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## **Standing Committee on Natural Resources**

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**EVIDENCE**

**Thursday, May 4, 2017**

**Chair**

**Mr. James Maloney**



## Standing Committee on Natural Resources

Thursday, May 4, 2017

• (1535)

[English]

**The Chair (Mr. James Maloney (Etobicoke—Lakeshore, Lib.)):** Good afternoon, members and guests. Thank you very much for joining us.

In our first hour today Minister Carr has kindly agreed to join us and make some presentations and answer some questions.

Minister Carr, thank you for joining us. Before I turn the floor over to you, I would like to formally welcome our new member to our committee, Mary Ng.

Mary, thank you for joining us.

**Ms. Mary Ng (Markham—Thornhill, Lib.):** Thank you very much.

**The Chair:** I'd also like to thank Michael McLeod, who has been on the committee since we started in November 2015, for his contribution.

With no further ado, Minister Carr, thank you again for coming. I turn the floor over to you, sir.

**Hon. Jim Carr (Minister of Natural Resources):** Thank you, Mr. Chair.

[Translation]

Good afternoon everyone.

[English]

Also, welcome to the new members of the committee and Parliament. I can only imagine how exciting the day was for you yesterday. We all came in at once, but you came in one at a time, so you have memories to be cherished no doubt.

Colleagues, a lot has happened in the five months since I was last here. We have seen some commodity prices rise, then fall, and then rise again. Some have momentum. Others, unfortunately, only have moments.

This uncertainty in the natural resource sector is a reminder of the times we live in, one marked by unprecedented change and ongoing challenges from new U.S. countervailing duties on our softwood lumber, to consolidation in the oil patch. All of this is taking place amid a global transition to the lower carbon economy that has become inevitable in every part of the world.

[Translation]

Take China, one of the largest greenhouse gas emitters in the world. It's making generational changes to how it uses energy, including a commitment to cut its greenhouse gas emissions by 18% and to cap its coal emissions by 2020. Next year, it's putting a price on carbon.

Consider Saudi Arabia, the quintessential oil-producing country. It's aiming to build enough solar capacity over the next 15 years to supply about 20% of its electricity.

[English]

Why are there all these changes? It's not only because environmental responsibility is essential to economic development, or because meaningful indigenous engagement is the constitutional obligation, or because public confidence is critical to resource development in the 21st century, although those are all very good reasons and top of mind for our government, but there is an even more fundamental reason. Ensuring Canada is a global leader in the clean economy is our surest path to sustainable growth, good middle-class jobs, and shared prosperity for generations to come.

This is the lens through which the main estimates were viewed and drafted. I have Deputy Minister Christyne Tremblay, and our chief financial officer Cheri Crosby, with me to help us navigate our way through the numbers, but I would like to start with a brief overview of how these main estimates fit within our government's priorities.

The first key point to make is that the main estimates are a snapshot in time, in this case from February, but departmental budgets are not static. They evolve, which is why we have supplementary estimates throughout each fiscal year.

Second, our main estimates often feature wide variations from year to year, reflecting everything from volatile commodity prices to new priorities and sunset programs—and this year's main estimates, Mr. Chair, are no different. For example, the biggest decrease is a forecast \$335 million drop under the statutory Canada–Newfoundland and Labrador Atlantic Accord Implementation Act due to lower resource prices and production levels anticipated on the east coast. It's a steep drop to be sure, but the annual fluctuation has little direct bearing on Natural Resources Canada's funding. We are merely the conduit through which these payments flow to the offshore boards and the provinces.

Likewise, there's a \$46.2 million decrease showing for Sustainable Development Technology Canada, but it doesn't mean we've cut its funding. It merely reflects our decision to transfer this important program for clean-tech companies to a different department. So SDTC disappears from our radar and reappears at Innovation, Science and Economic Development Canada.

I highlight these two items because when they are removed from the mix of net increases and decreases, a very different picture of NRCan emerges. Suddenly, a \$250 million funding decrease from last year's main estimates gives way to an \$82 million overall increase in our programming and operating budget. That means more money to help ensure that Canada's natural resources sector is globally competitive, more money to promote environmental stewardship, more money to encourage consumers to make smarter and more environmentally sound purchases, and more money to better manage our lands and resources and to provide Canadians with greater protections.

● (1540)

That's the snapshot before you today, a storyline built on our first budget, budget 2016, which featured a significant down payment on the clean economy.

You can see it with the first instalments to modernize the department's research facilities, advance clean-energy technologies, enhance environmental performance in the oil and gas industry, and create a national network of recharging and refuelling stations for tomorrow's clean vehicles.

Budget 2017 takes those investments and runs with them. For example, it provides an additional \$200 million over four years to support clean technology research and innovation in Canada's natural resource sectors, including energy, forestry, and mining.

Budget 2017 also recognizes the vital role of forestry in addressing climate change, and invests close to \$40 million to increase the use of new low-carbon wood technologies in infrastructure projects.

We're also providing another \$43 million this year to help the forest sector develop innovative wood products and to expand into new markets. That's particularly timely in the wake of the new countervailing duties the United States announced last week on Canadian softwood lumber. I am sure members will have questions when they have a chance to ask them. I will just add here that our government plans to use every tool at its disposal to fight these punitive duties and to defend the interests of Canada's softwood lumber industry, its workers, and their local communities.

Budget 2017 also extends the 15% mineral exploration tax credit for an additional year to ensure that the mining sector continues to make its vital contribution to the Canadian economy. This tax credit helps junior mineral exploration companies raise capital to finance early exploration that can lead to new discoveries, future mines, and more jobs. Its extension recognizes that recent commodity market improvements are still tenuous and that financing remains challenging.

Budget 2017 also proposes a one-time payment of \$30 million to support Alberta's efforts to stimulate economic activity and employment in its resource sector, and there's another \$17.4 million

over the next three years to support the National Energy Board's efforts to enhance pipeline safety.

All of these investments, Mr. Chairman, will drive innovation and help us fulfill our commitments in the pan-Canadian framework to reduce greenhouse gas emissions, spur innovation, adapt to climate change, and create good jobs across the country.

Budget 2017 also includes \$220 million to reduce reliance on diesel fuel in rural and remote communities; \$100 million for next-generation smart grid, storage, and clean electricity technology; \$120 million for electric vehicles, hydrogen vehicles, and those powered by natural gas; \$182 million for new building codes to retrofit existing buildings and construct new net-zero energy buildings across Canada; and \$87 million for indigenous advisory and monitoring committees for the Trans Mountain expansion and Line 3 replacement pipelines.

Finally, more broadly and perhaps most importantly, budget 2017 identifies six key innovative industries in which Canada can lead globally and create good jobs for Canadians. Two of them fall within Natural Resources Canada's purview: clean technology and clean resources.

Our main estimates are an important piece in all of this. They are part of our government's plan to strengthen the heart of Canada's economy, the middle class, by making strategic investments that will produce sustainable growth, a cleaner environment, and thriving communities.

● (1545)

[*Translation*]

I'm hoping you will support our efforts today by approving the main estimates, and I would welcome any questions you may have.

Thank you, Mr. Chair.

[*English*]

**The Chair:** Minister, thank you very much. I'm going to turn the floor over for questions. I should also have acknowledged and thanked Mr. McKay and Mr. Doherty for being here today.

Mr. Harvey, you are first up.

**Mr. T.J. Harvey (Tobique—Mactaquac, Lib.):** First of all, I want to thank the minister for being here with us today. I know he has a busy schedule. We appreciate your time.

Coming from an area in New Brunswick that's highly dependent on softwood lumber, and having grown up in a community where we survived the last softwood lumber crisis and seen the closure of two large sawmills in my area, which the community has never really recovered from, I will centre most of my questions on softwood lumber.

There's been the establishment of the softwood lumber task force, and I wonder if you could elaborate a little on the makeup and scope of the task force, as well as some of the deliverable objectives that you could see that task force accomplishing.

**Hon. Jim Carr:** There is the political task force, which is made up of ministers responsible for forestry from all of the provinces, chaired by Canada's Minister of Natural Resources, supported by a committee of deputy ministers and assistant deputy ministers who have been working for months, anticipating the countervailing duties that were announced 11 days ago.

We are looking to establish a pan-Canadian response. We all know there are regional differences in the softwood lumber sector across the country, but we also believe there is much in common. We have met face to face as recently as a few weeks ago. We'll meet again face to face within the next number of weeks, now that we have some idea of the quantum of the countervail—but not all, I should remind members. The antidumping duties will not be known to us until June. The final determination of the U.S. Department of Commerce won't be known to us until the end of the year.

Meanwhile, we are working collaboratively, which is a very important thing for us to be able to say at this juncture of the file, with our provincial counterparts, looking at long-term sustainability within the sector. That means market diversification. It means, within the industry itself, taking advantage of, for example, forest waste and converting it into clean fuel. It has to do with looking at tall building construction. I know my colleague cares about that, because I believe the technology was developed in Penticton, his home community. I hope he has a question about that, because I can be proud along with him, for cutting the ribbon on an 18-storey building at the University of British Columbia. This is the future.

Meanwhile, there will be job losses. We know that this is lumber five—and this is lumber five only since 1982. I'm not going to take up your time, but the first major lumber dispute was in 1839 when Maine and New Brunswick had a go at it. They were able to stop short of fisticuffs and they were able to settle it peacefully through negotiation, which I am sure we will be able to do. That is the only way we can, in the long term, come to terms with this repeating irritant that is a result of the United States repeatedly imposing punitive and, we believe, unfair tariffs against the Canadian industry.

**Mr. T.J. Harvey:** I am very proud of the working relationship that New Brunswick has with the State of Maine; maybe it goes all the way to back to then. We're very close in proximity and in the size and scale of our industry. I think it's reflective of our working relationship, back and forth.

Within NRCan specifically, how do you see NRCan's role in helping softwood lumber producers and workers in the coming weeks and months as this softwood lumber issue really starts to hit home and come to roost, so to speak, within the small rural communities across the country?

• (1550)

**Hon. Jim Carr:** We have a variety of instruments available to us. In the immediate term, the most important value is to protect the workers who will be affected by layoffs. We don't know how many there will be. We'll have a better idea after the duties in June are announced. We believe there are adjustments that can be made to

federal programs that will cushion the impact on workers. We also know that producers will have very difficult decisions to make. We think there are programs that can be made available and are already available to those producers.

We believe that with the co-operation and collaboration of our provincial counterparts, we will look at ways that we can work together to do as much as we reasonably can under the circumstances to protect those who will lose their jobs, to help companies cope with this very difficult moment for their bottom line, and also, importantly, to help communities that are affected. Those of you who represent rural ridings know how important the forestry sector is, yes, for the workers; yes, for the companies, but also for the communities themselves.

We will be working together with the provinces on each one of those fronts.

**Mr. T.J. Harvey:** I know Mr. Doherty and I probably share similar community demographics. On my own part, having grown up within that sector, one of the problems around softwood lumber—and mills in particular—is that they're often in remote rural locations, so there's an adaptability issue that comes with the workforce that's already there. You've got a workforce that's highly skilled, but they're not easily adaptable to another industry. How can we help those workers?

Coming from that community, I know the answer can't always be, "We're going to help you transition into something else." We need to come up with real and tangible solutions for how we can help those people retain some of the industry they've known, whether it's through market development or increased access to other markets. Do you see that as a viable possibility, that we're going to be able to work with other government departments on market development or creating access?

**Hon. Jim Carr:** Yes, I do. Minister Champagne has just come back from China with a delegation from the industry. I will also be taking a delegation from industry to China in early June. The reports back are that they are keenly interested in the Canadian product. If you look at the growth in the Chinese market over the last decade or so, it's been significant.

At the same time, the Parliamentary Secretary was in Southeast Asia, in Vietnam, and the answer was exactly the same in Southeast Asia as it was in China in terms of their interest in doing more business with Canada.

We will develop this. It will not happen overnight. The trend line is good and encouraging, as we believe it can be also in South America. Ninety-nine percent of Quebec's exports in softwood lumber go to the United States. Ninety-nine percent of Canada's exports in oil and gas go to the United States. It's very important for the future development of our natural resources that we expand these export markets. There's no better example of that than in the forestry sector.

**The Chair:** Thank you, Minister. We're going to have to move on.

Mr. Barlow, the floor is yours.

**Mr. John Barlow (Foothills, CPC):** Thank you very much, Mr. Chair. I appreciate it.

Minister, thank you very much for taking the time to be here.

I'm going to go off softwood lumber to a different issue. I want to talk about some of the things you had in your presentation.

You talked about more money to help Canada's natural resource sector become globally competitive. You talked about the uncertainty in the industry. You talked about creating good jobs for the middle class. I would argue that everything you are doing, and especially everything in this budget, is accomplishing exactly the opposite.

It's very timely that you're here today, as yesterday ConocoPhillips announced another 300 people being laid off, the majority of those in Calgary. ConocoPhillips joins Royal Dutch Shell, Marathon Oil, Total, and Statoil, which have all left Alberta. They have all left Canada. That's \$80 billion in capital that has already left my home province. The vacancy rate in downtown Calgary is well over 30%, and if you go into the downtown and take a look, it probably is higher than that. More than 125,000 Albertans are out of work in the energy sector.

During the constituency break, I had the opportunity to meet with a group of unemployed engineers, geologists, and geophysicists. They have started a group called the Calgary and Region Unemployed Energy Professionals Association. There are more than 100 members. These are people who have been unemployed not just for months but, for some of them, for close to two years. Two years—and they have no idea where to go.

You talked about the uncertainty in the industry that is causing a lot of these issues. Well, Mr. Minister, a lot of the uncertainty in the industry has been caused by you in making political decisions when it comes to projects such as the northern gateway pipeline and by adding uncertainty to the regulatory process and the approval process. These companies' international investment doesn't leave if there is a good environment for them to be successful. When they don't see a clear pathway to approval or success, they will go where they're will get a return on their investment, where they are welcome, and where business is going to be.

I'm going to finish with a pretty easy question for you. For us in Alberta, what we want to see is whether the federal government wants an energy industry. Do you want an oil and gas industry or not? It's time to let us know. Is this something that you do support or that you don't support? We are getting very mixed messages.

You've put in a carbon tax. It was supposed to give us this elusive social licence so that we would be able to have projects such as the Trans Mountain one and the Line 3 reversal, but you're very possibly going to have an NDP provincial government winning an election in B.C., and they have been quite open about the fact they will block the Trans Mountain pipeline from being built, so I don't see the social licence. It just doesn't exist. This hasn't purchased us any leeway or support from a potential new provincial government in B. C.

What really concerned me in this budget was the elimination of the Canadian exploration expense. When Alberta and our oil and gas sector are hurting, rather than finding a policy that would give that sector some assistance or at least leave it alone, in my opinion—and certainly in the opinion of my constituents in Alberta—you took another opportunity to kick us while we're down. That may seem harsh, Mr. Minister, but that is a fact. That is how people in Alberta feel, especially those in the energy sector.

I took a look at Finance Canada's data this week just to see what the impact of eliminating that exploration expense would be. According to Finance Canada, “from 2007 to 2012, approximately \$1.4 billion per year in public equity for the oil and gas, mining and clean energy sectors was raised” through the flow-through share program, including programs such as the Canadian exploration expense, which is available to all companies eligible for expenses. They say that “flow-through shares assist primarily junior exploration companies whose access to other sources of financing may be limited”. This has a huge impact in Alberta.

Tim McMillan, the president and CEO of the Canadian Association of Petroleum Producers, said, “I am disappointed and I think it sends a bad signal and further puts us at a disadvantage in terms of the capital we are trying to attract from global markets, compared to the [United States]...”. You talked about making us globally competitive. This makes us globally uncompetitive. The United States is our biggest competitor for capital.

This government is very concerned about the middle class. Well, our industry hires the middle class.

• (1555)

Mr. Minister, did you do any consultation with industry before you made this decision to remove the Canadian exploration expense from the budget?

**Hon. Jim Carr:** Those are a lot of questions.

**Mr. John Barlow:** No, it's really only the one at the end.

**Hon. Jim Carr:** Well, no. You wanted to ask a simple yes or no question about whether or not this government supports the energy sector.

**Mr. John Barlow:** My question for you is, did you do any consultation with energy or with the businesses involved in the industry before you removed this from the budget?

**Hon. Jim Carr:** If I may, let me answer your questions in some kind of a sequence.

Yes, the Government of Canada supports the energy sector in Alberta and right across the country. The evidence of that support is in the 15,000 jobs that will be created by the expansion of the Trans Mountain pipeline, in the 7,000 jobs that will be created through the Line 3 replacement program, and the many thousands of jobs that will be created in other projects that have been and will be announced.

•(1600)

**Mr. John Barlow:** Are you saying, Minister, you will make sure those projects get built?

**Hon. Jim Carr:** Well, I know that the Government of Canada has approved these projects. These projects—

**Mr. John Barlow:** That's not the question. Will you back them?

**Hon. Jim Carr:** These projects have the support of the Government of Alberta and the Government of British Columbia, so there are three governments in the country that have approved these projects. I would have every expectation that because of that they will be built.

**Mr. John Barlow:** If you have a provincial government in B.C. that opposes it, will you stand to make sure it gets built?

**Hon. Jim Carr:** Well, you know, you're a politician. You've been around a lot longer than I have. Would you answer a hypothetical question about an election that hasn't been decided yet by the people of a province? I don't think so.

**Mr. John Barlow:** So you won't answer the question.

**Hon. Jim Carr:** Well, come on. We will judge—

**Mr. John Barlow:** It's a nation-building project. Will you back it?

**The Chair:** One person at a time, please. Let him answer the question.

**Hon. Jim Carr:** We will judge the actions of whomever the British Columbians elect as their government. We have approved the Trans Mountain expansion pipeline project, and will continue to support it. If there is a new government in British Columbia has a different idea and wants to express that, of course we'll talk to them about that, but you know what our position is.

**Mr. John Barlow:** No.

That was the answer I wanted. Thanks.

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

Mr. Cannings.

**Mr. Richard Cannings (South Okanagan—West Kootenay, NDP):** Thank you, Minister, for being here today. I appreciate it.

I'm going to bring it back to the softwood lumber situation. Thanks for your call last week. Some of the first words you spoke, as you did today, were about the impacts that are going to happen. You said there will be layoffs and and job losses. In the short term you pointed out that there are existing programs that can help in some way in those matters—E.I. for the workers that lose their jobs, and EDC and BDC loans for the companies that may require some sort of support.

This is a very difficult situation, as other people have mentioned. I'm from British Columbia. The last time this happened we lost 100 mills or something like that. I forget the exact number. We lost tens

of thousands of jobs. It really changed the face of a lot of communities, so I think it calls for more direct measures from the government to help the situation across the country.

We've seen Ontario and Quebec asking for loan guarantees from the federal government in the short term. Also, during the last softwood lumber dispute, the Martin government provided funds of, I think, \$20 million to the forest industry to offset their legal costs stemming from the dispute, money that that helped those companies in the short term.

In terms of that and what we can do today, because a lot of these small companies are going to be making big retroactive payments very soon, are loan guarantees something that your government is contemplating providing, and will you contemplate providing help for legal fees?

**Hon. Jim Carr:** We're looking at any and all reasonable action to help workers and producers. We also have a long historical record, dating back to 1982 in the common era, of what the impact of these countervailing duties and anti-dumping duties have been on communities, so we are able to anticipate. It's not the same situation now as it was 10 years ago. The economic situation is different. The American housing situation is not the same, and currency fluctuations are not identical. However, we have enough background to know what we should expect to happen once the total quantum of the duties is known.

We will look at every reasonable opportunity, not only in the short term—I think you've named ways in which governments can help in the short term—but also in the transition over a decade or more. We believe that because of the realities of climate change, the forestry sector should become a very important part of a new natural resource economy for Canada, where Canada can lead the world. In the longer term, I am optimistic about how the industry will adapt, but we're going to have to make sure that in the short term, governments—governments across the country and the Government of Canada, not only in my department, but in departments that have more direct impact on laid-off workers, and in government departments that have more impact on the capacity to use financial institutions to help companies now, in the short term....

I just want you to be assured that we are taking every effort to make sure that we can do whatever is reasonable in the circumstance—both now and looking at the next generation of forestry workers—to withstand these punitive countervails from the United States.

•(1605)

**Mr. Richard Cannings:** Moving to the mid to long term, I will grant you your point about large wood buildings.

You talked about diversifying into Asia and Europe. I was at the COFI meetings in Vancouver last month, where there was quite the opposite feeling about China. The analysts who specialize in that market were kind of negative about the opportunities—in the mid term, at least—of moving into China because of the Russian competition, the low ruble, and things like that...but I don't want to go there. I'm just talking about this opportunity to really boost our domestic market, and the market with the United States, through the use of wood in large buildings.

You mentioned the \$40 million or so that you're providing in this year's budget. Unfortunately, that money won't be spent until next year, 2018-19. I want to know why the delay, when we could be helping these companies now. I would like to know how much of that \$40 million will actually be spent building buildings...to use our industry.

I have a private member's bill that I tabled just before the break, C-354, that asks the federal government to consider the use of wood in building large wood buildings to help the industry right now, as we have in British Columbia.

Those are my three questions.

**Hon. Jim Carr:** I think that's a very helpful and positive suggestion. I welcome it.

We think that tall wood construction is a fruitful possibility for the diversification and transformation of the industry. We know that Canada is one of very few countries that are actually leading in this technology. We now have examples to show others that this actually works. We think that not only does it have the advantage of diversifying products within the sector, but that it's also a carbon sink, so it has climate change advantages as well.

So, yes, we are serious about this possibility. We are talking to the industry about it, we're talking to provincial counterparts, and we welcome your positive suggestions.

**Mr. Richard Cannings:** Okay, and—

**The Chair:** We're right on the button, unfortunately.

**Mr. Richard Cannings:** Okay. Thank you.

**The Chair:** Mr. Tan.

**Mr. Geng Tan (Don Valley North, Lib.):** Thank you, Mr. Chair.

I would like to share my time with my colleague Mr. Harvey. I sense that he may need more time to finish his questions.

We have been meeting many witnesses on the clean technology file throughout this study we're currently undertaking. In your opinion, Minister, how will this clean technology create a more sustainable and environmentally sound resource sector? What is the department doing to drive this progress? What are the opportunities or challenges?

**Hon. Jim Carr:** Clean technology and innovation are really central to the government's program. There will be significant investments across a number of different government departments to make that happen. As a part of our mission to China in early to mid-June, we will be having serious conversations about this with the Chinese and others internationally.

Innovation is an extremely important element of how we will manage the transition from today's energy economy to tomorrow's. There would be agreement internationally that there is a trend away from fossil fuels. There will be a disagreement among the analysts about how long that's going to take, but I don't think there's much disagreement that this is the trajectory that can't be denied.

If you look at the oil sands themselves, we were in a position to develop them because of innovation. That resource sat in the ground a long time, until innovators figured out a way to get it out. Now we're seeing already that innovation is finding ways to take the resource out of the ground more sustainably, as judged by the carbon footprint it leaves behind.

In my conversations with other ministers from around the world, most recently at the G-7 in Rome, we are in an international marketplace and an international competition for innovation in clean technology. We should see this as an opportunity for Canada. We often talk about and should have in mind the competitive pressures from the United States but also that we are in a unique position to take advantage of our innovators, our entrepreneurs, and our riches within the energy sector, both traditional and renewable, to place Canada at the forefront.

People will know around the table of the great work of COSIA, the Canadian Oil Sands Alliance, which puts their own intellectual property aside and work together as an industry to share technologies and best practices for the benefit of all.

I appreciate that you isolated that as a very important part of the move towards the low-carbon energy future. Be assured that the Government of Canada understands the opportunities and is moving aggressively, in concert and cooperation with the private sector, to position Canada well, not only to look after our domestic situation but also to become an international leader.

● (1610)

**Mr. Geng Tan:** Thank you.

**Mr. T.J. Harvey:** I'm going to switch gears a little bit too. I'm going to draw on some of the comments you made in your opening statement.

I know that within this committee—there is no argument about it—I'm a feverish supporter of our oil and gas sector and a lot of the innovation that we've seen on both the Atlantic and west coasts, as they've tried to adapt new technologies in a more environmentally safe and sustainable manner, as you've said.



I recognize the innovation that we've seen there and the future innovation to come. You're right that it's not a stagnant industry, absolutely. It continues to evolve. The innovation is what continues to drive it. However, I'm also a big believer in recognizing patterns, shifts, and changes. You pointed to China and Saudi Arabia in your opening statement and the policy shift that we see within those countries towards their greenhouse gas emissions and their overall consumption of fossil fuels.

I just want you to elaborate a little bit on how you feel we can heed that signal and use it to help propel us to be a leader in new technologies that are going to keep us in front of the pack, as opposed to being a hanger-on or a straggler.

**Hon. Jim Carr:** Ultimately, you have to rely not only on brain power and the innovators but you also have to incent them. You'll see in this budget that there are many policies directed to doing precisely that. We lead on about 30 of the 50 actions of the pan-Canadian framework on clean growth. NRCan is among the lead departments in ensuring that the policies are in place that can maximize our potential.

On the phase-out, over a very long time, I'm sure, of traditional sources of energy, we look at, for example, what the International Energy Agency says. It says that it's not going to happen anytime soon, that growth for oil and gas is increasing in the developing world, that middle classes that are becoming more and more able to consume are looking for sources of energy to satisfy that demand. It makes sense in Canada, as one of the very few nations in the world that is actually an exporter of energy, to look at satisfying this demand and then using the revenue we will achieve from creating more opportunity for our producers and exporters to finance the transition to a lower carbon economy, including renewables, and funding electric vehicle charging stations and many of the elements you'll see in budget 2017. Canada is better positioned than almost any other country in the world, I would say, to satisfy this growing demand more sustainably, moving the product more safely than we have traditionally, while having a clear eye on future opportunities as we incent the private sector to work with us in a renewable resource energy economy.

•(1615)

**The Chair:** Perfect. Thank you. That was right on time.

Mr. Doherty, we'll go to you for five minutes.

**Mr. Todd Doherty (Cariboo—Prince George, CPC):** Thank you, Mr. Chair.

To the minister, I have a few comments.

Number one, Mr. Minister, Canada's forestry sector is already leading the way in technology as well as environmental practices. It's staggering for us to be hanging our hopes on China, as Canada has already been in China for over 10 years. We need an answer now, not down the road. We know that agreements take a long period of time. It is shocking for me to sit here and hear that there was much anticipation, that this government knew that the countervailing duties were coming. We all knew that was coming, yet there was no plan for the communities Mr. Harvey mentioned, as well as my communities, indeed the 650 communities that are forestry dependent right across our country.

With that, Mr. Chair, I'd like to read a motion into the record, if I can, please. I'll put forth a motion:

That the Committee invite the designated provincial envoys who represent their respective provinces on the Softwood Lumber file and hear from them their priorities for a new Softwood Lumber Agreement between Canada and the United States; that the Committee, after these initial meetings, then invite the Minister of Natural Resources to present the government's plan on a new Softwood Lumber Agreement.

**The Chair:** Mr. Doherty, you're eating into your time. We didn't have notice of this motion today and we are here discussing the estimates, so I don't think it is appropriate for the committee to deal with this today.

**Mr. Todd Doherty:** Mr. Minister, can you confirm whether there was ever a proposal for a new softwood lumber agreement put on the table by the U.S.?

**Hon. Jim Carr:** I know of no such proposal. I know that the President of the United States and the Prime Minister of Canada spoke about softwood lumber a number of times.

**Mr. Todd Doherty:** Mr. Minister, can you give me an answer to the question?

**Hon. Jim Carr:** I have no knowledge. No, there was no agreement.

**Mr. Todd Doherty:** Okay. Then are you saying that Michael Froman, the former U.S. trade representative, misspoke?

**Hon. Jim Carr:** I'm saying there was no agreement.

**Mr. Todd Doherty:** All right.

Can you explain why, or why you think, the four largest producers were not hit with retroactive duties?

**Hon. Jim Carr:** I can't explain the actions of the United States Department of Commerce. I can only respond to them in a way that's in the best interests of our producers, our communities, and our workers.

**Mr. Todd Doherty:** Did the Government of Canada ask for any exemptions at the negotiating table?

**Hon. Jim Carr:** You're asking a question about a previous negotiation, and I can't answer that question.

**Mr. Todd Doherty:** Has the government done an economic impact analysis of the state of our forestry industry and how many job losses are expected?

**Hon. Jim Carr:** We believe there is a range, but it's very difficult to be precise, because we don't yet know the quantum of the anti-dumping duties that will be levelled in June. Any number I could give you would only be a guess, and I don't think that's healthy.

**Mr. Todd Doherty:** Is the government pushing the U.S. commerce department to hold the duties, as was done in the previous SLA trade war?

**Hon. Jim Carr:** I know that Minister Freeland is in frequent contact with Secretary Ross. They speak often.

**Mr. Todd Doherty:** Is this your file, or Minister Freeland's?

**Hon. Jim Carr:** It's Minister Freeland's, but I'm telling you something that should add value to the conversation, namely, that she has this continuing conversation with him. Just so members of the committee understand, and I think it's important that you do, it is Minister Freeland's job, as the minister responsible for Canada–U.S. trade relations, to negotiate an agreement on softwood lumber. It is my job, as Canada's Minister of Natural Resources, to respond to any countervail in order to protect workers, communities, and producers.

**Mr. Todd Doherty:** Minister, are Canada's re-manufacturers included in the small producers?

**Hon. Jim Carr:** Who?

**Mr. Todd Doherty:** The re-manufacturers.

**Hon. Jim Carr:** What are they? I'm sorry, I don't understand the question.

**Mr. Todd Doherty:** I'm referring to Canada's re-manufacturers.

**Hon. Jim Carr:** Re-manufacturers? I have to take that under advisement.

Anybody?

You've flummoxed an entire department. We'll get back to you.

•(1620)

**Mr. Todd Doherty:** Minister, they've been asking questions. They met with Global Affairs recently and they're not receiving any answers on that. As a matter of fact, they're curtailing their shipments because they are not getting any answers either. They've been asking for over 18 months.

**Hon. Jim Carr:** I'm sorry, we'll look into it and get back to you.

**Mr. Todd Doherty:** Thank you.

**The Chair:** Thank you.

Mr. Lemieux, you have the floor.

[Translation]

**Mr. Denis Lemieux (Chicoutimi—Le Fjord, Lib.):** Thank you, Mr. Chair.

Thank you, Minister.

As you might have guessed, I had many questions for you about softwood lumber, but my fellow members, Mr. Harvey and Mr. Cannings, beat me to it.

Minister, in Budget 2017, the Government of Canada extended the 15% mineral exploration tax credit for an additional year, until March 31, 2018. That was one of the committee's recommendations on Canada's mining industry.

Minister, given that the credit reduces the tax burden on mining companies and that, in 2015 alone, more than 200 companies issued eligible flow-through shares, can you tell us how extending it will promote further mineral exploration? How will it encourage job growth in the mining sector?

[English]

**Hon. Jim Carr:** I thank you for the question. I know that it's become an annual event at the Prospectors and Developers Association of Canada meeting to announce this. I had the pleasure of announcing it this year to—I must tell you—an appreciative crowd, and they're appreciative for a good reason, because it's very important.

We know that this tax credit is doing an awful lot to enhance the capability of juniors to do the exploration they need. We recognized that recent commodity market improvements are tenuous, and the tax credit will help junior mineral exploration companies raise capital, particularly to finance the early-stage exploration that is vital to the creation of future mines. We believe that this kind of incentive, this kind of measure, also recognizes the importance of the industry in the mix of Canada's resource economy. It's always good to be able to prove that a measure actually yields results. In the case of this measure, we can do that, so I was pleased, for the second year in a row, to announce the extension of the 15% mineral exploration tax credit.

[Translation]

**Mr. Denis Lemieux:** Have you thought about extending the credit for a longer period, beyond a year?

[English]

**Hon. Jim Carr:** We do that every year. Let's just say that I think it's a great idea and I will move it along with my colleagues, particularly in the finance department. Thank you for your encouragement.

[Translation]

**Mr. Denis Lemieux:** Still on the subject of the extended mineral exploration tax credit, I would like you to explain, Minister, if you would, what attracting capital here, in Canada, means for mining companies.

[English]

**Hon. Jim Carr:** It applies to the juniors. They need this tax credit to give them the financial incentive they need to continue to do their work, and we believe there's lots of evidence to come to the conclusion that it's an intelligent use of lost revenue for the government. When you give these incentives to the private sector, it comes at some cost, so the Government of Canada has to do an assessment of whether or not the cost is worth it. We have done that twice in the life of this government, and our conclusion has been yes, it is worth it, and we think that's demonstrable.

It gives me a chance to say something about the Canadian mining industry, which—as you were saying a couple of minutes ago about the forestry sector—is leading the world in sustainable practices. Many times I've had the pleasure of sitting down with the Mining Association of Canada. I've been so impressed with not only their commitment to sustainable mining practices but also their partnership with indigenous communities.

One of the best examples of these partnerships across the natural resource economy is actually within the mining sector. I can be even more specific. It's in the uranium industry in northern Saskatchewan, where an entire indigenous middle class has been built through the cooperation and partnership between mining companies and indigenous communities.

We are very supportive of the way in which the sector is adapting to the new realities, both in its relationships with indigenous people and in its commitment to sustainable practices, and we're very happy that this 15% tax credit is helping them. We think they deserve the help.

• (1625)

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

Thank you, Mr. Lemieux.

Ms. Stubbs, I assume you're next up.

**Mrs. Shannon Stubbs (Lakeland, CPC):** I think so, yes. Thank you, Mr. Chair.

Thanks, Mr. Minister, for taking the time to be here today. I just have a direct question for you. Do you believe that Canada produces the most environmentally and socially responsible oil and gas in the world?

**Hon. Jim Carr:** I'm not in a position to know what metrics you're referring to, to say that it is the most or the best. The government and I support the industry through policy and decisions on major infrastructure development. We support it through a variety of programs incenting the private sector to move along to find more sustainable practices. We think that the oil and gas industry, primarily in Alberta, is essential to the health of Canada's economy and to the natural resource sector, which makes up—

I am being handed a note. NRCan and Shell Canada, for example, have worked together to develop a froth treatment technology that decreases oil sands energy and water use by 10%. This technology has become the industry standard.

**Mrs. Shannon Stubbs:** I used to work in the Department of Energy, in the oil sands business unit, in Alberta. I represent a big, rural, northern Alberta riding, just south of the oil sands. The rural communities in my riding are absolutely fuelled by the energy development in heavy oil and oil sands, and conventional oil and natural gas in that area.

I appreciate your reading off some statistics, but I just want to take this opportunity to express to you why Albertans have a hard time believing your words. I think Calgarians were loud and clear about that in the recent by-elections. I hope we don't get into a debate over your telling me what Albertans think. They have a hard time believing what you're saying because you have no problem passionately, directly, and coherently talking about other sectors leading the world, and then you equivocate and can't answer the same directly about Canadian oil and gas. On a number of measures ranging from the regulatory system to environmental performance, it is acknowledged by experts around the world that Canadian oil and gas is the most environmentally and socially responsible oil and gas in the world.

I think it would help energy workers right across the country, who feel absolutely and utterly devastated and hopeless—Albertans but also Canadians in other energy-producing provinces and communities that benefit from energy development, in fact every community across the country—if you, as a leader, as a representative of the federal government, as a prominent and influential voice on behalf of Canada, would say that unabashedly and without equivocation.

If you want to know some other points, Alberta, of course, was the first jurisdiction in all of North America to regulate emissions. That was more than a decade ago. Alberta was the first jurisdiction, in fact, to implement a targeted \$15-a-tonne carbon levy on major industrial emitters, which included oil sands developers. That was more than a decade ago.

Yet, here Albertans are today confused as to why, when we ask questions about concrete actions your government is taking in response to, for example, the drop in energy investment over the past couple of years, which represents the equivalent of the elimination of the entire auto manufacturing sector and 75% of the aerospace sector, your answer is, “Why aren't Albertans and energy workers grateful enough for these pipeline approvals? Why aren't they grateful enough for the five-and-a-half-weeks' extension of employment insurance?”

You're spending millions and billions of dollars in other sectors, in direct handouts to companies in other countries while people are utterly devastated about their livelihoods and their futures.

You've already pointed out how critical an issue this is with regard to competitiveness and trade, particularly with the U.S. You've acknowledged both the trade imbalance there and the way that we are heavily dependent on—

• (1630)

**The Chair:** Ms. Stubbs, if you're going to ask a question, you should do so. You're running out of time.

**Mrs. Shannon Stubbs:** Thanks. I'll just make my own decision about how I advocate here at the committee.

Yet it's the first time in Canadian history that a prime minister overruled and rejected the recommendation of an independent regulator on the only pipeline that would actually expand and diversify our export markets and allow energy projects to get to Asian markets.

You refuse to stand up for the building of pipelines, which are under federal jurisdiction when you could provide that much-needed leadership and hope for us.

**The Chair:** That's the time. I'm going to have to stop you there, Ms. Stubbs.

Unfortunately, Mr. Minister, the time to respond was consumed.

**Hon. Jim Carr:** Through you, Mr. Chair, I would just like to thank members of the committee. This is the best feature of our democracy: to be accountable, to take positive suggestions, and to take them away. I'm very grateful for the chance to exchange views with the members of the committee. Thank you very much for your time, Mr. Chair.

**The Chair:** If you have time, we can have one more set of questions. Do you have five more minutes?

**Hon. Jim Carr:** Sure.

**The Chair:** Ms. Ng, we'll go over to you.

**Ms. Mary Ng:** Thank you, Mr. Chair. Thank you for the warm welcome.

Thank you to the rest of the committee members. Committee members, I look forward to my work here with each and every one of you.

Thank you, Mr. Minister, for being here today.

You talked about the importance of the need to transition away from fossil fuels and to look at innovation. Maybe you can talk to us about Generation Energy, an initiative you recently launched, and about how that initiative will help experts in the energy sector in particular who are going to have conversations and provide some advice about what the future will look like.

Can you talk to the committee about what that work will look like?

**Hon. Jim Carr:** I can, and I appreciate the question for a variety of reasons, not the least of which is that the announcement was made in the Manitoba hydro building in my hometown, which is one of the most energy efficient buildings in the world.

The announcement was that we will host a major symposium on the future of Canada's energy mix in October. We will challenge Canadians to take a blank sheet of paper and write on that paper what they think our energy mix should look like in a generation. We will ask some of the finest minds around the world to join us in that inquiry, which has certainly not been done in recent memory. I think the time is just right for Canada to have a serious look at all of the sources of energy available to us, and maybe to find sources of energy that we've never dreamed of, through research and development and the work with scientists, innovators, and entrepreneurs.

It is a chance for the country to gather and to take a serious look at how we want our children—I guess, in my case, my grandchildren, if they would ever come—to answer questions such as, what's going to power the home? What's going to power the vehicle? What's the workplace going to look like? How are we going to produce and manufacture goods and services?

I welcome it as a fresh opportunity, with no preconceived ideas of what will come of it. We will set the stage in our department and will invite the country and, indeed, parts of the world to come to Canada and have a very good look at what the future energy mix will look like and should look like.

Thank you for that question.

**Ms. Mary Ng:** Thank you.

**The Chair:** Mr. Cannings, we can use the remaining two or three minutes for you, if you want.

**Mr. Richard Cannings:** Perfect. Thank you.

I notice that in the estimates there's mention of a couple of decreases in funding for a couple of the ecoENERGY projects for biofuels and renewable power. Maybe they've gone to innovation like everything else. My question is, where is the ecoENERGY retrofit program?

This is a program that was so successful. I give the Conservatives full credit for them bringing it in. It was so successful. It leveraged dollars at a 4:1 or 5:1 ratio, with homeowners putting in \$4 for every dollar the federal government put in. It did so much good work. The homeowners loved it because they saved money on their energy bills. The government loved it because it produced a great amount of energy savings and helped reduce greenhouse gases, and the construction industry loved it. They noticed it when that program was cut. It would be the simplest thing, and I know it's gone off to the provinces and the pan Canadian framework, but I'm mystified why the federal government didn't keep it and use it as a real flagship program. Do you have any idea?

● (1635)

**Hon. Jim Carr:** No. We'll take good ideas from wherever they may come, even from the official opposition—especially from the official opposition. You know, we might take credit for it later, but you know the way that works.

Budget 2017 invests a further \$181.8 million over eight years to reduce energy use and emissions in the building sector through building codes, technology, innovation, labelling, and standards.

**Mr. Richard Cannings:** Homeowners.

**Hon. Jim Carr:** As always, colleague, I'm very open to having a conversation with you about the value proposition, the investment choices that you know we have to make, and to hear what I'm sure would be very good arguments that this is something that should be looked at carefully.

**The Chair:** We'll have to stop there, unfortunately, Mr. Cannings.

Minister, thank you very much for taking the time out of your schedule. We know you are very busy, particularly these days, so we're all very grateful.

**Hon. Jim Carr:** Thank you.

**The Chair:** I will suspend for two minutes and then we'll resume.

● (1635)

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

● (1640)

**The Chair:** We have just over 45 minutes for the balance of the meeting. I apologize to our witnesses. Before we get to you, we have some matters we have to deal with quickly.

Mr. Harvey, perhaps I'll simply turn it over to you.

**Mr. T.J. Harvey:** Thank you, Mr. Chair.

Recently we had a submission sent around by the clerk of the committee about proposed travel to Washington by the natural resources committee. There have been several committees and groups of parliamentarians who have travelled to speak with U.S. decision-makers on Canada-U.S. policy. I think I agree with the analyst's proposal and the relative significance of our travelling as a committee to the United States. Today, however, is the deadline and I think if we work collaboratively over the coming months we could come up with a travel plan and itinerary that suits the needs of committee members and reflects the importance of Canada-U.S. trade relations, especially as it pertains to our softwood lumber industry and the energy sector. I feel it's a great opportunity for us to collectively advocate on behalf of Canada's natural resource sector and represent our Canadian interests in the United States, and I would welcome open comments. I think we should proceed with that study trip.

**The Chair:** Thank you.

We were going to deal with this on Tuesday, but because of the evacuation due to the gas leak we weren't able to do it because the meeting was cancelled. Does anybody have any comments or questions with respect to what Mr. Harvey is proposing?

Mr. Barlow.

**Mr. John Barlow:** Thank you, Mr. Chair.

I appreciate what Mr. Harvey's proposal is. I think certainly there is some merit in our having those discussions, but we will not support going down as a committee. When we go down as a committee, when we travel abroad, as the opposition we cannot be questioning or opposing government policy. We can't as a committee to go down and talk about some of the issues that we'll be supportive of when meeting other officials, so we will not be in support of Mr. Harvey's proposal.

**The Chair:** Mr. Lemieux, and then Mr. McKay.

[*Translation*]

**Mr. Denis Lemieux:** Mr. Chair, I quite like the idea of taking a trip to Washington, especially given the current context, in terms of the U.S. negotiations and the softwood lumber crisis. Both I and the people in my riding feel it is very important to send a delegation to Washington to explain Canada's view and demands. I am very much in favour of the proposal.

• (1645)

[*English*]

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

Mr. McKay.

**Hon. John McKay (Scarborough—Guildwood, Lib.):** I can't think of anything more important than members of Parliament, and indeed senators, flooding the United States at this time, particularly if we have any contacts with congressmen and senators. This is a very sensitive time in cross-border relationships. This committee is seized of two of the most sensitive files, namely, the energy file and the softwood lumber file. The more this committee and others go down, the more American congressmen and senators will be aware of the implications of any actions they might take.

Even though I'm not on this committee, I would say this is probably one of the two or three top committees to be travelling to the United States at this particular time. Yes, when we cross the border we are Team Canada. That's just the way it is. When I was sitting over there, I expected to be Team Canada. When we cross the border to come back again, we can don our partisan hats and take whatever positions the parties might adhere to.

It is critical, I would say, to use every contact we can possibly use. Every time there's a tweet, we twitch. It has enormous implications, so I think it is a core responsibility of members of Parliament from all parties to take this seriously.

**The Chair:** Thank you.

Mr. Cannings.

**Mr. Richard Cannings:** I would agree with Mr. Barlow in the sense that, were I to go to Washington, I would like to be able to bring up issues and question officials and politicians about matters that may not be what the government wants to hear. It almost certainly may not be what the Conservative members want to hear.

I would agree with Mr. McKay that it's a very good idea that we go to Washington. It's just a matter of whether we go on our own or with the committee. I'm new at this. I haven't been involved in foreign travel by committees, so I don't know the restrictions and how this would play out. I would certainly learn a lot myself if the committee did travel there, but is that the best way for me to go to Washington? I don't know. I have some reservations.

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

Mr. Barlow, and then Mr. Harvey.

**Mr. John Barlow:** I have a lot of respect for Mr. McKay, and I appreciate what he said. I believe we have our position on this, and I don't know if we need to keep debating it. I think we have issues in Canada that we need to resolve first when it comes to our energy sector. I think that's where our focus should be. If we want to go down to the United States individually with our points, we have the opportunity to do so and meet with stakeholders and have that discussion. I think it's open to all of us if we want to do that. I don't think we need to do it as a committee.

**The Chair:** Mr. Harvey.

**Mr. T.J. Harvey:** Just before we close this conversation—because I know we're going to close this conversation, and I think the outcome of it is inevitable—I would like to remind committee members that I have the utmost respect for everybody on this committee; but 30% of the U.S.'s uranium, 30% of their softwood lumber, 20% of their oil, and 10% of their natural gas come from Canada. So there are significant, relevant interests that Canada has in the United States that affect all of us, regardless of our feelings on the public policy that surrounds the governing of them within this country. There are relevant impacts on the entire Canadian industry, regardless of which side you sit on.

**The Chair:** All right. I'm going to call the vote now.

(Motion agreed to [*See Minutes of Proceedings*])

**The Chair:** We'll get back to our witnesses. Our apologies, and gratitude for being patient.

We are joined by Cheri Crosby, and continue to be with Christyne Tremblay and Philip Jennings. Thank you for being here.

If you have any opening comments, you are of course free to make them. If not, we can open the floor to questions.

• (1650)

**Ms. Christyne Tremblay (Deputy Minister, Department of Natural Resources):** Mr. Chair, we can go directly to the questions. We are pleased to answer them.

**The Chair:** In that case, thank you.

Mr. McKay, I believe you may have some questions.

**Hon. John McKay:** Yes. I think it's a strange concept that when we're having a meeting on estimates we should ask questions about estimates. I know that's very old-fashioned of me.

The minister made an interesting statement and talked about the biggest decrease forecast to be a \$335-million drop in the statutory Atlantic offshore amounts. The expenditures in 2015-16 were \$347 million. The main estimates in 2016-17 are \$743 million. Then you bump down to \$408 million. That's a big drop. There wasn't actually much explanation as to the significance of that.

What I don't understand is the significance of this to your budget. It looks to me like it's a flow through. Am I correct about that? If it's a flow through, why does the department disclose it in this fashion? Why is it part of expenditures by program or purpose? Should it not be in some other category, money in and money out, and therefore not impacting on your actual budget?

**Ms. Christyne Tremblay:** Maybe I can answer why it's just a flow through. Really, we are working with the Atlantic offshore boards, and it's the transfer that we're doing to the provinces year after year to recognize another royalty...that we have to go to the board. The variation in the numbers is mainly due to the resource price, the production levels, and the operational costs. Technically, if you want to know

[Translation]

what it means from an accounting standpoint, I will let Ms. Crosby speak to that. If you want to know what it could mean for next year—

[English]

**Hon. John McKay:** It strikes me as quite strange. Why does this money not just go to Finance and not be part of your budget?

**Ms. Cheri Crosby (Assistant Deputy Minister and Chief Financial Officer, Department of Natural Resources):** Okay, that's a more complicated question, I would say. First of all, I'll give you a fancy accounting answer by saying, not very fancily, that this main estimates exercise is meant to be completely transparent by making reference to all dollars that come in and out, most of which we spend. As you pointed out, the statutory...is a flow through. But this document is meant to be transparent in terms of what money is coming in and what money is going out. The fact is that this committee doesn't in fact vote on that either, so it can be a bit confusing, even though it's in the main estimates. You're going to be

voting on our operating expenditures, our capital expenditures, and our transfer payments, but not on the statutes, of course.

**Hon. John McKay:** It was raised in the speech, though, and it's your top line up here, but we're not going to talk about it. Okay.

**Ms. Cheri Crosby:** We can certainly talk about it. Yes.

**Hon. John McKay:** It just strikes me as strange. If it doesn't actually affect your budget, why is it here? If it's money in, money out, why shouldn't it be going into the finance department's revenues?

**Ms. Cheri Crosby:** One of the roles we play at NRCan is that we manage the accords related to these statutory obligations, and in managing them we do things like forecasting and monitoring. We're looking at the price of oil; we're looking at the fluctuations of production and making predictions. It's not simply a flow through. We also play a role in managing and monitoring the trends, creating reports, and so on. I'd be happy to speak more about that if you wish.

**Hon. John McKay:** All right. It's exceedingly tedious, I agree.

My second question has to do with contributions in support of transportation and alternative fuels. It was 180,000 bucks in 2015-16, with the expenditures, then it drops to zero in 2016-17, and then it bumps up to \$10.9 million. If you could give me an explanation of that variation, that would be of interest, at least to me. It may not be of great interest to the committee, but to me it's interesting.

• (1655)

**Ms. Cheri Crosby:** Tab 19.

**Hon. John McKay:** It's right in the middle of contributions.

**Ms. Cheri Crosby:** Yes.

I could perhaps start us off, and then you could stop me if I get too much into the weeds.

On transportation and alternative fuels, budget 2016 committed a total of \$62.5 million to support things like electric vehicles, alternative fuel infrastructure, and so forth. This year, \$10.9 million—which is what you have alluded to—of the \$60.4 million in total will be invested in things like 80 new charging units for electric vehicles, as well as nine natural gas and three hydrogen fuelling stations along several key transportation corridors.

**Hon. John McKay:** Okay, so that's brand new, then?

**Ms. Cheri Crosby:** Yes, it is.

**Hon. John McKay:** Okay, so that's why there's no history in the main estimates in the previous expenditures.

**Ms. Cheri Crosby:** Exactly. Yes.

**Hon. John McKay:** Okay, I get it.

Thank you, Chair.

**The Chair:** Mr. Doherty.

**Mr. Todd Doherty:** Thank you to the officials for being here today.

In the departmental plan for Natural Resources Canada, under “Investment in Natural Resource Sectors”, you have stated that your department's target is that five-year average growth of the energy sector's capital expenditures be equal to or greater than the past five-year average. Under energy sector capital expenditures, your numbers show that in year 2013-14, capital expenditure growth for the energy sector was 16.6%. In 2015-16, capital expenditure growth was -1% for the energy sector.

To what does your department attribute the downturn in capital expenditures in the energy sector?

**Ms. Christyne Tremblay:** I will say that this year, in the budget, the department put a lot of money into the energy sector to help it to go cleaner, to develop and support the industry—

**Mr. Todd Doherty:** That's not the question I'm asking, though. I'm sorry, that's not the question I'm asking. What does your department attribute the downturn in capital expenditures in the energy sector to?

**Ms. Cheri Crosby:** Maybe I can ask a question. Are you referring to something you're specifically seeing in the main estimates?

**Mr. Todd Doherty:** Absolutely. Under energy sector capital expenditures, your numbers show that in the year 2013-14, capital expenditure growth for the energy sector was 16.6%. In 2015-16, the growth in capital expenditures was -1% for the energy sector.

All right, how about we do this? How about we leave that with you and you can come back to us with that? Is that all right?

**Ms. Cheri Crosby:** Yes, my apologies.

**Mr. Todd Doherty:** Perfect.

Have you studied the impact that a carbon tax would have on the competitiveness of Canada's energy and mining sector, and the impact it would have on future capital expenditures?

**Ms. Christyne Tremblay:** Yes, for sure. We are very concerned about the impact of carbon pricing.

**Mr. Todd Doherty:** Okay. You've studied it?

**Ms. Christyne Tremblay:** It's why we're doing a study with the finance department, and it's why we are also conducting a consultation with the industry. It's something that we're doing right now.

**Mr. Todd Doherty:** But with all due respect—

**Hon. John McKay:** I have a point of order.

With great respect, Mr. Doherty, these are officials. They're here to answer questions with respect to the main estimates. The question is a good question. It's a relevant question, but it's a relevant question for the minister. It's not a relevant question for the—

**Mr. Todd Doherty:** Mr. Chair, with all due respect, it's a relevant question to the department. That's what they're here for.

**Hon. John McKay:** [*Inaudible—Editor*].

**Mr. Todd Doherty:** And with all due respect to my colleague across the way, the reason we asked it is that you've already announced a carbon tax. And now you are studying it. Shouldn't that have been studied before the carbon tax was announced?

**The Chair:** We're dealing with facts here. On Mr. McKay's point, I think they've already answered the question that you asked. You're delving into issues beyond—

• (1700)

**Mr. Todd Doherty:** How about this, Mr. Chair? We'll ask that the department come back at a later date.

Is the government studying the impact that a potential American border adjustment tax would have on the Canadian energy sector?

**Ms. Christyne Tremblay:** Mr. Chair, it's a hypothetical question. I think the government and the minister are really engaged with his counterpart with the U.S. He's been there, even last week. And at this point, I'm not going to elaborate more.

**The Chair:** Thank you.

**Mr. Todd Doherty:** There's still time? Great.

Currently in Canada oil and gas companies do not have a way to get products to tidewater. The main estimates show that \$60,190,597 has been allotted to market access and diversification. Can you explain what the funds are used for, and what impact did the decision not to proceed with northern gateway have on market access and diversification?

**Ms. Christyne Tremblay:** Mr. Chair, the Government of Canada made the commitment to only approve projects that are in the public interest. The northern gateway project was determined not to be in the public interest because it would have brought crude oil tankers through the Douglas Channel.

**Mr. Todd Doherty:** With all due respect again, I'm asking what the funds are used for, the \$60,190,597.

**Ms. Christyne Tremblay:** Mr. Chair, we're going to take the question and come back with a response.

**The Chair:** Thank you.

**Mr. Todd Doherty:** In the departmental plan for Natural Resources Canada, under investment in natural resource sectors, you have stated that your department's target for a five-year average growth rate of capital expenditures for minerals and metals is for it to be equal to or greater than the past five-year average.

Under the minerals and metals sector capital expenditures, your numbers show that in year 2013-14, the capital expenditures for minerals and metals were 16.1%. In 2015-16, the capital expenditures were -2.6%. To what does your department attribute the downturn in capital expenditures in the minerals and metals sector?

**Ms. Christyne Tremblay:** Mr. Chair, it's the same type of question. We're going to have to come back on capital.

**The Chair:** Thank you.

**Ms. Christyne Tremblay:** Sorry.

**The Chair:** You've got about eight seconds.

**Mr. Todd Doherty:** [*Inaudible—Editor*]

**The Chair:** I don't think you can accomplish much in that time, Mr. Doherty.

Go ahead, Mr. Cannings.

**Mr. Richard Cannings:** Thanks again for being here.

I just want to try to get a couple of details on expenditures, some of which reflect things in the estimates. Minister Carr mentioned the almost \$40 million that is being spent not this year but next year for building large buildings with wood. I'm just wondering if any of you here would have the details on how that would be spent, how that is carved up in terms of research versus actual... I just want to find out how much of that is being spent to benefit directly the Canadian lumber industry, the forest industry. Is there any breakdown there?

**Ms. Christyne Tremblay:** I don't have a specific breakdown in percentage terms, but I can tell you that the full amount has to go to the forestry sector. The objective of the program is really to offset the fact that we're going to have early users of wood, and we want to make sure that it will be an incentive for people to use wood in building.

● (1705)

**Mr. Richard Cannings:** Thanks.

You've mentioned the electric vehicle charging stations. There was \$10.9 million in this year's estimates, part of that going to charging stations, part going to natural gas, part going to hydrogen. You said there were 80 charging stations? It just seems like a lot of money for so few charging stations. They cost, in generous terms, about \$100,000 apiece. I'm wondering how that breakdown works there.

**Ms. Cheri Crosby:** Well, you're absolutely right; that is what we dedicated the \$10.9 million to, among other things, I think. The list that I mentioned was meant to be illustrative. It did establish 80 new charging units for electric vehicles, but there were also additional units related to natural gas, hydrogen, and so forth.

**Mr. Richard Cannings:** Right.

**Ms. Cheri Crosby:** I don't have at my disposal a complete breakdown of the entire \$10.9 million, but we'd be happy to come back with that.

**Mr. Richard Cannings:** Well again, anything to increase that, you know...because we need something to drive that shift to the electrification of our transportation.

**Ms. Christyne Tremblay:** In fact, the number is that we have 1,000 electric charging stations, 80 fast charging stations, nine natural gas refuelling stations, and three hydrogen refuelling stations. Aside from that, we also gave support to different companies. For example, AddÉnergie in Quebec received money to deploy charging stations across Quebec and Ontario.

**Mr. Richard Cannings:** Those were not fast-charging stations; those were just—

**Ms. Christyne Tremblay:** Normal ones.

**Mr. Richard Cannings:** —medium-charging stations.

Sticking with the topic of electrification, could any of you answer, in general terms, about moving to a smarter electrical grid? We always hear about how we need a smarter electrical grid to handle this shift to the electrification of all sectors. How much expenditure is going towards that, and what is the department's priority there?

**Ms. Christyne Tremblay:** Give me a second.

**Ms. Cheri Crosby:** Maybe to get us started I can underline that, as was announced recently, there is a pan-Canadian framework that is being slowly implemented beginning this year, but ramping up over the coming years. It's really a blueprint for reducing emissions,

spurring innovation, adapting to climate change, and so forth. The minister mentioned that NRCan is active in about 30 of the overall 50 projects we are imagining. In those 30 projects, you will see investment in clean electricity. You will see new renewables being brought to the forefront. You will see support for smart grid technologies. You will see the reduction of diesel in northern communities and in remote communities north and south of 60. I think you're going to want to keep your eye on the pan-Canadian framework for sure. Budget 2017, in particular, put budgets to things like smart grids and electric vehicle infrastructure, as you mentioned, because we have to do more of that. The minister mentioned building new codes, etc., for new buildings; building tall buildings; and so forth. Many initiatives announced in 2017 really build on what was put in place in 2016.

**Mr. Richard Cannings:** Okay, to get back to the estimates, the amount for “the ecoENERGY for Renewable Power program” has dropped. I'm hoping that's gone somewhere else where it will still be put to good use, rather than....

**Ms. Christyne Tremblay:** It's a good question. The reduction is in line with the program's original spending profile, within the first 10 years of the contribution agreement. The ecoENERGY for renewable power program was launched in 2007 to encourage more renewable power projects. Almost \$1.4 billion has been committed under the program to support 104 projects. Together, the projects represent more than 4,550 megawatts of renewable power capacity annually.

That supports the objectives that we had. It supports a large number of projects, including some projects in Alberta—for example, the Blue Trail wind farm. It has encouraged projects in the wind sector, in the biomass sector, hydro, and solar. Each province has had some projects supported by that program.

The last contribution agreement expires in 2020-21, and the government wants to make sure that there's good support and that this progress will be supported in the future. In the pan-Canadian framework, we have \$100 million to support the next generation of smart grid, storage, and clean electricity technology. We also have \$200 million to support the deployment of emerging renewable energy technology and \$220 million to reduce the dependency on diesel for some communities.

● (1710)

**The Chair:** Thank you. We'll have to stop there.



I'm going to turn it over to Ms. Ng in a second. That will take us to the end of round one, which I think is all the time we're going to have. I assume everybody is comfortable with that, because we have to vote on the estimates and then we have some other committee business to deal with briefly before 5:30 p.m.

Is everybody in agreement with that?

**Mr. Todd Doherty:** Is there going to be a second round?

**The Chair:** No, we're going to finish round one.

Ms. Ng.

**Ms. Mary Ng:** Thank you, Mr. Chair; and thank you to the officials for being here today with us.

In this year's estimates, there's an increase of \$145.5 million for clean growth and an increase to the climate change envelope. Could you talk to us about the breakdown of these funds and, in concrete terms, how the government is expected to use these allocated funds?

**Ms. Christyne Tremblay:** The increase is due to additional spending in priority areas to deliver the pan-Canadian framework. This funding increase also reflects the importance of NRCan in helping the government to meet Canada's mission innovation commitment to double the funding to R and D by 2020. Almost \$100 million of this \$145.5 million increase is devoted to advancing clean energy research and development and demonstration projects through the energy innovation oil and gas clean technology program.

The last budget tapped into the power of clean technology to create jobs, drive innovation, and ensure that the environment and the economy go hand in hand. We have a full suite of measures that will support these types of initiatives.

**Ms. Mary Ng:** Thank you.

Also, in this year's estimates, there's an increase of \$14.3 million for the federal infrastructure initiative for contaminated sites and investments in labs and facility infrastructure modernization. Can you talk to us about how those funds will be used?

**Ms. Christyne Tremblay:** Thank you for the question. I think it's a key question. The federal facilities are very important. As you know, I come from a provincial government, and it was something that impressed me when I arrived, to see that the federal government has very good research facilities.

We received \$89.3 million in 2014. We got \$90.7 million in 2016 for major repair and upgrading of our federal laboratories. We invested all across the country. In the Pacific NR facility, we invested in the replacement of the air-handling unit, the electric-controlled furnace, and the fuel oil system. We also invested in the prairie facility. We adjusted and modernized the heating, the induction terminal unit, the air-handling system, and the laboratory hood exhaust fans. We also invested in Ontario to address the aging stormwater system, to improve site access for safety, and to replace the exterior building material that was beyond its life cycle. We also invested in the eastern Canada facility's modernization. We replaced the roof, the lighting, and the electrical system.

All of this is to make sure that we are able to conduct science in the proper way and to make sure our scientists have the best conditions possible.

●(1715)

**Ms. Mary Ng:** Thank you for that.

I also want to ask about an increase of \$2.7 million for the interim measures as part of the federal environment assessment process in the estimates. Maybe you could talk to us about the status of the federal review on the Canadian EA process and the progress that's been achieved to date. Again, how will these funds be allocated?

**Ms. Christyne Tremblay:** Thank you for this very important question.

I think we are expecting the report from the NEB panel on May 15. It will be a very big piece in the modernization of the organization. We'll also see how we can make the review more effective. It was raised earlier in the discussion today that the investor wants predictability and wants an effective process. We also have to make sure that we have public confidence so we can bring our resources to market.

For the review process, we have already received the CEAA panel report. We are expecting to receive the NEB one in two weeks. We already received the recommendations for the Fisheries Act and the navigable act. With these four reviews together, the government will be able to make a decision on how it can improve the process to make it more efficient and increase Canadians' trust in the system.

**Ms. Mary Ng:** Finally, the last increase here is \$3.2 million for the marine conservation targets. Can you please talk to us about the status of marine conservation efforts in Canada and how these funds will be targeted and used?

**Ms. Christyne Tremblay:** I think the role of NRCan for the marine conservation targets is really to bring science in to help the government make the best choice in the different areas that can be targeted for conservation. The Government of Canada is on track to meet the 2017 target of 5% protection of Canada's marine and coastal waters. The money that we receive will support, as I mentioned, our commitment to bring science into the decision-making.

Our scientists are working with Fisheries and Oceans and with Parks Canada to determine the location of the protected areas. All of this work will help to build for the future and determine the next areas that can be protected by the government.

**The Chair:** Thank you.

We're going to have to stop there because we have some other matters that we have to deal with.

Thank you to our witnesses for joining us this afternoon and for your patience while we dealt with matters before we got going.

• (1720)

**Ms. Christyne Tremblay:** Thank you, Mr. Chair.

**The Chair:** We now need to vote on the estimates. We can do it individually, or we can agree, if we have unanimous consent, to do it collectively.

Do we have unanimous consent to vote on the estimates collectively?

**Some hon. members:** Agreed.

**The Chair:** Perfect.

**Mr. Todd Doherty:** On division.

**The Chair:** We were doing so well there.

ATOMIC ENERGY OF CANADA LIMITED

Vote 1—Payments to the corporation for operating and capital expenditures.....  
\$971,055,162

(Vote 1 agreed to on division)

CANADIAN NUCLEAR SAFETY COMMISSION

Vote 1—Program expenditures.....\$37,939,524

(Vote 1 agreed to on division)

DEPARTMENT OF NATURAL RESOURCES

Vote 1—Operating expenditures.....\$496,759,758

Vote 5—Capital expenditures.....\$55,781,300

Vote 10—Grants and contributions.....\$324,921,046

(Votes 1, 5 and 10 agreed to on division)

NATIONAL ENERGY BOARD

Vote 1—Program expenditures.....\$72,478,474

(Vote 1 agreed to on division)

NORTHERN PIPELINE AGENCY

Vote 1—Program expenditures.....\$465,000

(Vote 1 agreed to on division)

**The Chair:** Next is the motion to report the main estimates to the House.

Shall the chair report vote 1 under Atomic Energy of Canada Limited; vote 1 under Canadian Nuclear Safety Commission; votes 1, 5 and 10 under Department of Natural Resources; vote 1 under National Energy Board; and vote 1 under Northern Pipeline Agency, less the amounts granted in interim supply, to the House?

**Some hon. members:** Agreed.

**Hon. John McKay:** That's an excellent idea.

**The Chair:** I thought so. Thank you.

**Hon. John McKay:** I think it's your best idea all day.

**The Chair:** Let's not dive into that too deeply, okay?

**Hon. John McKay:** I say the nicest things.

**The Chair:** You do.

All right, it's unanimous that I report the votes to the House. Thank you.

We have some scheduling issues we can deal with very quickly if we go in camera for about three minutes. Do we have time to do that?

**A voice:** Yes.

**The Chair:** Okay, we will suspend for 30 seconds while we go in camera.

*[Proceedings continue in camera]*







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