coming down, and within a matter of two or three years there should be no further line in the mains or supplementaries for those items.

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

Thank you very much to both of you for being here and for staying for the second hour. Monsieur Dupont is, of course, the Deputy Minister of the Department of Natural Resources, and Mr. Merklinger—who I don't think we introduced properly before, so I will now—is the assistant deputy minister and chief financial officer of the corporate management and services sector.

Thanks very much to both of you, gentlemen.

We will now go to the votes.

Do you have a point of order, Monsieur Gravelle?

**Mr. Claude Gravelle:** Yes. I just want to clarify something. I asked Mr. Dupont about the oil and gas tax breaks. Is he going to supply those numbers to this committee?

**The Chair:** I think he explained in his answer that there's an awful lot of debate as to whether things are tax breaks or not.

Monsieur Dupont, is it really possible for you to provide meaningful numbers when that debate is there, when it's something that civil servants really aren't expected to get involved in?

**Mr. Serge Dupont:** Mr. Chair, I'm not sure of the protocol. I'm more than happy to check.

As I mentioned, the Department of Finance would be the authority best able to bring forward that information. As for whether

I try to get it from them and send it over to the committee or whether the committee asks the Department of Finance, I'm not sure what the protocol is. But that is the source of the expertise in regard to the tax system.

**The Chair:** Okay. Thank you very much.

Monsieur Gravelle, you have your answer.

Mr. McGuinty.

**Mr. David McGuinty:** Just on that point, Mr. Chair, there is a tax policy unit at Finance Canada. There is very well established nomenclature and there are descriptions as to what constitutes a subsidy and what does not.

I would suggest, perhaps, for your consideration that you write to the Minister of Finance as chair of this committee and ask the Minister of Finance to provide this committee with a detailed written briefing as to what constitutes a subsidy for a particular sector, particularly the oil and gas sector—according to the request that was made, I think we're talking about the oil and gas sector—and that the document be delivered up to this committee for its consideration.

**The Chair:** Mr. Anderson, you have a point of order.

**Mr. David Anderson:** Thank you, Mr. Chair. When—

**Mr. David McGuinty:** I wasn't quite finished.

**The Chair:** Go ahead, quickly, Mr. McGuinty.

**Mr. David McGuinty:** I think it would be very helpful for us, Mr. Chair, for you to make that request on our behalf so that the numbers are transparent, so that the nomenclature is transparent, so that we all understand that we're talking about apples and apples, not apples and oranges, and so that these numbers are available. In fact, they're available, because they're provided each year to the OECD.

• (1040)

**The Chair:** Mr. Anderson, you wanted to comment on that.

**Mr. David Anderson:** If this is as well established as Mr. McGuinty says, and it's as available as it is, perhaps the NDP can do their own work. The committee doesn't need to be doing their work and sit to establish their talking points. I don't think we're going to find agreement on this anyway. Perhaps they can do their own work.

**The Chair:** We haven't been given direction from the committee to do this. We can get into this process or we can get back to the main estimates and the votes on the main estimates.

If we can go to the votes on the main estimates, there are seven votes, plus the vote on whether the main estimates should be reported to the House.

NATURAL RESOURCES

Department

Vote 1—Operating expenditures.....\$718,655,000

Vote 5—Capital expenditures.....\$6,839,000

Vote 10—Grants and contributions.....\$832,277,000

(Votes 1, 5, and 10 agreed to)

Atomic Energy of Canada Limited

Vote 15—Payments to Atomic Energy of Canada Limited for operating and capital expenditures.....\$102,143,000

(Vote 15 agreed to on division)

Canadian Nuclear Safety Commission

Vote 20—Program expenditures.....\$29,302,000

(Vote 20 agreed to)

National Energy Board

Vote 25—Program expenditures.....\$52,593,000

(Vote 25 agreed to)

Northern Pipeline Agency

Vote 30—Program expenditures.....\$3,103,000

(Vote 30 agreed to)

Shall I report the votes under Natural Resources, less the amounts voted in interim supply, to the House?

**Some hon. members:** Agreed.

**The Chair:** Thank you all for your cooperation. This meeting is adjourned.

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