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**EVIDENCE**

**Thursday, March 24, 2005**

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**Chair**

**Mr. Alan Tonks**

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## Standing Committee on Environment and Sustainable Development

Thursday, March 24, 2005

•(1115)

[English]

**The Chair (Mr. Alan Tonks (York South—Weston, Lib.):**  
Good morning, members of the committee.

[Translation]

Good morning, ladies and gentlemen.

[English]

I would like to welcome all of the witnesses this morning. Pursuant to Standing Order 108(2), this is a study of Canada's implementation of the Kyoto Protocol, part II. A lower carbon energy supply is our objective.

Today we have witnesses from BIOCAP Canada Foundation: David Layzell, CEO and research director; and Bob Page, chair, board of directors, and vice-president of sustainable development, TransAlta Corporation. From Teletrips we have Scott Fleming, CEO; Robert Schulz, professor, strategy and general management, and acting academic director of the executive MBA program at the Haskayne School of Business. From the Canadian Fertilizer Institute we have Russ Holowachuk, vice-president and general manager; and Clyde Graham, vice-president of strategy and alliances. From Propane Gas Association of Canada we have Bob Cunningham, managing director; and Peter Thorpe, territory manager Canada, Worthington Cylinders of Canada.

Welcome to all of you.

Members of the committee we have a motion, and I think we'll deal with it at the end of the meeting.

If there hasn't been any agreement on who will go first in the batting order, perhaps we can just go to the top of the program before us to Mr. Layzell and Mr. Page from BIOCAP Canada Foundation.

On the procedure we use, you have ten minutes for your presentation, give or take. We then go through the witnesses. Then it's ten minutes per party for questions and answers. Then we go to five-minute questions.

Mr. Layzell, please lead off.

**Dr. David Layzell (CEO and Research Director, BIOCAP Canada Foundation):** Thank you very much.

I'd like to thank the committee for giving us an opportunity to present here today. My name is David Layzell. I'm CEO and research director of the BIOCAP Canada Foundation. Bob is the VP of TransAlta and also the chair of the board of our BIOCAP Canada Foundation. He's here in his capacity as chair of the board.

The current focus of your committee on reducing greenhouse gas emissions is one of the most important yet challenging issues that Canada and the world face. It is generally agreed that the emission reduction commitments under the Kyoto Protocol are only the first step in addressing the challenge of global climate change. Certainly much more needs to be done. It is clear that we need to ensure that whatever steps we take as a nation, we are laying the foundation for the necessary economic, social, and environmental transformation. The sponsors and researchers of the BIOCAP Canada Foundation see the movement toward a biologically based economy as a key part of that transformation.

Canada is unique in the world in having the largest biosphere relative to our population. We have 7% of the world's land area, 10% of the world's forests, but 0.5% of the world's population. Every year our biological systems take up and release about 10 to 20 times the amount of CO<sub>2</sub> that we put into the atmosphere through fossil fuel combustion. This vast biosphere, especially your agricultural and forest lands, offers an opportunity for Canada to meet up to one-third of its Kyoto commitment.

However, to achieve this we must implement more sustainable management practices and new technologies. We also need to complete the development of science-based tools to measure the impact of these mitigation actions on biosphere greenhouse gas sources and sinks.

At BIOCAP we believe that with a solid science understanding, Canada can take credible steps to reduce greenhouse gas emissions while stimulating the rural economy and improving the health of Canadians and their environment.

What are the strategies Canada can use to capture its green advantage, its large biological advantage, relative to other nations? Basically we're talking about figuring out how to manage the carbon cycle of Canada, how to essentially put an energy flywheel on the carbon cycle. This really involves four main strategies that are shown in the notes provided.

The first is to look at enhancing the sequestration of carbon. Stimulate the biological process by building healthy and vibrant ecosystems that will essentially sequester carbon and build the carbon stock of Canada. This process will reduce carbon dioxide or greenhouse gas in the atmosphere.

Second is to reduce the methane and nitrous oxide emissions that are now key greenhouse gas components coming out of agriculture. About 8.3% of our emissions come from agriculture. Through improved use of nitric fertilizers and animal production manure management technologies, significant reductions can be achieved there, with co-benefits in water quality, soil conservation, farmer inputs, etc.

The third area is to complement fossil energy streams with biomass. Recognize that biomass is an energy resource that can be used to complement and replace our fossil fuel emissions, our fossil fuel use, and help us to move toward a more sustainable renewable economy.

Fourth, we have to recognize that our biosphere is going to be impacted by climate change, sometimes positively and sometimes negatively. We need to understand the nature of these impacts on our biosphere and figure out how to help our biosphere adapt to a changing atmosphere and climate.

Certainly the scientific understanding that informs the sustainable management of our complex biosphere processes is extremely important. By doing this Canada can capture its green advantage. These large-scale technologies, if you like, or softer technologies are as important in Canada's movement toward sustainability as the traditional harder technologies that are often looked at.

Bob, I will ask you to continue.

• (1120)

**Dr. Bob Page (Chair, Board of Directors (Vice-President, Sustainable Development, TransAlta Corporation), BIOCAP Canada Foundation):** I'd like to, Mr. Chairman.

It's so important, whether you're dealing with BIOCAP from a government, university, industry, or NGO point of view. The credibility of the science is absolutely critical to what we're trying to do here—the credibility of the science in terms of government in reporting internationally, in terms of building the verification techniques for Canada, in terms of our international negotiations with nations like the EU, skeptical of some of the ways in which we can capture carbon through natural systems.

Next in connection with this is the very important role we have in universities right across this country. We are trying to build a world-leading capability in our research area here. In fact, whether it's Quebec's Laval University—which is playing such an important role—western universities, Ontario, or the Maritimes, it's a true national partnership of the best brains across Canada.

Also in connection with it, it is very important to understand that for many companies, like my own, it is very important to be building cost-effective credits that can then be used for meeting Kyoto obligations, or for international or domestic emissions trading in connection with it. For the NGO and the public it is very important that credible science is behind the verification process, so the public has confidence these tonnes are real and has confidence in the overall government system. In looking at this thing in whole, then, we have some very important things.

There are two other things, just very quickly. We have an important role to play in the rural economy of Canada in terms of

trying to provide, in agricultural or forestry areas, a further revenue stream through the sale of the credits. The last in connection with this is we are very anxious to be part of, and with the science contributing to, the development of bioenergy areas.

Who are we as a group, the BIOCAP Canada Foundation? We're a national, not-for-profit foundation. We have the federal government and provincial governments as partners. Along with the federal government, a number of the provinces, including Alberta, were partners very early on. The private sector corporations—a number of energy, forestry, steel, and other companies—have come together behind this. There are 20-some universities involved across the country, as well as representatives from the NGO community. We are trying to bring together in this partnership not only an interdisciplinary but also an intersectoral team that is going to help lead Canadian leadership here.

Above all, we're trying to provide the really competent peer-reviewed, researched, credible science that makes the whole system work. Without that science we don't have that gold standard of credibility, which is important in terms of going forward.

• (1125)

**Dr. David Layzell:** To close, then, BIOCAP is a unique Canadian success story, but we need a commitment from the federal government now in order to continue our work and to build on the success we've already achieved. The federal government has announced a very ambitious plan for investment to address climate change issues in the recent budget and has responded to criticism that the spending needs to be focused on action and results. However, action without understanding won't measure up in the minds of Canadians or the international community. We need to understand our biological systems; we need to understand the sources and sinks to be able to use them to generate emission reductions and carbon credits.

The BIOCAP model—since 2002, when we first received our federal funding, we've invested about \$8 million and leveraged an additional \$20.5 million in cash from other sources. This has supported more than 250 researchers at universities across Canada and 190 graduate students and technicians in 20 universities in 8 provinces. In addition, more than 40 government researchers are intimately involved in these research projects. We've received strong support nationally and across the sectors, and information can be provided to the committee if you'd like more information on this support. We've used a strategy of setting up a series of new research networks. We have been setting up 10 research networks. Some are fully set up now; others are in development. Working with the BIOCAP board, we've developed an ambitious plan for the next 10 years in order to truly help Canada capture its green advantage. We've approached our current sponsors and the federal government to secure the longer-term funding commitment for this plan.

At BIOCAP we believe that with a credible base of scientific understanding, Canada can make a significant contribution to addressing climate change. We also believe it will help us to capture our green advantage, stimulate the rural economy, and the health of Canadians and their environment.

Thank you very much.

**The Chair:** Good. Thank you very much. That was right on time and much appreciated.

We'll now go to Scott Fleming, CEO, and Mr. Robert Schulz of Teletrips. You can commence.

**Mr. Scott Fleming (CEO, Teletrips Inc.):** Thank you, Mr. Chairman and honourable committee members. Dr. Schulz and I appreciate the opportunity to discuss the potential of teleworking as a sustainable strategy with this timely and important committee.

A common thread we have observed within this committee—and I'm sure there are some omissions—is that you're looking for sustainable solutions that are triple bottom line in nature, preferably made in Canada with international relevance, benefiting Canadians, measurable and accountable, providing maximum returns on investment. We're pleased to discuss how telework touches all of the aforementioned areas.

My company, Teletrips Inc., is a Canadian family company. We aggregate, quantify, and report on trips saved by employees whose employers allow them to work at home a day or two per week or take transit outside of gridlock hours. These behaviour changes will have significant positive impacts for corporations and the municipalities they operate in.

Our program was used in the U.S. Congress-sponsored ecommute pilot, and we are now engaged in some Canadian projects. Our project supporter, Congressman Frank Wolf, has also been instrumental in creating legislation that mandates that 550,000-plus U.S. federal employees will be given the right to telework.

First of all, I would like to restate that telework is not about sending someone home five days a week—however, there are some businesses like virtual call centres that are able to do this—but about enabling workers to move or not move to and from work in a convenient fashion. Telework is also not for everyone. Typically, 35% to 40% of most companies' workforce lends itself to telework.

This number varies based on industry verticals. For those jobs that do not lend themselves to telework, the benefits for these individuals will be quicker commutes or a seat on the train. So telework even benefits non-teleworkers.

I'd now like to introduce Bob Schulz.

**Mr. Robert Schulz (Professor, Strategy and General Management, Acting Academic Director, Executive MBA Program, Haskayne School of Business; Teletrips Inc.):** Thank you, Mr. Chairman and honourable committee members, for the opportunity to speak with you today.

I'm a full professor of strategic management at the Haskayne School of Business at the University of Calgary and co-author of a book available next week. The book is entitled *Corporate Integrity: A Toolkit for Managing Beyond Compliance*.

It was fortuitous I was able to link with my down-the-hall Haskayne colleague, Dr. Alain Verbeke. Alain is an internationally distinguished chaired professor who co-authored the book *Moving Towards the Virtual Workplace*, which is based on five years of applied research in Brussels, a city of about one million people. Dr. Verbeke's analysis of Brussels shows the annual monetary savings in external costs related to road congestion, air pollution, road accidents, and energy usage could on an annual basis be between approximately \$384 million and \$840 million Canadian. Moreover, these savings do not include those related to significant risks of major work disruptions nor the savings from offset road construction.

Dr. Verbeke and I received a MOST research grant—moving on sustainable transportation—from Transport Canada. Essentially, we are extending the Brussels research to the Calgary region and will be producing a book by the end of 2005. We have already gathered detailed surveys from Telus, IBM, SAP, the City of Calgary, Calgary Economic Development, and energy companies. Overall, we expect 15 organizations and at least 215 employees to participate in our detailed surveys, our focused interviews, and Teletrips' tracking data.

What have we found so far? The most common telework approach is for commuters to “peak shift” by starting earlier or later and leaving earlier or later to bypass gridlock. Other common employee reasons for working some time at home are research projects, to reduce office interruptions, and to concentrate time on reports.

We have already interviewed 10 human resource managers representing about 6,000 employees, including about 300 teleworkers. Estimated employee productivity increases about 25% with telework, as reported so far, and most significantly only one employee had to stop teleworking because the connections with management were not working properly.

As to the employer perspective, we found that IBM estimates the company overall saves about \$100 million U.S. per year on real estate costs due to the company commitment for common usable space.

About nine months ago Calgary's city council passed a motion directing cooperation with our research project. The Calgary transportation department has been very helpful in sharing information. For example, about 45% of downtown employees drive to work. Traffic jams during peak hours are now normal in Calgary. If only two percentage points of the 45% could peak shift, there could be a dramatic reduction in delays, which result in a waste of energy, increased pollution, and increased personal stress. As well, there would be significant offset capital expenditures for transit trains and road construction.

With regard to triple bottom line reporting and possible incentives or disincentives for the corporate social and environmental footprints, we are very familiar with the issues of assurance regarding data gathering, processes, and our algorithms.

In conclusion, I can say the Calgary telework project and the associated linkages are moving ahead toward greater quantification... and the resultant return on investment for teleworking. We recognize that “tele” essentially stands for trip elimination and lessening emissions.

Finally, our metrics show that 50 teleworked days equals an emission reduction of about one tonne of CO<sub>2</sub> in the personal one-tonne challenge for each Canadian.

Thank you very much.

• (1130)

**Mr. Scott Fleming:** In addition to Calgary, the Greater Vancouver Regional District is also very progressive with the OnBoard Program through TransLink, the transportation authority for the greater Vancouver region. This program has been very successful in promoting alternative commute options throughout 21 municipalities. TransLink has just recently hired a marketing research company called the Mustel Group to undertake an extensive study involving trip mitigation.

Telework throughout the GRVD was rated the second best way to reduce single-occupant vehicle trips, behind employees being transported to the office by a company van and at the company's expense. It also ranked ahead of carpooling. Half of respondents felt or believed they could telework two days per week. I also believe that Vancouver will rally to showcase reduced congestion, better air

quality, and enhanced quality of life through telework when Canada hosts the 2010 Winter Olympic Games.

A traditional barrier to telework has been the old adage, if I cannot see my employees, how do I know they are working? First of all, progressive companies now are measuring work performance by results, not optics. In addition, with the advent of technologies like Live Meeting and SharePoint Services from Microsoft, I would argue that employees will be able to better collaborate and communicate with their co-workers and be more productive, versus sitting in gridlock.

Canada is also a logical adopter of telework based on the fact that we enjoy some of the world's best broadband infrastructure. Telus, for example, has teleworkers and are in the process of tracking. Telus also has numerous and robust enabling products and services for telework. As a member of the Dow Jones Sustainability Index, Telus will be investing in and educating their customers to adopt telework in support of sustainable cities. Other Canadian companies like Nortel and Mitel will greatly benefit as their products and services will be required for Canada's build-out.

I trust that this committee would endorse this. In addition, as Canada showcases sustainable cities and emission reductions through connectivity with these partners, we may be able to export these Canadian solutions to other countries, potentially even within the Kyoto framework.

Telework also needs to be measured and quantified for both business and government. In addition to providing tracking and reporting on emission reductions and time saved for employees, we are also building reports to show businesses how they are mitigating business risk through telework in the event of bad weather, SARS, or terrorist threats.

It is also important to report on productivity and employee benefits. When one considers the avoidance of auto depreciation and the gas and maintenance savings generated through telework, it becomes a significant employee benefit. We will provide these reports that companies also want to put into their corporate responsibility and annual reports. The bottom line is, telework needs to be sold on the bottom line.

I have also heard a loud and clear message from this committee that the real data generated from these projects will help the government develop sound policy and regulations.

In summary, Mr. Chairman and distinguished committee members, telework will mitigate risks for the insurance, auto, health, and energy sectors. It presents economic opportunity for Canada's leading technology companies. It's good for the bottom line for both business and government. And most importantly, it's good for the quality of life of Canadians. In regard to the economic, social, and environmental benefits, to quote Bruce Mehlman, assistant secretary for technology policy in the United States Department of Commerce, telework is the killer application. He made this comment when oil was at \$25 a barrel.

Again, thank you for this opportunity, and we welcome any questions after the other presentations.

• (1135)

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

We'll just keep moving right along.

From the Canadian Fertilizer Institute, Mr. Holowachuk and Mr. Graham, welcome.

**Mr. Clyde Graham (Vice-President, Strategy and Alliances, Canadian Fertilizer Institute):** Hello. I'm Clyde Graham, vice-president of the Canadian Fertilizer Institute.

The Canadian Fertilizer Institute is an industry association representing manufacturers and wholesale and retail distributors of nitrogen phosphate, potash, and sulphur fertilizers. Our member companies currently employ about 12,000 Canadians, mainly in rural communities. The total direct economic contribution to the Canadian economy is over \$6 billion. Canadian fertilizer manufacturers produce 24 million tonnes of product annually, and we export about 18 million tonnes of this to over 70 countries around the world.

Canada's fertilizer industry competes successfully for markets around the world, and increasingly our industry is facing new challenges from foreign competitors. We believe there are a number of things the federal government can do to keep Canada's fertilizer industry competitive, particularly in the area of environmental policy and greenhouse gas.

The industry is very aware of the issues regarding the emission of greenhouse gases during fertilizer production. Many of our largest members are classified as large final emitters of greenhouse gases. The manufacture of fertilizers, like most industrial activities, unavoidably results in the production of some greenhouse gases. Fertilizer requires hydrocarbons, typically natural gas, and other inputs as essential feedstock and energy sources. Driven largely by high energy costs, the nitrogen industry deployed significantly more efficient production technologies in recent decades.

The International Fertilizer Industry Association, or IFA, has signed the United Nations Environment Programme, or UNEP, International Declaration on Cleaner Production, reflecting the industry's commitment to identify and promote further efficiency improvements that reduce greenhouse gas emissions.

While Canada's total production of fertilizer has risen, the industry has made the manufacture more efficient. Since 1990, energy intensity has been reduced by more than 13% for nitrogen fertilizers and 16% for potash fertilizers.

We are also conscious of the life-cycle perspective of our products. How farmers use our products can have an impact on their agronomic and thus their environmental performance. There is no simple, one-size-fits-all set of agricultural best management practices that every farm can use to reduce greenhouse gases. One of the reasons we're a supporter of BIOCAP is because of the excellent work they're doing in that area to determine the best management practices.

That is why a wide range of agriculture producer groups, brought together with CFI and other members, helped establish the Crop Nutrients Council in 2003. The council calls on stakeholders in the agriculture and agrifood chain to promote better understanding of BMPs for fertilizer for a variety of environmental reasons and also for reducing greenhouse gases. CFI has participated with BIOCAP Canada and the International Federation of Agricultural Producers in the recent Council of Parties or COP 10 meeting to provide current information on the life cycle of fertilizers and agriculture nutrients and their interrelationship with greenhouse gases.

I think it's important today that we have Russ Holowachuk from Canadian Fertilizers here to talk about the specific impact of Kyoto on his business. Russ is the vice-president and general manager of Canadian Fertilizers in Medicine Hat, which is one of the most important manufacturers of fertilizer in Canada.

Russ.

• (1140)

**Mr. Russ Holowachuk (Vice-President and General Manager, Canadian Fertilizer Institute):** I'd like to cover a little bit about our operation. Our operation started in 1976. We produce in excess of two million tonnes of fertilizer a year as nitrogen. We employ 200 people. Our payroll is in excess of \$16 million. We use natural gas as our feedstock. We use 70% of the natural gas we use to produce the ammonia. That's a fixed number, it's chemistry, so we can't change that. So any emissions that come from that are really not preventable. There is no new technology.

We continue to try to improve the process. As a matter of fact, this year we are going to be spending around \$7.5 million to upgrade the process that will reduce the feedstock requirements by about 500 cubic feet per tonne of ammonia.

Last year, in conjunction with NRCan, we had a third party do an integration process study of our plant. They basically assessed it, and there was really not much we could do. It was less than 3% that we could improve it.

From 1990 to 2000 we certainly made extensive improvements in our facility. We expended probably in the range of \$120 million to reduce our emissions.

We continue to look for technology improvements. We have worked with NRCan in putting together an MOU for our industry, and certainly we're looking towards some certainty on where this process is going. The uncertainty is very difficult for us to manage in regard to investments and our employee retention. So for us, we need certainty of where we're going with the process, where we're going with Kyoto. We certainly would like to see our MOU continue. We were 95% there. We'd just like to see it finished off and approved so we can move ahead with our future expenditures and process.

**Mr. Clyde Graham:** The fertilizer industry supports the goal of greenhouse gas emission reductions under the Kyoto accord, but we believe it must be done in a way that protects the international competitiveness of our industry. We appreciate that the government is taking a more positive approach to environmental sustainability and wants to work with industry.

In last October's throne speech, the government made a commitment to respect the Kyoto accord by refining and implementing an equitable national plan in partnership with provincial and territorial governments and other stakeholders. The Minister of the Environment said in a speech in September that the model of a permanent sector sustainability table would help to identify government policy and program choices, including the use of market-based incentives that will encourage the right kinds of investments and support corporate leaders in their efforts to build a strong, innovative economy. That message was essentially repeated in the 2005 budget.

We have been actively engaged in discussions about the make-up and work plan for the sector's sustainability tables. We believe a key component of the approach outlined in Minister Dion's speech last September is providing incentives for business to meet realistic environmental targets. The Minister of the Environment, Stéphane Dion, says the government intends to use the existing environmental protection act, or CEPA, as the backstop legislation to implement Kyoto. In order to do this, the act would need to be changed to remove the reference to toxic in that key environmental legislation. Carbon dioxide is clearly not toxic, even if it can lead to climate change, but removing the term "toxic" from CEPA is the right thing to do for reasons other than implementing Kyoto. There's no reason to impose a toxic stigma on products such as ammonia or potash fertilizer used in the production of wholesome foods on Canadian farms.

Regardless of the regulatory approach chosen for implementing Kyoto, Canada's fertilizer industry believes the federal government must take a flexible approach to recognize the limitations of available technologies and industry processes as well as international competitive pressures. The government has to take into account the unique challenges facing industries in reducing emissions. The provinces must be involved in the decision-making process.

CFI and its member companies take as a positive sign that the federal government reinforced in Budget 2005 its interest in voluntary agreements with industry, such as memorandums of understanding, as a part of Kyoto implementation. One such accord has already been signed with steel, and there was an earlier agreement with the forest product sector.

Since early 2004, Canada's fertilizer industry has been working diligently with the large final emitter group in Natural Resources Canada to develop an MOU for reducing greenhouse gas emissions. This MOU is to be similar to the one the federal government signed in January 2005 with steel producers. Our discussions have been positive and have progressed to a point where we believe an MOU between the government and the fertilizer industry is possible. The efforts the industry has made to reach a voluntary MOU must be respected and carried forward no matter what policy directions are taken. Reduction targets for the industry must be reasonable, cost effective, and achievable in practice. Governments in Canada need to adopt policies that will enable our industry to make the investments necessary to continue to reduce greenhouse gas emissions and to contribute to other environmental objectives. Government should facilitate investment by eliminating barriers to trade, continuing to move to a more competitive corporate tax system, and providing new investment incentives to accelerate technology change and modernize facilities and upgrade skills.

There are a number of tax measures the government could and should consider to keep the fertilizer industry internationally competitive. The fertilizer industry supports and appreciates the policy direction for reducing taxation set out in the 2003 federal budget, in Bill C-48 in the last session of the previous Parliament, and the policy direction announced in the 2005 budget, to move to a 19% general corporate tax rate. Measures like accelerating capital cost allowance and tax credits could be an important part of the market-based incentives approach.

CFI believes the federal government could further improve the investment climate of Canada to meet new demands for capital. It's clear that reducing greenhouse gas emissions will require capital investment. The tax reductions for capital cost allowance announced in the 2005 budget do not benefit the mineral fertilizer industry, except possibly in the area of cogeneration. This is particularly worrisome at a time when the federal government is requiring major new investments to achieve greenhouse gas emission reduction targets under the Kyoto Protocol.

● (1145)

Industries such as fertilizer that have acted to reduce greenhouse gas emissions should not be penalized. Measures such as capital cost allowances and other credits related to Kyoto should be retroactive.

In conclusion, the fertilizer industry has seen positive signs that the federal government policies are recognizing the importance of safeguarding and enhancing the competitiveness of our industry. We firmly believe that competitiveness can be compatible with environmental and other important public policy priorities such as greenhouse gas reductions.

**The Chair:** Thank you, Mr. Graham and Mr. Holowachuk.

We'll now go to the Propane Gas Association, Mr. Cunningham and Mr. Thorpe.

**Mr. Bob Cunningham (Managing Director, Propane Gas Association of Canada):** I'd like to thank you for allowing the Propane Gas Association of Canada to appear before the committee. We especially appreciate the fact that you've made space for us in your very busy schedule.

My name is Bob Cunningham, and I'm the managing director of the association. I'm joined today by a member of our board of directors, Mr. Peter Thorpe, from Worthington Cylinders of Canada.

The Propane Gas Association of Canada, along with the Ontario Propane Association and the Association québécoise du propane, represent about a \$3 billion industry in Canada, and we have about 100,000 people who earn a good portion of their wages from the industry. We heat over 100,000 homes, and we have about 84,000 or 85,000 vehicles that operate on propane on Canadian roadways.

Propane is produced in every province in Canada except Manitoba and Prince Edward Island. It's a byproduct of natural gas and crude oil processing. In our association, we have about 235 members, including propane producers, wholesalers, retailers, and transporters, as well as the manufacturers of appliances, cylinders, and equipment, cylinders being Peter's forte—and if there are any questions about cylinders, they go directly to him. A large percentage of our membership is made up literally of small and medium-sized businesses that are located in the rural areas across Canada.

Your committee is looking at the issue of climate change and energy use. Propane represents approximately 2% of energy consumption in Canada. Many of you will be well aware of its use when it comes to barbecues and so on, but you may not be aware that it's one of the most versatile, clean, and diverse fuels available in the world today.

Propane is used in numerous innovative applications. It's rich in hydrogen, so it's ideal for fuel cells, as seen in several applications, one of them being specifically Yellowstone National Park. It is used in agriculture to prepare soil, greatly reducing the need for pesticides. It's used in water treatment systems to speed up microbial treatment of sewage and waste. And it's the leading alternative fuel internationally for cars and vehicle fleets. It reduces particulates, smog precursors, and greenhouse gases. With recent technology advances, it is now competitive with gasoline as far as fuel mileage is concerned. If you adjust that for the price differential, propane has a significant advantage.

In Canada, we remain the leading alternative fuel on the highways. This is in spite of the fact that the number of vehicles that are converted or have been running on propane in the last 12 years has been decreasing. In the early 1990s, we were a world leader. Since that time, we have been surpassed by some 35 other countries around the world.

Tapping into the use of this fuel is not difficult, nor will it be difficult for Canadians. There are still in excess of 3,000 propane refueling stations in Canada today. Our export of our product in some years is as high as four times our domestic use, so there is plenty of propane available for increased use in Canada. Cars and homes can be refueled easily and safely, and some day, with some

very minor improvements in transformer technology, Canadians could hook their propane tanks directly to their fuel cells and power their homes.

As we've said in the past, we are the alternative fuel for today, with a very strong future. Challenges exist for our industry. Our most significant challenge at this time is awareness and knowledge. The general public does not know the opportunities that propane provides. They don't understand the properties of our fuel and therefore just how safe it actually is. We need to overcome challenges from the past that are associated with our product.

It's interesting to note that the industry has worked long and hard with the codes and standards agencies, as well as the regulators, to establish leading safety measures. As a result, we are probably the most regulated fuel in Canada. To ensure compliance, we, the three industry associations, issue over 25,000 training certificates annually.

Our employees are up to date on, know, and understand these rules and regulations, and they function accordingly. However, lately we've been faced with an increasing number and complexity of regulations. I believe smart regulation was announced this morning. We are 100% behind trying to improve the regulatory labyrinth that exists in Canada today. We strongly encourage the amalgamation of these because we're getting to the point where our small business members are literally being killed out in the field because they're trying to deal with issues. We're not talking about the big issues for major energy projects going forward. We're talking about small businesses who are told by one enforcer of a legislative rule that they either do it this way or they'll get a ticket. They go down the road and the other regulator stops them and says, "If you do it that way we'll give you a ticket". These guys just don't have anywhere to turn because they're both enforcing the same law, and enforcers are confusing us considerably.

• (1150)

Another challenge is in the automotive sector, where again, for the most part, the industry is made up of small companies. Ten-plus years ago these organizations were not able to keep up with the technological improvements achieved by the large auto makers, and as a result we lost the support of government and the public, which contributed to the downward trend in our market share that I mentioned earlier. However, our vehicle conversion technology is now leading edge and very reliable. There are some extremely innovative companies functioning in Canada today.

Propane has attributes that—I hope all on this committee would agree—are important as a fuel. It's clean burning. It's versatile. It's available and portable. It can be used where no other fuels can go, such as in Canada's ecologically sensitive north and in many of our rural areas.

Propane can play an important role in supporting Canada's clean air, climate change, and clean energy objectives. The international community recognizes this, and Australian, European, and Japanese competitors have all implemented programs to support the use of propane and other alternative fuels.

There are four requests we'd like to make today of this committee, to help support propane and other alternative fuels and to get Canadians to more quickly adapt in order to move us immediately in the direction of achieving some of our objectives.

First, the federal government should formulate policies that stimulate market demand. Together with supporting other alternative fuels, we ask that the federal government provide support to the automobile conversion programs such as was done in Australia and England and numerous other countries. Also on this point, we urge all in this program that the government choose the emissions standards targets and desired goals and not a particular fuel. I think if I go back in history to the late eighties and early nineties, propane was the flavour of the month, then it was natural gas, and now it is hydrogen and hybrids, and so on.

I think what we have to do is get away from that process of picking a winner or a loser and say, "Here's the bar, and if you get over the bar you're eligible for the incentive". We believe we're very effective as a fuel and with our new technologies, and we can get over that bar; therefore, we should be as eligible for the incentives as anybody else who can help reduce or make an immediate impact on reductions.

Second, increase education and R and D support for alternative fuel technologies. The United States has a system in place for this, and it's doing wonders down there.

Third, we urge the federal government to follow through on the federal operations and realize and surpass the commitments made in the Alternative Fuels Act, 1995.

Fourth, we would encourage the federal government in its cities initiatives to include funding for conversion of public transport systems to alternative fuels via environmental target incentives.

I think you'll agree that propane is an important part of Canada's clean energy future. It's an alternative energy for today, and it's part of the solution for tomorrow.

Mr. Chairman and members of Parliament, I thank you for your time, and I look forward to your questions.

• (1155)

**The Chair:** Thank you, Mr. Cunningham and Mr. Thorpe. And thank you also for the material you provided in advance to assist the committee in the deputations.

We'll now go to questions of the witnesses. Mr. Richardson, would you like to lead off?

**Mr. Lee Richardson (Calgary Centre, CPC):** Thank you, Mr. Chairman.

And thank you again. It never ceases to amaze me that we just get more and more information all the time that's helpful to us and our understanding of this.

I do want to make one overriding comment that there seems to be a common thread throughout the presentations, as diverse as they are today. We seem to hear this far too often, and that is a concern, sometimes underlying, of an uncertainty with government policy with regard to Kyoto or its implementation or planning or process, or, as was just suggested, perhaps an inconsistency. I'd like to pursue that with each of you in terms of what you think we might do to overcome that, or what the reason for that is. Is it just that it is such a huge question that the federal government or the departments involved are so overwhelmed with the options for reducing greenhouse gas emissions? Or is it the number of ways where they might best implement these systems?

Before we go to that, I did want to just touch on a couple of points. One was this Teletrips business.

Mr. Fleming, when I first heard of this I thought it was a brilliant idea and I was astounded that it didn't catch fire right away. It seems to be such an obvious and realistic and practical way of dealing with it. I want to know, first, how it is going. How is it catching on? It's been a couple of years since we first heard about this. Secondly, is there a trading mechanism in place now where it's actually working?

• (1200)

**Mr. Scott Fleming:** Do you want to give the update, Bob, on the state of the nation?

**Mr. Robert Schulz:** In terms of the way things are now, teleworking is probably less than 1% of the population in Calgary. The major barriers are senior management needs to have top-down incentives and some leadership, probably from government and from within their own company. We see opportunities, though, as people talk about teleworking and commuting and doing things better, to then move to the next stage of action. Part of what we're doing now is our baseline research, in terms of what the status is, and trying to identify the barriers and ways to get around the barriers.

Scott, you can talk about the other components of this.

**Mr. Scott Fleming:** I'm sorry, Mr. Richardson, the second part of the question was?

**Mr. Lee Richardson:** It was on whether or not you had in place a trading system that was gathering these credits and somehow crediting the companies for the emissions they were saving.

**Mr. Scott Fleming:** There are not protocols developed at this point in time, and I think that will be part of the process, and certainly with the research with Haskayne and some of the other partners we're working with like Climate Change Central.... So there is an intent to build protocols for this.

I think where we've been at is trying to drive this on the business level, on the bottom-line drivers for business, and then, in parallel, work with various partners and departments to look at development protocols.

**Mr. Lee Richardson:** There are trading facilities available, aren't there? They're setting up. We had witnesses here, I think some from Calgary and Ottawa, who were in the business of collecting emission credits and trading them. Is that something you will get plugged into, or how will it evolve? I'm just trying to put this together.

**Mr. Scott Fleming:** Again, we're already out there aggregating and quantifying this data, and I believe it will evolve as we get more direction from government in terms of their direction and indicators in terms of working with us to build protocols as we gather the data and build the measurement tools to quantify that.

So we see that as a new opportunity for mitigating our risk and our commitment to the Kyoto inventory.

**Mr. Lee Richardson:** Let me then go back to my initial question and the concern about an uncertainty and a sense of inconsistency perhaps with government planning.

I want to ask the BIOCAP people this. One of the other things we've heard is a question of the science regarding the whole plan. You seem to be taking a more practical approach to that and applying science in a more direct way, and I wonder if you could just expand on that in terms of the plan you have and whether or not that's been accepted by the federal government.

**Dr. Bob Page:** Thank you very much for that question. I'll try to deal with the two aspects of it: first, the science issues you raised, and then the issue of policy uncertainty.

First of all, in connection with the science, I think it's very important, whether or not we're dealing with the Kyoto future or just a future constrained by climate change, that we get the science of our biosphere right. In either case, it's extremely important for Canada, especially given our natural resources, to do that.

In terms of the issues we're dealing with on the science side, the uncertainty is raised by those countries that do not have large biological resources, and some of our European friends and colleagues are in this category. So from a geopolitical point of view, they have been critical of sinks and offsets because they don't have very much at home, whereas Canada has huge resources here, as do certain other countries. In terms of our comparative advantage with others who have ratified Kyoto, then, it's very important for us. I think that's a different science issue, really, than the overall one you were referring to.

Secondly, on the policy uncertainty, I think it's very important at this point to point out that Mike Beale and the Environment Canada people have been hard at work at this for a long time. They are certainly very close now I think to a policy statement in our area. I'd certainly hope so, because if industry knows with certainty what the government policy is with regard to the different areas of offsets that they could then invest in for regulatory purposes, this is going to speed enormously the uptake of such projects here in Canada as opposed to going offshore to purchase those credits.

The unfortunate thing right now is that some of the rules in the offsets area are firmer in the international market than they are in the Canadian domestic market, which is interfering with some of the investment. So in terms of policy uncertainty, we really respect the level of work the federal government has done already in this area,

and we look forward to seeing those policy statements coming through very soon.

The other thing I'd just say very quickly is that we're very grateful to the three federal governments that have funded very significantly the BIOCAP work thus far: Environment Canada, NRCan, and Agriculture and Agri-Food Canada. So we're in no way wanting to be critical of that.

David.

• (1205)

**Dr. David Layzell:** One other comment is that it's important to note that there have been huge advances in the last few years in our understanding of the science around the carbon cycle and our understanding of what management practices can be used to create carbon sinks and emission reductions. There's just more work that needs to be done. We're going to be under very close scrutiny by the international community about claiming credits. I think it's important that we not only invest in this area—there are big opportunities and other co-benefits—but we have to invest in the science to make sure the credits are real and that we can defend our credits and the opportunities we have for the biosphere.

**The Chair:** You have a couple of minutes, Mr. Richardson.

**Mr. Lee Richardson:** Thank you. I'm sure we're running out of time.

I really think that's an area we have to explore further, that whole question of the science and the politics of Kyoto in general and whether or not these sinks and your BIOCAP strategies are acceptable to other countries just simply because they don't have them and we do. It's something that I think we really need to explore.

While I just have another couple of minutes, I want to ask Mr. Graham about another one of those things that just puts Canada at a competitive disadvantage.

You're in the fertilizer industry. I think it's one of those classics, and there are several in Canada that are going to be at a competitive disadvantage simply by playing by the rules, when some of our largest competitors simply aren't signatories to the Kyoto Protocol. I guess what we're looking for is ways to try to maintain the targets and yet not disadvantage Canadian industry. What direction are you guys going in? Quickly, if you can, just give us a sense of how we might help in that area.

**Mr. Clyde Graham:** The process we've been going through is that we've been sitting down with NRCan, Natural Resources Canada, and describing in a lot of detail what our industry does and how it does it and the possibilities that exist and the areas where there are limitations on our flexibility. But certainly international competitiveness is critical.

I think targets have to be reasonable. They have to be achievable. They have to take into account the availability of technology. I think there are tax measures that the government could and should consider to make the transition more acceptable.

Russ, did you have anything to add?

**Mr. Russ Holowachuk:** I would just add that our competitors are certainly the Middle East and Russia. If you noticed lately, Russia was going to invest—I forget how many millions of dollars this year—to improve their plant efficiencies and then sell the credits. Well, they're starting from here and we're already down here, so it's really unfair for us to buy credits from Russia when we're already....

Let them catch up to us and then we'd have fair play. That's the problem. With our natural gas prices, we've done so much to improve our plant efficiencies, and the offshore people haven't had to do that because they have 90¢ and \$1.20 gas.

• (1210)

**The Chair:** Mr. Richardson, I'll have to interrupt there. Thank you very much for that.

We'll go now to Mr. Bigras.

[*Translation*]

**Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ):** I want to thank the witnesses for being here this morning. I have to tell you, Mr. Chairman, that I'm not in a very good mood this morning. My bad mood isn't due to the witnesses, but rather to the government and its way of regulating and acting with regard to the Kyoto Protocol without informing our committee of important issues.

I'll probably have questions for the witnesses, but I must tell you I'm very disappointed, first, by the lack of democratic openness on the part of the government, which is taking advantage of a bill on the implementation of certain budget provisions to ram amendments to the Canada Environmental Protection Act down the throats of parliamentarians.

Second, the creation of a Canada Emission Reduction Incentives Agency is being announced. They're explaining to us and trying to convince us to make certain recommendations to the government, whereas we have before us legislative amendments on which our committee will very likely report after the bill has been passed, in a few days.

Mr. Chairman, I believe that, beyond these amendments, we parliamentarians must express, loud and clear, our disapproval of the unfair and undemocratic process the government is using to regulate this matter.

Officials should probably be before us this morning to brief us on the content of the amendments to the Canada Environmental Protection Act and to explain the role the Canada Emission Reduction Incentives Agency will have. Unfortunately, as a parliamentarian, I'm obliged to ask the industry this morning what it thinks of that because it has very likely been consulted in recent weeks and informed of the provisions to that effect. I suppose industry representatives sat on the government's advisory committees.

I see Mr. Page says no, but he sat on, among other things, an advisory committee on early action, if I'm not mistaken. You've sat on the government's committees. The government consulted you. I'm going to put my questions to Mr. Page.

Are the recommendations you made in recent weeks consistent with the bill that was tabled in the House of Commons today?

**Dr. Bob Page:** Mr. Bigras.

[*English*]

I understand the reasons for your concerns this morning, and I want to say two things very quickly.

First of all, I had no access in advance to the bill that was filed this morning. I have not seen the bill. I'm not even sure what you're referring to, so I'm in some difficulty with regard to....

Second, I have had no more access than a great number of other Canadians in the sense that we have tried to present certain points of view as a company—and here I'm talking as a company, not as my position here this morning as chairman of the board of BIOCAP. I think it is extremely difficult for me when, first, I did not see the bill in advance and, second, I have not seen it now, to make any comment on it. I'm really not sure of the issues we're dealing with. Certainly we had no privileged position in terms of working with either of the two departments here.

[*Translation*]

**Mr. Bernard Bigras:** Do you believe that amending the Canada Environmental Protection Act is the best vehicle for regulating the Kyoto issue?

You saw that, as I did; it was on the Natural Resources Canada Web site for consultation purposes. TransAlta made recommendations. I'd like you to tell us whether it's true that you were the co-chair or chair of a government committee on early action. Have you sat on such a committee in the past?

In your opinion, is amending the Canada Environmental Protection Act the best vehicle to regulate the Kyoto issue, or would you have preferred a separate act, subsequent regulations? What approach do you favour?

This morning, we've simply been put before a *fait accompli*. We'll very probably have to vote in a few days on quite fundamental questions that generally go through a parliamentary committee. So we might be required to vote without having had the opportunity to hear witnesses, without the committee having had a chance to take a position and introduce amendments. This parliamentary process is rarely used. So I'd at least like you to tell us what your approach is.

Is creating an agency the best way to regulate, among other things, reductions in greenhouse gas emissions? I'd like to hear your views on that.

• (1215)

[*English*]

**The Chair:** Not to take any time away from Mr. Bigras, but this is a rather ironic and difficult position, because the chair is not aware of the legislation the member is referring to. Mr. Cullen has indicated that towards the end of this meeting he would like—and I hope we will have consent—to discuss the implications with respect to the CEPA process and the events that have occurred very, very quickly in the last few days.

Mr. Bigras, I wonder if we could frame your questions in the context that was raised by, I believe, Mr. Graham, in his knowledge of the bill as it was passed and the CEPA legislation as it exists. If the questions could be within that context, the existing legislation and how it is working, and what you have heard on how it will implicate...with respect to your industry and Kyoto. I do believe, Mr. Bigras, that's the intent of your questioning.

As far as the process with respect to CEPA and what has recently occurred, we will deal with that towards the end of the meeting, with the committee's consent. If I may say, on behalf of the committee members, I certainly share the great concern with respect to how that process has occurred all of a sudden.

So, Mr. Bigras, without taking time away from you, I wonder if we could continue the questioning, but within the context of your understanding of how CEPA is affecting industry and Kyoto and, to some extent, within your knowledge of what changes are being suggested. Could you share those with the committee in terms of your concerns?

Is it okay, Mr. Bigras, if we continue that way?

I'll now ask Mr. Bigras to take over his questioning.

[Translation]

**Mr. Bernard Bigras:** Perfect. I have no further questions, Mr. Chairman.

[English]

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

Mr. Page is indicating that he would like to respond to the last line of questioning.

Mr. Page.

**Dr. Bob Page:** One thing I'd like to respond to is that Mr. Bigras has raised my personal role in it. I would like to clarify it for the sake of the committee.

Five years ago, with Stephen McClellan of Environment Canada, I chaired the Credit for Early Action Table in the infamous table process. I think most of our recommendations were rejected by government, so I feel no responsibility for whatever has taken place here today, sir.

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

If I may, as chair, just ask one question, it is really in follow-up to the line of questioning of Mr. Bigras.

Mr. Graham, inasmuch as you were the one who did talk about the implications with respect to CEPA and the whole notion in CEPA of toxic substances being cited, would you like to add anything further to what you said in terms of your concerns?

• (1220)

**Mr. Clyde Graham:** Just to be clear, on March 17 *The Globe and Mail* reported that Minister Dion raised the concept of using the Canadian Environmental Protection Act as a backstop for greenhouse gas. The story said:

CEPA already exists, Mr. Dion said. The parliamentary review of the act is important, but meanwhile "we have to use it."

You're also quoted in the article, Mr. Chair, where I think you speculated about the consequences of the implications of having a toxic act involved in CO<sub>2</sub>. There has been a debate in the press about this, and that's what we're responding to.

As an industry we have a particular interest in CEPA. Two of our most important products have come under the scrutiny of CEPA. Ammonia has been listed twice: once as a toxic substance dissolved in water, and also as a precursor to PM10 as a toxic substance. This is a product that is essential to Canadian agriculture, and it is used in the production of wholesome food. We have a problem with the stigma that has been applied to our products. Potash has incorrectly been brought into the review process of CEPA as a road salt.

So this is our knowledge of CEPA. That's why we said if the government were to consider using CEPA...and I haven't seen the bill. I don't know if something's been tabled. Yes? We haven't seen it. If the government were to proceed along those lines, we believe it would have to take the word "toxic" out of there.

We're expecting some kind of backstop legislation from the government. It is on the NRCan website that there will be backstop legislation. Our focus has not been on that legislation; it's been on trying to get a voluntary agreement with the government through a memorandum of understanding. That is our emphasis and what we've been trying to achieve.

The current discussion has delayed that discussion with NRCan. As you know, there is an air of uncertainty about all this, and we've also discussed that. So that's our situation.

**The Chair:** Thank you very much for that.

I'll now go Mr. McGuinty.

Thank you, Mr. Bigras.

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

Thank you very much for joining us today, all 12 panellists.

I don't want to pick up on the line of questioning commenced by Mr. Bigras to look at a draft bill; I don't think we're in the process of doing that. I share some of his frustration about not having an opportunity to look at it as a committee, but I wanted to come back to some of the general comments that were made throughout your presentations and through the line of questioning you've received thus far.

I wanted to pick up, first of all, on the notion of the science. My colleague Mr. Richardson has raised questions about the science that substantiates the Canadian government's response to the climate change phenomena through Kyoto. Particularly I want to put this question to BIOCAP and our guests from BIOCAP this morning, mostly because what's interesting about the BIOCAP structure is it's governed by an independent board that has governments, private sector actors, universities, and environmental NGOs at the table.

The first question I'd like to put to the panel, and particularly to BIOCAP, is, what is the consensus in Canadian society, as far as you can gather, with respect to the science of climate change, given that the Kyoto Protocol is very clear—explicitly clear—that the science of climate change, for that matter the science of anything, is never complete but remains constantly incomplete, and that the Kyoto Protocol was drafted reflecting the fact that science would continue to change, that we would learn more, that we would make mid-course corrections, and so on? That's the first question.

The second question I wanted to put, particularly to our other guests, picks up on a theme, a line of questioning, that keeps talking about a Kyoto Protocol climate change response that seems to be infused with pain and grief and cost. Too often at this committee we hear questions that try to elicit responses about pain, grief, and cost, and disruptive practices, and even language around “competitive positioning”. All of a sudden Canada's competitive positioning is going to be placed at major risk because we're going to have a national climate change response. I'd like to flip that on its head and hear from our guests, particularly from industrial sectors, about the economic opportunities; about Canada's positioning itself as a world leader, as a supplier of sustainability solutions for the planet; about the fact that there seems to be international consensus that we're moving to a carbon-constrained future and there will be all kinds of economic opportunities, employment opportunities, R and D opportunities forthcoming.

I'd like to table both those questions, Mr. Chairman, with the panellists and get some responses.

• (1225)

**The Chair:** Who would like to lead off?

Mr. Layzell.

**Dr. David Layzell:** When we talk about the science, we're talking about different types of science. There's the climate change science, which is whether in fact there's a human footprint on our climate system. Second, there's a carbon cycle science, which is understanding the carbon cycle and how we might be able to use it. There's the nitrogen cycle science, which is really important, of course, to the fertilizer industry as well as to agriculture. Then there's the science in developing the science and technologies for bioenergy.

I'll just touch on the climate science. BIOCAP is of course a national organization, a research foundation that's focused on responding to climate change and finding climate change solutions. We touch on it. We're very interested in the climate science; we're actually not climatologists per se. Certainly across the research community we deal with there is a feeling that the weight of science supports that there is a human footprint or impact on our climate system, that it's a discernible human impact, and that we should be looking at strategies for how to do this.

Certainly, the focus of the research within BIOCAP is on the strategies of responding. When you look at the carbon cycle science and the nitrogen cycle science and the developing bioenergy alternatives, there is a feeling that there are some real advantages in doing it. We can address other environmental problems; we can stimulate economic development; we can find new domestic markets for agricultural and forest products; we can stimulate the rural economy; we can shift to a more sustainable bio-based economy.

Yes, there are costs to it, but there are a lot of benefits. What we are trying to do is find out how to do it best and provide the science, the policy, and the investment insights for government and industry to move in that direction.

For many of the researchers in BIOCAP there are lots of concerns about the science impacts, but we feel Canada has an opportunity here, and that by investing in science and putting policy incentives in place we can move towards a more sustainable future.

**The Chair:** Mr. Page.

**Dr. Bob Page:** If I could just add to that, from our company's point of view as to why we're involved with BIOCAP, we are actively planning for a carbon-constrained future. While not being deeply involved in the umbrella arguments about the modelling of climate for the future, we believe there is a very strong public concern in this area, and as a socially responsible company we have to respond to that with a variety of measures, of which BIOCAP is one.

**The Chair:** Thank you.

Mr. Schulz.

**Mr. Robert Schulz:** With regard to the two questions, first of all, with regard to pain, grief, and cost, that's exactly the opposite of what we're trying to do with telework. We're trying to reduce the pain, reduce the cost, and reduce the grief with regard to gridlock.

With regard to the second aspect of economic opportunities, when we're looking at the social aspect, both from the employer's and the employee's side, we think there are savings irrespective of the science and the environmental components. The whole idea is to increase white collar productivity. Many white collar jobs could be done partially at home or off peak.

I've done 450 time management workshops. Social interruption is always number one or number two. Out of 15,000 people, something like 14,700 have interruptions right at the top, in terms of their own personal time management. If Canada can become more productive in the office environment and get the work done, then the corporations themselves would be more productive.

We're very willing to facilitate discussions with regard to policy. This goes back to the questions that were raised before in Calgary of having Calgary's senior managers participate in, perhaps, a teleconference of some kind to test out policies, probably independent of the media, when you're at the discussion stages or at the draft stages.

Again, we're very willing, as a carbon-reducing city, to show some leadership on that side on our part.

• (1230)

**Mr. Scott Fleming:** If I could just briefly add, Mr. McGuinty, our application is a little different. We know a lot of the issues with Kyoto are the consumers, and we have a corporate initiative that helps consumers get cars off the road.

I've heard you mention before too that it's very difficult to go out and change behaviour under the premise of climate change. A lot of people don't understand it. In your point you said we should talk about energy conservation. We've very much taken the approach of looking at other business drivers of which, we believe, climate change will be a benefactor.

So our application is a little bit different from that of some of the source emitters.

**The Chair:** Would anybody else like to respond with respect to that?

Mr. Graham.

**Mr. Clyde Graham:** For our industry, there are real constraints on what we can do based on the chemistry, the processes, the things we do. Our products are very simple, and the manufacture of them is very basic science. There are real limits on what we can do.

To the extent that we can increase the efficiency of the use of carbon fuels, we've moved very heavily in that area, increasing our efficiency when it comes to using natural gas. Our industry has gone a lot further than our competitors have in other countries, like Russia, for example. That's the competitiveness issue we face. We've already picked the low-hanging fruit, which is, I'm sure, a phrase you've heard many times in this committee.

There are I think industries that might be able to benefit that are developing technology to improve greenhouse gas, but that's not our business. We're making food for plants. We're supporting Canadian farmers in the production of wholesome food—not only farmers in Canada, but farmers around the world. This is essentially not a business opportunity for us. To the extent that other people may have business opportunities, it's companies like Mr. Holowachuk's that will be paying for it.

**The Chair:** Is there anything you'd like to add, Russ?

**Mr. Russ Holowachuk:** I'd just like to say that the technology, if we were ever to implement it, is only now starting to be implemented in offshore plants. Because of their low energy costs, they didn't see the value. They didn't have a return on it.

We've already spent money to get there. For us now to buy offshore credits, we're going to be paying for their improvements, which we had to pay ourselves. That's the cost to us that we don't think is fair. That's why we're saying that if we do have to buy credits, let's try to set up a research fund in Canada, where we can do

some research. It will employ Canadians, and the money will stay in Canada to improve the Canadian industry and support the Canadian economy.

**Mr. Clyde Graham:** There is just one thing I'd like to add. We have done work—and I think this has been done elsewhere as well—to show that the use of fertilizers in agriculture does increase the sequestration of carbon in soils and in plant material. That is an area where we feel we would like to work more closely with agriculture and BIOCAP—people like that—to ensure we get those kinds of gains.

**The Chair:** On the sequestering capacity.

**Mr. Clyde Graham:** Yes.

**The Chair:** Mr. McGuinty, you still have one or two minutes.

**Mr. David McGuinty:** I think we have another response.

**Mr. Bob Cunningham:** I wouldn't mind taking a shot at this one, because I think we're one of the areas where we have an opportunity to expand our business, expand our opportunities, and sell the technology elsewhere.

We have companies in Canada that have been in the conversion business and in the development of R and D, mainly with their own dollars, because we don't seem to be able to figure out how to get support from other areas.

We were the leaders in auto propane 25 years ago. We've lost that. We're losing the infrastructure. We still have 85,000 vehicles running on propane in Canada. We used to have 220,000. We used to have over 5,000 refuelling stations. We're down to three. As long as we continue to lose that and have that sector of the market disappear on us....

To a large extent, a lot of small guys out there in our industry that I talked about earlier feel they've been betrayed. They did the field-of-dreams routine—if you build it, they will come—and they built it. The OEMs and the government—and they blame us to a certain extent in the association—deserted them when they got into trouble and we didn't continue to support them in some way, shape, or form.

So they have some technology. They've caught up with the fuel injection systems in the cars. They've created systems that will extract the hydrogen from propane and use it in fuel cells. We're selling technology on the fuel cell reformers to Japan. We've sold technology to the Americans for hydrogen fuel cells there.

We have Ballard out in B.C. We have a bus company in B.C. that produces diesel engines that run on propane, and they've sold them in 19 countries around the world. They haven't sold one bus in Canada, and that's our problem.

How do we take advantage of that—and we need to be able to take advantage of that—and use the technology we've developed in Canada, not only to improve our opportunity, which we can get now...?

I'm going to go back to Mr. Richardson's question earlier where he said, "Why is there confusion out there?" I think one point of confusion is that the government continues to try to give solutions instead of telling us what the targets are and letting us come up with the solutions.

One discussion I've had with a number of people in Ottawa over the last while concerns the auto arrangement, which I understand was signed yesterday. There are going to be some significant reductions, but I understand that it started out saying they wanted a 25% efficiency improvement in fuel consumption, and the auto industry was basically telling them it was not possible. I told them they were asking the wrong question. Don't ask them to improve fuel efficiency by 25%; ask them to reduce emissions by 25%. You have 20% of it automatically if you run the car on natural gas or propane and then you only have to get 5% efficiency. That, they can achieve. In fact, they've already achieved that.

So we have to focus on what we can do, what we can do well, and then promote those people who have done that. That's where we're going to get the offshore sales of this kind of technology, and it's going to generate jobs in Canada.

• (1235)

**The Chair:** Thank you.

I'm going to have to interrupt. That 10-minute portion is now exhausted.

We'll go to Mr. Cullen. Ms. Ratansi, I'll come back to you on the five-minute interchange.

Mr. Cullen.

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

I'd like to pick up on that last point by Mr. Cunningham and also direct it to folks from the CFI. I want to raise the question of certainty around business. I come from a riding in northwestern B. C., primarily a natural resource sector. The mining and all sorts of different companies that operate in my sector are always looking for certainty from government. They just want to know what's going to happen, so they can account and plan for and make modifications.

I'm wondering if either Mr. Cunningham or Mr. Holowachuk or Mr. Graham could comment on what the business environment is like right now, without the certainty of a plan—a Kyoto plan specifically. Does that have any repercussions on the work you or your agencies do? I'll just leave it there and then we'll continue on from there.

**Mr. Russ Holowachuk:** Certainly from the fertilizer side, for us in production, it's difficult to know where we're going for the future and to do strategic planning for the next 10 years. I mean, this is only phase one of Kyoto. What's phase two? If you look at it and say phase one is going to cost me \$20 million and phase two is going to cost me \$70 million, should I even spend the first \$20 million to wait and get hammered on the next round?

So just the unknown, where we're going with this.... I think the sooner we can get some definition of this first phase, the better off we're going to be as a business sector and we can do some of our planning for the future.

**Mr. Bob Cunningham:** I think I have to echo that statement.

The issue with climate change is that it is so complex. You know the government has obviously been talking with the auto industry for years. They've been talking with the fertilizer industry for ages, trying to come up with MOUs to work on it and to achieve the end results.

With those negotiations going on.... I'd love to see that act that came out this morning, but unfortunately, you guys get it before we do.

**A voice:** We'll get you a copy.

**Mr. Bob Cunningham:** Okay. Thank you.

To me, the uncertainty is around the whole issue of Kyoto and the international agreement and the impact that's going to have on business, not the targets. If you again establish the targets that we're going to reduce by this amount, then you can focus on that and industry can go forward.

But if you don't know whether you're going to have to buy emissions from your competitors, who aren't even at your level of efficiency, or you're going to be sending money offshore, or if you don't make a target that maybe you come very close to meeting already but the clock hasn't started at the right sequence for you, that's where the uncertainty comes in.

I agree with Mr. Holowachuk that if we're going to do anything with the buying of emissions, it has to be spent in some way, shape, or form in Canada on R and D so we can continue to develop businesses that we can do something with elsewhere. Again, those things are still up in the air and there's no certainty about it. So it's driving people out there a little bit batty.

• (1240)

**Mr. Nathan Cullen:** Thank you for those questions.

I have one more and then I'd like to turn to some of the science around the sequestration modelling.

I'm still a bit confused, and this is picking up after Mr. McGuinty's point.

Efficiency to me is an increase in productivity and the betterment of a business. When I've dealt with some of the mining companies that have raised interest around Kyoto, they said that initially when they knew Kyoto was coming, they started to make modifications and, lo and behold, they were more profitable. We are wasting less energy in the production they are doing. Alcan has spoken to me. A number of other large final emitters have said they resisted at first.

Using less energy in today's energy market seems like a good idea. I'm still confused as to why, in some of the testimony, particularly from you folks today, there is reference to the breaking down of international competitiveness if we're going to bring Canadian industry up to an efficiency and productivity standard through Kyoto.

It dovetails on Mr. McGuinty's point in the sense that I'm confused about why using less energy, or using energy more efficiently—which is what Kyoto principally is about, it's an energy question—is still seen.... Is it the uncertainty of not having a plan and a context of how that's going to happen that causes dismay? Otherwise, I'm confused about why we're suddenly at a huge disadvantage to Russia if we're just running our operations much better here.

**Mr. Russ Holowachuk:** It takes so much gas to make a tonne of anhydrous ammonia. We used to be at about 38,000 cubic feet per tonne. We're down to 32,000. Russia's probably at about 39,000 or 40,000. For them to come down to 32,000, they're going to spend the money and they're going to improve themselves. Then they're going to sell the credits to us because we can't make any more improvements.

Theoretically, you can't get any better. We're the best in the industry, in the world. We've benchmarked ourselves. So we have no problem making improvements. We made improvements in 1990 because natural gas prices had been rising. So we understand that the less energy we use, the more cost-effective we are.

We can't go anywhere. And if we have to spend money offshore to pay our competitors because they're now improving, and they're going to get down to where we are already, we don't think that's fair. That's not right. So that's the competitive issue.

We're not opposed to Kyoto. We don't need Kyoto to improve energy consumption. We'll do that because energy costs \$7 an MBtu. So that's a driver in itself. We don't need Kyoto. We're opposed to having to spend money offshore to buy credits because we can't make any more improvements. So that's the differential. There's a big differential gap between us and offshore.

**Mr. Nathan Cullen:** In a sense the issue is subsidizing foreign corporations with our own dollars, rather than necessarily the investment in Canadian companies that Kyoto may offer us in the Kyoto context.

**Mr. Russ Holowachuk:** Exactly.

**Mr. Nathan Cullen:** Thank you. That's helpful.

I'd like to turn to Mr. Layzell. I'm just looking at some of the brief numbers supplied here. There are not a lot of specifics, and I would look for some more. Being from northern British Columbia, there is often this assumption made, when we're talking about these sinks, of the health and state of our forests. We're starting to see mountain pine beetle move across the Rockies. There is significant concern in this country about their moving significantly into the boreal forest. Canada doesn't know what it's about to get, I can tell you. I can take any of you on a plane trip over my riding. It's staggering. This combination, the scenario I have in front of me—and I'm confused by this—and the federal government's role is the specific question I'd like to put to you. As the border has been shut to manufactured wood, we've increased our raw log exports. We've increased the

annual allowable cuts threefold, fourfold in some areas. We have beetle wood absolutely devastating forest on a scale that's global in size. It's absolutely immense. We have huge forest fires that are threatening again this year.

Some people connect these—and I don't think the science is there—to climate change. To this point the federal government has taken an absolutely abysmal role with respect to the beetle, and that's pretty much a consensus across western Canada. How can we continue to assume these carbon sinks that we're hoping for...with those three factors alone, I would say, drastically mitigating the ability of Canadian forests to take up any greenhouse gases?

● (1245)

**Dr. David Layzell:** I'm very pleased that you addressed the mountain pine beetle issue. It's an incredibly important challenge and it could well be a sign of the future. We don't know whether there's a climate impact behind the mountain pine beetle. There certainly is a weather component for sure. I think one of the things this draws to is the importance of looking at this as a cycle and recognizing that there are different components of the cycle. When we have major insect infestations like mountain pine beetle, there is a lot of dead wood—wood for which there are no markets, even international markets. There is estimated to be 200 million cubic metres of mountain pine beetle wood that is not going to find a market. In the calculation studies that we've been doing in BIOCAP and one that we're working on in partnership with B.C. Forestry at the present time—we'll have that final report out within a month—some of the university researchers we've been working with have estimated that there's enough energy within that particular amount of wood, that 200 million cubic metres of wood, to provide 900 megawatts of power generation for 20 years.

There's an issue of how do you get.... What we need to be doing is to start thinking very strategically about our biological systems and recognizing that there are going to be impacts when forests die. We should be looking at making sure we can maintain our wood supply, but also looking at new opportunities as to how we can use that resource when you have these disasters, and getting the money essentially to go back in and replant the forest with species that can survive the next 80 years in a climate-different future.

This is all part of managing the biosphere, putting an energy flywheel on the biosphere, managing it for carbon, managing it for energy and for social values and other economic values. I think that's really what we're talking about it in BIOCAP. It's not all one. It's not all carbon sinks. It's not all energy. We have to figure out how to manage it best. That's really what the science of BIOCAP is doing. It's trying to provide the answers to those incredibly important economic science policy investment decisions.

**The Chair:** I think Mr. Page wanted to....

**Dr. Bob Page:** Yes.

Mr. Cullen, both David and I have spent time in Victoria. The B. C. government is a partner in BIOCAP. What you're describing in connection with your area, we have seen at first hand in connection with the documentation from the chief forester of British Columbia. So we're very aware of what you're talking about, and we're hoping to contribute some economic palliatives at least, because the devastation you talk about is absolutely accurate.

**The Chair:** Mr. Cullen.

**Mr. Nathan Cullen:** I have one last question to the Canadian Fertilizer folks. I'm confused about the concern with mandatory regulations and why the voluntary approach. What's the problem with a mandatory approach to some things? I take us back to certain points when industry has resisted innovations—seat belts or unleaded gasoline. The dire predictions about what would happen if mandatory seat belts were brought in is an excellent example, in my mind. If certain chemicals are taken off the market, it will destroy jobs, cats, dogs.

I'm confused as to why you're so resistant to good regulations in the mandatory framework. It seems to me, coming from a business perspective, we do this all the time. We insist upon certain levels for our employees or companies to achieve. Shareholders insist upon it. What's the problem with mandatory regulations?

**Mr. Clyde Graham:** You raised the issue of seat belts. A seat belt is a seat belt is a seat belt. When you look at trying to bring in regulations to look at the wide variety of Canadian industry that exists in manufacturing and mining, with the range of activity that goes on in Canada, it's very hard to come up with a one-size-fits-all regulatory regime.

If you look at other measures like taxation where the government taxation regulation is very complex, that's an issue of fairness. We are asking the government to sit down with industry and understand what it is we do and what kinds of commitments we can make to greenhouse gas.

• (1250)

**Mr. Nathan Cullen:** Just for clarification, how long have negotiations been ongoing between the federal government and your association?

**Mr. Clyde Graham:** Ever since the government announced its intention to move on Kyoto, we've been having discussions. I don't know at what point a discussion becomes a negotiation.

**Mr. Nathan Cullen:** I'm not sure a lack of conversation is the problem. It seems like you've been talking for a long time. People have indicated that. That as a solution worries me because it just feels like it's more conversation.

My question goes back to this: in that conversation towards establishing mandatory regulations that would fit your industries—and I understand it's complex; most industries are. What's the inherent philosophical problem with having good mandatory regulations?

**Mr. Russ Holowachuk:** I don't think there's anything wrong. We don't want to be penalized for actions we've already taken compared to those of offshore competitors. And that's where the mandatory legislation could have a significant negative impact on our businesses, because 70% of our energy consumption is chemistry.... We can't change that. We can't make improvements. That's our concern about mandatory legislation.

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

We're now going to come up with five-minute interchanges. Mr. Anderson, would you like to lead off, please?

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

Normally I spend most of my time in the agriculture committee, and that's my interest, but I want to know—and different groups can address this—if your proposal, suggestion, or future analysis of this includes returning the carbon sinks back to the producer right at the basic level. I guess I'm concerned because both the provincial and federal governments have claimed those credits for themselves. I think it's essential that the producers themselves receive them and receive credit for them.

I want to know where you're coming from and the position of your groups—the ones that are influenced by that—on that.

**The Chair:** Mr. Page, Mr. Layzell, would you like to start with that?

**Dr. Bob Page:** Certainly, BIOCAP does not have a stated policy. I can certainly say that we have a number of producer groups that are directly involved in BIOCAP, and we have a lot of direct input in connection with this. Our own company's position is that we like to deal directly with the producers in terms of trying to first establish the credits and then purchase them from the producers.

I think it has been very unfortunate that the claims of ownership have interfered with sellers such as the producers group being able to then operate directly with buyers such as my own company.

**Mr. David Anderson:** You said you've got producer organizations. On the flyer we got today I don't see any producer organizations. I'm wondering if you could give me a list of who some of them might be.

**Dr. David Layzell:** What you see on the flyer are the sponsors of BIOCAP directly. We have another 35 to 40 partners with whom we do various projects. We're working with the Canadian Cattlemen's Association and the Soil Conservation Council of Canada, and we've done work with the pork producers, the dairy industry, and with other regional producer groups, in joint meetings, etc.

We participate in technical working groups in setting protocols. What we avoid because of the nature of sponsors within BIOCAP... We have provincial and government sponsors. We have different departments from the federal government. We have major industries and the involvement of producers. We're interested in the science of whether you can measure and quantify the carbon sinks, but we're not in the business of making recommendations in terms of how they should be traded or managed. That becomes a political and policy decision. We will advise and inform policy, but we do not prescribe policy.

**Mr. David Anderson:** Anyone else?

**Mr. Clyde Graham:** It is our policy that any credits or offsets belong to farmers who engage in best management practices that reduce greenhouse gas emissions. That being said, we'd like some recognition from the government that we do spend a lot of money on research in this area to promote those best management practices, but when it comes to the actual offsets and credits on the farm, those should belong to producers.

**Mr. David Anderson:** This is just a follow-up question on that. If the starting point for these credits is taken as 2000 or later, many of the farmers are going to miss out on the credits because of the changes that were made prior to that. It's essential that we go back to 1990 or whatever. I just wanted to make that point because that is very critical at the farm level; most people have already made those adjustments.

CFIA talked a little bit earlier about a possible memorandum of understanding you had worked on with Natural Resources. How long were you working on that?

•(1255)

**Mr. Clyde Graham:** It would be over a year, I guess.

**Mr. David Anderson:** How close to completion was it or is it?

**Mr. Clyde Graham:** It's about that close.

**Mr. Russ Holowachuk:** We're just within signing...and the difficulty we had was to educate people and make them understand our process so they could understand where we were coming from with some of our requests.

**Mr. David Anderson:** Is that in danger of being set aside?

**Mr. Russ Holowachuk:** Well, that's what we're concerned about, with it changing, going from NRCan to the environment department. If they drop all that and we have to start over again, we're not sure where we're going to go with that.

**Mr. David Anderson:** So I presume you've worked well with NRCan on the memorandum of understanding.

**Mr. Russ Holowachuk:** They clearly understand our process, how our industry operates, what our issues are, and what our concerns are, and we don't want to start over again.

**Mr. David Anderson:** Has the pressure to set that aside come from the environment department and the environment minister's office?

**Mr. Clyde Graham:** There have been a number of things in play, as you know, in terms of the government developing a plan. We've been waiting for Minister Dion to come forward. I think that's created an air of uncertainty within the government, and it's delayed these kinds of decisions.

**Mr. David Anderson:** Is there anything the committee can do to help you see that through?

**Mr. Clyde Graham:** Well, we would certainly appreciate anything the committee could do to further that.

Just to be clear on the process we were in, I'll say the steel memorandum was signed by I think both Minister Efford and Minister Dion, and we were certainly not at the point where it had gone to the ministerial level.

**The Chair:** We're out of time now, Mr. Anderson.

Thank you for that line of questioning. Those answers will be very helpful.

Ms. Ratansi.

**Ms. Yasmin Ratansi (Don Valley East, Lib.):** How much time do we have?

**The Chair:** Five minutes, and then we have a notice of motion, and then we have—

**Ms. Yasmin Ratansi:** I was going to juggle my questions, but I'll not ask the BIOCAP guys the question; I'll ask Mr. Fleming.

I was on a committee in the province of Ontario where we were trying to find different solutions to problems, and one of them was teleworking. The Province of Ontario had a pilot project with the corporate tax auditors teleworking so they could save space and they could have hotelier arrangements. One issue we found was that investment in technology was a factor for them, number one, and number two was the social interaction. Well, they interacted with their clients, but most of the time the clients were hostile.

In your research, have you found a cost-benefit advantage between technology and teleworking, number one, and number two, what have been the social interaction factors? I know you talked about productivity being impacted, but human beings are social animals, so if you could, shed some light on it, please.

Thanks.

**Mr. Robert Schulz:** First of all, the technology barrier is rapidly coming down as we have high-speed Internet becoming more common for people at home. Also, the technology of virtual private networks and corporate technology groups are reducing that barrier. So it's less of a barrier. Some companies, such as IBM, actually pay for an office in people's homes. Other organizations might provide a subsidy. It wouldn't surprise me if some of the telecommunications companies try to find ways to encourage telework.

With regard to the second aspect, social interaction, what happens is that many people think they have to interact for a half an hour a day just asking where someone is going for the weekend. Maybe you don't need to do that every day for half an hour. Maybe you could do it for 15 minutes on Friday and 15 minutes on Monday. What happens is the corporations that are smart about this find ways in which they can do virtual meetings, because again the technology is easier. I can actually see someone even while I'm working at home; that's much more feasible now than it was even two years ago.

Secondly, we found that if the people themselves are willing to have some flexibility in terms of their productivity and the social interaction, you can have both. I think what we're looking for is creative solutions to a problem of social interaction in the workplace, but also improving productivity and helping the environment, all at the same time. If people aren't smart, then the social interaction goes down. What we're looking for is peak shifting. You can still interact at lunch time, you can still interact at coffee break time, but you're not taking a car on the road or taking transit on the road during the peak hours. Social interaction could occur any time in nine or ten hours in the office. It doesn't have to occur at 8:30 a.m. or at 4 p.m.

• (1300)

**Ms. Yasmin Ratansi:** What about investment? Have you done data that says "These are the cost benefits", and do you have a study that you could use across the board? I think you did something in Calgary, but could the Province of Ontario utilize that information? Do you have something concrete?

**Mr. Robert Schulz:** IBM has done it with their own offices, and of course, IBM has a lot of people who are out of the office. We haven't moved to the level of understanding what the relative cost implications would be. I expect that would be a research study we would start toward the end of the year or next year, if the funding is available.

**Mr. Scott Fleming:** Let me speak to that too, because I would like to address Mr. Cullen's point briefly as well.

In the U.S. they already have regulation, although it was based around criteria of pollutants. Cities do not get the road and infrastructure money if they're not hitting their air quality targets. In the case of Texas, they're falling out of air quality, and it's going to cost them \$826 billion. So there are incentives there from the systemic level to start doing this.

We're seeing companies, as I mentioned...the U.S. government has 550,000 teleworkers. I met with a bank on Wall Street that has 60,000. These are cars off the road today. So they're already further ahead of us, and what is somewhat frustrating for me is we have far superior broadband connectivity in this country, we have knowledge workers, and we're actually falling behind the U.S. in this—and we've signed on to Kyoto.

I just wanted to share some of that, because I understand the large emitters, once again, but could you answer this with me? My understanding is that two-thirds of the issues around Kyoto are from consumers, and I don't see any movement on this from the Canadian government. I think it's very important and I think we're falling behind.

**Ms. Yasmin Ratansi:** Do I have some time?

**The Chair:** I think we're out of time now, Ms. Ratansi. Thank you very much.

This brings our witnesses' deputations to a close. Thank you very much, on behalf of the committee, for being here today. It's been very helpful, very insightful, and we also have some work to do, it would appear, on the legislative front, and also with respect to the innovative approaches that have been suggested here today and the realities your sector is dealing with, in particular from the fertilizer perspective. It's been very helpful to the committee, and we appreciate very much your input.

Mr. Schulz, do you have something there?

**Mr. Robert Schulz:** Yes. We will leave a copy of this book with you from Professor Verbeke. I think the committee members will be quite impressed with regard to the level of detail and the algorithms that are in here.

**The Chair:** I'll probably have to provide an oral book report back to the committee on that, Mr. Schulz—and understand it. Thank you very much, Mr. Schulz. I appreciate that very much.

Members of the committee, perhaps we could just remain for a few minutes. We do have a couple of issues to deal with.

On the motion we have before us now, it would appear matters have made the motion redundant. I talked to Mr. Watson before he left. His intent in the motion, as I understand it, was to gain some insights in terms of the sectors that are very, very important.

We have now been informed that the Minister for Natural Resources is able to come on April 5. He is not able to make it at the pre-described time, but he can make it at 3:30 p.m., along with the deputy minister and those officials. So if we have unanimous consent from the committee, we will change the time of our meeting on April 5 from 11 a.m. to 3:30 p.m., and then we would have the deputy minister and the minister before us. Is that okay? We'll get that to your respective offices and have the changes made accordingly.

There's no need for any action on the motion.

If I may, just before we commence...this particular issue and the development issue are very much a concern. Can we have consent from the committee on the issue raised by Mr. Bigras? Mr. Cullen indicated that he.... Prior to that, Mr. Bigras wanted to raise the issue of what is happening vis-à-vis the CEPA legislation and what is before the House today, which I must admit I am not aware of.

So do we have unanimous consent to have a discussion with respect to that issue?

**Some hon. members:** Agreed.

**The Chair:** Good. I'm just going to leave it very broad.

The chair recognizes Mr. Cullen.

•(1305)

**Mr. Nathan Cullen:** Thank you, Mr. Chair.

The basic question starting to come up in the testimony is that the bill introduced today potentially has some big implications for the way the environment is looked at in the country. I know my office and other offices are getting a lot of feedback and interest from both the press and the environmental sector.

I think it would do well by the committee to entertain an emergency motion a week Wednesday, when we're back. The deputy minister of environment, some environmental lawyers, people who are very familiar with the implications.... We're struggling our way through finding out what the ramifications are of touching what most people view as one of the most significant pieces of environmental legislation we have.

I put it to the committee. We can draw up a balanced witness list; I think it's very important to hear from Environment, particularly the deputy minister, and we should pull this session off, at least a week Wednesday.

**The Chair:** All right.

Mr. Bigras and then Mr. Wilfert.

[Translation]

**Mr. Bernard Bigras:** I'd like the clerk to inform us and guide us on the normal or customary procedure in the case of this kind of bill on the implementation of certain provisions of the budget tabled in Parliament.

I don't object to hearing deputy ministers or to the introduction of a witness list, but, if we hear witnesses at the end, when the bill has been passed in the House of Commons, we'll be wasting our time.

Are there any deadlines? What are the scheduled deadlines? Are there any debating hours in the House of Commons?

We mustn't waste our time. We can draw up a witness list. For my part, I have a long list. The bill we're studying concerns the management of national credits. It isn't a trivial bill. So I think we first need to know the framework for the study of this bill and then determine the committee's actual power to amend it.

[English]

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

Mr. Clerk, do you wish to respond?

[Translation]

**The Clerk of the Committee:** The time allocated is the government's responsibility. Perhaps Mr. Wilfert could answer that question. However, I know that bills concerning the budget are usually debated in the House, not in the committees. As for the timetable and deadline, the government establishes the debating hours for a bill.

[English]

**The Chair:** Mr. Bigras, may I redirect it then through the clerk to Mr. Wilfert?

Mr. Wilfert.

**Hon. Bryon Wilfert (Richmond Hill, Lib.):** Thank you, Mr. Chairman.

First of all, I appreciate the clerk's comments. Yes, they're introduced in the House.

I don't know how many members around this table have even read the bill yet, but I want to make a couple of points very clear, media notwithstanding. Essentially the changes to CEPA are semantic, ones that would be desirable regardless of whether we needed to manage greenhouse gases or not. There's no carbon tax. There will not be a carbon tax. End of discussion. If there was a carbon tax in there, I can tell you we wouldn't be voting for it.

There's nothing in the bill, if you read the legislation carefully, that commits the government to a particular vehicle for the LFE regulation. There's nothing in it, Mr. Chairman, that sets out the condition for the regulation.

**The Chair:** I'm sorry, Mr. Wilfert, let me attempt to frame what we have before us.

**Hon. Bryon Wilfert:** What I'm trying to do, Mr. Chairman, is to respond to Mr. Cullen.

**The Chair:** I understand that, but, Mr. Wilfert, there can be no natural justice in any discussion if everyone isn't apprised of the same information.

**Hon. Bryon Wilfert:** And I'm saying, Mr. Chairman, that we don't have the information, so I'm trying to give it to you.

**The Chair:** And that, Mr. Wilfert, is why, through the chair, through Mr. Bigras' intervention and Mr. Cullen's...we're talking about the process. The process is one with respect to how that information can be received and within which...in the continuum of time.

That was the question raised by the clerk.

•(1310)

**Hon. Bryon Wilfert:** So it goes to the House.

**The Chair:** It goes to the House. It's with the House.

If I may, now, Mr. Bigras, because you still have the floor...

What is the timeframe, though, in terms of the allocation for this particular bill?

**Hon. Bryon Wilfert:** That, Mr. Chairman, would obviously be in consultation with the House leaders. When there is second reading it will go through a debate, as you know. I can assure the members of this committee, I think pretty safely, that the anticipated climate change plan will be before you before that happens. So that's in the hands of the House leaders. But I will tell you that there will be, as normal, Mr. Chairman, a fairly lengthy debate on the implementation bill. Members will have an opportunity to comment on it, to make whatever proposals they like.

**The Chair:** Mr. Wilfert, may I ask the question then. Given that and given that it is probable that CEPA will be referred to the committee and that we now have a change in advance of that, what would you suggest would be the process that the committee would apprise themselves of with the implications of this particular bill?

**Hon. Bryon Wilfert:** I would suggest first, Mr. Chairman, with all due respect, that we all read the bill very carefully. We will provide for all members of this committee a detailed review of the clauses that affect the environment, i.e. CEPA, including the technology and the climate fund. We will make that available to all of the members of this committee.

Obviously, up until now, Mr. Chairman, we couldn't do anything until the legislation was introduced. We would be in contempt of the House if we were to brief you on all the specifics of a bill that in fact was not public.

Having said that we will brief you, I would suggest that we take time to read it, to get briefed, and then at that point committee members can decide whether or not they need to have the committee seized with anything, given the fact that there will be the debate in the House.

But I would suggest, with all due respect, Mr. Chairman, that the first thing is to read it. The second is that we provide the briefings. Third, members can then decide what course of action they want to take.

**The Chair:** I appreciate, Mr. Wilfert, that you're advising the committee that they should read the bill.

**Hon. Bryon Wilfert:** And the briefing.

**The Chair:** You've certainly stated that quite clearly. You've also indicated that we will be briefed, and I assume that would be by Environment Canada officials.

**Hon. Bryon Wilfert:** Yes.

**The Chair:** Then going back to the motion that you've moved, Mr. Cullen, it would be to do that as soon as possible, I would take it, but you have actually said Wednesday at whatever time.

Okay, Mr. Bigras.

[*Translation*]

**Mr. Bernard Bigras:** Mr. Chairman, I want to understand. We can read the bill, but, if the government had wanted, it could very well have tabled a separate bill as a result of which the committee would have been able to play its role fully. The government's decision is nothing more or less than to make amendments to the CEPA, to create an agency and to use the bill on the implementation of certain budget provisions, knowing quite probably that the committee will never be able to consider the amendments put before it.

I can of course tell you that we're going to try to introduce amendments in the House of Commons, but it must be understood that the situation is such that we'll be introducing amendments when we haven't even heard a single witness on the bill that's been tabled. We don't have a choice: we naturally have to accept the ground rules.

No briefing has been offered to us to date. We know perfectly well there's a break next week and that we'll be back in the House of Commons more than a week from now. I'm willing to believe there is a desire to be transparent on the other side of the House, but the fact is that the government has used the budget implementation bill to push through these amendments, knowing perfectly well that the witnesses won't be able to speak on this question. That's the point I want to raise. In the meantime, Mr. Chairman, what the government

has proposed here this morning is nothing more or less than a shell game.

[*English*]

**The Chair:** Mr. Wilfert, I have you down. We'll go to Ms. Longfield, and then I'll come back to you.

**Hon. Judi Longfield (Whitby—Oshawa, Lib.):** Thank you.

I appreciate the opportunity to speak, particularly when I'm not a member of the committee. It does appear to me that it might be in the best interests of everyone, the government and committee, if there could be an opportunity on this particular part, as it affects this committee, to have the minister, the deputy, and some appropriate officials—I'm not talking about hearings and witnesses—come and brief the committee on the bill and on how they see that.

At least it would be transparent; it would be open. And the information that Mr. Wilfert claims is in the bill could be explained more fully by the officials, so people could appropriately understand the implications. At that point the committee could make a determination on what it would do or how it would react.

But that would be the first thing that could be done, and it may resolve some of the questions. It may raise a whole lot of others, but....

● (1315)

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

Mr. Wilfert, and then Mr. Cullen.

**Hon. Bryon Wilfert:** First of all, regarding Mr. Bigras, he knows that he couldn't have been briefed before the budget implementation bill was introduced in the House. That would clearly be in contempt.

Secondly, I've already suggested that members will be briefed if they so wish.

Thirdly, with all due respect to my colleague, I don't claim anything. I'm telling you exactly what's in the bill.

Fourthly, I think Mr. Cullen's motion would be premature until such time as members are briefed and then decide on their own whether or not it's sufficient.

The House of Commons is the vehicle to which the budget implementation bill is in fact directed. Mr. Bigras is absolutely correct...any amendments, if they want. But again, I think we are reacting, unfortunately, Mr. Chairman, in some ways to speculation rather than fact. Obviously, you don't want me to go through the facts. That's up to the chairman. But the facts are very clear as to what's in the bill.

At the moment...it's very transparent. You have an opportunity now that it has been introduced, and before second reading, to have a very detailed briefing. I would suggest, however, taking the politics out of the issue. What you really want to understand is what the facts are in the bill. We do that in a very calm, very rational way. Then you can come back to committee, Mr. Cullen, with all due respect, and if you're not satisfied, we can go from there.

**The Chair:** Thank you.

Mr. Clerk, if I may, before I go to Mr. Cullen and Mr. Bigras, what is your understanding of the motion that Mr. Cullen has put forward?

**The Clerk:** Mr. Cullen, I understand, has asked for a briefing on the legislation. Am I correct?

**Mr. Nathan Cullen:** If the briefing takes the form of a special committee hearing by the officials, yes.

**The Clerk:** It doesn't always. Do you want a committee meeting, an open-ended briefing? Sometimes the government briefs individual members.

**The Chair:** Mr. Cullen.

**Mr. Nathan Cullen:** I'd like to speak to this specifically. The reason I wanted it in context—and Ms. Longfield raises the point—is that sometimes I find extraordinary benefit from two things. One is having briefings, in terms of the implications, both from within government and from people who are very familiar with the issue—and in this case it would be environmental lawyers, which was one suggestion. I can read the bill, but can I recognize all the implications of that bill?

The other great benefit I'd have from this being a committee hearing as opposed to just an individual briefing with the government is that I'd hear the other members' perspectives and their angles of questioning. I didn't read *The Globe and Mail* today. This is not a suggestion of a partisan issue for me. This is the best way to understand the implications of this.

The only reason this is getting the attention it is getting is that CEPA is so extraordinarily important. And the process and manifestation of this alteration of CEPA is giving a number of people, both on this committee and outside, concern. There's no nefarious plan.

And to Mr. Wilfert's point about presenting what is fact, there's also the question of implications. I don't know those implications, not from that list nor from just reading the bill in a cursory way. So I still don't see the problem with having officials and a few people from the environment movement, or experts, come forward to sit in front of the committee for two hours and have some questioning.

It doesn't feel inflammatory to me; it feels like a good process to understand what's happening.

**The Chair:** Okay, thank you.

Mr. Bigras, could you bring the discussion to an end, please?

[*Translation*]

**Mr. Bernard Bigras:** Mr. Chairman, Mr. Cullen has taken the words out of my mouth.

If we intend to have officials come and explain what the bill means, we'll inevitably have to ensure that those who are concerned by its implementation or who have specific knowledge of its impact can be heard. Otherwise, what's being proposed here is nothing more or less than a forum for the government to come and explain its bill. It seems to me that, in a properly functioning democracy, we have a right to know what witnesses think of a bill, particularly when it will have an impact on them.

It seems to me that, if the committee holds a briefing, we'll have to hear what the witnesses have to say on the scope of the bill so that we can ultimately know where we're headed. Let's not forget that business will continue and the study of the bill will continue in the

House of Commons, while we will very likely hear the government's briefing. This is a somewhat paradoxical way of doing things, but that's the government's choice.

• (1320)

[*English*]

**The Chair:** Okay.

Members of committee, I take it that we'll put it to a vote, but the intent of the motion is for this to be referred to the clerk to convene a committee meeting as soon as possible, that appropriate staff from the ministry be invited, and that if there is a body of opinion—we've heard a modicum of that this morning from the fertilizer association—we do that as quickly as possible.

We still have Tuesday morning free. I think we could slot a few witnesses in.

**Hon. Bryon Wilfert:** Could I give clarification on the motion, Mr. Chairman? I want to put on the record, Mr. Chairman, that I have no difficulty with a briefing. But I think we're mixing apples and oranges if we're going to bring in NGOs and everything else. What the members want, I presume, is to be briefed. That is not a problem. Whether you're briefed individually or in an in camera session, whatever you want, that's fine. But to bring in NGOs and everything else adds to the mix. If after you hear the briefing you then want to take it to a different level, I guess that would be up to the committee.

But my suggestion, Mr. Chairman, would be to have the briefing.

**The Chair:** Okay.

My suggestion would be that we approve the motion with respect to being briefed by officials from both Environment and legal—whatever legal is—and further, that a notice of motion be prepared, after we've been briefed, with respect to who else we wish to have in at that time, and then we will debate that notice of motion.

That would be my suggestion. But at least let's have the briefing to begin with.

Okay, Mr. Cullen.

**Mr. Nathan Cullen:** I only have one question on this for the clerk.

I'm trying to understand the pace of this legislation, which is difficult to tell, but I don't want to drag it out. The briefing from government is not what I'm worried about. I'm trying to understand the implications. Obviously, people who are promoting the legislation are going to be in favour of it. I don't want the critics from our committee, particularly the opposition parties, recommending to their parties to vote against a piece of legislation without full information both from the people proposing it and from the people who have concerns about it.

I'm concerned about the pace of the legislation. I'm concerned that it's embedded in a confidence vote. This is of significance. If the pace of the legislation outstrips the pace of the committee's ability to hear from all sides, I don't see the problem with having four or five witnesses together for two hours and looking it over. I actually am quite baffled at the reluctance to this.

I'd actually like to keep the original motion and have it from both Environment Canada and, I would suggest, the deputy minister, as well as potentially some folks from the environmental community who are very familiar with this legislation.

**The Chair:** All right. There are representatives from the environmental community who would be familiar with the implications of this motion.

**Mr. Nathan Cullen:** Not the people we all know. We've seen them before.

**The Chair:** Okay. All right.

Does the chair have unanimous consent to put Mr. Cullen's motion, which is basically to be briefed by officials and to have a selection of witnesses so as to have a hearing on the issue of the implications of the thing? Do I have unanimous consent?

**An hon. member:** No.

**The Chair:** The chair does not have unanimous consent.

Do we have unanimous consent then to have a briefing with respect to this issue on a week from Tuesday, when we have an open slot with the officials?

**Some hon. members:** Yes.

**The Chair:** Do we have unanimous consent?

**An hon. member:** No.

**The Chair:** We don't. I'm sorry. The chair is only attempting to facilitate a process so that other processes may come in.

• (1325)

**Hon. Bryon Wilfert:** Mr. Chairman, I don't know what Mr. Cullen wants. I'm saying let's do the briefing first and then we'll see whether we need to go to the next stage.

**The Chair:** Okay.

Ms. Longfield, and then Mr. Bigras.

**Hon. Judi Longfield:** Would this be a briefing in camera or an open session?

**The Chair:** It would be an open session.

**Hon. Judi Longfield:** If it's an open session, then it gives an opportunity for critics or people who have concerns to formulate their concerns and have those concerns brought forward. It wouldn't preclude bringing them in to talk. I would have a problem if this was going to be a private briefing because then we're not advancing the cause or we're not hearing from those who may suffer, from their perspective, the implications of it. If it's done in an open forum, then it gives people out there the opportunity to make their comments known, and we'll very quickly understand that there may be a need for further hearings.

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

Monsieur Bigras.

[Translation]

**Mr. Bernard Bigras:** That's consistent with the opinion I intend to state. If that briefing is held during an official committee meeting, I think the discussion will have to be started. When a bill is tabled,

whatever it might be, the government organizes a briefing in a large room where all parliamentarians are invited. If the government wants to do that, it can very well do it. It can very well call all parliamentarians and those wishing to attend a briefing. However, I won't be an accomplice to a motion designed to limit witnesses to those chosen by the government in the context of the study of Bill C-43, which was tabled this morning.

So if the government wants to organize a briefing, it can very well do so, but I think we have to be prudent. The government of course must be allowed to explain its bill, but others must also be permitted to express their interest and to give their opinions on this kind of proposal. Otherwise, it will become a forum for the government, and if the government wants to do that, it can very well rent a room here and invite all parliamentarians so that it can explain its intentions to them.

[English]

**The Chair:** Okay.

Mr. Cullen.

**Hon. Bryon Wilfert:** Mr. Chair.

**The Chair:** No, it's Mr. Cullen, and then I'll come back to you, Mr. Wilfert.

**Mr. Nathan Cullen:** Very quickly, again, to prevent misinformation from going out, from Ms. Longfield's point, there is a good intention. I am also concerned that the way in which those groups that may be opposed to it will express themselves is through the media. That may be the vehicle.

I'm still confused as to the basic suggestion of having a couple of witnesses from Environment explaining the benefits of this bill and a couple of witnesses being able to explain the legal ramifications. It seems like a reasonable motion to consider looking at this.

Not knowing the pace of this legislation and not having the context of a plan for whatever reasons—and I know there are many—it's very difficult for me to look at that motion and see it as unreasonable. It's a simple request to have a diversity of views. Not having the government people testify.... I'm sure there will be a good summary of what Mr. Wilfert has already presented, but I'd also like to hear from some people that are critical. CEPA is far too important and the implications on industry and the environment are far-reaching. I'd like to hear from them.

**The Chair:** Mr. Wilfert.

**Hon. Bryon Wilfert:** I'll try this one more time.

I'm losing patience with people who are not listening.

**Mr. Bernard Bigras:** Me too.

**Hon. Bryon Wilfert:** Well, listen carefully. Listen very carefully, Bernard.

Number one—

**The Chair:** No, no, Mr. Wilfert and Mr. Bigras, just a second.

It isn't anybody's prerogative to lose patience, Mr. Wilfert.

**Hon. Bryon Wilfert:** Well, Mr. Chairman, that's up to you.

**The Chair:** Mr. Wilfert, please. It is our responsibility and our accountability to be seen to be attempting to deal with whatever is coming forward—

**Hon. Bryon Wilfert:** Which is what I'm trying to do, Mr. Chairman, if you'll let me.

**The Chair:** That's right. But, Mr. Wilfert, to get personal with respect to your impatience then brings out other people's impatience, so we're all getting a little impatient.

**Hon. Bryon Wilfert:** Mr. Chairman, let's see if we can put this to bed.

**The Chair:** Let's just stay with the process we're attempting to set out.

**Hon. Bryon Wilfert:** The process, for the third time, Mr. Chairman, is clear. I'm proposing we waive the 24-hour notice and that we have a briefing by officials at which all members of the committee can ask any question they like about the budget implementation bill as it pertains to this committee.

Then I have proposed that after that has occurred, if in fact there are further issues or concerns that are raised because of that briefing, the committee is clearly disposed to call another meeting in which—and I have no problem with Mr. Cullen's suggestion—other interested parties come to comment.

But I do not think it is helpful, Mr. Chairman, and I'm trying to be helpful...that we separate the two. You need to have a time, I believe, to digest what is going to be presented to you from the officials. Then, after you have done that, if you still have concerns or issues, I have no problem with that. But I'd like to do a two-step process.

I also want to assure the chair and the committee that we will do it in a timely fashion before second reading. Again, and I've said this three times, I want to make it clear: before. I'm not trying to hide anything; the government isn't trying to hide anything. I want it as open and transparent as possible. But I would like, Mr. Chairman, to do it in a way such that you deal with one issue, get the briefing, and have time to reflect on what has been presented to you. If you have those concerns, Mr. Cullen, I have no difficulty with the second part.

• (1330)

**The Chair:** All right. We have a commitment from the parliamentary secretary that this will be done in a timely fashion and that second reading will not be brought forward until we have at least had the first part of the phase he has indicated, where we have officials.

We can have that as soon as.... This would be a regular committee meeting; we'll be public. Then at that time I would think a notice of motion would be appropriate with respect to what the committee wants to do from that point. Is that okay?

Mr. McGuinty.

**Mr. David McGuinty:** Mr. Chairman, is it possible to specify that the committee, with the support of the members, specifies that one of the officials to be invited to explain this is the deputy minister of Environment Canada himself?

**The Chair:** I think so.

**Hon. Bryon Wilfert:** Mr. Chairman, if I may, I will arrange with you and the clerk not only for the first meeting in a timely fashion, but if a second one is required, that we do it as well. If it means an extra meeting or whatever you need, I'm quite open to that.

**The Chair:** Okay.

Mr. Cullen, can we close this?

**Mr. Nathan Cullen:** This is the clarity I need to close this: that the second meeting, if so required—which I suspect it will be—will happen prior to second reading.

**The Chair:** I think that's the commitment Mr. Wilfert is giving, that it will occur prior to second reading.

Mr. Bigras.

[*Translation*]

**Mr. Bernard Bigras:** I want a guarantee, Mr. Chairman, that it will be possible for us, if we so wish, to recommend that certain witnesses be called before the committee and that those witnesses be able to be heard.

[*English*]

**The Chair:** Well, I—

[*Translation*]

**Mr. Bernard Bigras:** I want to have that certainty.

[*English*]

**Hon. Bryon Wilfert:** It's up to the committee.

[*Translation*]

**Mr. Bernard Bigras:** We can very well decide that in committee.

[*English*]

**The Chair:** In fairness, I don't think we can decide now. I think you want a commitment in principle that names that would be brought forward would be included with respect to that second meeting. I think we've always done that.

**Mr. David McGuinty:** It would be considered, Mr. Chairman, not included.

**The Chair:** Then I would suggest that we still go with the first part on the first meeting as quickly as possible and I would say a notice of motion for the next meeting with respect to the witnesses we would like to have brought forward. We will consider those at the committee meeting. That's the commitment the chair is giving, that we will have those. Please submit them on the basis of who you think we should have here, and then the committee will still have responsibility and accountability for that.

**Mr. David McGuinty:** Again, Mr. Chairman, could the notice of motion reflect the request for the presence of the deputy minister of Environment Canada, please?

**The Chair:** This motion will reflect that, yes. You've made it clear that you want the deputy minister to explain the implications with respect to the legislation.

Are we clear on what we're dealing with? We're dealing with that briefing meeting, the next meeting of the committee, at which the deputy minister and the appropriate officials.... Mr. Wilfert is engaging the clerk on that to make sure those officials are there. All in favour of that?

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

Thank you, members. We're adjourned.

●(1335)

**The Chair:** We have a slot open at 11 o'clock a week from Tuesday.

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