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Chair

Mr. Leon Benoit

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● (1135)

[*English*]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Order.

We continue our study on energy security in Canada.

We have three witnesses today, one by teleconference—not video conference, so you won't see the witness. That gentleman is from Syncrude, and it's Marcel Coutu, chairman of Syncrude.

We have with us at the table today, from Environmental Defence, Gillian McEachern, program manager for climate and energy; and from the Alberta Federation of Labour, Gil McGowan, president. Welcome.

We will go in the order we have the witnesses listed on the agenda, starting with, from Syncrude, Marcel Coutu.

Welcome, sir. Go ahead and make your presentation.

Mr. Marcel R. Coutu (Chairman, Syncrude): Thank you, and good morning, Mr. Chairman and members of the committee. I appreciate the opportunity to present my views regarding your study of energy security in Canada, and specifically the role of oil sands. I regret that I can't be there in person but am glad to appear by teleconference.

Canadian Oil Sands is the largest owner in the Syncrude joint venture, which is an oil sands mining project. Syncrude is one of the pioneers in the oil sands industry and has been operating in the region for more than 30 years. Syncrude currently has the capacity to produce 350,000 barrels a day of light sweet crude oil.

To begin, I'm going to assume that this committee appreciates the size of this resource, the potential importance to North American energy security, and the positive economic benefits to both Canada and the U.S. These are well-known, cited points put forth by many people, including me. Most people now recognize that the oil sands are large and are economically vital, particularly in today's economy. Oil sands represent 97% of our oil reserves in Canada and currently over 50% of our production.

Without them, Canada's oil production would be in decline and our country would be a net importer, purchasing oil largely from countries that do not demonstrate the same environmental stewardship, social responsibility, or sharing of economic benefit. There's no doubt that the oil sands can and do contribute to Canadian energy security. I believe the question before you is, should they?

First, we must address the use of oil. There is a small but vocal group that believes, for various environmental and social reasons, that the world needs to move away from oil altogether. While this is not practical, in my view, it is a valid viewpoint.

To bring some realism to this question, we must consider the global energy landscape. The International Energy Agency estimates that global energy demand will increase between 36% and 47% over the period out to 2035. This is driven primarily by population growth and expansion of economies of developing countries. This hard and inescapable reality requires us to further develop all forms of energy. Not only do we need to drastically increase renewable energy sources; we need a concerted effort to expand our supplies of fossil fuels. As part of an honest discussion, let's disabuse ourselves of the notion put forth by oil critics that it is one or the other. The fact is, we need all sources of energy, and in growing amounts.

All sources of energy need to be developed responsibly, and we should acknowledge that all energy development, including renewables, has consequences, both environmental and economic. Most people do not appreciate that oil, natural gas, and coal make up about 80% of today's global energy; further, even in a relatively conservative scenario they will contribute 70% to 80% of total global energy needs by 2035. Meanwhile, the world's known oil production is declining at a rate of at least 7% on average, and producing regions are struggling to maintain oil production, let alone try to grow it.

Turning specifically to oil sands development, we fully recognize that our industry has an impact on the environment and local communities. We recognize that our future success depends on our continued ability to show improvement in our environmental and social performance.

The Canadian Association of Petroleum Producers has appeared before this committee on behalf of the broader industry and has followed up with supporting information. With that in mind, I'd like to review some Syncrude specific successes and challenges.

Like the broader industry, Syncrude has a solid track record of improving both its operational and its environmental and social performance. On land, Syncrude has reclaimed 22% of its disturbed land, planted over five million trees, and become the first oil sands operator to receive government certification for a reclaimed area, known as Gateway Hill.

The Alberta government's 2010 Directive 074 has sent challenging requirements that drastically speed up the timeline for reclaiming tailings ponds. Syncrude is responding with a suite of new technologies, such as centrifuging, for managing current tailings and perhaps reducing the need for future ponds. Industry continues to explore these technological opportunities and to share these best practices among themselves.

Syncrude is also pioneering a new initiative to establish newly created wetlands as part of its reclamation efforts. On air, Syncrude's greenhouse gas emissions arise from the use of energy, most notably natural gas in the production of crude oil. Since 1982, however, Syncrude has reduced its energy use per barrel by 39%.

● (1140)

Syncrude has also reduced sulphur dioxide emissions per barrel by about 60% since the early 1980s. Furthermore, in 2011 Syncrude will complete construction of a $1.6-billion sulphur emissions reduction plant, which will contribute another 60% reduction in sulphur dioxide emissions from the current approved levels and reduce, on top of that, particulate matter by 50%, despite increasing production rates.

Concerning water, Syncrude recycles 85% of the water it uses, with the remainder being lost to evaporation. Syncrude has reduced the water intensity of its process by more than half from its levels in 1980. Syncrude and other companies continue to research new extraction methods that do not require water.

Concerning community, Syncrude is one of the largest employers of aboriginal people in Canada, if not the largest; they represent 8% of our workforce. In addition, since 1992 Syncrude has conducted over $1.2 billion of business with local aboriginal companies, and Syncrude has donated over $18 million to community projects since 2005.

We also recognize that we need to do more. Syncrude has the only dedicated research and development facility in the oil sands industry and currently spends more than $50 million a year on research and development. It pioneered many of the industry's technologies to improve operations and environmental impacts. We will continue to invest heavily in new technologies to reduce the environmental impact of our operation. This commitment has been part of Syncrude for more than 30 years, and history has shown us that innovation holds the key to improved performance.

We need to ensure that the measurement and monitoring systems are effective and transparent and continually improving, and we need to continue to communicate with our stakeholders and stand up to the agenda-driven critics who mislead them with incomplete information. In addition, Canadian Oil Sands is contributing to the ongoing discussions regarding a Canadian energy strategy based on economy-wide solutions that focus equally on industry and consumers, on energy supply and energy demand.

Governments also have a role to play. It includes ensuring a continuing world-class regulatory system and standing up for Canada's record as a steward of the environment. They need to increase investment in technology, expand markets within the U.S. and offshore, and ensure fiscal and regulatory competitiveness necessary to attract capital and human talent.

Finally, I'd like to close by affirming my belief that the oil sands can and should contribute to Canadian energy security. In fact, it is our greatest opportunity. A lot of rhetoric surrounding energy and the environment focuses on the need to wean North America off oil and convert to renewables. As I said, development of renewables is important; I believe in it. But crude oil, specifically the oil sands, can act as a bridge to a future in which renewables play a much larger role. Given that over the coming decades, again, 70% to 80% of global energy needs will be met using coal, natural gas, and oil, Canada has the opportunity and indeed the responsibility to both provide that source of energy and to do it responsibly.

Crude oil will continue to play a critical role in the global economy, and Canada is indeed very fortunate to have the oil sands. Make no mistake, it is a national treasure.

Mr. Chairman and members of the committee, thank you for your time. I'm available to try to answer any questions you might have.

The Chair: Thank you, Mr. Coutu.

We go now to a presentation of up to seven minutes from Environmental Defence, Gillian McEachern, program manager, climate and energy.

Go ahead, please, Ms. McEachern.

● (1145)

Ms. Gillian McEachern (Program Manager, Climate and Energy, Environmental Defence): Thank you.

Thank you for inviting me here today to speak.

My name is Gillian McEachern. I manage the climate and energy program for Environmental Defence. We are a national non-profit organization. We work on a range of issues, including climate and energy, toxics, and land use, among others.

We were asked to present on energy security, and specifically as it relates to the federal government's role in the tar sands. According to the International Energy Agency, the definition of energy security is the uninterrupted physical availability of energy at a price that is affordable, while respecting environmental concerns. So according to the IEA, energy security inherently means addressing the environmental and economic issues with energy production and consumption.

We would argue that in addition to addressing the local environmental impacts of energy production, any definition of energy security needs to also include climate security. A federal plan to address energy security needs to address the risk posed by climate change. There is no such thing as energy security in a catastrophic climate change scenario; therefore, our working definition of energy security includes climate security and dealing with the economic and environmental impacts of energy production.

The environmental risks of the tar sands are growing, and these risks are not contained to the local region where the production occurs. It includes the Northwest Territories, the Pacific coast, and important watersheds in the United States.

I understand that my colleague, Simon Dyer, was here last week presenting from the Pembina Institute concerning a report that we jointly produced called *Duty Calls*, which clearly outlines the area of federal jurisdiction as it relates to tar sands. I won't repeat much of what he said. We would echo his statements regarding the climate impacts of planned tar sands expansion—how, even with an optimistic role for carbon capture and storage, the planned expansion will blow the current government's carbon budget and force other sectors to do more than their fair share.

Today I'm going to focus in more detail on two areas from that report: first the risk of a major tailings spill, and second the economic implications of our current unspoken energy policy—rapidly escalating tar sands production and export.

The massive toxic tailings lakes in northern Alberta pose a threat to human health, the environment, and the economy, given the risk of a breach of one of the dams that holds the toxic waste back from the nearby rivers. Currently nearly one billion cubic meters of toxic tailings are contained in these lakes. They now cover more than a 130-kilometre square, an area larger than the size of the city of Vancouver.

The tailings contain chemicals harmful to humans and aquatic organisms, including naphthenic acids, polycyclic aromatic hydrocarbons, heavy metals, and arsenic. The contaminated material is held back by unlined earthen dams reaching as high as 300 feet. Worldwide, tailings dams are ten times more likely to fail than other types of dams, and there have already been problems with some tar sands tailings dams.

Given the proximity of the ponds to down-river Saskatchewan and the Northwest Territories, a major spill would have trans-boundary impacts as tar sands tailings entered the Athabasca River and made their way into the Athabasca delta, which is a world heritage site and an important nesting ground for migratory birds from across the continent. It would impact the Mackenzie River basin, which drains about one-fifth of Canada's water supply and is the traditional homeland for dozens of aboriginal communities.

Yet despite this potential risk, the federal government currently has no emergency response plan to deal with a catastrophic spill and is mostly hands-off in terms of dam safety to prevent a spill from ever happening. The Alberta government says that companies have emergency response plans for tailings dam failures, but none of these is open to public scrutiny to allow independent assessment of how effective they would be in the event of a dam breach.

We've seen tailings dams like these fail, with devastating consequences: most recently in Hungary, a couple of years ago in Tennessee. Until the federal government takes responsibility to prevent this type of catastrophe, the legacy of tar sands production is creating a serious risk to the security of people living downstream of the tar sands.

The potential for a major spill, of course, is in addition to the ongoing spill happening in the tar sands. An estimated 11 million litres of tailings is leaking from the ponds every day.

It's hard to call this a secure source of energy, given these risks.

Now I'm going to turn to some of the economic impacts associated with tar sands. The tar sands industry is undoubtedly providing economic benefits in the form of jobs and government revenues; that's not disputed. But what we rarely hear much discussion about is some of the negative economic implications of rising oil exports on other parts of the Canadian economy. So far there's been no robust federal discussion, analysis, and response to deal with this.

● (1150)

Jeff Rubin, the former head of CIBC World Markets, recently asked whether Canada can afford Alberta's tar sands, citing the extent to which Canada's dollar has become a petro-currency. Increasing oil prices and tar sands production will continue to strengthen the Canadian dollar, which when coupled with a continued sluggish economy in the U.S. will have an impact on other sectors in the Canadian economy, most notably manufacturing.

If the tar sands play an increasingly large role in the Canadian economy, we're at risk of succumbing to what is known as Dutch disease, in which increased exploitation of natural resources impacts the nation's currency, thereby making export of other products more expensive. In fact there's evidence already that Canada is suffering from some of the symptoms of Dutch disease. A study published last year by Serge Coulombe at the University of Ottawa found that between 2002 and 2007, 42% of manufacturing job loss in Canada due to rising currency had been the result of Dutch disease stemming from oil exports. The majority of this impact is felt in Ontario and Quebec, the regions where the sectors hardest hit by Dutch disease are located.

As Dan Trefler, a research chair in competitiveness and prosperity at the Rotman School of Management, recently put it,

> Canada has regressed. It is time to step back and ask ourselves whether this is what we want. The choice is ours: Sit back while world commodity demand drowns us in our own tailings, or react aggressively and strategically.

Norway, which is the world's third-largest exporter of oil, provides an example of a country that has acted aggressively and strategically in response to a resource boom. Norway set up the government pension fund, which is now worth more than $400 billion. It invests the vast majority of oil wealth overseas to avoid driving up the value of the currency, and only 4% of oil wealth is spent every year. Norway's GDP per capita is nearly double that of Canada's. The manufacturing sector is thriving. They have among the highest disposable incomes in the world. And when the oil runs out there will be a very large trust fund to help map out an energy future for them.

It's the role of the federal government to look at these impacts, both positive and negative, and come up with some type of plan that is fair for all regions of the country. So far that has not happened.

In Canada we're still feeling the hangover effects of the National Energy Program, which is now decades past. It's prevented us from planning our energy future. In the absence of a plan or policy to map out energy security in Canada, we've put all our eggs in one basket: tar sands growth. The federal government is allowing tar sands production to rapidly expand, granting approvals for new mines and projects. It is also permitting massive new infrastructure to ship tar sands to consumers, and some of these new pipelines will also ship jobs out of the country.

In light of the looming federal decisions about whether to approve these new mines and pipelines or allow oil tankers off the north coast of B.C., it's time to step back and map out our energy future rather than locking ourselves into decades of expanded fossil fuel production at a time when other countries are recognizing the need to transition off oil to clean energy. We need to decide what pace and scale of tar sands development makes sense.

In terms of the small group of people advocating to get off oil, which was referred to by the previous witness, that small group of people happens to include the President of the United States, the Intergovernmental Panel on Climate Change, and many other countries around the world.

Thank you.

The Chair: Thank you for your presentation, Ms. McEachern.

We now go to our final witness for today's meeting, Gil McGown, president of the Alberta Federation of Labour.

Please go ahead, for a presentation of up to seven minutes.

Mr. Gil McGowan (President, Alberta Federation of Labour): Thank you, Mr. Chair and members of the committee.

As president of the Alberta Federation of Labour, I represent many of the Albertans who for the past decade have found themselves at the heart of an economic juggernaut centred around the oil sands. For example, we represent thousands of manufacturing workers who produce the pipes and build the modules that are the building blocks of oil sands projects. We represent thousands of transportation workers who move these building blocks by rail and truck to remote locations in the northern part of our province. We represent thousands of iron workers, welders, electricians, and other construction workers who put the pieces together, in what is becoming one of the biggest industrial projects the world has ever seen. We also represent thousands of plant operators and maintenance people who keep many of the new and existing facilities running. We represent thousands of public sector workers in areas such as health care, education, and municipalities whose work is funded, at least in part, by the proceeds of resource development. Finally, we represent thousands of retail and service sector workers who benefit from spinoffs from the energy sector.

From a distance, the economic edifice that we've created in Alberta looks extremely impressive. Our unemployment rates are low. Our GDP per capita is 75% higher than the Canadian average, and our average wages are 30% higher than the rest of the country's. But as is often the case with things that look good from a distance, when you look at them more closely, cracks become evident. As Alberta workers, or the members of our federation, have taken a closer look, we've seen some troubling cracks.

In my presentation today I'd like to talk about some of these cracks. Given the time constraints, I'll focus my remarks on three areas: first, value-added jobs; second, royalties; and third, a grab bag of other issues that I've put under the heading of unintended consequences. I'll wrap up with a brief discussion of our proposed solutions and some ways forward.

When it comes to jobs in the oil sands, our big concern as a federation is that Canada in general and Alberta in particular are in the process of losing an historic opportunity to move up the value ladder. Up until very recently, more than two-thirds of all the bitumen produced in Alberta was upgraded in the province, meaning it was either transformed into synthetic crude or refined into higher-value products such as gasoline, diesel, or jet fuel. In the process, thousands of high-paying, family-sustaining, community-sustaining jobs were created among upgraders and refineries in places such as Fort McMurray, Fort Saskatchewan, and Edmonton.

To give you a sense of just how many jobs were created, consider the examples of Alberta's two original oil sands producers, Suncor and Syncrude. Both have mines and upgraders in the Fort McMurray area that employ about 5,000 people each in direct operations, and thousands more in ongoing maintenance contracts and other spinoffs. But over the past few years the traditional ratio of value-added upgrading to unprocessed raw exports has begun to slip. According to figures and projections recently released by Alberta's Energy Resources Conservation Board, the proportion of bitumen upgraded in Canada has already fallen from about 70% to 63%, and is projected to fall to 48% by 2019.

This, unfortunately, is exactly what we at the AFL predicted would happen when we appeared before the National Energy Board five times over the past four years to oppose the construction of massive new bitumen export pipelines. It's also what we predicted a year and a half ago, when we published a study called *Lost down the Pipeline*, which I'll make available to members of the committee. In that study, we identified 10 refineries in the U.S. that were being retooled to handle bitumen from the oil sands, with a combined refining capacity of 2.8 million barrels per day. We also pointed out that the NEB had approved two major bitumen pipelines to the U.S., particularly the Keystone pipeline and the Alberta Clipper pipeline, which have a combined capacity to export 1.4 million barrels per day of raw bitumen from Alberta to refineries in the U.S. We also identified six other planned pipelines, which together have the capacity to export 2.3 million barrels of raw bitumen across the border each day.

The size and number of these American refineries and the size and number of the American-bound pipelines is significant, because it means that the U.S. refineries will have the capacity to absorb all expected increases in Alberta's oil sands production over the next ten years, and likely beyond. In other words, we warned then and continue to warn now that if left to themselves, energy companies may decide they don't need any new Alberta-based upgraders, even after the global economy recovers and international prices for oil rebound.

● (1155)

That in fact is exactly the scenario that we see playing out in Alberta today. Almost all of the upgraded projects that had been on the books before the recession have either been mothballed or abandoned altogether, even though prices for oil have recovered and investment in the oil sands is starting to ramp up again.

Of the approximately 250,000 barrels per day in new production that came onstream in 2009, almost all of it is being exported from Alberta in raw form. Even stalwarts like Suncor and Syncrude, who traditionally have upgraded all of their bitumen in Alberta, are starting to export increasing amounts of raw bitumen.

Another example I draw your attention to from today's news, on the front page of the business section in the *Globe and Mail*, is a story about Husky Energy making a decision to invest another billion dollars in the Alberta oil sands. It's important to note that the project that is discussed in this article, the Sunrise project, will be an extraction-only project, and that Husky will be sending all of the bitumen produced from that mine to two refineries that they've bought in the Ohio area.

Without more Alberta-based upgrading, Canada will lose thousands of good jobs in upgrading and refining and associated petrochemical production. Thousands of jobs in plant maintenance and other spinoffs will also be lost. Instead of creating long-term value-added jobs in places like Fort McMurray, Fort Saskatchewan, or Edmonton, those jobs will be shipped down the pipeline to places like Ohio and Illinois. Once the Keystone XL pipeline is complete, many of those jobs will be sent to places like Texas, Mississippi, and Alabama. That's the first big crack in Alberta's economic edifice, and from our perspective it's opening to become a big chasm.

The second crack that I'd like to talk about has to do with royalties. The starting point for this discussion is a reminder about who owns Alberta's energy resources. It's not the energy companies. It's not the pipeline companies. Despite all their talk about continental energy strategies, it's not the American government. Instead, our energy resources are owned by the Canadian public. And in the case of Alberta's oil, gas, and oil sands resources, they're owned by Albertans. Royalties aren't a price we pay. Royalties are the price we as owners charge energy companies to develop and sell the resources. This is an important point. Royalties are not a tax. They're a price, a price we receive for selling something we own, and which energy companies pay for something they need to run their businesses.

It's also important to note that royalties are only paid after the company using the resource has paid off its costs and taken a normal profit of roughly 10%. Everything earned over and above these amounts is what we call resource rent. The problem we're experiencing in Alberta is that our provincial government has been, from our perspective, lax in collecting the rents that are owed to them as owners of resources.

In that regard, I'll draw the committee's attention to a recent study produced by the Parkland Institute, which is housed in the faculty of arts at the University of Alberta. In the study entitled “Misplaced Generosity”, which was released last week, the Parkland Institute demonstrates that despite having a stated target of collecting between 50% and 70% of resource rents from the energy sector, the Alberta government has consistently failed to meet those targets.

As an average over the last ten years, they haven't even met the lower range of that target. So, on average, over the last ten years the Alberta government has collected only 47% of available resource rents. The result is that they have forgone literally billions of dollars in revenue that could have been taken in by the government on behalf of the citizens who own the resource and been made available either for savings or to spend on valuable public services. Those figures refer to the energy industry as a whole.

The situation is even worse when it comes to the oil sands. On average, over the last ten years the Alberta government has collected only 14.6% of available resource rents.

I see that I'm being asked to wrap up, so I'm just going to skip over the unintended consequences—I would encourage the committee to ask me a little bit about that when it comes time for questions—and talk about solutions. In particular, I want to present two suggestions and pose a question.

● (1200)

From our perspective, the first solution that should be considered by both provincial and federal governments is to begin negotiation on the establishment of a national energy plan. We are one of the few energy-producing jurisdictions in the world that doesn't have an overarching energy plan to deal with things like job creation, building industries, environmental impacts of development, and creating opportunities for green energy. As a result of this lack of a plan, decisions are being made, but they're not being made by elected people like yourselves who are accountable to the public; instead, the decisions are being made by industry. I would submit to you that what's good for the industry may not be good—and in many cases it is not good—for the public.

The second suggestion we have, which relates to the first, is that in order to build an energy policy that supports the public interest, governments at the provincial and federal levels should get over their reluctance to consider a more interventionist approach to the oil sands. In particular, I think the Alberta government and the federal government should learn lessons that were learned by the previous Alberta government of Peter Lougheed. He built a petrochemical industry in Alberta where none had existed before explicitly by using the levers of economic public policy to create the conditions for investment.

The final thing I want to do is to ask a question. Given the track record of the Alberta government on these issues, can that government be left on its own to make decisions that obviously have impacts not only on the province of Alberta, but across the country? We're a small economy, with a small population, and I would argue that in many ways our provincial government has become captive of the industry; it cannot by itself make decisions about the development of the resource in the broader public interest.

I'll wrap up there, and I'd be happy to answer questions.

● (1205)

The Chair: Thank you all very much for your presentations.

We'll go now to questions and comments.

I do want to point out that Marcel Coutu, from Syncrude, can only be here until 12:30. So if you'd like to ask him questions, maybe think about doing that in the first round.

We'll go to questioning, starting with Mr. Andrews, for up to seven minutes.

Go ahead, please.

Mr. Scott Andrews (Avalon, Lib.): Thank you, Mr. Chair.

And thank you to our witnesses for coming in today.

I'll address my first question to Mr. Coutu.

Early in your statement you said that without developing the oil sands we'd have to import our oil. Considering we're doing a study on our energy security, I'm wondering if you could elaborate on that point a bit more. You referenced some numbers there—that if we do not develop we would have to import from other countries. I think you're probably the first witness so far to make reference to our own energy security, so I wonder if you could elaborate on that a little.

Mr. Marcel R. Coutu: I certainly can, and I'm going to give you some round numbers. Canada produces somewhere around 3 million barrels a day of crude oil, a little bit more when you start to include natural gas liquid. We export between 1.5 million barrels and 2 million barrels a day of oil.

The oil sands industry produces about 1.5 million barrels a day and Canada consumes about 1.5 million, so if you do the math, it leaves you short in Canada by up to 500,000 barrels a day. These are very round numbers, but I can say that I think we have crossed the threshold of being able to supply Canadian demand with only our conventional production. Conventional production by itself is not enough to supply Canada. It is in decline, and it has been for about five years now.

Without the oil sands, we're a net importer. That's a clear data point.

Mr. Scott Andrews: Thank you.

My next question is for Gillian.

Gillian, you mentioned the toxic tailing ponds. Has there ever been an incident with the tailing ponds breaking their dams in Canada?

Ms. Gillian McEachern: There has been an example with one of Suncor's ponds. There was a breach in the dam wall; it's been fixed since then. Worldwide, the type of dam that's used for tailings is ten times more likely to fail than a conventional hydro dam, let's say, so in general they are a risk.

The example I mentioned of the failure in Tennessee two years ago was a coal ash dike. Coal ash is one of the wastes they have in the U.S. from coal-fired power production. Its construction was quite similar to the tar sands tailings ponds, where it built up over time—higher and higher. One of the walls failed, and toxic sludge ran into the Emory River.

Mr. Scott Andrews: In Canada we haven't had a major breach of a tailings pond.

● (1210)

Ms. Gillian McEachern: We have not yet.

Mr. Scott Andrews: You said there are problems with these ponds in Canada. If we haven't had a breach, where do you see the problems being?

Ms. Gillian McEachern: There have been reports. I can direct you towards a study that the Pembina Institute did that dug up engineers' reports from some of the existing tailings ponds that cited concerns about weaknesses in their walls.

Mr. Scott Andrews: My next questions are to Gil, just a little further conversation about refining in Canada.

You mentioned that your organization has done a number of reports over the years saying that Canada has not lived up to refining its own natural resources. How do we encourage companies to do more refining here? How do we get to the crux of the problem of why we aren't refining more within Canada?

Mr. Gil McGowan: Well, I think it boils down to a philosophical decision made by the Alberta government. In the past, previous conservative governments in Alberta, in particular the government of Peter Lougheed, have used a mix of regulation and even in some cases public ownership to promote value-added production in the energy sector.

More recent Alberta governments have basically left decisions about investment to the market. The market is deciding, and they're deciding to build their upgrading facilities south of the border for a couple of reasons, first because it's cheaper for them in some cases to simply retool existing refineries in places like the American Midwest and the gulf coast, which are major petrochemical hubs in the States, rather than building new facilities here. The decisions are also being driven in that direction by the push for the development of pipelines. So up until recently, pipeline capacity, especially for exporting raw bitumen, was more limited, but as a result of recent approvals by the National Energy Board we now have what we would describe as bitumen superhighways taking resources.

This interest among American companies to have a continental strategy and to build in the States, together with the fact that we've basically built piping that allows them to bring the bitumen there, has provided an incentive for companies to ship across the border.

Our position is that while it may make all sorts of sense for individual companies to do their upgrading and refining in the States, that doesn't necessarily make that decision something that's in the public interest of Canadians or that should be supported here.

I think we should learn lessons from the Lougheed era in particular. There's a very close parallel, actually, between what happened in the 1970s with natural gas and petrochemicals and what's happening now with bitumen. Back then the concern that faced the new Lougheed government when it first assumed power was that natural gas was being exported in its raw form, and what they called natural gas liquids, in particular ethane, were being shipped south and being used as a feedstock for petrochemicals and plastics and that kind of thing. So the plants in eastern Canada and the United States were getting all the jobs and value from this.

Peter Lougheed and his government decided that wasn't in the interest of the broader Alberta public, so he used a mix of regulation and public investment to change the situation. For example, the Alberta Energy Company, which was eventually privatized to become Encana, was a public company created by the Alberta government to take this valuable ethane and turn it into petrochemicals. So they created a multi-billion-dollar industry that hadn't existed there before.

The short answer to your question is that what we need is a willingness to consider an active role for government that's not currently being considered, so we need regulation and public control. Otherwise the market will continue doing what the market has been doing, which is exporting literally thousands and thousands of value-added jobs down the pipeline.

The Chair: Thank you, Mr. McGowan.

Thank you, Mr. Andrews.

We go now to the Bloc Québécois and Madame Brunelle for up to seven minutes.

[*Translation*]

Ms. Paule Brunelle (Trois-Rivières, BQ): Thank you, Mr. Chair.

Good afternoon, Mr. Coutu.

We often hear about the disastrous effects that oil sands production has on the environment, on fauna—

● (1215)

[*English*]

The Chair: Madame Brunelle, could you just wait a few seconds while we get some earpieces in place for our witnesses?

[*Translation*]

Ms. Paule Brunelle: Very well.

[*English*]

The Chair: Continue, please.

[*Translation*]

Ms. Paule Brunelle: Mr. Coutu, more and more, we see—

[*English*]

Mr. Marcel R. Coutu: I did not hear Ms. Brunelle's comments. I heard the first two sentences, and then it went silent. I'm happy to comment on some of the questions that have been raised, but to Ms. Brunelle, you'll have to repeat what you said.

The Chair: She's starting over, and will continue now.

Mr. Marcel R. Coutu: All right. I'll listen, but I'll jump in if I can't hear.

The Chair: Okay.

[*Translation*]

Ms. Paule Brunelle: Mr. Coutu, more and more, we hear how detrimental oil sands production is to the environment. It affects fauna, forestry and so forth. I went to Alberta at the end of the summer. One report talked about high levels of refuse metals and toxins in the Athabasca River.

What is your response to that? Does Syncrude plan to respond, to do anything about that? Have you improved your processes or practices?

[*English*]

The Chair: Mr. Coutu.

Mr. Marcel R. Coutu: Thank you for your question.

My understanding of your question is that it's with respect to the impact on the biodiversity of forests and fauna, etc., and also about what is in the river's water chemistry and what processes we use.

We do open-pit mining, so we do strip all of the forests. We preserve all of the topsoil. We do our mining operations. When they are complete, we replace that topsoil and replant the trees. This process takes anywhere from 20 to 40 years. We have proven that we can do it. As I mentioned earlier, we've been in business long enough, for 30 years, to have fully reclaimed and returned re-certified land to the province. So I think that cycle works quite well.

To your other question, about river toxicity, remember that the river cuts through the Athabasca formation of oil sands. So the oil sands formation actually intersects the river, and has ever since the river started cutting through this region many millennia ago. So the toxicity level is a reflection of the riverbed, if you will, and we have no impact on that. The oil sands mining industry does not return any processed water whatsoever to the river. There are some sanitation water returns that happen, but that's the same as any municipality: it's treated water. But all the processed water is contained in our tailings ponds and we recycle it in our process. So we do not affect any of the river's chemistry and we only extract, on average, 1% of the river's flow.

I think our processes are fairly well proven. They are under strict scrutiny by the Alberta government and are monitored by two independent water panels.

While I'm at it, if I could, Mr. Chairman, I'll comment on a couple of other questions relating to water. To my knowledge, there have been no breaches of earth-filled dams at Syncrude or elsewhere, and if there have been, they've probably been very minor, which is why I've never heard of them. I've been in this business over ten years. The dams are closely monitored by geo-technical experts, both within industry and by outside third-party independents. We have wells drilled around all these tailings ponds so that we can monitor any flow through the ground. Through these wells and through interceptor ditches, we collect any leakage that comes from these dams and pump it back into the tailings ponds. So that water is maintained and continues to be recycled. Of course, as it evaporates it returns to the atmosphere quite cleanly that way.

In the long term, which Suncor has proved up, these tailings ponds do get filled with sand and sediment and are finally topped off with topsoil and reclaimed as well.

I'll perhaps leave my comment on that, but I'd be happy to comment on upgraders, if you like, as well as on creating wealth for the future from these vast operations.

● (1220)

[*Translation*]

Ms. Paule Brunelle: Thank you, Mr. Coutu.

Ms. McEachern, you raised a number of interesting points, including the economic impact of oil sands production. That is something we do not hear a lot about. The oil sands have led to a strong dollar, which in turn has led to a drop in exports, so it is harder and hard to export goods. In Quebec, as in Ontario, many manufacturing companies have shut down. You said we need an energy plan that works for the entire country. I think that is a very good point.

In this committee, we study energy security, but we never talk about energy savings. We want to ensure the country's energy security, but why is there so little focus on saving energy? We do not talk much about clean energy, renewable energy. Should we expect a national energy plan such as the one you described to include both of the elements I just mentioned?

[*English*]

Ms. Gillian McEachern: Yes, I think addressing the economic impacts and implications of our energy security is absolutely a role for this committee and any type of national energy strategy or discussion. We see provinces like Ontario and Quebec investing heavily in the transition to cleaner energy sources—getting off coal in Ontario, and Quebec of course has hydro power—and creating jobs in that process, thereby receiving some economic benefit for it.

I think until we have a national-level discussion and debate about how to deal with some of the negative impacts of increased tar sands production, it's hard for us to come to a true national energy strategy. We need to figure out how to look at examples like Norway, how to adapt to that, and then have an honest discussion about the pace and scale of energy development in Canada, particularly fossil fuels, in light of the need to address climate change.

There is one issue related to regional fairness that I didn't bring up in my earlier remarks. As we trek toward a federal system to reduce global warming pollution, to reduce greenhouse gases, we have a set target for the country. In theory, we have a hard limit on greenhouse gas emissions. If one sector continues to grow quite rapidly, what that risks doing is squeezing other sectors of the economy into a smaller and smaller piece of the carbon budget. Some in the oil industry, including Mr. Coutu, on a tour to Ontario last year, think that's okay and should be allowed. But from the perspective of an aluminum plant in Quebec or the forestry industry in Ontario, it probably isn't that palatable.

Should one sector be allowed to grow and squeeze everyone else into greater reductions as a result? Or do we need to actually set some absolute limits on polluting industries like the tar sands?

The Chair: Thank you, Ms. McEachern. We're out of time.

Before I go to Mr. Cullen, Mr. Coutu, we have two more questioners of about seven minutes each. If it would be possible for you to stay just a few minutes beyond 12:30, that would be much appreciated.

Mr. Marcel R. Coutu: Mr. Chairman, I'm happy to extend my stay here, so I would appreciate dealing with those as soon as we can.

The Chair: Mr. Cullen, up to seven minutes.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Thank you, Mr. Chair.

Mr. Coutu, as you see, our time together is brief, so I'll keep my questions brief, if you could as well with your answers as much as possible.

There's been a call from various sectors of the Canadian economy for a national energy security strategy—or at the very least, a discussion. Would Syncrude be opposed to such a conversation?

Mr. Marcel R. Coutu: No. In fact, I would think folks should recognize that we've been one of the proponents to entertain a national energy strategy of sorts, so that all of us can do a bit better planning with respect to the development of the oil sands.

● (1225)

Mr. Nathan Cullen: Thank you.

Some of the elements that are commonly referenced when talking about energy security is that a country needs an affordable, safe, and sustainable energy future. Are those the three key elements that you would also consider in this conversation?

Mr. Marcel R. Coutu: I think we need the energy security for ourselves. But remember, when it comes to crude oil, it is a global market. You should not act unilaterally as a country, because all you'll do is isolate the economics you create with whatever subsidies or other policies you might bring to bear. So you always have to deal with oil from an open, free-market type of perspective.

I'll remind you as well that we are tied to doing this with the United States in our free trade agreement. We do not have the ability to subsidize this business, or withhold exports, etc. So the approach needs to be global.

Mr. Nathan Cullen: Sure, that's appreciated.

Can you understand Mr. McGowan's concerns about the export of raw bitumen and the associated export of jobs? To review the numbers, we're going from 70% upgrading in Canada to a proposed 48% by 2019 if the planned pipelines proceed. I know you're not a pipeline company, but I'm sure you're a proud Canadian and Albertan, and the idea of having more than half of the material upgraded and value-added abroad is probably troubling for you.

Mr. Marcel R. Coutu: I not only understand Mr. McGowan's concerns, I sympathize with him. I am as Canadian as the next guy, and I would very much like to see more of any product that we make here being upgraded in Canada.

The unfortunate economic reality we're facing is that some of the existing upgrading capacity in the U.S. is being freed up. I understand that some of it has been built as an adjunct to existing refineries, which means it can be done a lot less expensively in those locations. But some of it has become freed up for no money, in large part because other heavy crudes from Venezuela, Mexico, and even the Middle East have reduced their volumes to the U.S., making all this upgrading capacity available at a very low cost, and bidding up the price of competing for this feedstock from Canada.

That has made building upgrading capacity here from grassroots extremely uneconomical and very expensive, and that disadvantage has been compounded by the fact that labour rates, which probably make up half of the cost of doing anything, are much more expensive in Canada than in the U.S.

Mr. Nathan Cullen: Let me get to that.

Mr. Marcel R. Coutu: Well, let me finish.

For this reason, you will not get a single person with an economic mind to invest in upgrading capacity. The only way you could do it is by subsidizing it with government money, and this subsidy would be like burning money. That is what I would suggest to you at this point.

Mr. Nathan Cullen: In your presentation, Mr. Coutu, you talked about the economic vitality and importance of the tar sands and what they bring to Canada, but in the same breath you said that economic realities would lessen that impact over the years.

Mr. McGowan, Mr. Coutu says it's simply the law of economics that because cheaper upgrader capacity has been made available south of the border, we must continue to allow more raw bitumen to leave Alberta, and consequently more jobs to leave Alberta. Is there a place for the federal and provincial governments to say we must seek, as Mr. Lougheed did, to create wealth for Canada from Canadian resources?

Mr. Gil McGowan: I don't think Canadians should throw up their hands and say that the decisions have been made by market forces. At the end of the day, from our perspective, it's a choice made by our leaders. It's unfortunate that this choice has been made more difficult by the fact that the Alberta government and the federal government, through the National Energy Board, have approved the construction of these very large bitumen super-pipelines that connect Alberta to these refineries that are looking for new feedstock. If that decision had not been made, if those approvals had not been granted, we would have been in a better position to upgrade here.

In fact, the Alberta government knew that by building these pipelines they would actually be undermining their own competitive advantage. Before the construction of the Keystone pipeline and the Alberta Clipper pipeline, their own economists were telling them that one of the great competitive advantages Alberta had was that its refineries had access to relatively cheap feedstock in the form of bitumen. Bitumen was sort of a stranded resource. It needed more refining than traditional crudes. The result was that it was cheaper. We could have used that cheap resource to feed our refineries and create a more expansive refining industry, but we undermined that competitive advantage by building these pipelines.

Having said that, that has happened already. So what we're left with now is a choice. The only choice is some form of export restriction, which is exactly what Peter Lougheed did in his day. He basically said that in the case of natural gas, natural gas by-products, especially ethane, would have to be made available to Canadian companies for value-added production, and they couldn't be exported until all Canadian demand had been satisfied.

● (1230)

Mr. Nathan Cullen: Let me get a question to Ms. McEachern before we run out of time here.

We talked about tailings ponds. The question was whether any of the dams had ever failed. Every company has to submit an emergency response plan. Are you aware of whether Syncrude or other companies have made public their emergency response plans in case of failure of any of their dams?

The Chair: You have ten seconds to answer, Ms. McEachern.

Ms. Gillian McEachern: No, they have not. People have asked Alberta and the companies, and they have refused.

The Chair: Thank you.

Thank you, Mr. Cullen.

We go now to Mr. Shory, for up to seven minutes.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Mr. Chair, and thank you to the witnesses for coming out this afternoon.

I'm swamped with all the numbers, Mr. Chair. There are so many conflicting views here. On the one hand, we are studying energy security here. I believe we all understand that the requirement for energy will increase globally in the coming days. Mr. Coutu made a comment that all forms of energy should be developed responsibly. It seems, from his presentation, that the oil sands sector is improving technology consistently and is working in a responsible manner.

I have a couple of questions for Mr. Coutu. He mentioned one word. He said that the oil sands industry is economically vital, not only for Alberta but for Canada as well. First, I would like you, Mr. Coutu, to elaborate on that.

I'll ask another question after that. Basically, what I need from you is whether the industry's development has any impact on Canadian jobs or Alberta jobs. And how does it affect jobs directly or indirectly?

The Chair: Go ahead, Mr. Coutu.

Mr. Marcel R. Coutu: I'll give you an overarching statistic that is current. The Canadian Energy Research Institute published a report less than a year ago. That report said that over the next 25 years, the oil sands industry will provide $1.7 trillion to the Canadian economy. That is a tremendous amount if you string all those zeros out. But I can translate that into the number of jobs, and those are jobs across the country. That translates to 500,000 jobs for Canadian workers, and those would be spread across the provinces. I won't go into the numbers by province. Obviously most would be in Alberta, but quite a significant number would be in the east as well, including in Ontario and Quebec.

Mr. Devinder Shory: On these jobs, I heard the representative from the Alberta Federation of Labour. Mr. McGowan mentioned that the total amount of bitumen being refined in Alberta has dropped from 70% to 63%. However, the actual quantity of bitumen being refined has increased. In my opinion, the drop in overall refining does not necessarily indicate a real loss of jobs in Alberta.

So in this regard, Mr. Coutu, can you please comment on what the expansion of the oil sands means in terms of job gains for my province of Alberta and for Canada at large as well?

● (1235)

The Chair: Mr. Coutu.

Mr. Marcel R. Coutu: I'm not sure I have your question right, but the gist of your point is that although less bitumen on a percentage basis is being upgraded here—you are correct—more bitumen has been upgraded. In fact, I'll just comment about Syncrude. Syncrude, which is the largest mining project, does not sell a single barrel of bitumen. We upgrade every single barrel that we sell. Suncor is very close to that kind of status, as is Canadian Natural, as is Shell. So the mining projects, by and large, upgrade most of their production; and when I say most, it's 90% or more, and some of those are very new projects. So it has increased on an absolute-barrel basis.

So as bitumen has increased its flow into the U.S. and into U.S. upgraders, we have not lost any jobs in the province. In fact, all of the production that has been growing has increased jobs in general.

What I would agree with is that we certainly would have more jobs in Canada if there were more upgrading happening here, but I think the money you would spend to create those jobs would exceed the benefit of actually paying those workers. So I think the right economic decision is being made during this period of time when the differentials, the price for an upgraded barrel versus the price for bitumen—which is the real driver in this——are very close.

So there's not much profit to be made in upgrading, which is why people don't want to get into that business. If that differential changed and went back to historic levels, you would see upgraders built in Canada again in the future, and that's what really drives that economic choice.

Mr. Devinder Shory: I have one more quick question.

Mr. Coutu, recently I have seen that oil sands operations have raised a number of environmental concerns, and I can see Ms. McEachern using tar sands instead of oil sands, even though on the other hand you said we are fortunate to have this wealth or treasure in Canada. The question is how does the industry plan to further reduce the total greenhouse gas emissions from oil sands operations?

Mr. Marcel R. Coutu: Greenhouse gases are a tremendous challenge for all of us. I think, so that everybody's on the same page, greenhouse gases are created by the consumption of energy in any form. We consume primarily natural gas energy, and there is consumption of the off-gases from upgrading the fuel.

We continue to improve that ratio of consumption versus production of oil by applying new technologies and more capital investment. As an industry, we have reduced that greenhouse gas footprint by 40% in the last 20 years. I think that is three or four times better than the improvement in natural gas consumption or in carbon dioxide emissions or gas consumption by the automotive sector, which has been working to improve its gas mileage. So we're all in this together in terms of efficiency of energy and carbon dioxide production. We are spending probably more than any other industry and having greater improvements than any other industry, and we continue to do so.

Mr. Devinder Shory: I'll throw this question out to everyone.

Last year, I believe it was, I heard some politicians suggesting or recommending that we should the stop the expansion of the oil sands totally. The question is—and anybody can answer this—would stopping the expansion of oil sands help Canada in any manner whatsoever economically?

Mr. Marcel R. Coutu: Stopping the oil sands in any rapid way would be extremely complicated, because there is a lot of capital that has been invested in the oil sands that has not yet come to fruition in terms of production.

It's like any contract. We have attracted capital to the country and capital continues to be invested. Production grows. If you were thinking about stopping the oil sands you would probably only start doing it 20 or 30 years from now if you want to honour the contracts that are in place.

Growth in the oil sands—I would put it to you this way—is not phenomenal growth. I think people quote a lot of numbers about production doubling within 10 or 15 years. I think that is a huge challenge. We will be fortunate if we're able to grow at the rate that we have grown historically.

And I think the growth continues to be more and more responsible. Growth on the mining side, which is the area that is the most focused, because visually it is not as appealing as the conventional drilling industry.... But the priority in growth over the next 20 to 30 years is going to be drilling, because 80% of the resource needs to be extracted by drilling technologies. We can no longer mine outside of the envelope that we're in today, because the reservoir is too deep and non-economic—

● (1240)

The Chair: Mr. Coutu—

Mr. Marcel R. Coutu: So I think we should let the mines play out and be very careful in watching how the drilling industry continues to exploit this resource as they have for years—

The Chair: Mr. Coutu, I have to cut you off there. Mr. Shory's time is more than up.

I know you have to go. I just want to thank you very much for appearing by teleconference as a witness today. Thank you.

Mr. Marcel R. Coutu: It was my pleasure. I'm happy to be here.

Goodbye to everybody.

The Chair: We go now to the second round, and four minutes each is all we'll have time for.

We start with Mr. Tonks, and possibly Mr. Andrews if Mr. Tonks keeps his questions short.

Mr. Alan Tonks (York South—Weston, Lib.): That's a challenge. Thank you, Mr. Chairman.

My question is directed at comments that Ms. McEachern made. We've been sort of under the illusion that the issue around the tailing ponds was one that was related to the leaching and the leaking into the water tables of those toxic chemicals that are in the ponds. Ms. McEachern talked about what happened in Hungary, and we all have that as a graphic illustration of what could happen. Is the suggestion that this is the scale, that there could be a disaster up in the area of the oil sands?

Second, is there the equivalent of a remedial action plan? It's on the heels of Mr. Cullen's questions. That is, a remedial action plan that could gauge what is being done, the analysis and nature of the danger, and a documented and chronological accountable plan that has to be submitted.

Ms. Gillian McEachern: To answer your last question first, no, there isn't. But I'll step back a bit. The issue of leaching from the tailings ponds is definitely a big one, so I'm not discounting that. We took industry's own data, their estimates of how much is leaking out each day, to compile it, and it amounts to 11 million litres each day. That's based on industry's estimates. So that's a large concern.

As for the possibility for a breach, the volume of liquid that's held back by the dams in the tar sands tailings ponds is much greater than what we saw in Hungary. Right now, almost a billion cubic metres of toxic waste is being stored on the landscape in various ponds.

So I can't say what volume would get released, but some of these ponds are 300 feet deep, so it's a very large volume of liquid. Because we've seen similar types of dam structures fail in other parts of the world, we can't discount that this will never happen here. It would be foolish to.

The federal government has no emergency response plan. The Alberta government has no emergency response plan. It's downloaded to industry. They do not release those emergency response plans because they claim it's proprietary. So the public, the federal government, has no way to assess how prepared those individual companies are. That's the concern. The federal government has a clear role because of the potential for trans-boundary impacts and the Fisheries Act impacts.

The Chair: Mr. Andrews, you have a minute and a bit.

Mr. Scott Andrews: My question is to Mr. McGowan, on a related topic that hasn't come up here today.

We talk about representing the Alberta Federation of Labour. Where are we with training, lodging, expertise in the oil sands? Do we have a training gap? I know a lot of workers are working across the country in this, and I don't know if you want to touch on within Alberta. As a country, do we have skilled workers training in place in relation to the oil sands?

The Chair: Mr. McGowan, go ahead.

Mr. Gil McGowan: The best way to answer this question is in the context of an issue that hasn't been touched on but I think is central to the development of the oil sands, and that has to do with pace.

Until this point, projects have proceeded whenever the energy companies developing them have requested it. So they participate in a land sell, they make an application for development, and they're almost always approved. There's no regulation of pace or one after the other.

Our former premier Peter Lougheed suggested that to manage development both in terms of the environment and the economy, it might make better sense to approve only one major project at a time. That hasn't happened.

It's almost like those old Three Stooges movies where all the stooges get caught in the door because they're trying to go through at the same time.

● (1245)

The Chair: Thank you, Mr. McGowan. I'm sorry.

Ms. Gallant, up to four minutes.

Mr. Gil McGowan: I was getting to training. We can do it if we pace development. That's my point.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Thank you, Mr. Chairman.

I'll be sharing my time with Mr. Allen, if there's any time left.

I have the latest WikiLeak. We might well call it a Wikipedia leak. According to Wikipedia, the word "tar" is used to described natural bitumen deposits. The use of that word is a misnomer, since chemically speaking tar is a man-made substance produced by the destructive distillation of organic material, usually coal. Coal gas as a fuel has been almost completely replaced by natural gas. Coal tar, as a material for paving roads, has been replaced by the petroleum product asphalt. So naturally occurring bitumen is chemically more similar to asphalt than to tar, and the term "oil sands" is more commonly used in the producing areas than "tar sands" because synthetic oil is manufactured from the bitumen.

This is a serious committee. It's a standing committee in our nation's House of Commons. As such, we want to be accurate. So unless we're trying to make a juvenile slur, I would ask that we refer to the oil sands as such.

The witnesses mentioned they're not for profit. Through you, Mr. Chairman, I would like to know exactly where they get their funding from.

The Chair: Starting with Ms. McEachern, where do you get your funding?

Ms. Gillian McEachern: I would direct Ms. Gallant to our annual report on our website. I could send a link to the committee. It outlines our funders.

The Chair: Mr. McGowan.

Mr. Gil McGowan: Mr. Chair, our federation is funded by unions that voluntarily affiliate with our organization. There are 27 unions in both the public and private sectors representing about 140,000 Alberta workers. They pay dues to their unions, which in turn pay dues to us.

Mrs. Cheryl Gallant: I really would like the witness for Environmental Defence to have on the record, to name, if she can, some of the sources of revenue for the non-profit organizations.

Mr. Nathan Cullen: Point of order.

The Chair: Excuse me, Ms. Gallant.

Point of order, Mr. Cullen.

Mr. Nathan Cullen: I understand where Ms. Gallant is potentially going with this, and I don't doubt that Ms. McEachern can answer it, but I think it's an attempt to seek to undermine the credibility of a witness before the committee.

The Chair: Mr. Cullen, that is a point of debate.

Mr. Nathan Cullen: Hold on for a minute, Chair. This has come up before when we've attempted to understand the affiliation of different groups, and we've been ruled that the line of questioning hasn't been in order simply because today what we're trying to attempt is to get an energy security dialogue. If Ms. Gallant wants to go through the records of each of the witnesses—I know she didn't do that for Mr. Coutu and where his money comes from—I'm not sure this is a profitable path of discussion for the committee to try to —

The Chair: Mr. Cullen, that's not a point of order.

Ms. Gallant, it's a legitimate question.

So could the witness answer the question, please?

Ms. Gillian McEachern: As I mentioned, I can submit for the record our annual report, which lists our funders. I can throw out examples, but I don't see how useful that is right now.

The Chair: Ms. Gallant.

Mrs. Cheryl Gallant: Thank you, Mr. Chairman.

I would like to ensure that the list of funding sources is provided to all members of the committee. I haven't looked at the website. I genuinely don't know where the funding comes from. But I know that in the course of our studies, when different studies do arise—

● (1250)

[*Translation*]

Hon. Denis Coderre (Bourassa, Lib.): Point of order.

[*English*]

Mrs. Cheryl Gallant: —the allegation is made that—

The Chair: A point of order by Mr. Coderre.

[*Translation*]

Hon. Denis Coderre: I will say this in French, in order to keep myself in check.

It is totally unacceptable to use the committee as a venue to insult credible people who are here testifying in good faith. It is fine to ask about substance, but when it comes to form, that is something entirely different. When a member goes so far as to question the source of funding, implying that these people may have ulterior motives related to goodness knows what, I think it is incumbent upon the chair to stand up for the witnesses in question. They are here in good faith. Democracy, as I understand it, does not allow for that kind of questioning.

[*English*]

The Chair: Thank you, Mr. Coderre. That was not a point of order.

Ms. Gallant, please continue with your questions.

Mrs. Cheryl Gallant: When studies are referred to in this committee—

Hon. Denis Coderre: Using money from the nuclear—

The Chair: Order, please.

Mrs. Cheryl Gallant: —the members always want to know if the oil companies have or have not funded all, or part, of these studies. So if it is good enough for one side of the argument to ask these questions, I believe it's fair for our side to ask these questions.

Thank you.

The Chair: Thank you, Ms. Gallant.

We go now, for up to four minutes, to Monsieur Ouellet. Go ahead, please.

[*Translation*]

Mr. Christian Ouellet (Brome—Missisquoi, BQ): Thank you, Mr. Chair.

I am delighted to see you again in this committee. The way I see it, not much has changed in two years. We still do not have an energy security plan. My question is for Mr. McGowan, but Ms. McEachern can also respond.

I do not think we need to adopt a Canada-wide strategy. It could be done on a regional basis. Regardless, do you think it would be possible to come up with an energy security plan based solely on market relations? In other words, we are trying to achieve energy security with oil because it has a high price tag, rather than focusing, as my colleague said, on energy efficiency. But that efficiency has to be accompanied by a reduction in our energy consumption.

In Quebec, last week, a scientist said that if Quebec were to take everything it does not use and artificially convert it into methane, the province could meet 60% of its artificial and natural gas needs.

Can you suggest any ideas for replacing oil? Instead of always coming back to tailing ponds, let's leave them be and stop using that resource. Can you tell us what other solutions a country like Canada could adopt as part of a well-balanced energy security plan?

[*English*]

The Chair: Mr. McGowan, could you try to give an answer in a minute, so that Ms. McEachern has a chance as well?

Mr. Gil McGowan: There was a lot there, but the part of the question I'd like to address has to do with the member asking me whether or not we can have an energy plan that's created, as opposed to one imposed by government. My answer is that we already have a de facto energy plan that is the result of market decisions, and it's not serving Canadians well. In fact, basically what they're saying, through their investments and efforts to lobby the Alberta government, is that we should develop the resource as quickly as possible and export as much of it as quickly as possible.

A real energy security strategy from our perspective would look at things like the environment, like jobs, like providing energy first to Canadians, and then, second, for export. That can't happen in a model that's purely driven by the market.

● (1255)

The Chair: Thank you very much.

Ms. McEachern.

Ms. Gillian McEachern: I'd agree with a lot of what Mr. McGowan said. I believe part of what you were making a point around is that we need to deal with energy efficiency as part of a real energy security strategy to reduce our overall use of energy.

From my perspective, a true energy security strategy would also be transitioning us to renewable sources of energy. Inherent in that is needing to address the need for jobs in the energy sector. Energy efficiency also creates jobs, as we saw with the hugely successful federal ecoENERGY retrofit for homes program, which was creating ten dollars of investment per dollar of federal funding for things like retrofitting windows and doors, etc.

Saving energy can create jobs as well, and that needs to be part of it.

The Chair: Merci, Monsieur Ouellet.

We go finally to Mr. Allen, for up to four minutes, please.

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

And thank you to the witnesses for coming.

Ms. McEachern, I want to follow up on the tailings pond leakage. Mr. Coutu indicated in his testimony that they were collecting all the leakage. Then you're indicating those were industry estimates—the 11 million litres per day.

When they gave that information to you, was there any indication from the industry with respect to that being collected? Mr. Coutu seemed to say it was being collected, and at the same time he also indicated in response to Mr. Andrews' question that we have not suffered a major breach in Canada.

Ms. Gillian McEachern: Those numbers were based on industry estimates after they had accounted for what they collect, so that was their estimate of what gets through. It was a compilation of all the industry assessments of that from their environmental impact assessments.

Mr. Mike Allen: I'm not going to put words in your mouth, but you're inferring that Mr. Coutu saying everything is getting collected, the only thing they were emitting out is really their potable water and other types of things, which will be treated almost like a municipal water system.... You're inferring that's not correct.

Ms. Gillian McEachern: We compiled it for the entire industry, so I cannot provide Syncrude's specific numbers. But as an industry, each company estimates how much gets through after they take into account the pumps that pump the leaked water back into the tailings ponds. That's what our number was based on.

It is an issue of concern. Since they've created those impact assessments perhaps they've developed better technology to collect the water, but there are no numbers around that, which is part of the problem.

Mr. Mike Allen: Okay, that's helpful.

Mr. Coutu was also talking about the transition from the open pits, which we've seen. We travelled to Fort McMurray and we saw that. But he said we're going to be drilling in the future to where 80% is going to be more on the in-situ side.

Have you done any studies with respect to the change in greenhouse gas emissions that would be coming because of that change?

Ms. Gillian McEachern: Yes, the greenhouse gas emissions from in situ are higher than the open pit mines because they require more energy to pump the steam underground and extract the oil. So over time, the greenhouse gas intensity per barrel is projected to go up.

We hear a lot about the reduction in intensity over the last 20 years —Mr. Coutu referred to 40%—well, the key is it is per barrel. The absolute emissions have continued to rise. A large part of the reduction in emission intensity over the last 20 years was when the industry switched from burning coke to natural gas. That was a one-time shift in reduction, and since then it's flatlined.

Mr. Mike Allen: Can you talk a bit about the future? We've heard a lot in this committee about shale gas, natural gas, and the resources we have, which are huge and all across the country. In fact in New Brunswick, my home province, we have an opportunity with shale gas that is developing now.

With regard to the International Energy Agency estimates, what are your thoughts on our usage going out to 2035? With that amount of natural gas, do you see that as potentially being a proxy, I guess, or a change in our use of standard oil and maybe our mining from the oil sands, as opposed to just going more to natural gas? Because the opportunity is there for natural gas fleet vehicles and that type of thing, as well.

Do you see those estimates being a bit fuzzy because of the amount of natural gas that could come onstream?

● (1300)

The Chair: It should be a very short answer.

Ms. Gillian McEachern: Yes, I think natural gas will definitely be an important transition fuel, but where we need to be tracking is to transition ourselves off fossil fuels over time. Obviously it's decades-long to do that. So natural gas will play an important role.

The IEA estimated that if the world actually acts to tackle climate change, tar sands expansion will not be nearly as great as some of the current industry projections.

The Chair: Thank you.

Thank you, Mr. Allen, and thank you to our two witnesses who were with us here today: Gillian McEachern, program manager, climate and energy, from Environmental Defence; and from the Alberta Federation of Labour, Gil McGowan, president.

Thank you very much.

The meeting is adjourned.

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