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Chair

Mr. Leon Benoit

Standing Committee on Natural Resources

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• (1530)

[English]

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

We're here to continue our study on market diversification in the energy sector. Today we start with our first group of witnesses on product diversification.

First, as an individual, we have Jeff Rubin, economist and author. Welcome.

We have from First Nations Summit, Grand Chief Edward John, political executive member. Welcome to you.

We also have, by video conference from Vancouver, British Columbia, Stephen Brown, president of the Chamber of Shipping of British Columbia. Welcome to you, sir.

We'll have presentations of around seven minutes in the order listed on the agenda.

We'll start with you, Mr. Rubin. Go ahead with your presentation, please.

Mr. Jeff Rubin (Economist, Author, As an Individual): Thank you.

The problem of market diversification is, in my opinion, a mis-specification of the issue. The issue is not to find new markets. The issue is to get paid for what we're taking out of the ground, and that's something we haven't been able to do.

Western Canadian Select, which is the benchmark export price for Alberta oil to the U.S., has traded at anywhere from a 20% to a 50% discount to world oil prices, which is the Brent crude price. When you consider that we export two million barrels a day, at that kind of discount we're talking anywhere from a \$10-billion to \$30-billion annual subsidy to our U.S. customers.

Of course, I could add parenthetically that U.S. motorists never see that discount. U.S. motorists pay the same for their gasoline whether the feedstock is West Texas Intermediate, whether the feedstock is coming from Saudi Arabia, or whether the feedstock is coming from Alberta bitumen.

Who captures that margin? The refineries. Crack spreads in the Midwest—by “crack spreads” I mean the petroleum refinery margin, the difference between the input and the output, which typically is gasoline or diesel—can be as much as four to five times as great as it is on the gulf coast, where refineries pay Light Louisiana Sweet, which is a Brent derivative.

The issue, really, is not to get to another country. This issue is the way we supply the U.S. market, because we supply the U.S. market quite differently from how other people supply the U.S. market. We supply the U.S. market through pipelines. Other people export their oil to refineries on the coast.

You don't have to go to China to get Brent. You just have to get to an ocean to get Brent. It doesn't matter if it's the Pacific; it doesn't matter if it's the Atlantic; it doesn't even matter if it's Hudson Bay, because once you get it to an ocean, you can take it to any refinery on the Atlantic coast or the Pacific coast or the Gulf of Mexico and get that Brent equivalent.

When you combine the fact that Canadian producers are being saddled with a 20% to 50% discount to world oil prices and have one of the highest cost structures in the world, it makes the resource kind of problematic. I think we're finding that in the inability of Canadian producers to expand production and to finance expansion. The economics of the tar sands is now challenged by two pinchers: the rising cost curve, and the fact that we're getting a 20% to 50% discount from world oil prices.

How do you get there? You get there by building pipelines. But people don't like pipelines. You might say that Keystone XL is a pretty circuitous way to get to the ocean if you're starting off in Hardisty, Alberta. You might think that a much easier way would be to go over British Columbia, and of course there are proposals to do that: Kinder Morgan's Trans Mountain, and Enbridge's Northern Gateway.

The only problem is that while it's very attractive for Alberta, picking up anywhere from \$20 to \$30 a barrel, what's in it for B.C. other than the cleanup costs? So it ain't going that way.

I think we're going to learn from the Keystone XL example that it's problematic to go through another country's territory, even a friend and ally, to get to world oil prices. That leaves one other route.

I think there is a cogent argument to take oil east. Eastern Canada imports about 600,000 barrels a day, ironically much of it Venezuelan heavy crude, which isn't that different from the product from our tar sands.

I will just point out—if I haven't exceeded my seven minutes—that yesterday I was speaking at the Williston Basin Petroleum Conference. The Williston Basin, also known as the Bakken, is probably the hottest oil play in North America. North Dakota has gone from nothing to producing 750,000 barrels. Even Saskatchewan, which gets a little tail of the Bakken, is now producing 70,000 barrels of shale oil, or tight oil.

•(1535)

They have exactly the same problem. Without pipelines, they're a stranded asset. Folks in North Dakota are loading it on rail. For \$16 a barrel transport cost, you can go from Williston, North Dakota, to a refinery on the east coast or a refinery on the west coast.

That doesn't seem to be on anybody's radar screen as far as the environmental movement is concerned. While there is great opposition to pipelines, there doesn't seem to be any opposition to moving oil by rail. I suspect, however, when three to four million barrels of oil a day start getting railed around North America, the laws of probability suggest we're going to see a spill and we're going to see that get on people's radar screens.

The bottom line here is that without pipeline access—and this is not just true of the tar sands; this is also true of the Bakken, or Eagle Ford in Texas—it's a stranded resource. That means we're not going to see the kind of development production-wise that people like the International Energy Agency or the Energy Information Administration in the U.S. are predicting.

We're not going to see the tar sands go from 1.7 million to four million barrels. We are going to see the tar sands continue to produce. I'd say before worrying about getting three million barrels a day out of the ground, let's get paid for the 1.7 million we're digging out.

Thanks very much.

The Chair: Thank you, Mr. Rubin.

As our second witness today, we have Grand Chief Edward John, political executive member of the First Nations Summit. Go ahead, please, Grand Chief.

Grand Chief Edward John (Political Executive Member, First Nations Summit): Honourable members of the committee, ladies and gentlemen, thank you for inviting me to submit a presentation to your committee. Two documents have been submitted to the clerk of the committee and those, I believe, have been circulated. They are the speaking notes I will be referring to, as well as a more detailed 11-page submission.

I want to refer to the comments made by my fellow witness, Mr. Rubin, the economic side of the equation in particular, and the costs relating to extracting the resources and the question of the infrastructure that may be necessary, whether it's going to the east, the south or the west. I want to talk about those particular infrastructure facilities and then the cost of that relative to the cost of aboriginal rights, title, and treaty rights—the economic value of that—and those legal rights which exist and which are recognized in the Constitution of Canada.

The six questions you presented to me, as well as the recommendations that you make, are important to first nations in

British Columbia. I know they are also important to the Treaty 6, 7 and 8 chiefs, those particular first nations, in Alberta as well. Developing a just resolution in British Columbia on the land question is essential, but it requires our full and collaborative role and involvement in the resolution of that process, as well as the standards of free, prior, and informed consent for the extraction of those resources that Mr. Rubin was talking about.

These are important to us: the question of energy supply sources, the lands where these resources are being extracted, as well as export market diversification. Again, it's going to mean moving these products by rail or pipeline, and whatever it is, it will have an impact. I think the comment he made is that the feeling generally is that if it's to the west, British Columbia will be left with the cleanup bill. That's an underlying and overriding concern that many first nations communities have.

These are our recommendations on the six issues that you're dealing with. They impact on our communities, our people's social, cultural, and economic well-being and dignity, and the environment, lands, and resources we rely on, and which continue to support our way of life and the traditional ways of our people. They also underline aboriginal and treaty rights, including aboriginal title, which we have inherited from our ancestors and which the Constitution of this country recognizes and affirms.

Our people, communities, and constitutional rights are considered by many, including, I have to say, governments, industries, and people in the public, as risks, barriers and obstacles which create uncertainty for development. To assume or even to suggest that puts our people and our rights in an adversarial position.

We do not see ourselves as risks, obstacles or barriers. We have a right and a responsibility to protect ourselves, our well-being and dignity, as well as our lands, resources, and environment. Because no one else is doing that, we have to do it.

During this past winter, the protection and promotion of these rights and responsibilities were key in Idle No More, the grassroots protest movement among first nations and aboriginal peoples. The steps taken by the federal government in Bill C-38 and Bill C-45 to limit or eliminate environmental standards and safeguards have in no way provided the necessary assurances to first nations who continue to practise their traditional way of life, and who provide for their livelihood by relying on the lands and resources in their respective territories. Because of this, there has been very strong and widespread opposition to the significant risks associated with the proposals, such as those being advanced by Enbridge and Kinder Morgan, and in mining by Taseko and others.

●(1540)

Mechanisms such as political advocacy, action on the ground, and litigation have all been used with varying degrees of effectiveness by first nations in advancing and protecting their rights, supporting their communities and peoples, and defending their lands, territories, and resources.

I believe this committee has an important responsibility to recommend to the government changes to the nature and tone of the negative perceptions and dialogue about first nations peoples. As the saying goes, a tone starts at the top, and I believe that applies here.

The diversity and richness of the cultural and linguistic background of first nations in British Columbia is truly immense, and in my view, absolutely wonderful and worth celebrating. We have some 30 tribal groups with seven linguistic families representing about 5% of the population.

Many different things have had an impact on us, but the 17 or 18 Indian residential schools have had a cumulative intergenerational impact, in fact, on our families and communities and languages as well. In fact, if nothing is done, some languages will become extinct in a generation or two.

What relevance does this have to a discussion about oil and gas and energy resources in this country? I think it's entirely relevant, because we're talking about the people's lands and territories and their well-being. As we see past impacts continuing to build and continuing to mount, first nations have less and less space in their territories, which they rely on to be who they are as indigenous peoples.

We have been developing directions, strategies, and actions. We've taken proactive measures and actions, and we have created community, tribal, and provincial institutions and initiatives to overcome these difficult odds.

We think it is important for you, as members of Parliament, to recognize that the federal government should support these significant steps to improve the quality of life. We are doing that, and we need the support of governments to do it. It is our view that in time the changes we need will happen.

As I said, one of the very significant issues involves the inherent legal and human rights that first nations have to and in their respective lands, territories, and resources. This is the so-called land question. I refer to the economic value of these constitutionally based rights that we have.

The history in British Columbia, I think, is pretty clear. In the mid-1800s colonial authorities, without our peoples' agreement or consent, appropriated these lands and resources to crown sovereignty, ownership, and jurisdiction. At that time, the underlying assumptions about our first nations were that we were not civilized enough to have ownership of or authority over our traditional lands, territories, and resources, and that the civilizations of the new colonies were superior to those of our people.

These underlying assumptions have been categorically condemned internationally, including in the UN's Declaration on the Rights of Indigenous Peoples.

●(1545)

The Chair: Chief John, could you wrap up as quickly as you can, please; you're a little over time.

Grand Chief Edward John: Yes.

As we move forward, one of the significant issues that needs to be considered is the development of a framework in this country, at least in the province of British Columbia, that will allow for the proper resolution and reconciliation of the land question as part of the larger framework for the social and economic well-being of Canadians.

I recently had an opportunity to listen to leaders in the European Union and was invited by the International Labour Organization to attend the ninth session of the European regional meeting. Leaders from all of the European states and Central Asia, as well as from labour and industry, talked about these very same issues, in respect of the economic well-being of that region of the world, and precisely the well-being of peoples.

In our case, in British Columbia and in Canada, if you look at any demographic index regarding the well-being of people, first nations peoples are always at the bottom looking up.

Thank you.

The Chair: Thank you, Grand Chief Edward John.

We have now, by video conference, from Vancouver, British Columbia, Mr. Stephen Brown, president of the Chamber of Shipping of British Columbia.

Go ahead, please, Mr. Brown, for about seven minutes.

Mr. Stephen Brown (President, Chamber of Shipping of British Columbia): Thank you very much, Mr. Chairman.

Obviously, speaking on behalf of the marine industry here in British Columbia, we have a certain perspective on the diversification of Canada's economy and, in particular, the natural resources, and the challenges and opportunities that this presents for our industry.

As the representative of the Chamber of Shipping of British Columbia, I represent more than 180 members right across the marine sector, including many foreign shipping companies and shipping agents, the ports, the pilots, the tug companies, and the supply and service companies right across the marine spectrum. We bring within ourselves different points of view, but the common point that I think we share is this: whatever we do in the marine industry with our colleagues all over the world, if called upon to move Canada's resources, we will do that safely. We have a long record of executing our responsibilities safely, and we will continue to do that.

As a marine industry, we cannot be judgmental about what moves or what does not move. We don't try to be judgmental. However, whatever we are called upon to move, we will do that well. We will do it with the utmost of care, and we will prolong a long tradition here in British Columbia of moving all our commodities off the coast, to wherever they go, to very high standards by any measurement in the world today.

The development costs of Canada's resource diversification are of concern. We're very cognizant of what's happening in other parts of the world today, such as the review that's taking place of projects, for example, LNG projects in Australia, where the high cost of resource diversification and development is causing a lot of strains. Most certainly, as a marine industry, we want to be a part of the solution in overcoming some of those, because the opportunities that Canada has and that will run through British Columbia will probably only come once. If we don't do it well, if we don't align ourselves both federally and provincially and as a marine industry to execute whatever we're called upon to execute, then we will fail.

It's very important that we get this right. It's unfortunate that the marine industry, when it comes to moving Canada's resources, has been called into the discussion in some forms in a negative way. The marine industry, as most people are well aware, moves more than 90% of all world trade today. We do so very, very quietly. We go about our business very, very professionally.

Of course, we don't mind being challenged, but the discussion that we are brought into today with respect to western access is to some extent I think one of trying to blur the argument about whether or not we believe in resource development. If your opinion is that resources should not be developed, then you will of course try to block pipelines, and you will of course try to discredit the marine industry, and we've become quite accustomed to that over a period of time.

I think we have a very strong record that speaks for itself, far stronger than I can speak to you about today, in terms of going about our business professionally and very safely. For that reason, any suggestions that spills of oil are inevitable in the marine environment of British Columbia are, in our view, misplaced.

It's also important to recognize that as we go about our business futuristically here in British Columbia, one of the notions is that we have a crowded waterway, and that is not the case. We have a very low level of traffic here on the west coast of Canada, by any world standard, and we can certainly accommodate an awful lot more traffic, and we can do so very safely.

As a marine industry, we very much look forward to participating in diversification of Canada's energy sector. We are absolutely confident as an industry that we can play a very positive role in achieving that successfully.

Thank you very much.

• (1550)

The Chair: Thank you, Mr. Brown.

We'll go now to questions and comments.

I just want to remind members that our topic for today is diversification in the energy sector, and we're dealing with the

product diversification aspect of that now, so I want the questions to be related to that. We don't want to go off on tangents.

We start our seven-minute round with Mr. Trost, followed by Mr. Julian and Mr. Garneau.

Mr. Brad Trost (Saskatoon—Humboldt, CPC): Thank you, Mr. Chair. I guess I have been warned.

We've had quite a concentration of witnesses who have talked about oil, but oil isn't the only thing we're talking about, so forgive me if I try to broaden the discussion a little.

Mr. Brown did mention LNG, and I'm interested in asking for people's opinions as to whether they have any expertise or comments as far as LNG and the potential for Canadian export is concerned, and how it would affect....

Mr. Rubin, seeing the body language, we'll start with you, from the economic perspective. Grand Chief John, could you speak to how it would impact your community? Then we'll hear from Mr. Brown.

Please try to keep your answers succinct so your fellow witnesses have a minute or two.

Thank you.

The Chair: Go ahead, Mr. Rubin.

Mr. Jeff Rubin: Let me provide a little historic context on LNG.

In my former life, when I was the chief economist of an investment bank, we were involved in a proposal to finance an LNG terminal in Quebec City that would be supplied by Russian gas. That might have been seven or eight years ago.

But just as water does not flow uphill, natural gas does not go from places where it gets \$11 per million cubic feet, to places where it gets \$4 per million cubic feet. In other words, the whole gas equation has turned on its head. Seven or eight years ago, North America was thinking about being importers of LNG, and now we are exporters of LNG.

Why are we exporters of LNG? The price differentials that I discussed about oil are absolutely dwarfed by the price differentials in natural gas. The reason is that oil, if you can get to an ocean, is a global market. You can move oil all around the world. Gas is a regional market. LNG is a very small percentage of the gas trade.

What has changed? Well, gas is now \$4 per million cubic feet—it used to be \$9—because of the shale revolution. I mentioned I was at this Williston conference in North Dakota. Well, North Dakota isn't the only place. There's the Marcellus formation, Eagle Ford—a huge advent of shale. There's a shale play in B.C. as well, in the Horn basin.

The cost of gas has come down to \$4. It seems on the face of it that there are enormous export opportunities to arbitrage here. Gas is \$13 or \$14 in Tokyo. The question is whether gas really costs \$4 in North America. That's a very interesting question. If you look at the financial performance of some of the largest shale gas producers, like Chesapeake Energy, which almost went chapter 11 last year, does that suggest that perhaps the cost curve is not there?

The point is, are we going to continue to see those huge price differentials? North America is not the only place that has shale gas. If the shale technology, hydraulic fracking, is used in other places, then presumably the price of gas will decline in those places as dramatically as it has in North America and there won't be these arbitrage opportunities.

• (1555)

Mr. Brad Trost: That's much appreciated.

Grand Chief, do you have any comments on what your community would feel relative to LNG?

Grand Chief Edward John: LNG generally is less contentious. It is contentious because of how it's produced and how it's brought to the market, and the comments I raised earlier are true to that.

There are first nations communities that are seriously looking at how to participate in that industry and how to make it work in the areas where it's being produced. Groundwater contamination, the use of the water, the volume of water that is being used, are serious issues for the tribes in northern British Columbia.

Mr. Brad Trost: That's on the production side.

Grand Chief Edward John: On the production side, in the territories where the resource is located, it's the method of production that is being used, and the volume of water and the impact on the groundwater which communities rely on.

Mr. Brad Trost: Okay.

Mr. Brown, with your industry, while generalized, you did mention LNG.

From your industry's perspective, would LNG be a positive economically? Of course, shipping is a very international business. Would you be willing to engage, and what would your comments be on issues such as safety involving LNG?

Mr. Stephen Brown: First of all, yes, of course; as I said earlier, we will move whatever needs to be moved. The world LNG fleet, the fleet of LNG carriers, is rapidly expanding. It's about 300 ships now. By 2015 or 2016, it will be about 400 ships. So the capacity to move western Canadian exports, in the time window 2018 to 2020, which is probably what we're looking at, will definitely be there.

It's very important that we do, however, focus on the point that Mr. Rubin was making, which is that the price of LNG will ultimately determine whether these projects go forward. We currently have seven announced projects in northern British Columbia. We have five in Kitimat and two most certain, and probably two more, in Prince Rupert, which would make nine if they all go forward. It's unlikely they will all go forward, but some will go forward.

The difficulty, as Mr. Rubin was alluding to, is that traditionally the price of LNG has been tied directly to oil, and the consuming countries, led by Japan, are seeking to decouple that link. So the potential of much cheaper LNG from the United States will have a very direct bearing on whether these projects are financially viable going forward.

We certainly can't lose sight of that. We do have a provincial government that is banking on a huge revenue gain from LNG exports going forward. We have to be very cautious about that. When you start talking about heavily taxing LNG exports, that will add to development costs. Also, there are other options of course.

What we are seeing today is that one major project in Australia has already been sidelined, the Browse project of Western Australia. It's a \$40-billion development project. They're now looking at a floating liquefaction plant, which is a Shell concept, to replace it. The problem that I see going forward in Kitimat is very similar. The development costs, because Kitimat is relatively remote, in getting goods and people into Kitimat to get these terminals developed and up and running will be a significant logistical challenge.

As far as carrying LNG is concerned, we have no difficulties in that. LNG has been transported by sea for almost 50 years very, very safely, almost without incident. The technology that we're building into those ships.... They're very technologically advanced, sophisticated and expensive ships. They are cutting edge in terms of our industry.

So we have no difficulty...although I think it is worth thinking about the numbers. Last year the demand for LNG around the world was 240 million tonnes. By 2020 it will be 400 million tonnes. There's great opportunity for Canada there.

• (1600)

The Chair: Thank you, Mr. Brown and Mr. Trost.

Mr. Julian, you have about seven minutes.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you very much, Mr. Chair.

Thank you Mr. Brown, Mr. Rubin, and Grand Chief John. We appreciate your being here today.

It's good to see you again, Grand Chief John.

I'd like to start with you today, because you mentioned very specifically the obligation of the federal government in terms of first nations for free, prior, and informed consent. This, of course, is linked to the whole issue of market diversification because of the importance of having those discussions with first nations. It is extremely important to get that social license for these proposed projects.

Given the changes that have happened in the last two federal budgets around public consultations and consultations with first nations, could you tell us whether you think the federal government is meeting this obligation in any way, or whether you find that the federal government has actually deteriorated in its approach to first nations?

Grand Chief Edward John: Thank you, Mr. Julian.

The perception in our communities is that the standards have been lowered for environmental protection, the safeguards for inland fisheries, and the resources that our peoples continue to rely on. As I said, our peoples—for the most part unemployed, with no jobs, no opportunities—continually rely on the lands and the seas and the waters to feed their families. In a traditional economy, people are out there in the summertime making salmon and other fish ready for storage for the winter to feed their families.

In many cases, the only source of income may be seasonal work, or it may be social assistance. That's not very secure. So when you're undermining those rights and comparing the well-being of fisheries, for example, with the economic well-being associated with pipelines, you're making some trade-offs.

Unfortunately, the consequence is negative for our communities. It has been, and we have seen that. We were promised jobs, business opportunities, and all sorts of things. Yesterday one of the tribes in the territory where I come from announced that they were stepping back from a \$450-million mine expansion because all of the promises that were being made simply dissipated.

These projects are being sold as creating opportunities, creating jobs, creating businesses, but they're not forthcoming. Even with the existing projects that are there and past projects with which there have been tremendous difficulties, we live with the consequences of those still.

Mr. Peter Julian: If the federal government has diminished the importance of providing for that obligation for prior and informed consent, does that not mean that by making these changes it is actually jeopardizing the possibility of these projects being approved? First nations do have a number of tools open to them if the federal government is not meeting its obligations.

Grand Chief Edward John: That's a reality. First nations are saying, "We have these rights. They're recognized and protected in the Constitution. If no one's protecting them, we will". As you saw in Idle No More, people are standing up. As you see in court case after court case, the courts largely decide in our favour. The government has legal obligations and responsibilities arising from the legal nature of the rights that are at stake. They do have a constitutional responsibility to consult with our communities in a deep way, in my opinion, for any project. For example, some of the projects in British Columbia are being touted as being in the national interest. Surely to goodness the rights of our people must be in the national interest as well, and the just and fair resolution of those should also be in the national interest.

Mr. Peter Julian: Thank you very much for that.

I'm going to move on now to Mr. Rubin, to a quote from the final paragraph of an op-ed you wrote in January 2013. You were talking about Suncor and its value-added approach on market diversification.

You concluded by saying:

The rest of the oil sands industry may need to take a page from Suncor's playbook. Before rushing ahead to double oil sands production to 3 million barrels a day—and sending billions more in de facto energy subsidies to U.S. refiners—investors and the Canadian economy may be better off if producers figure out how to capture more value from what they're already digging out of the ground.

I'd like you to comment and expand on that. Perhaps you could give us some very clear indications about how the federal government should be approaching the whole issue of value-added production.

• (1605)

Mr. Jeff Rubin: That's a very interesting question, because within two weeks of when I wrote that op-ed, Suncor said it was walking away from the Voyageur upgrader project and taking the \$130-million writedown.

I used Suncor because Suncor was an example of the most integrated oil company, as opposed to, say, Canadian Natural Resources, which was just shipping the raw bitumen. If you're an integrated company, you can get Western Canadian Select, because you capture the margin in the refinery spread. As it turns out, because of developments in the Bakken and the Williston Basin, that no longer made economic sense for Suncor, and as I said, within two weeks of my writing that op-ed, they walked away from probably the biggest refinery project that was on the books there.

Let me point out that there has been a lot of discussion about building refineries and capturing that huge crack spread in Canada because of the huge discount we get on our raw resource, bitumen. If, in fact, Western Canadian Select got what Mexican Maya, another heavy oil, does, believe me nobody would be talking about building refineries here. Generally speaking, refining is a very thin-margin business with huge capital requirements.

Now, if you can buy your feedstock at a 50% discount to world oil prices, it's very attractive. But outside of the midwestern refineries in the U.S., no one can do that. I think you're going to find that if we could get something close to Brent, this argument about building refinery capacity and capturing those crack spreads would quickly dissipate.

Mr. Peter Julian: Coming back to federal government policies, you have the North West upgrader because of the specific policy initiative of the provincial government in Alberta.

What are the policies that the federal government should be looking at to encourage value added and to change the economics?

Mr. Jeff Rubin: With all due respect, I think the role of government here is limited. What we need to get is access to world oil prices. The problem is you have to build a pipeline. You have to pay folks for that. You have to pay them, and you have to pay the Province of B.C., because nobody wants that pipeline. Without that pipeline, I think there is an argument that we could move 600,000 barrels a day to a refinery in Quebec and a refinery in New Brunswick so we wouldn't have to import oil from Venezuela. I think that's a doable deal, but we're going to need to do a lot more than that if tar sand production is going from 1.7 million to four million a day. For that matter, we'd need two or three Keystone XLs to hit those kinds of production numbers.

The Chair: Thank you, Mr. Rubin. Thank you, Mr. Julian.

Mr. Garneau, you have eight minutes.

Mr. Marc Garneau (Westmount—Ville-Marie, Lib.): Thank you very much.

Thank you all for coming today and providing testimony.

I see a kind of bleak picture with respect to getting to tidewater on the Pacific for the reasons you both have given, Chief John and Mr. Rubin. Basically we've been following Northern Gateway and more recently Kinder Morgan.

Let me ask a very basic question. Is there a solution, if the right tone is adopted, if other options are chosen? I'm not talking about rail yet, but the pipeline option to west coast tidewater. In your opinion, is there potentially some solution that can be found if everybody comes together and tries to find a solution that is acceptable to environmentalists, to first nations whose territory the pipeline crosses and into whose marine waters the ships navigate? Is there a solution that can be found, or is this a lost cause?

•(1610)

Grand Chief Edward John: I want to tell you up front that the Kinder Morgan expansion together with the proposal by Enbridge do not have support from first nations, or I should say a significant portion of first nations communities, as well as non-first nations communities, and a lot of the public in British Columbia for the very reason that Mr. Rubin talked about: what's in it for B.C. except cleanup costs? The risks are seen to be tremendously high. The impacts are large from what we see, and judging from our own history, as I've said, we've been made all sorts of promises and those promises have not been kept, and we end up living with the aftermath of somebody else's development. Some of that is still real, and those should be addressed as well.

An example would be the energy related to the development of Alcan's Kenney Dam, the destruction of the waterways below the dam, the destruction of the waterways above the dam, and what it's done over the last 50 or 60 years to the communities and to the wild salmon stocks in the area, as well as to the white sturgeon in the Nechako River. That has to be rectified.

People continually say they have all these good things for us, and a lot of that never materializes. So, until we see a process in place where first nations say they can work with that within this framework, and we can find a resolution, but right now, I don't see much of that. Perhaps where I see some opportunity is with some of the communities that are engaged with LNG on the west coast in particular.

They still have to talk about the pipeline routes, and there are seven or nine proposed routes now. They are all going through first nations territories. How are first nations in those areas going to be engaged in the management of that corridor, supposing there will be three, four, or maybe up to nine pipeline routes, which I don't expect will happen?

Mr. Marc Garneau: Mr. Rubin.

Mr. Jeff Rubin: Let's be clear. We shouldn't singularly point to Grand Chief Edward John as the scapegoat for holding up the Kinder Morgan Trans Mountain pipeline because I know a whole lot of

folks who live in the Lower Mainland who aren't first nations who are dead set against it, and it is not too hard to figure out why. People don't want to see supertankers go under the Lions Gate Bridge every day. People don't want to see Vancouver become a major export oil terminal, and if you're going to change that perception.... I'm an economist. Prices are my religion. Big cheques are going to have to be written, but there is a lot more opposition to that than just Chief Edward John here.

I get back to the problem that, sure, there is maybe \$30 a barrel to be picked up in Fort McMurray, but unless that can be distributed in places like British Columbia or ports of entry going up to Churchill, there's going to be a problem here. What we are seeing is that problem, and it's not just first nations. The people in the Lower Mainland are dead set against it. Look what provincial politicians are saying in British Columbia about that.

We have to recognize the reality for what it is.

Mr. Marc Garneau: Okay, let me turn to the rail option. You mentioned it. You said that it appears to be flying under the radar at the moment.

Mr. Jeff Rubin: I'll tell you why I say that. I just did a whole national tour with David Suzuki, and he didn't mention it once. I know why he didn't mention it once. It's because they're so fixated on pipelines.

If you go to the Bakken, the Bakken has exactly the same kind of pipeline problem as the tar sands have. In fact, Keystone XL would take about 100,000 barrels from the Bakken. The way they're doing it in the Bakken is loading it on rail.

It's not cheap. What does the locomotive run on? It's \$16 a barrel to get there, but you get a wide enough spread between WTI and Brent, and you incent that kind of activity.

I'm sure there are folks in Alberta right now who have figured that out. I don't follow this, but I would venture to guess that if I were to look at the volume of oil being shipped by rail outside of Alberta, it's growing in the same direction as in North Dakota. One of these days guys like David Suzuki are going to find that out, and we're going to see environmental opposition to rail.

It's true that we haven't seen huge rail spills, because a very small percentage of oil is moved by rail in North America, not for environmental reasons, for economic reasons.

•(1615)

Mr. Marc Garneau: Mr. Brown, my question to you is on shipping. Obviously I sense that from the shipping industry's point of view, you'd welcome the opportunity to ship out whatever came to the west coast, in terms of dilbit, diluted bitumen, or LNG.

You did make the claim, which I thought was rather courageous of you, that oil spills in the marine environment are not inevitable. Could you expand a little bit on that, please?

Mr. Stephen Brown: Thank you, Mr. Garneau.

The reason I make those comments is that you have to look at the numbers and understand what is actually going on here in British Columbia at the moment. I'll answer your question directly, but I'll just give it some context.

The Enbridge project has been struggling. For the Kinder Morgan project thus far, no application has been filed, so it still has some way to go.

It has been interesting in the last week or so to hear the commentary from one of the parties that's contesting the election here in British Columbia. They suddenly came out against the Kinder Morgan project and actually found themselves in a lot of heat for doing so. So the claim that most people in the Lower Mainland are adamantly opposed to the project is not accurate.

Three per cent of traffic is tanker traffic into Vancouver today. If the Kinder Morgan project were to go ahead, that traffic percentage would increase to 15%. In regard to any contention that this is going to become a major oil port, it's still a very minor oil port by any standard.

There are about 12,500 tankers all over the world today going about their business fulfilling the world's needs, and they're doing so very safely.

This discussion we're having around the safety of tanker traffic is a unique discussion to Canada, in fact to western Canada. There's no other part of the globe where we're having this discussion, whereby the ability of the marine industry, and in particular the tanker industry, to go about its business safely is being questioned. That is simply not the case.

Mr. Garneau, with respect, we are being singled out somewhat because it is well recognized by those who would not wish to see the growth of the oil sands that demonizing the marine industry, and the tanker industry in particular, is a way to prevent the growth of the oil sands. We fully understand what type of discussion we're in.

You only have to look at the tanker industry. You only have to look at the record since the *Exxon Valdez* incident in 1989, and the improvement in safety and the reduction in spills. The number of spills worldwide in the last decade has been absolutely negligible from any interface with oil tankers. It's a record that we're now very proud of.

A lot of hard work has gone into achieving the record we now enjoy, including enhanced construction of vessels and the practices we employ to bring those vessels in and out of port. It's also worth remembering that the tankers that are envisaged and currently operating in Vancouver today are not supertankers; they're mid-sized tankers, less than half the size of what we would call a supertanker. They're relatively small tankers on the world stage, and they're very manageable.

Tankers have been going in and out of the port of Vancouver, Mr. Garneau, for the last 60 years, without incident. That's why we are absolutely confident with the enhancement of safety practices that we have put in practice and continue to put in practice, and why we're so supportive of the panel that the federal government has recently appointed to review best practices in tanker management and oil spill preparedness and response. That is why, even if we can squeeze 1% of improvement over what we have today, we're fully supportive of that.

The Chair: Thank you, Mr. Brown, and thank you, Mr. Garneau.

We go now to Mr. Allen, followed by Ms. Crockatt and then Mr. Nicholls, on the five-minute round.

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

Thank you to our witnesses for being here. It's been very helpful.

Mr. Brown, I'd like to start with you. I'm a New Brunswick member of Parliament, and there's a tremendous amount of interest in a west-east pipeline to the Irving refinery. As a result, once we get the oil to tidewater we'd be looking at more ships coming in to the east side as well.

You made a couple of comments, and I'd like to understand your thoughts on our initiatives on the tanker inspections and other types of things, and how that's working out for your industry.

What are the metrics? Do you have any metrics to suggest what each vessel generates for the economy in the local area? It would seem to me that the additional inspections we're asking for on tankers, as well as the pilotage and other types of things, would mean a significant benefit to the local economy.

Could you comment on that?

• (1620)

Mr. Stephen Brown: First, on the issue of the tanker panel, we think it's a very positive move that the federal government has announced. As I said a moment ago, even if you can squeeze 1% improvement out of the safety record of our industry, let's go for it and use the tanker panel as a way to get that. We're very supportive of that.

In terms of the contribution to the economy, that's a very tough one for us to gauge. If we go from 300,000 barrels a day to 890,000 barrels a day, in the case of the Kinder Morgan project, what that translates to in terms of economic gain for the local area, it's a difficult number.... I don't have that number.

However, the east-west discussion that you raised is a very interesting one. The difficulty, when you look at the economics of moving the oil west, of course, is that you still need a customer. You need a customer if you move the oil to the east. The problem you would have is that going forward, by any economic forecast, the main growth area for oil consumption is not in the western hemisphere; it's in the eastern hemisphere. You have to move that oil east. You have to move it to Asia. The problem is that you would potentially meet tidewater in eastern Canada through those pipelines. Then you would actually be the furthest distance from those markets, of any supply market in the world.

When you look at West Africa, Venezuela, and the Middle East, all are supply areas. Eastern Canada would be a very long way from ultimate destination, and with oil consumption declining in Europe and North America, it would have to be a very careful judgment as to whether that eastern connection ultimately would achieve the objectives that Canada is seeking to generate.

Mr. Mike Allen: The other comment you made in your testimony was about Australia and some of the things you need to get out in front of.

What kind of suggestions do you have in terms of the experience in Australia? What kinds of things do we in Canada need to get out in front of?

Mr. Stephen Brown: The context of my remarks was LNG, and more than half of the world's LNG projects today, development projects, are currently in Australia. Australia is forecast to be the world's largest supplier of LNG by 2020, in other words, by the end of this decade. It will overtake the state of Qatar by 2020 in terms of LNG supply.

The problem that Australia is facing is the huge development cost of getting to that point. They have about a dozen different LNG developments, and the cost of those, because of labour prices and material prices, is going through the roof. What Australia is finding, and this is a concern which I think we should have for the northern British Columbia projects, is that ultimately, if the costs of those developments are not sustainable in terms of the price you can sell the LNG at long term, then we may have to come up with another option. One of the projects that was cancelled last week and semi-reinstated this week is one where instead of having a shore-based development, it's actually a liquefaction plant.

One of the large projects in Australia is based on construction of what will eventually be the world's largest floating object. It's a liquefaction plant for liquid natural gas. It's called the Prelude project, in Western Australia. Shell will actually pump the gas to a floating liquefaction plant rather than build an on-shore installation because the economics are driving that. The development costs are about half of what they would be in the event you tried to create the same logistics on the shore as opposed to a floating platform.

Going forward we have to be very careful as a country not to cook the goose before it's even in the oven, because there are some really difficult economic decisions being taken.

As a final comment, let's remind ourselves that no final investment decisions have been taken on any LNG project in British Columbia yet because there are some difficult decisions ahead.

•(1625)

Mr. Mike Allen: Thank you very much.

The Chair: Thank you, Mr. Brown. Thank you, Mr. Allen.

Ms. Crockatt, go ahead for up to five minutes.

Ms. Joan Crockatt (Calgary Centre, CPC): Thank you very much.

I want to follow up, if you don't mind, Mr. Brown, on this tanker traffic on the west coast, because I think there are many Canadians, many British Columbians, who do not know that there is any tanker traffic on the west coast.

We heard testimony earlier that there are 500 oil tankers going in and out of New Brunswick every year without incident. How many tankers are going in and out of the port of Vancouver every year right now without incident? Can you tell us that?

Mr. Stephen Brown: It varies from year to year, but it's between 60 and 70 tankers a year.

Ms. Joan Crockatt: Is that 60 or 16?

Mr. Stephen Brown: Sixty, between 60 and 70.

Ms. Joan Crockatt: Okay. You've said that we've had a decade with virtually zero incidents. Was that your testimony from a little earlier?

Mr. Stephen Brown: Both worldwide and regionally, that's correct, yes.

Ms. Joan Crockatt: I understand that it extends back perhaps 25 years that we have had no incidents in Canada involving tankers spilling in our waters. Is that correct to your knowledge?

Mr. Stephen Brown: I'm talking about the west coast. The Kinder Morgan project has actually been functioning since the 1950s and there have been no related accidents to tanker traffic in and out of the Kinder Morgan facility throughout that time. The only incident was the land-based spill.

Ms. Joan Crockatt: Thank you.

Mr. Rubin, I will go over to you. I appreciate your pragmatic approach; it's direct, and it's very entertaining as well.

I agree with you—or you agree with us—that when we're talking about export market diversification, the issue is to get the oil to markets where it's going to get a higher price so that we can be price-makers rather than price-takers in Canada. Would you agree with that?

Mr. Jeff Rubin: Yes, but we don't have to ship the oil to China; not that there is anything wrong with shipping the oil to China—

Ms. Joan Crockatt: Yes—

Mr. Jeff Rubin: —but once you get to a port, once you get to the west coast, you can just ship it—

Ms. Joan Crockatt: You can ship it anywhere.

Mr. Jeff Rubin: —to the United States. The United States is importing 10 million barrels a day. Why are they importing oil from Saudi Arabia? Why are they importing oil from Venezuela? We may be a lot farther than other places to China, but why wouldn't we increase our market share of U.S. imports, because instead of importing oil from Saudi Arabia—

Ms. Joan Crockatt: Could I get to my question?

Mr. Jeff Rubin: Do you understand what I'm saying? Because it's really important to understand—

Ms. Joan Crockatt: We do.

Mr. Jeff Rubin: Because I don't think you do understand that it's not a question of finding different markets.

Ms. Joan Crockatt: Excuse me, could I ask the question?

Mr. Jeff Rubin: It's a question of getting the right prices.

Ms. Joan Crockatt: Thank you.

You talked about the whole gas equation being turned on its head and we've gone from \$9 down to \$4. I think you are the gentleman who predicted that we'd have \$225 WTI—

Mr. Jeff Rubin: I said \$100 when other people were talking \$50, by the way.

Ms. Joan Crockatt: But \$225, I think, at your peak, and we're at \$91 now. I wonder—

Mr. Jeff Rubin: No, we're at... Again, the problem—

Ms. Joan Crockatt: We're talking about WTI.

Mr. Jeff Rubin: That's the problem. Brent is what you need to get.

Ms. Joan Crockatt: Yes, but I was just comparing apples and apples for you.

However, the point that I'm really asking about is given that we've had a lot of these new discoveries.... You talked about the Bakken, and we also have the Permian Basin, the second largest discovery in the world, and Delaware, for example. Are we, in your view, at risk of potentially missing the market for utilizing the Canadian resource of the oil sands in light of tight oil and these other discoveries?

Mr. Jeff Rubin: I guess what you're asking is, will the prolific growth of tight oil from U.S. shale formations displace Canadian imports? Is that what you're asking?

Ms. Joan Crockatt: Yes. Are we at risk of not acting quickly enough?

Mr. Jeff Rubin: Well, what I was trying to say in my earlier comment that obviously flew above your head was that the United States is still importing 10 million barrels a day, so there is a lot of room to increase domestic production, from the Bakken and from the Eagle Ford and from all manner of shale formations. But if we can get the oil to the coast, then what we can do is displace oil imports in the United States from third destinations. Do you understand that?

Ms. Joan Crockatt: Yes.

My question had more to do with the fact that we now are competing on a global market for oil. Oil prices are declining. Oil sands is expensive oil. Because of the new discoveries, are we at risk of missing the market if we don't get our oil onto the market quickly?

•(1630)

Mr. Jeff Rubin: Ms. Crockatt, you say that oil prices are declining. Are you aware that Brent averaged \$112 last year? Are you aware that is an all-time high price for oil?

Ms. Joan Crockatt: We know that North American oil is—

Mr. Jeff Rubin: Are you aware that—

Ms. Joan Crockatt: —declining.

Mr. Jeff Rubin: —gasoline prices in the United States average \$3.50 a gallon, an all-time high, and yet you say that oil prices are declining? Well, I'll grant you, they ain't \$200, but they're moving up.

Ms. Joan Crockatt: Okay.

I'll just move on to my questions, then, and I'll go to—

The Chair: Sorry, Ms. Crockatt, you're out of time.

Ms. Joan Crockatt: Oh.

Thank you very much.

The Chair: We go now to Mr. Nicholls, for up to five minutes.

Mr. Jamie Nicholls (Vaudreuil-Soulanges, NDP): First, I'd like to tell Mr. Brown that an Angus Reid poll done in February 2013 said that 60% of people in the Lower Mainland disagreed with seeing increased tanker traffic off the coast. That's just to correct the record.

I'd like to zoom out a little, to sort of take us out of the immediate moment and look at a more long-term view and the idea of structuring our economy for the future, not for the electoral cycle of the next two or five years, but more for the next 50 years.

The model of continuous economic growth implies that it will bring progress or happiness. I think a lot of people question that idea. We're the natural resources committee, and yet too often we act like these resources are infinite, which they're not. They're finite. As oil supplies get less and less, the price will go up. That's an economic fact.

Rather than making decisions based on short-term commodity prices, we should look towards long-term structuring rather than pretending that we have these resources that will never run out. We need a balance of things.

Mr. Rubin, in view of this long-term view of looking at the next 50 years, should we be trying to rush to export our oil resources as quickly as possible, or should we be adding value here for the long term?

Do you agree with the fact that going to export will basically ramp up production and therefore use the resource quicker, rather than going towards a more value-added in Canada approach, which would have the effect of slowing down production?

Mr. Jeff Rubin: Well, it doesn't really matter what I think, because prices will do the heavy lifting. Tar sands are not a new discovery. The only thing new about the tar sands is that they're a commercially viable source of supply, let alone what the IEA calls the world's third largest oil reserve.

At \$20 a barrel, you can't give the stuff away. At \$100 a barrel, it's the world's third largest oil reserve. The Orinoco is the world's largest oil reserve. That's Venezuela's tar sands. When oil was \$20 a barrel, big bad Hugo Chavez had one of the most generous royalties in the world, and no one would touch the stuff because the resource wasn't economic.

What I'm saying is that the development of the tar sands, and for that matter any other hydrocarbon resource, whether we're talking the Bakken or we're talking deepwater, is going to be a function of price. The higher the price, the more oil we have.

The notion of peak oil is nonsense in a supply sense, because at \$200 a barrel, we can produce six million barrels from the tar sands. The question is, can anybody afford to burn \$200-a-barrel oil? I've written two books challenging the notion: can we even continue to grow at the pace that we've become accustomed to—let alone, Ms. Crockatt, at \$200, or even at Brent being \$105?

I think the answer here is that it's not governments that are going to decide, and it sure as hell isn't me who is going to decide. It's prices that are going to decide the pace of development.

Mr. Jamie Nicholls: With regard to the infrastructure that surrounds this market, we were talking about pipelines and the idea of public consultations. The public hasn't bought into this idea of pipelines, particularly with Keystone in the U.S. and Gateway in the north. When you look at the markets, they're really using these old marketing tools. They're not engaging the public in buying into this product.

Basically, Greenpeace never took hold in Norway. You have to ask yourself why it didn't take hold in Norway. Basically, they have an inclusive polity. They have a state-friendly society in Norway.

Wouldn't taking a different approach to engaging with the public help build this market in Canada?

• (1635)

Mr. Jeff Rubin: Norway is a totally different situation. I mean, the one thing Canada has going for it, which should never be underestimated, is that most places in the world have this curious idea that hydrocarbon assets should belong to the state. I'm not talking about Saudi Arabia or Venezuela; I'm talking about Mexico and Norway. Canada and the United States are exceptions to that rule.

If you look at the development of oil production in the Orinoco versus the tar sands, I think that goes a long way in explaining why Canadian development has been so much more rapid. Whether we'll continue to accept this model remains to be seen, but I think people in North America forget just how unique the North American regulatory system is.

If you were to talk to Shell or Exxon.... I mean, Exxon was expropriated in the Orinoco. In most places in the world, to gain access to a hydrocarbon resource you have to partner with a state oil company on very unequal terms.

The Chair: Thank you, Mr. Rubin and Mr. Nicholls.

We go now to Mr. Anderson, followed by Ms. Liu and then Mr. Calkins.

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

Mr. Brown, I'd like to talk to you a little bit. One of our briefing documents talks about the Chamber of Shipping being particularly active in international governance of the shipping industry, pollution prevention, and response to oil spills. I'm just wondering if you can talk a little bit about your role in terms of pollution prevention. We've had some discussion here today, but if we're going to diversify our markets, clearly we need to have confidence that we're not going to have issues with pollution.

What has been the role of the Chamber of Shipping in terms of pollution prevention? Could you speak for a few minutes about that and tie it into the response to oil spills?

Mr. Stephen Brown: I'd be happy to.

First of all, it's the Chamber of Shipping that registers all the inbound vessels for their pollution response management contract. Under Canadian law, every ship that's coming into Canadian waters does have to sign up for a spill response in the event that there's an incident. We actually perform that act. We do it on behalf of the Western Canada Marine Response Corporation.

Here in Canada there are two primary response organizations that are appointed by Transport Canada: the Western Canada Marine Response Corporation, and the Eastern Canada Marine Response Corporation. Those two organizations function under guidelines laid down by Transport Canada. They are monitored by Transport Canada. They are audited by Transport Canada for their regular drills that they perform. The level of response preparedness is laid down by Transport Canada.

I'll be frank with you. The role of the chamber in the last couple of years has been to enter discussions with Transport Canada around whether in fact some of the guidelines could be improved and built upon. We're hoping that through the work of the three-man panel led by Captain Gordon Houston this will be the case. Their mandate, as you probably are aware, is to review all aspects of oil spill preparedness and response. To get to this point of having the panel, we have been very supportive of the government's desire to ensure that no stone is left unturned in terms of that level of spill response and preparedness.

The level of response that's mandated today is for 10,000 tonnes of spill response here in Canada. We certainly think that's something that could be reviewed. We certainly want to ensure that we are at least as well prepared as any other jurisdiction in the world. So we've taken quite a close look at Alaska. We've taken a very close look at our friends to the south in Washington state. A number of colleagues and I will be travelling to Norway to look at their response system next month.

That's the context we're in at the moment. Most certainly there's a strong desire because we recognize the public anxiety, and whilst we may feel that it's sometimes misplaced, we have to respect it. We have to provide that level of reassurance to the public that in the event that anything should ever happen—and we don't believe it will, but if it should—we have a more than adequate response capability and preparedness in place.

Mr. David Anderson: I wish I had a little more time to chase that down even more.

Chief John, I'd like to talk to you a little bit.

We've done a study on energy development in the north and talked about the Ring of Fire as well, which Mr. Gravelle is intimately interested in. One of the things we've heard often is the challenge of making sure that there's an educational component for first nations so that they can actually begin to get into the employment opportunities that are available for them. I'm wondering if you could talk about that a little bit.

I know we've had some success in Saskatchewan with Meadow Lake Tribal Council being able to tailor their jobs and education to the people they've got. I'm just wondering, where are you on that spectrum of being able to fit the educational system to the employment opportunities that you've got? My son is in British Columbia. I know there are a lot of educational opportunities there for young people. I'm just wondering, what have you done or what are you doing in terms of trying to address that issue of providing jobs, especially for your young people?

• (1640)

Grand Chief Edward John: On one of the proposed LNG pipelines through the north there's been some effort by the tribes along the proposed pipeline route to address that. As you know, government has taken the approach of providing training funds to project-related initiatives, and there's no training fund or no training opportunity outside of anything tied to a project. In this case what we've seen is that those tribes along the proposed pipeline route have been in the process of training and developing in the expectation that there will be job opportunities. Those opportunities are not there yet, but they're job ready.

In terms of what's been happening recently, I've been provided information by the program manager at Prince George that the funding has come to an end now and there is no opportunity. They've been waiting well over a year to see what initiatives will be coming forward from the government. I was told they've revised their proposals at the request of government officials some 15 times and still haven't heard on that project. I'm talking about the manager, that project lady by the name of Diane Collins in Prince George.

Mr. David Anderson: I'm probably almost out of time.

The Chair: Yes. You're out of time, Mr. Anderson.

Mr. David Anderson: Are you working through things such as community colleges, as well, and a secondary level of education?

Grand Chief Edward John: Yes.

Mr. David Anderson: That tied in more provincially, but have you had some success in going in that direction?

Grand Chief Edward John: We have a very extensive network with colleges and universities in British Columbia.

The Chair: Thank you, Mr. Anderson.

Ms. Liu, you have up to six minutes.

Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP): Thank you for your testimony today.

Grand Chief Edward John, I found your testimony to be particularly powerful. Thank you also for teasing at the fact that having a clean environment and clean rivers already has an economic value. In that sense it's an important fact that the Conservatives often overlook.

To turn back to the line of questioning of my colleague, Peter Julian, do you feel that the government has failed in its duty to consult with regard to Bill C-38 and Bill C-45?

Grand Chief Edward John: For sure. These are budget implementation bills that contain numerous amendments to legislation that, from the perception of our communities and our peoples, have really undermined the environmental safeguards that we thought were in there. The net result is that the water we rely on, the fish that our communities rely on, and the game that our people rely on are at a significantly higher risk of jeopardy.

I'll give you a very good example. Maybe it's not directly related to this, but look at the Gitga'at people and the sinking of the *Queen of the North* near Hartley Bay. That *Queen of the North* is leaking fuel, and no one has done anything about it. It's within the area where the Gitga'at people continually rely on sea resources. If someone was able to demonstrate that they really are talking about marine safety, and if they're able to take measures to stop the flow of fuel into the marine environment, then maybe you'd make some believers out of the communities on the coast.

Ms. Laurin Liu: You've also mentioned other projects that represent an unacceptable risk to your communities and to our rivers and forests and you ask for investments that are truly sustainable. Let's move the conversation to park diversification.

Can you talk about the kinds of projects that you would expect the government to support?

Grand Chief Edward John: It's not particularly projects, but the manner in which projects proceed and are reviewed. We've constantly said that we need to ensure that our communities are involved in environmental assessments. We need to know what the environmental standards are. We need to know how these standards are being applied in every project. We need to know under what standards these projects are being reviewed. Right now, those standards have been minimized. We step up to the front and say that we have a responsibility to our generation. Not only that but we have a responsibility to future generations.

I hear there are shale gas opportunities in the northern part of British Columbia and Alberta. It's estimated to be 100 years' worth of shale gas. That's three generations. What about four or five generations? What happens with those descendants of ours who have to make a living down the road? How do we ensure that we have some protections for them? When all of the resources are gone, what happens? How fast do we remove it and for whose benefit? What are the prices that are being generated? What is the price that goes back into the land? Who is putting money back into the land to ensure a healthy environment? As I said, water has an economic value. The food that we rely on has an economic value. Nobody measures that. Everything is about the cost of crude oil, bitumen, or natural gas. There's a lot of discussion that is important, but there's also what we, our people, rely on and how important it is to our communities. There has been that oil spill.

In British Columbia, first nations communities are opposed to, for example, the Northern Gateway, but the Union of B.C. Municipalities as well have passed resolutions opposing that particular project. In addition, some northern communities along the proposed pipeline route stand opposed to that particular project. The coastal communities and the first nations communities rely on the sea and the resources from the sea to feed their families and to provide for jobs and opportunities for them. The fishing industry is an important industry for them. What happens if you have a failed tanker?

• (1645)

Ms. Laurin Liu: Thank you. Well said.

I'd like to move on to my last question.

Mr. Rubin, you talk about the need for governments to help facilitate the transition with regard to the rising price of oil. Would you be favourable to the notion of putting a price on carbon?

Mr. Jeff Rubin: A price on carbon. I think a price on carbon is totally unnecessary. As I told Dr. Suzuki in our "travails" across the country, I'll take a global recession over a thousand Kyoto agreements.

You see, we're not going to emit, I don't think, half of the carbon that the IPCC says. All they're doing is extrapolating China's coal consumption, which is up around 3.5 billion tonnes a year, and just growing that at the same rate that it has grown in the last 10 years. But as you notice, China's not growing at the same rate that it was before, and neither is anybody else. What drives economic growth is oil and coal. They're the two major energy sources of the global economy. When the global economy doesn't grow, guess what: you don't combust as much oil and coal, and when you don't combust as much oil and coal, you don't emit. I think there would be an urgent need for carbon taxes if the global economy was continuing to grow at the rate that it has in the last 40 years.

But I've argued, particularly in my most recent book, that that's not the case. More importantly, if you look around the world, I think the evidence is overwhelming. I think the silver lining here.... The reason I went with David Suzuki is he's the only guy who thinks the end of growth is a bullish story. It's a bullish story only in the sense of its implications for our combustion of hydrocarbons, and the carbon trail that comes through that.

The Chair: Thank you, Ms. Liu. You're out of time.

We go now to Mr. Calkins, followed by Mr. Gravelle.

Mr. Blaine Calkins (Wetaskiwin, CPC): I don't even know how to follow that up, Chair.

Mr. Rubin, I have a question for you.

You talked about rail earlier. I'm quite intrigued by this. The part of Alberta that I represent is very much an agricultural area, very much a forestry area as well. In the broader context of this committee, as a natural resources committee, of course if we're going to put pressure on rail to become the source of shipping for any oil or natural gas, I'm curious about your perspective as an economist. I'm hoping that you've had access to some information on this. If we're going to move from 1.5 million barrels of production up to where we think it's going to go, and we're not going to get the pipeline access

that you say we need to get the price, the only way we can get to the tidewater will be rail.

Notwithstanding the various price things you've talked about, I'm worried about the pressure that will put on the other commodities Canada has, insofar as being able to compete with the oil and gas sector for the rail system in Canada. Do you have opinions, or any facts, that you could share with our committee on that?

• (1650)

Mr. Jeff Rubin: Well, I think what you want to look at very carefully is what's going on in North Dakota right now. They're producing 780,000 barrels, and a very small fraction of that has pipeline access. In fact, they're banking on the Keystone XL to pick up 100,000. I think that would be an interesting example to look at. They face the same issues as the tar sands producers do.

If rail can get Bakken shale oil from Williston to a refinery in Philadelphia, why can't rail get oil from Hardisty to the west coast? I think that de facto is what is going to be happening right now.

I point out that somehow pipelines, from the environmental movement, are not kosher and rail is. I'm not exactly sure I understand that. I think the reason is that very little has been moved by rail. I'm not sure that it will stay below the environmental radar screen if we start moving three or four million barrels a day in North America by rail.

But Blaine, I would seriously look at what they're doing in North Dakota. I point out that at that conference, people told me that it's the actual oil companies that buy all the rolling stock. It's not CP or CN. I think given the kind of pipeline bottlenecks that exist here, rail's going to be the de facto option.

Mr. Blaine Calkins: Okay. That's much appreciated.

I also wanted to talk to you about the price differential. That's an issue that the province of Alberta is seized with. You've made your arguments here before us. We have the Brent price, the international price, and we have a North American continental price, and the separation between the two. If Canada can get a better access, do you actually see those prices coming to a merger, to the point where we actually wouldn't have a dual pricing system anymore? Will that ultimately happen, do you think?

Mr. Jeff Rubin: First of all, Blaine, I would take issue, because WTI is not the North American price.

Mr. Blaine Calkins: No, I'm just saying we have different prices.

Mr. Jeff Rubin: If we had access, if Keystone XL actually went ahead and there was a physical arbitrage to the Gulf of Mexico, we would expect that the price differential between WTI and Brent would dissipate, because once oil got down to the gulf coast, it would be Light Louisiana Sweet, which is Brent plus one dollar. So that differential would ultimately close, but you need to go that extra 450 miles from Cushing to the coast, and you need to be able to hook that up to Hardisty.

I'll point out that even if Keystone XL gets approved, we're talking 800,000 barrels plus or minus. You're going to need three Keystone XLs to hit the kind of production numbers that people are talking about in Alberta. Does that seem likely given what you've seen in the U.S. response to approving even one Keystone XL?

Mr. Blaine Calkins: It depends on the administration, I would argue, but in this particular case it would probably take another election cycle.

The last question I have is in response to witnesses we had here previously. Some of these witnesses, the head of the Alberta Federation of Labour, and so on, insisted that the government should get involved in setting policy requirements regarding refining before export, and setting standards, for example, so that instead of just putting dilbit down the line, they would put some requirement in legislatively or through some other process, for a certain standard of product to go down the line.

Do you think that level of interference would be welcome in the marketplace?

Mr. Jeff Rubin: It's well intentioned, but I'm a market guy.

I think if crack spreads say to build a refinery, then build a refinery, but if crack spreads don't say to build a refinery, then don't build a refinery. As I said in my earlier testimony, if we were able to get anything close to Brent, I think all of this discussion about refineries would dissipate, because the refinery is a way of capturing Brent through the crack spread, in other words through the margin between Western Canadian Select and the gasoline or diesel that the refinery produces.

I'm a market guy. I believe that markets will decide. Prices are my religion. I think it's well intentioned. Let's capture the value added to the resource. I said let's capture the full value of the 1.5 million barrels before we start digging out three million barrels, but I think there are market ways of achieving that.

• (1655)

Mr. Blaine Calkins: Fair enough.

The Chair: We will go now to Monsieur Gravelle, for up to five minutes.

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

Thank you to the witnesses for being here.

Chief John, a recent report, the Macdonald-Laurier report, offered two very different scenarios—one is positive and one is negative—on the direction the country will take on natural resources and aboriginal participation.

I have four first nations in my riding—Atikameksheng Anishnawbek, Wahnapiatae First Nation, Nipissing First Nation at Garden Village, and Mattagami First Nation—and in all four cases unemployment is very low, because of the natural resources around them. The companies that operate there consult with them, and everything is going quite well.

Can you tell me more on the right way and the wrong way to negotiate with first nations?

Grand Chief Edward John: I'm not sure that there is a right way or a wrong way.

What's really important to understand is the underlying legal nature of the interests of first nations—in British Columbia, it's the issue of aboriginal rights, and aboriginal title in the northeastern part of British Columbia, Treaty 8—and to be respectful of the interests of those first nations. On the issue of shale gas development in northeast British Columbia, there are Treaty 8 tribes up there, and you should talk to them.

In terms of energy, Site C is a proposed project that theoretically would be the source of electricity for development of shale gas or other development for other energy. It's going to impact on people.

I think the simple saying that I've come to is that if you want to come into my house, knock on my door and ask to come in. Surely to goodness I will probably allow you into my house, but how long you stay, though, depends on how you act.

I think it's really important for industry to adopt an approach that's respectful, not condescending. There are many very good examples of where this has been the case. I would encourage that to continue.

There are some standards. First nations are going to say that we have to be mindful of generations down the road. We're mindful of the unemployment situation. We'll try to do what we can to take care of our interests now. Our people need jobs as much as anyone else. Our people need business opportunities as much as anyone else. Surely to goodness there's no reason that we can't take advantage of the resources in our own territories and develop those as well as anyone else who would come into it.

In some cases there are joint venture initiatives and equity participation. In some cases there are simply impact benefit agreements that are negotiated. Those are developing track records with first nations.

The set of standards I was referring to, the United Nations Declaration on the Rights of Indigenous Peoples, is an important set of standards. I wanted to refer to the UN Global Compact, where businesses around the world are taking the declaration and helping businesses incorporate human rights standards into their corporate policies in addition to the business policies or the business plans that they develop.

I think it's important that it's done and that we look at that in this case as well.

Mr. Claude Gravelle: Thank you.

In some cases—in the Ring of Fire, and I'm sure in British Columbia with the pipelines—some companies will negotiate with the communities. There are lots of communities involved especially in the Ring of Fire. A company will negotiate an agreement with one community, and that community, as part of the agreement, is not allowed to tell other communities what the agreement is. They're pitting one community against another.

Do you think that's the right way to negotiate?

Grand Chief Edward John: Government does that to us all the time too, so it's nothing new. We find ways around it.

These confidentiality agreements that people insist on, sometimes maybe it's to the advantage of the first nations that they're negotiating, but in most cases these are private arrangements. If that first nation is willing to share that information with a neighbouring first nation, I think in most cases they would simply do that, but they're maybe violating the nature of an agreement that they signed with the company. I'm not sure that's an entirely good practice, but it's done routinely. I know in some instances what I've heard is that this one company will give a good deal to another community, but because this other community is smaller, less sophisticated in negotiations, they may not get as good a deal.

That's what happens, and it happens routinely. I don't think it's right, personally.

• (1700)

The Chair: Thank you, Mr. Gravelle.

We go now to Mr. Allen for five minutes, followed by Mr. Calkins, and then Mr. Bevington.

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

Grand Chief John, I'd like to ask you a couple questions.

I read through the briefing that you provided to us prior to the meeting. You talk about a first nations equity and capacity fund, and about the potential, over 10 years, of \$650 billion of resource projects being developed and the significant benefits.

You brought up a minute ago the impact benefit agreements. One of your comments in here is, "Simply put, projects which have not reached agreements with First Nations are a greater investor risk—and many corporations recognize this fact." You also say, "There are now some companies that share the profits and offer equity participation as part of their corporate practices."

Can you talk about what some of those best practices are that those companies are employing to actually work through this with these first nations?

Grand Chief Edward John: Some are related to energy and some are related to mining, but nonetheless, engaging first nations is an important practice.

How do you engage first nations? How do first nations participate in the development of resources within their respective territories, whatever the nature? It might be fishery resources. It might be land development, for example, or other types of development in their respective traditional territories.

One of the biggest obstacles first nations routinely run into is getting access to capital in order to proceed with a project, and that's a difficult one. We have access to the resource under the legal nature of our rights. What we don't have access to is development of those resources. We've been suggesting that in addition to the funds raised earlier for ongoing training development, which is essential, that the government consider and perhaps set forth funds that could be used for supporting first nations that are involved in development of projects.

There's a small amount of funding under the National Aboriginal Economic Development Board that I'm aware of—I sat on that board for a while—but that fund is not very significant considering the magnitude of the projects that are potentially available right now. Whether it's potash development in Alberta or LNG on the west coast or forestry initiatives or fishery resource development on the west coast or on the east coast, access to capital is a really big problem for sure.

Mr. Mike Allen: Continuing on that theme, we just wrapped up a study of resource development in the north. One of the things we were talking about is when it came to the infrastructure, many of the companies realized that they're going to be developing this resource and that one of the things they should be doing is, whether it be roads, rail, or whatever, they and not necessarily the government should be contributing to the infrastructure. In some cases the companies that are going to be the winners in some of this would be responsible for some of that infrastructure, some of that supporting investor capital.

I noticed under natural gas opportunities that in one case an agreement has occurred with some of the first nations and a pipeline company. Can you tell us how that transpired?

Grand Chief Edward John: That is a unique situation on the west coast, where a number of tribes along the corridor in northern British Columbia have work with an LNG proposal. It's been a constructive arrangement. It's working. I would think it might be important to take that specific example and look at it to see what's worked in regard to that particular proposal. There were a number of moving parts, one of which was training funds. The company, along with the federal government, was involved in providing some of the training resources to allow that to happen. As I was saying earlier, for the last year, that resource has not been available from the federal side, and there's been a lot of waiting and anxiety about whether or not that will continue down the road.

I'm going to give you an example. In the forest industry, which I'm particularly familiar with in British Columbia, in the 1970s and into the 1980s there was virtually a war in the woods. It was about jobs, trying to create jobs and to protect the environment where people made their livelihood. Over time, first nations have been accessing timber resources, and now they have their own sawmills and their own contracting companies in the communities, and people are working. There is dramatically less conflict now.

Lax Kw'alaams, for example, on the west coast, has an office in Beijing now and sells its wood products and lumber products and other products in China. As a result, I have been going to China for five or six years now talking to business people and state-owned enterprises and working on political development and constructive relationships. The chiefs in British Columbia have developed what they call the China strategy and have supported it and approved it in resolutions. We've been building on that. Recently we have been talking to the chiefs of Treaty 6, Treaty 7, and Treaty 8 first nations in Alberta regarding how we might bring our respective expertise and resources together for a greater impact for our peoples and our communities.

•(1705)

The Chair: Thank you, Mr. Allen.

Mr. Calkins, go ahead, for up to five minutes, please.

Mr. Blaine Calkins: As the member of Parliament who represents the bands at Hobbema, in that treaty area, I know they've got a lot of expertise. They've done Samson Oil and Gas, and so on. Unfortunately, the resource base they once had has subsided, but I know there is some expertise there.

However, the unemployment rate is really alarming in spite of the fact that they have expertise in a first nations band in the heart of the Highway 2 corridor between Edmonton and Calgary where there is virtually zero unemployment in the surrounding communities. There are obviously some issues that need to be resolved.

I would like to go now to Mr. Brown and ask a question on the international side of things.

When it comes to governance and so on, not every ship or tanker in the world is registered in Canada. There are international protocols and international governance that prevails. Could you let this committee know, if we're looking to diversify our products, and if we're going to be shipping liquid natural gas and oil in tankers from our coast much more so than we already are currently, what confidence can this committee have in reporting to Parliament that the international standards and governance on everything surrounding shipping can be counted on while we try to diversify our market access?

Mr. Stephen Brown: Wow, we could be here the rest of the day on that one, but I'll do my best to sum it up for you.

Essentially, the International Maritime Organization, which has been around since the 1950s, is the government of shipping. Canada is a very active member. There are 170 marine states that are members of the International Maritime Organization, and that's where most of the legislation surrounding the safety aspects of shipping originate. It's from there that they are taken into international law.

The decisions of the International Maritime Organization, and as I said, Canada is a very active member of that organization, would eventually finish up in front of Parliament in Canada and, if they are accepted, they will go forward into the Canada Shipping Act. From that point they become law, so whether they are Canadian ships or whether they are foreign-registered ships trading in Canadian waters, the obligation to fulfill the standards that are determined at the international level become compulsory in Canadian waters.

Beyond that, the next level down is the classification societies. These are Lloyd's Register, Det Norske Veritas, and so on. There are about a dozen international classification societies. They will oversee the design and construction of a ship. Throughout the life of a ship, they regularly inspect it for full compliance. Failure to comply fully will draw off trading rights for that vessel.

You go down the slide a little bit, and each flag state is also similarly obligated. The standards for all ships under the flag of that state, and it doesn't matter what the flag is, are the same: they are the International Maritime Organization standards for compliance.

Then you go to port state control in Canada. Port state control inspectors target vessels coming into Canadian waters, depending on the type of vessel and how long it has been since it last had an inspection. If there are any deficiencies on that vessel, Transport Canada has the perfect right to detain the vessel. They absolutely do that.

In terms of the vessels themselves, that's the standard of the vessels. Since the *Exxon Valdez* incident, double hulls have become mandatory. There are about half a dozen tankers still remaining in the world that are not double hulled. They are not allowed to trade in North American waters. There are some countries that will still allow them, such as India, Pakistan and, I believe, Taiwan. They still allow single hulled tankers to trade in their waters, but nobody else does.

Everything has to be double hulled. All vessels coming into Canada will be pre-vetted before they are accepted to charter oil to a company in Canada. There's a world database of the history of every tanker. Anybody looking to charter a particular tanker has full access to the history of that vessel. If there's anything there that they are not happy with, then they'll pass it off and go to another vessel. It's a very transparent system of ability for anybody looking to charter a vessel to see the history of that vessel before they decide to take it into a time charter.

Last but not least, in terms of the management of those ships when they come into Canadian waters, there are very strict guidelines with respect to escort tug pilot practices. The entire coastal waters of British Columbia are compulsory pilotage and, in the case of tankers, there are two pilots.

•(1710)

The Chair: Thank you.

Mr. Stephen Brown: I'm not sure if that's a good start. We could go on quite—

Mr. Blaine Calkins: I encourage you to keep going, but I think the chair is going to cut me off.

The Chair: Thank you, Mr. Brown and Mr. Calkins.

For the last questioners we have Mr. Bevington, followed by Mr. Garneau, and then Mr. Anderson.

Mr. Dennis Bevington (Western Arctic, NDP): Thanks, Mr. Chair. I am pleased to be here filling in a little bit. I have a little bit of experience in this area, coming from north of the oil sands and having worked in this area before.

The question and the statement, Mr. Rubin, about the market being the determination of this whole issue with heavy oil, with bitumen, is interesting. In the 1990s most of the upgrading was done through hydrogen addition, cheap natural gas, and that was what drove the market. You would see in 2000 moving forward the big coking machines moving up the McMurray highway because the price of natural gas went through the roof.

Now we have a situation where natural gas is back down again. Coking is a process by which you destroy a certain percentage of the oil that you're dealing with. Basically bitumen has between 76% and 78% of the hydrogen required to make it into synthetic oil. It's actually getting worse because as we go deeper into the deposits of heavy oil—and this was revealed by a university professor from Calgary about three months ago in a presentation here—the oil gets heavier, with less hydrogen content.

On the issue about strategic investment in a product that is declining in value and becoming more difficult to deal with, you might show this up in the cost differentials between some of the other heavy oils that are available across the world where the hydrogen content is greater and less coking is required.

When we think of our bitumen supply and we think of where we have to take it when it's raw bitumen, we think that we need to take it to an upgrader. If we provide the upgrading, then synthetic oil can be taken anywhere in the world. It's a product that fits in to any refinery. It's good to go. So strategically for Canada not to be engaged in the upgrading industry means that our product which, declining in value, will always be an inferior product to other heavy oils, and certainly to all shale oil and all conventional oils, how are we going to maintain this oil in the markets? Is it always going to be a loss leader for us? Are we going to be continually downgraded in our ability to sell the oil and to produce it in a good fashion?

• (1715)

Mr. Jeff Rubin: I don't think so. I think that the product coming out of the tar sands is every bit as good as Mexican Maya, which trades at a \$4 premium to WTI. The only difference is it doesn't get stuck in Cushing, Oklahoma. So if we can get world oil prices, I don't think we need to worry about the upgrading. Refinery margins, as I say, globally are pretty tight. It's only when you get a hugely discounted feedstock, which U.S. midwestern refineries get from Western Canadian Select....

I think our product is sellable. I think our product is very sellable. The problem though is, as I said before, when you overlay the cost structure of the tar sands with the price discount on Western Canadian Select, you have a problematic resource. Talk to any of the companies in the oil patch about the ability to get funding now. The capital market's attitude towards the tar patch is a whole lot different from what it was four or five years ago when I was the chief economist of CIBC World Markets. Back then it was, "This is the future of the world oil supply". Now it's, "This is a problematic resource and people are having a hell of a time making money". I think Suncor's walking away from the Voyageur upgrading plant was quite a statement about the challenging economics of that.

Excuse me, Mr. Chairman, but I must catch a plane.

Joan, it's been lovely meeting you.

The Chair: I want to thank you very much, Mr. Rubin, for coming.

Mr. Bevington, you have about half a minute left.

Mr. Dennis Bevington: Okay. Having not been involved a lot in the discussion here, I'll turn that over to my colleagues, if they have anything they want to ask Grand Chief Edward John.

The Chair: It would be a very short question with a short answer.

Mr. Jamie Nicholls: Yes, my question is for Grand Chief Edward John.

You talked about thinking about the generations to come. I think one thing that hasn't been done and hasn't been explored is looking at our ecosystem services and how much those are worth. I know that first nations put a large value on that in terms of thinking about the continuity of generations.

Should this be something that is also considered, all the benefits that we get from our waters, from our coastal ecosystems and ecologies? I think a price tag has been set at \$17 trillion by some economists. They have said these services globally are worth \$17 trillion.

Would you agree with that assessment?

The Chair: Just a very short yes or no answer.

Grand Chief Edward John: I don't know the valuation process for that, but for sure the cultural underpinnings are extremely important to us. We see our relationship to the natural world in a unique way based on the cultures that we come from. I could go into a bit of detail but we don't have the time here.

The Chair: Thank you.

Mr. Garneau, you have up to five minutes.

Mr. Marc Garneau: Mr. Chair, I had a couple of questions which were really for Mr. Rubin. He's gone, so I'll pass on my turn.

The Chair: Okay, we go to Mr. Anderson.

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

Mr. Brown, I'd like to ask you a question. We've had a program in place called the national aerial surveillance program. Can you talk a little bit about that? Is it an effective program? Is it useful for governments to keep track of what's going on offshore in terms of tankers and what they're doing and where they're going, that kind of thing?

Mr. Stephen Brown: Yes, I would say it's a very successful program, and in fact, I'm not sure if the committee is aware that it was actually called to help out during the *Deepwater Horizon* incident in 2011, because the capability of that program was actually something that the United States did not have.

So yes, it has been limited in flying hours but I was very pleased to see in the recent announcement of the review in oil spill response that part of the program going forward is the government is actually going to double the flying hours of that program as part of the enhancement of response preparedness and surveillance.

Mr. David Anderson: Thank you very much.

Grand Chief, I'd like to come back to you. I think Blaine touched on business development and Mr. Allen did as well. In terms of business development in your area, can you tell us what you're doing? How are you working with those who have gone before? How are you developing business leaders in your area of the world?

We've got, I think, \$5 billion of aboriginal business contracts being done just with the oil sands alone. We've heard about tremendous opportunities across the north and in various areas. Where do you look to develop that core of people who are going to be your real entrepreneurs, and how are you going about that?

• (1720)

Grand Chief Edward John: I'll give you an example.

We work with both UBC and Simon Fraser, as well as the University of Victoria. I don't have the specific information about the other 27 post-secondary institutions in British Columbia, but, as I said, we work with them. Simon Fraser, for example, has a business development program that is directed to aboriginal students. I chair a program called Chinook at UBC, dealing with developing business entrepreneurship. It's for young aboriginal people. It's a good program and we need more like it. We need that training that is so critical to ensure that our people are able to take advantage of these opportunities.

Mr. David Anderson: Do you have a favourite business model? My background is that my parents were in a machinery cooperative with somebody when I was growing up on the farm. Are you looking to cooperatives? Are you looking to corporations, community-owned structures?

Grand Chief Edward John: There is a variety. On cooperatives, I grew up in a family that was reliant on the trapping industry. My dad and my communities were heavily reliant on it. There was no business model as such. We were out there on the land every day, selling to the Hudson's Bay manager at prices that were extraordinarily low.

Mr. David Anderson: I'm a farmer.

Grand Chief Edward John: We have been involved in the corporate world, setting up corporations and businesses that allow our people to engage with other businesses and governments.

One of the key things I was asked about earlier in a broad way and I want to bring forward is recommendation one in the longer document I provided. The Supreme Court of Canada talked about governments engaging first nations at the strategic level of planning when you're looking at what to do and examining the resource foundation and the base, to engage first nations at that level, not at the operational level, when someone's looking for a cutting permit, for example, or a road permit. You don't necessarily engage first nations. You will have to there, but you need to engage at the strategic level.

The Haida, for example, have developed these strategic level plans, as have the Tlingit and the Kaska in northern British Columbia. It's an important document for first nations to be able to make decisions about this particular project or another project. It helps those communities come to decisions on a fairly organized and quick basis. Encourage the government to take a look at supporting that kind of initiative.

Mr. David Anderson: Things like education and employment would be in that plan.

Grand Chief Edward John: Yes, they would be built into that, as well as knowing the land base and what's in it.

Mr. David Anderson: Thank you.

The Chair: Would another Conservative member like to ask questions, or are we finished with the meeting?

Ms. Laurin Liu: If the Conservatives don't want to use their round, we have another five minutes for the committee.

The Chair: Sure. Go ahead.

Ms. Laurin Liu: Awesome. Wow, what a freebie. Thank you.

Grand Chief Edward John, in the document you tabled, in the section on recommendations regarding environmental assessment reforms, in recommendation C you say that the government should, "Discuss immediate projects of concern that First Nations feel are not yet resolved". You give the example of the Prosperity mine proposal.

Are there any other projects of concern that you'd like to flag for the committee?

Grand Chief Edward John: The mining industry in British Columbia is a very big industry with opportunities. First nations in different parts of the province have been able to take advantage of those opportunities. In other cases they have been directly opposed to projects because of the impacts that are likely to occur if that project goes ahead, Taseko being one. Amazay Lake in the northern part of the territory where I come from was another project that did not proceed.

Where the first nations' interests are taken into account and they're engaged and involved in the process, the likelihood of that project going ahead increases.

I was talking about the Wet'suwet'en in the western part of their territory where I come from, in Burns Lake. They recently walked away from a mine expansion project because for well over a year they have been unable to get anywhere in the discussions with a mining company. Jobs, training, opportunities: none of that's on the table. Yes, the day before or yesterday they issued a press statement saying that they were walking away from that project and that they would not support it.

• (1725)

Ms. Laurin Liu: Great. I think that robust environmental assessments make good economic sense.

You mentioned the importance of involving first nations communities at a strategic level. We know there are also various levels of environmental assessments, going from screenings all the way up to strategic environmental assessments.

On that level, what importance would you give to strategic environmental assessments?

Grand Chief Edward John: I would think it would be part of the strategic level plans that are developed by and for the first nations by themselves, so they're able to have these fundamental documents that allow them to make and to consider their own proposals and others; that they know the baseline information within their respective territories and are able to make decisions on an informed basis so they can say they can live with a particular project, knowing cumulative impacts have been built in. Knowing what those impacts are is important to the communities.

I strongly encourage that in the interim, when treaties are not completed yet, we have these baseline strategic level plans. I would strongly encourage this committee to consider how you might want to support that concept, as I say, that allows for first nations to be in a position to fully address, respond to, and make necessary decisions on all proposed development initiatives.

Ms. Laurin Liu: Thank you.

I believe my time has run out.

The Chair: Thank you all very much.

I'd like to thank the witnesses.

Mr. Rubin, Grand Chief John, and Stephen Brown, thank you all very much for your help. Your input is very useful indeed.

The meeting is adjourned.

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