



House of Commons  
CANADA

## Standing Committee on Natural Resources

---

RNNR • NUMBER 036 • 3rd SESSION • 40th PARLIAMENT

---

EVIDENCE

**Thursday, December 2, 2010**

—  
**Chair**

**Mr. Leon Benoit**



## Standing Committee on Natural Resources

Thursday, December 2, 2010

•(1105)

[English]

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

We're here today to continue our study on energy security in Canada.

We have as witnesses today, from the Government of Alberta, the Honourable Ronald Liepert, Minister of Energy, Department of Energy. Welcome. By video conference from Victoria we have Ben Parfitt, appearing as an individual. Welcome. And from the Montreal Economic Institute, we have Jasmin Guénette, vice-president, and Vincent Geloso, economist.

That's our first panel for the first hour. We will have presentations in the order that you see them on the agenda.

We'll start with the Honourable Ronald Liepert, Minister of Energy from the Government of Alberta. You have up to seven minutes, sir.

Welcome, and please go ahead with your presentation.

**Mr. Ronald Liepert (Minister of Energy, Department of Energy, Government of Alberta):** Thank you very much, Chairman Benoit.

And good morning, everyone.

I will try very hard to stay within the five- to seven-minute presentation time, but we're politicians. We'll do our best.

It is a welcome opportunity to appear before the committee today. The Government of Alberta has been undertaking an advocacy campaign for the past year relative to responsible energy development, especially as it relates to the oil sands in Alberta. I view this as another opportunity to ensure that Canadians better understand how important this resource is to the country.

The International Energy Agency expects the world's energy demand will increase by 40% over the next 20 years, and oil will remain the dominant fuel to meet that demand. There are 170 billion barrels of oil in the oil sands that are recoverable with today's technology. That accounts, however, for only one-tenth of the total reserves. And if we're even able to double those recoverable reserves—and I believe we will soon, through new technologies—Alberta would place well ahead of Saudi Arabia, the world leader today in total proven reserves.

One in every six Albertans owes his or her livelihood directly or indirectly to the energy sector. And it's not just Albertans who are

benefiting. Tens of thousands of Canadian jobs across this great country are directly or indirectly tied to the success of our industry. There are some 28,000 workers who live in camps in northern Alberta, and more than half of them fly in and out every week or every two weeks from their homes east of the Manitoba-Ontario border. This industry requires billions of dollars in pumps, valves, motors, and other equipment that is manufactured in central Canada. So these jobs mean that Canadians are paying taxes to the federal and other provincial governments, not just to Alberta.

In 2009 Albertans paid an estimated \$40 billion to the federal government in taxes and other payments, while getting back less than half that amount, \$19 billion, in federal services. So that's a net contribution of \$21 billion that is used to support federal programs outside of Alberta.

A healthy economy is also the means to drive high-tech environmental changes. It's only because we have a thriving economy that we can afford to fund research into renewable technologies. It's only because we have a thriving economy that we can fund a \$2 billion carbon capture and sequestration initiative to meet more stringent emission controls. And we're the only government in North America that places a CO<sub>2</sub> cap on large emitters. Companies that exceed the cap must pay into a fund, which now has collected almost \$200 million since it was created in 2007, and the proceeds are allocated to new environmental technologies.

Now over 3.5 million people choose to call Alberta home. They love their forests, rivers, and valleys and will not allow irresponsible resource development. Albertans care deeply about their environment, and they want their government to make that commitment as well. So ensuring responsible development of oil and gas is a provincial responsibility that we take very seriously. Albertans own the resources, they want them developed responsibly, and they will accept nothing less.

The Energy Resources Conservation Board is the province's regulator of oil and gas development, and it's recognized as a world leader. It is adaptable to changing circumstances to deal with new unconventional discoveries, such as oil sands, shale gas, and horizontal drilling.

While the National Energy Board has jurisdiction over such things as regulating cross-border transmission, the provincial agency ensures that our industry is in compliance. Environmental protection is a more shared responsibility, with provincial and federal regulators working closely together. A good example is in air quality, where the comprehensive air management system is developed by the Council of Ministers of the Environment and reflects shared responsibility for air quality in Canada.

Canadians can be assured that we have a clean, secure supply of energy. The federal minister and I, as co-chairs of next year's federal-provincial-territorial energy ministers' meeting, have committed to working toward a national clean energy strategy. This call has also come from other organizations, the most recent being the Canadian Council of Chief Executives.

So Alberta, in conjunction with Natural Resources Canada, will lead the coordination of this work toward a set of common goals and objectives that all governments in Canada can agree on, which will shape a clean energy strategy. This is another example of how we must all work together for a common goal. No one is served by political leaders not respecting each others' jurisdiction in our federation, and we can work together from a foundation of trust that only comes from respecting federal, provincial, and territorial authority. With this trust, we can build and enable the amazing diversity and strengths we have regarding energy right across our country.

In conclusion, I would like to invite your committee to visit Alberta and tour the oil sands. But I would say maybe wait until next spring.

**The Chair:** Thank you, Minister, for your presentation and for the invitation. We actually were going to visit this fall, and the kibosh was put on it for the fall. But I certainly hope that we will carry through in the spring on that. It's well worth the time.

We go to the second presenter now. By video conference, from Victoria, British Columbia, we have Ben Parfitt, as an individual.

Go ahead for between five and seven minutes, please, with your presentation.

**Mr. Ben Parfitt (As an Individual):** Thank you for having me. Good morning.

My name is Ben Parfitt, and I am a writer and researcher based in Victoria, British Columbia.

Recently, I authored a report for the program on water issues at the Munk School of Global Affairs, called "Fracture Lines: Will Canada's Water be Protected in the Rush to Develop Shale Gas?" The report was released in mid-October at a conference that officials from Natural Resources Canada, the natural gas industry, and professional hydrologists and geologists attended and at which they spoke. I am currently researching a report for the B.C. office of the Canadian Centre for Policy Alternatives that will examine the increasing water demands and power needs in the province's expanding natural gas sector.

As all of you have heard, a significant increase in development of unconventional shale gas resources is under way in Canada and is at

its forefront in British Columbia. The province offers a taste of what may be coming down the pipe, as it were, elsewhere in the country.

British Columbia, as you may know, has two major shale gas zones situated in the northeast of the province. The southern-most of those zones is known as the Montney basin. It is in proximity to the communities of Fort St. John and Dawson Creek. The Horn River basin is far to the north and is centred around the community of Fort Nelson.

Most people in the province live 1,000 or more kilometres away from these zones and have little understanding of the extent of industry activities, including industry water usage. I should add here that this is a very different situation from what may apply in the province of Quebec, as Utica shale in that province is developed.

Shale gas production is highly energy intensive, and much of its energy intensity is inextricably caught up in the use of water that is pumped underground in large volumes to fracture or create cracks in tightly bound shale formations. During my research, I obtained information from B.C.'s energy regulator, the B.C. Oil and Gas Commission, on water assignments to the natural gas industry. The information showed that as of April 2010, the OGC had issued energy companies approvals to divert water from 540 different points on creeks, rivers, lakes, and reservoirs in the northeast of the province. If the maximum volume of water assigned to energy companies under those permits were used in a single day, it would exceed by two times the daily water usage by all residents and businesses in Victoria combined. However, this only scratches the surface of what water is being used.

Companies such as Encana and Apache Canada now pump water from deep saline aquifers in the Horn River basin to complete their fracking operations. Others draw water from near-surface freshwater aquifers. Others obtain water from private landowners' wells or borrow pits, and still others are building massive borrow pits, some more than a half kilometre long by 200 metres wide by 13 metres deep, which are intended to infill naturally from near-surface waters in the surrounding muskeg.

Nowhere is information on all water assignments or water takings gathered into one place for the public, a situation common to other Canadian provinces. This is troubling, because these are early days yet for shale gas exploration and development. Yet we know that the industry is setting records for water usage. At just one well site, between January and April of this year, in the Two Island Lake area in the Horn River basin, roughly 900,000 cubic metres of fresh water was used to set a world record for fracking operations at a single multi-well pad. Requests for information that your committee has filed with Encana, will, moreover, I believe, show that the record has subsequently been broken in the Horn River basin.

As the committee may also know, the Peace River, its major tributaries, and many other waterways overlaying the Montney shale resource were in the midst of a drought zone this year. Yet evidence I have obtained from the Oil and Gas Commission shows that fracking companies received substantial increases in water-taking approvals from the energy regulator, despite record low water levels in the region.

It is important to note that the Peace River and its tributaries form part of a vast water system that crosses provincial and territorial boundaries and in which the federal government could and ought to be playing a role.

• (1110)

A great concern is that information made available to the general public by the Oil and Gas Commission has downplayed the industry's increasing needs for water, and on at least one occasion, the energy regulator has failed to disclose significant water withdrawals by fracking companies to a British Columbia first nation that formally requested information on water takings within its territory, which is covered by Treaty 8.

I would like to suggest that as shale gas exploration and development intensifies, there is a pressing need to ensure that both the federal and provincial governments act honourably with first nations, as is their legal duty. A key element to acting honourably is to disclose information, information that the provincial governments have or ought to have on water assignments and water withdrawals.

In interviews with professional geologists, hydrologists, and legal experts, I concluded that both the information gathered on water assignments and the powers to issue water approvals ought properly to rest with provincial environmental regulators, not energy industry regulators, if the primary objective is to ensure safe, renewable supplies of water and sustainable water use. But do governments have all the information they ought to be reasonably expected to be able to provide?

In my "Fracture Lines" report, it is noted that Natural Resources Canada, through the geological survey, is in the midst of analyzing and characterizing 30 key aquifers, mostly in southern Canada, some of which overlay shale formations, but this work is well behind, as respected scientific bodies such as the Council of Canadian Academies has noted. This is why, in the "Fracture Lines" report, the first recommendation made is for the federal and provincial governments, in collaboration with the fracking industry, to immediately fund studies of all aquifers prior to shale gas exploration or sustained hydraulic fracturing.

I would be happy to answer questions about the other recommendations in that report that address other aspects of water usage and waste water treatment and disposal in the fracking industry. Thank you very much for the opportunity to speak with you today.

• (1115)

**The Chair:** Thank you very much, Mr. Parfitt. We have one more group of witnesses before we go to questions. From the Montreal Economic Institute is Jasmin Gu nette, vice-president, who I understand will be making the presentation, and Vincent Geloso, economist.

Go ahead with your presentation for five to seven minutes.

[*Translation*]

**Mr. Jasmin Gu nette (Vice-President, Montreal Economic Institute):** Thank you very much for inviting us, Mr. Chairman.

I would also like to thank my colleague Vincent for preparing this presentation with me. We will be pleased to answer any questions you may have.

I want to recall that the Montreal Economic Institute is an independent, and thus non-partisan, government policy research centre and that we receive no government funding.

What is required to ensure Canada's energy security is the development of our natural resources, both natural gas and oil. If that development is based on the principles of the market economy, private property and entrepreneurship, it will be possible for Canada to achieve sustainable economic growth.

The development of the natural gas industry is an excellent job and wealth creation opportunity for Canada. Canada is ideally placed to benefit from its resources as it is home to the Utica formation in Quebec and the Horton Bluff formation in the Maritimes as well as the Horn River, Montney and Colorado deposits in western Canada.

In Quebec, nearly 600 wells were drilled and developed between the 1960s and 1990. This means that the industry has acquired significant expertise, particularly in horizontal drilling. This gigantic potential must be developed further. Since 2007, 28 wells have been drilled in Quebec, including oil wells, representing nearly \$200 million in investments. Quebec's department of natural resources and wildlife estimates that 200 horizontal wells represent \$1 billion in investment, not to mention thousands of jobs and good prospects for corporate profits.

Economic potential potential on this scale cannot be summarily dismissed when assessing the costs and benefits involved in developing this resource. Of course, an attempt must be made to minimize the environmental risks for this kind of project. However, it is important to say that there is no such thing as zero risk. This is as true for energy development as it is for most human activities. Of course, it's not easy to strike an acceptable balance between risk and economic benefits, but that has to guide decision-makers' actions. If we allow ourselves to be paralyzed by development risks, we will in fact prevent all progress. One need only think of the automobile, airplanes and hydroelectric dams. All these things are now an integral part of our lives and well-being, and they necessarily involve a significant share of risk when they are being developed.

It is also important to mention that natural gas development also has environmental benefits, since gas produces 31% less greenhouse gas emissions than residential fuel oil, for example, and nearly no atmospheric contaminants that are harmful to health. By developing gas, we will be able to reduce our emissions, and, if it is possible to develop these resources within our own borders, supply will only be more stable and secure.

Now, how should the resource be developed? In our view, development of our energy resources is clearly the best way to ensure greater energy security while promoting economic development.

There is a simple and legitimate way to ensure respect for individuals and businesses concerned in this development, and that is respect for private property. Respect for property presupposes that all orders of government refrain from adopting unwarranted barriers to free negotiation between the various players. There are two things: we must avoid granting excessive expropriation authority and, second, special regulations must not be used to block businesses wishing to negotiate with landowners, just as there must be no regulations preventing individuals from enjoying or using their property as they wish.

• (1120)

Whether it be the federal or provincial government or municipal governments, no one should intervene to compel or prohibit the development of shale gas. Authorities must simply allow free negotiations between businesses and landowners. Businesses wishing to develop this resource must have a right to negotiate for the purpose of compensating individuals for the use of their property, in whole or in part, whether it be to lease it or to purchase it. Individuals who are ready to negotiate with businesses must simply have a right to profit from their property in the manner they consider most profitable.

This kind of negotiation may be conducted on a one-to-one basis, obviously, among a number of parties or based on the bidding principle. Whatever the case may be, landowners and businesses must neither be compelled to work together nor prevented from doing so by legislation. Such negotiations based on the right to property, make it possible to assess the real costs of these undertakings more effectively, reduce the risk of conflict, permit healthy arbitration and help determine the best locations for this type of business and avoid the "not in my backyard" phenomenon.

I will conclude my presentation by saying that a property-rights-friendly approach can assist in the economic development of our resources, with the cooperation of all parties involved. Energy security inevitably depends on the development of our resources and on legislation that promotes economic exchange free of unwarranted obstacles.

Thank you very much.

[English]

**The Chair:** Thank you, Monsieur Guénette.

We go now to questions. The first round goes to the official opposition, starting with Mr. Tonks. If there's time left, we'll go to Monsieur Coderre.

**Mr. Alan Tonks (York South—Weston, Lib.):** And then we can bump down to—

**The Chair:** If there's time left, which there won't be, we'll go to Mr. Andrews.

**Mr. Alan Tonks:** Thank you very much, Mr. Chairman.

Thank you to our witnesses for being here. It's been very enlightening and we appreciate your presence.

Minister Liepert, I would like you to have an opportunity to explain, from your perspective, the success of what you described as, I guess, the cap on CO<sub>2</sub> in large emitters and how that's working in terms of the government being able to reinvest that in green technologies. That, in fact, would start to allay some of the fears that people have with respect to the accountable development of our resources.

As you are aware, there's a huge debate going on with respect to carbon taxing and cap and trade. The experience of the Province of Alberta would probably be very instructive in terms of where we're going with respect to that kind of a regime that we have in place.

• (1125)

**Mr. Ronald Liepert:** As I said in my remarks, we're the only province that has a carbon tax right now. It's \$15 a tonne. The funds go into an arm's-length fund. We have what would be sort of considered as a private sector board of directors that administers the fund. It's outside of government.

The fund has now reached almost \$200 million, and this entity seeks out proposals. There are terms of reference around what the proposals must look like, but they have to have an element of renewable and more environmentally friendly.... That committee then makes the decision on how to allocate those dollars.

The board is chaired by Eric Newell, the former CEO of Syncrude, who has a long history of working with the aboriginal community. I think it's going to work very well. As you can appreciate, it's in its infancy. I think the first allocations of dollars just took place this past spring. I do believe it's a model that other jurisdictions could look at.

**Mr. Alan Tonks:** Thank you very much.

I have just one very short question. On Tuesday, we had testimony, and I can't remember it came from, but I just wanted to raise it. It's on the implications with respect to the tailings ponds in the oil sands. The testimony indicated that not only was there a leaching issue—obviously into the aquifer would be of concern—but also the possibility of a Hungary-type surge from those tailings ponds that could be very devastating.

The question was raised whether there was an accountable regime in place that could anticipate and look at that nature of environmental tragedy, if you will. Would you like to make a comment on that?

**Mr. Ronald Liepert:** First of all, there are lots of implications. Implications don't necessarily always relate to fact.

A recent one was a national CBC report, which said there was leakage at the CNRL tailings pond. We strictly monitor that. Our regulator, whom I referred to, had been out monitoring two weeks prior. There was no indication that it was happening.

They went out after the report and checked it again. Our environment folks went out and checked it again. There was no breach. The federal environment ministry sent folks from Ottawa to the oil sands and they came back with the same conclusion.

There are lots of implications. I think it needs to be stated that when these projects are approved through the Energy Resources Conservation Board and the Department of the Environment, comprehensive plans are in place for disaster management, if you like.

Much of that is available through requests. As you can appreciate, it is not unlike your defence plan. There is certain proprietary information that needs to be kept....

I would say that overall we are very confident and very comfortable with the fact that many of these tailings ponds have now been in place for in excess of 30 years, in a couple of cases, and our track record is pretty darn good.

**Mr. Alan Tonks:** Thank you.

**The Chair:** Mr. Coderre.

**Hon. Denis Coderre (Bourassa, Lib.):** Mr. Chair, we probably have one thing in common. I am from Quebec; you're from Alberta. So we are rebels with a cause, and we are clearly respectful of jurisdiction.

Saying that, we have a common role to play. There's a convention between the Government of Canada and the Government of Alberta. I am pleased to say, as you know, I visited Fort McMurray, Edmonton, and Calgary to meet most of the stakeholders.

There are issues regarding monitoring. I spoke with one of your favourite stakeholders, David Schindler. There is an issue regarding the necessity, or not, of independent monitoring. I believe, like others, that it is a strategic resource, and we need to have a balance.

How would you perceive the role of the federal government vis-à-vis monitoring? Do you think we have a role to play, or are we only there to provide some expertise because we already have an agreement? From your own governance perspective, how would you see our role?

• (1130)

**Mr. Ronald Liepert:** At the end of the day, there is only one taxpayer. So if we're going to have duplicate efforts, I don't think that serves the taxpayer well.

I'm not being critical, but in your question you referenced independent monitoring. Although the Energy Resources Conservation Board reports through the Department of Energy, I can tell you it is very independent. We have very strict monitoring by environment officials, who, quite frankly, don't make a lot of friends in government.

I would say we have a very good track record on monitoring, relative to Dr. Schindler. He did a study. The results of his study relative to water were different from what our monitoring was

showing us. With Dr. Schindler's input, we appointed a panel to start to verify the data that was being used both by Dr. Schindler and our monitoring panel. Whatever that scientific review comes forward with, we'll abide by.

Beyond the individual regulatory bodies, there is the opportunity to appoint special panels, as we just did.

**Hon. Denis Coderre:** What do you expect from the federal panel?

**Mr. Ronald Liepert:** I'm not entirely certain. I think the mandates are somewhat different. I think the timeframes are quite a bit different.

I know our environment department officials are working very closely with federal officials. At the end of the day, we all want the same thing to happen. The reality is that Albertans live in Alberta and drink the water. Albertans don't want unsafe water.

Much is at stake. We've got a lot more at stake than those who don't live in Alberta.

**The Chair:** Merci, Monsieur Coderre. Your time is more than up. You may get another short round.

Madame Brunelle, go ahead for up to seven minutes.

[*Translation*]

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

Good morning, gentlemen.

Mr. Guénette, you mentioned economic impact, investment and jobs, and I think that's appropriate. However, certainly in Quebec, public opinion is generally very much opposed to shale gas development. We're told there are environmental risks. I believe the situation is different from that of the rest of Canada, in particular because these are densely populated places and agricultural areas. So that represents some difficulty.

The Government of Quebec has no legislative framework covering that. It's as though business initiatives had caught us off guard. You talk about applying the rules with regard to respect for private property, about not granting too broad an expropriation framework and about permitting free negotiation between businesses and individuals.

I would like you to tell me two things. First, how can there be free negotiation between individuals and businesses, in view of the fact that the underground does not belong to the people who own the land? Second, do you believe the Government of Quebec has to adopt a legislative framework, at the very least, to manage even only the environmental measures designed to protect the public?

**Mr. Jasmin Guénette:** You're right to say that the underground does not belong to owners, but there are surface rights. To drill a well, businesses have to reach the necessary agreements with the owners.

With regard to development, if we want to adopt a vision that respects the local villages and the communities affected, the most sensible option is to allow wealth creation, but also development consistent with the spirit of sustainable development. So we include the largest possible number of interested players in the discussions. In that way, we respect individual property, that is the landowners, regardless whether they own woodlots or farms. The underground does belong to the government, but the fact remains that the surface rights belong to the owners. Development isn't possible without the consent of the persons affected.

Would you like to add something, Vincent?

• (1135)

**Mr. Vincent Geloso (Economist, Montreal Economic Institute):** Yes.

There is the question of surface rights, but some of the negotiation mechanisms involved are very simple. They are largely based on what has been developed in economics, particularly in the works of Leonid Hurwicz, who earned the Nobel prize for economics in 2007. Here I'm talking about the bidding mechanism. The promoter of a development may, for example, indicate which lands are of interest, meet with the owners and make an initial bid. If no owners are interested, a second, more generous bid is made, and so on until there is a taker. This method makes it possible to create a system for interested parties.

In addition, we see that, in the United States, when the implementation of a project disturbs the occupants of a neighbouring property, these exchanges are conducted and money is offered to compensate individuals whose free use of their property is affected. So there are mechanisms of this kind that work.

**Ms. Paule Brunelle:** My question was not about economic mechanisms. Yes, regulations can be implemented. You are in business, and you are used to doing it. Mr. Liepert told us that, with regard to the environment, there are rules and a legislative framework that had to be complied with. However, that seems to be lacking in Quebec.

Since you will clearly never be able to secure the Quebec public's consent to carry out your activities, don't you think we should adopt a stricter framework? That's the gist of my question.

**Mr. Jasmin Gu nette:** Rules that are clear and known to everyone are desirable, precisely to permit more balanced, more equitable development, which includes the members of the community. Of course, if there is a little grey area and we aren't sure what we can do or not do, it's difficult to do business.

So, yes, it is desirable to adopt a legislative framework that is known to all players, whether they be businesses or individuals.

**Ms. Paule Brunelle:** Thank you.

Good morning, Mr. Parfitt.

You tell us the situation in British Columbia is very different from that of Quebec. Can you tell us what those differences are? Are they extraction areas, ways of doing things? You also tell us that governments should fund studies on the fracturing industry. What should those studies be about?

[English]

**Mr. Ben Parfitt:** The point I was trying to make about British Columbia being different from Quebec is that the shale resources that are being developed in British Columbia right now are in a remote region where the human population is quite small, compared to what could be happening in Quebec between Montreal and Quebec City and the lowlands, where there is obviously a much higher population and population density.

The second question you raised is a significant one. I believe we must see leadership on the part of the federal and provincial governments to ensure that we have a very good understanding of groundwater resources prior to gas exploration and development activities taking place.

I would say in this regard that if you go back to 2002, for example, the Canadian Council of Ministers of the Environment pointedly recommended that baseline hydrological investigations ought to be completed prior to unconventional gas drilling in order to recognize and track potential groundwater contamination. To date, I don't see any evidence of any province having honoured that critical recommendation.

**The Chair:** Merci, Madam Brunelle.

We now go to the NDP, with Ms. Duncan, for up to seven minutes.

**Ms. Linda Duncan (Edmonton—Strathcona, NDP):** Thank you, Mr. Chair.

Mr. Liepert, we have been hearing from a good number of delegations coming to Ottawa and seeking our support on open public dialogue in the Canadian energy strategy. I'm wondering if your government supports this call for an open public dialogue on the Canadian energy strategy towards a secure sustainable supply in the interest of Canada.

• (1140)

**Mr. Ronald Liepert:** My answer is very short: absolutely.

I attended my first ever federal-provincial-territorial energy ministers meeting last September in Montreal. I wasn't all that impressed with the content of it. I sat down with Minister Paradis and said that for our conference next year in Alberta we need to have a focus. It has to have a goal. There is a lot of call for a national energy strategy. We support that, so we have agreed that's going to be the focus of our conference next fall.

We're not going to get to a national energy strategy overnight, but I believe there are a number of common goals and objectives we can agree to across this country that can certainly lead us in the direction of getting to a national energy strategy. So we are absolutely supportive of it.

**Ms. Linda Duncan:** Mr. Liepert, you spoke very glowingly about the regulatory agencies in Alberta. I'd have to agree with you. We have a long history, and the Alberta energy board has been stellar over time in providing opportunity for the public and impacted communities to have a say.

You're probably aware of the motion I tabled last May, which received the unanimous support of the House. It called for an independent review of the adequacy of federal environmental and safety regulation for unconventional oil and gas, which includes shale gas, deep offshore oil, and the oil sands.

Would you support the idea of a review, which could potentially not just engage the NEB, which is legally mandated to conduct such a review, but be in tandem with the regulatory agencies with respect to jurisdictions?

**Mr. Ronald Liepert:** To some degree, that was one of the reasons why we felt it was important to appear before this committee. In some ways, it's my understanding that what this committee is considering here is an extension of that.

I go back to my first comments. There are clear jurisdictional responsibilities between provinces, territories, and the federal government; there are also overlapping jurisdictional responsibilities. I don't think anyone is served by reduplicative efforts. We have a very good working relationship with the federal Department of the Environment, as I mentioned, and there are a number of areas that we're working together on. The most recent one, as I said, was the review of the water.

I would like to see more specifics on exactly what might be referenced in the motion, but in Alberta, when it comes to shale gas, our Energy Resources Conservation Board, as I said, is adaptable. We have made some significant changes to accommodate the formations.

Fracturing has been around for a long time, especially in Alberta. It's just that we're talking, in shale, about different formations. I know that especially in Quebec, but to some degree in B.C., some of this work is new. I have made the offer to the minister, my counterpart in Quebec, that whatever help we can provide them with in developing the legislative framework they need and that they can learn from us, we're more than happy to cooperate on.

I guess it really comes down to what particular area you're referring to, but we have to be, in this country of ours, respectful of jurisdictional responsibilities.

**Ms. Linda Duncan:** Alberta, after being persuaded by the wonderful departed and greatly missed Dr. Martha Kostuch, initiated a two-year very intensive review of the oil sands industry. It included the federal government, and it was completed, I believe, in about 2006. This natural resources committee did a review of the oil sands industry in, I believe, 2007. My committee, the parliamentary Standing Committee on Environment and Sustainable Development, did a two-year review, and I and the Liberal Party issued reports.

My question to you is this. We've had review after review, report after report, and all the recommendations are the same: on filling gaps in monitoring and not leaving the discretion by and large to the industry to be doing the monitoring but having more intervention by the government; expanded regulation on very specifically identified contaminants; action on the Mackenzie Basin. In our review, the deputy premier of the Northwest Territories spoke very strongly. He was very upset by the lack of commitment by the federal government to move on the Mackenzie Basin.

We heard lots of evidence, including some from industry, admitting that the ponds are leaking. You say that the results are pretty good. The results that, for example, Dr. Schindler is showing indicate that perhaps the containment of these contaminants, particularly the airborne ones, is not good enough.

So I'm wondering, could you advise us what can be done to move the federal and provincial governments to act on these recommendations, these same recommendations that keep coming forward to both levels of government?

• (1145)

**Mr. Ronald Liepert:** I don't have in front of me.... First of all, I'm not the Minister of Environment, but we could spend a lot of time here, and I could debate an awful lot of the comments you made in your preamble, and just about all of them I don't agree with you on.

We have a significant track record that we're very proud of. One of your comments was that the monitoring is done by industry. You're wrong. The monitoring is not done by industry. The monitoring is done by Department of Environment officials; it is done by the Energy Resources Conservation Board. When your federal Department of Environment came in and did a review of what we did in reviewing the implications around leaking tailings ponds, they found no evidence of it.

So I do not agree with what you're saying. Our track record is, I would say, not just okay; it's darned good.

**Ms. Linda Duncan:** Mr. Liepert, it's not what I am saying; it is the evidence that appeared before our committee. I'll be happy to send you personally the report.

In testimony, representatives of the oil sands sector spoke to the fact that their ponds are leaking. It's not I who am saying that; I'm not doing the monitoring.

Unfortunately, we're at a disadvantage, because despite invitations, we did not have the Government of Alberta or the energy board testifying; we could only go on the basis of industry witnesses—and we had some federal authorities. So based on the evidence that we heard, we were told that there are a number of problems, including those mentioned in the testimony by Dr. Schindler and the testimony on potential problems with groundwater.

I would be happy to share my report, and of course you are party to...it is, I think, the Department of Energy that sponsored the review of the oil sands. And the former deputy minister of environment did a background report advising that pacing may be a problem—

**The Chair:** Ms. Duncan, you're over time, so I have to cut you off. I'm sorry about that.

Ms. Gallant, you have up to seven minutes. Go ahead, please.

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

The Hansard isn't out from the last committee meeting, so the questions I have require a bit of background information for the witnesses today, Mr. Chairman.

I'd like to say from the outset that I believe environmental groups are necessary, that they perform a very important function in ensuring that our environment is taken care of and that large corporations that are taking our natural resources from the air, the ground, etc., are doing so in a respectful way that is not going to cause harm to people.

What puzzled me last day was that when I quite innocently asked a question as to how one of the witnesses received their revenues—that was Environmental Defence—she was very defensive and suggested that I go to her website. So I did, and to understand how the environment works and what's really at play here, even the reason why we have the oil sands as an unconventional source of oil as our subject matter, this does come into play.

What I learned was that one of the donors for Environmental Defence is called Tides Canada. I had never heard of Tides Canada, so I looked up a bit about Tides Canada and found out that Tides Canada is actually funded through the U.S. Tides Foundation, of California, and that its Canadian counterpart has paid millions to at least 36 campaign organizations. Tides U.S. isn't alone; they have other charity bases as well, in California and New York, and they have had \$50 million since 2003 specifically for campaigns against Alberta oil and against oil tanker traffic and pipelines through British Columbia.

The purposes for these grants are clearly outlined in the tax filings. For example, Tides U.S. received U.S.—

**Hon. Denis Coderre:** I have a point of order, Mr. Chairman.

**Mrs. Cheryl Gallant:** This is background information and is very important—

• (1150)

**The Chair:** Ms. Gallant, order, please.

Monsieur Coderre, proceed on your point of order.

[*Translation*]

**Hon. Denis Coderre:** Mr. Chairman, I have no objection to anyone telling the story of his life, the research he has done or what he found on the Internet last night, but what is sad is that we have a government minister here who deserves respect. It seems to me we have other things to do than examine the research report of a member of some political party.

I don't know whether this is an admissible point of order, but I believe this has nothing to do with the people who are here today.

[*English*]

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

As you know, Mr. Coderre, the members of this committee are free to make comments on the subject we're dealing with or to ask questions to the witnesses, and Ms. Gallant is certainly on topic.

You may continue, Ms. Gallant. You certainly decide how you will use your time.

**Mrs. Cheryl Gallant:** I'm just trying to follow the dollars so that everybody understands who's trying to do what and perhaps understands why.

Tides U.S. received \$700,000 U.S. in 2009 from the Oak Foundation of San Francisco to raise the visibility of the “tar sands” issue and slow the expansion of tar sands production by stopping new infrastructure development.

Now, I could go through the explanation of why “tar sands” is an inaccurate description of the oil sands, but I think just about everybody here was present last week, so I won't repeat that.

The Oak Foundation was created by a duty free shop founder, an American, and he in turn paid Greenpeace Canada an undisclosed sum of money to leverage the growing interest of ranchers and landowners in limiting unbridled oil and gas exploration and production in southern Alberta. Apparently, Greenpeace was also funded to conduct specialized opinion research and media work and to identify messaging for maximum information value among Albertans.

Even the World Wildlife Fund has kicked in. World Wildlife Fund Canada was paid an unreported amount by the Oak Foundation for a campaign to mobilize Canadians and send a politically compelling message.

The U.S. tax returns show that Tides and Tides Canada have paid \$4.3 million for a “tar sands” campaign. The top recipients were: the Sierra Club, which was U.S. \$909,000, approximately; Corporate Ethics International, with U.S. \$750,000; the Natural Resources Defense Council, with half a million U.S. dollars; and ForestEthics, with U.S. \$400,000.

Many of these grants that were put forth for the tar sands campaign are far larger than the grants for the other important causes. For example, a rape intervention project in sub-Saharan Africa got \$9,000, and a project to support people with HIV in Indonesia, who were on the Hill yesterday, got \$9,098. In comparison, Greenpeace got U.S. \$186,000, and the World Wildlife Fund got \$160,000.

Unlike many of the charitable foundations, Tides U.S. doesn't have a large endowment. In practice—and this is what is being reported now in different media—it behaves less like a philanthropy than a money-laundering enterprise, taking money from other foundations and spending as the donor requires.

What that means is that we have situations in which we have a witness such as we had last day, Environmental Defence. Right on their website they have Tides Canada Foundation and the Tides Foundation listed as their donors. Tides Canada in turn get their money, \$56 million since 2000, from Tides U.S.

When Tides U.S. funnels money to Tides Canada, it tells them how they want to spend the money. The Oak Foundation gives money to Tides U.S., and what we don't know are who the foreign contributors to the Oak Foundation are. We don't know whether they're companies competing with the oil companies in Alberta, whether it's offshore, whether it's Middle East, or some other group, but what we do know is that there's an active, well-oiled campaign against the industry in Canada, specifically in Alberta, and actually against Canadians in general—a campaign against jobs here.

My question, first of all to Mr. Liepert, is—

**An hon. member:** Time's up.

**Mrs. Cheryl Gallant:** It's just a yes or no.

Prior to applying for a charitable tax status, an organization must be either federally or provincially incorporated. Do you know whether or not Alberta has any anti-oil sands organizations provincially incorporated?

• (1155)

**The Chair:** I will require a short answer, Minister.

**Mr. Ronald Liepert:** I guess it depends on what your description of “anti-oil sands organizations” is. There are organizations that have expressed concern about the development of the oil sands, such as the Pembina Institute, which I believe is based out of Alberta.

**Mrs. Cheryl Gallant:** And they get money from Tides as well.

**Mr. Ronald Liepert:** I don't know that.

**The Chair:** Your time is up, Ms. Gallant. Thank you.

On the second round, we have about two minutes each, basically one question and a short answer.

Mr. Coderre, go ahead, please.

[*Translation*]

**Hon. Denis Coderre:** I never thought I would see McCarthyism in 2010, Mr. Chairman. That's interesting. I wasn't around at the time.

[*English*]

Minister, I have a serious question. You spoke about national strategy. Of course, I don't believe in a one-size-fits-all situation because we have to be respectful of jurisdiction. You said you were disappointed, rightfully so, about the content of the last conference.

For the benefit of our study, how would you perceive that national strategy? We're all working together.

**Mr. Ronald Liepert:** I'm going to relate this a little bit to health care. Everybody agrees we need to change how we deliver health care, but when we come down to the really serious discussions on specifics that we need to change, then we start to run into issues.

I think everyone can agree that we need a national energy strategy for Canada. What's going to be really difficult is when we peel that onion back, one layer, and start to talk about specifics. I do believe there are some things that we can agree on.

**Hon. Denis Coderre:** What would be your definition of the word “national”, then?

**Mr. Ronald Liepert:** You can have a national strategy that clearly protects and respects provincial and territorial jurisdiction. That's easily accomplished.

Let me just conclude by saying this. I actually believe we need a continental energy strategy, because so many issues that develop in the United States that impact Canada are not part of a strategy; they're one-offs. If we had a continental energy strategy, that wouldn't happen. The problem is we need to get to a national, a Canadian, strategy first before we go to a continental strategy.

**Hon. Denis Coderre:** Would you believe our partnership should be, then, to invest more in R and D and green technology? Would that be the relationship among governments, the industry, and environmentalists?

**Mr. Ronald Liepert:** I can only tell you what we're doing in Alberta. As I explained earlier, we have the fund that does exactly that. I believe Canadians want us to invest more in research and development into alternate technologies. I don't think that's much of a dispute.

**Hon. Denis Coderre:** Would you prefer that to fiscal incentives?

**Mr. Ronald Liepert:** Yes, to be short.

[*Translation*]

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

[*English*]

We go now to Mr. Shory for two minutes.

**Mr. Devinder Shory (Calgary Northeast, CPC):** Thank you, Mr. Chair.

I also want to talk about the tar sands and other things, and the economic impacts of the natural resources of Alberta throughout Canada. I don't understand what the NDP has against Alberta's natural resources. I'll come back to that after.

My first question is for the Montreal Economic Institute. It's a threefold question.

One, what economic benefits are there for Quebec if shale gas is developed? Also, have you done any numbers on it? The last question on this issue is this. What are some negative consequences if Quebec does not develop the resource, both in terms of the economy and regulations?

• (1200)

**The Chair:** Who would like to answer that?

[*Translation*]

**Mr. Jasmin Guénette:** Both of us can, if possible.

First, with regard to the economic benefits, as I said in my presentation, according to the Government of Quebec itself, the development of 250 wells represents investments of \$1 billion. We're also talking about 10,000 jobs that would be linked to the sector, obviously without including the profits that businesses could make, the direct and indirect taxes that would be paid in Quebec.

Those in fact are figures that show that the economic benefit of the development of this resource is significant.

Vincent, do you want to add something?

**Mr. Vincent Geloso:** Yes, I would like to add something.

[English]

There's also the fact that in Quebec there's a huge consumption of heavy fuels, *mazout lourde*, and actually Quebec is the highest producer in Canada. Forty percent of Canadian consumption of this heavy fuel, which I sadly don't know the English term for, *mazout lourde*, is a highly pollutant substance. It also causes a lot of smog. And it is easily replaceable by natural gas for industries like concrete and other fuel industries.

It doesn't only have economic benefits for society in general; it also has environmental benefits, in the sense that it would most likely reduce greenhouse gas emissions, because, first of all, natural gas produces nearly 30% fewer emissions for GHG emissions, and it also doesn't create any particles that actually cause smog as *mazout lourde* does.

**The Chair:** Thank you.

Thank you, Mr. Shory.

We'll go now to the Bloc Québécois, Monsieur Pomerleau, for two minutes.

[Translation]

**Mr. Roger Pomerleau (Drummond, BQ):** Thank you, Mr. Chairman.

Good morning, everyone, including the person who is with us by video conference, Mr. Parfitt.

My question will be for you, Mr. Guénette. You spoke at length about respect for private property, about the right to free negotiation, in fact about issues that come up quite often and are good issues. The problem here, as my colleague noted, is that entrepreneurs negotiate with people who have land and not with the owner of the resource. That's the problem. They negotiate with the person who will give them a right of way, but to access a resource that does not belong to the owner of the land. The owner of that resource is the population of Quebec.

At what point do you think businesses really negotiate with the population of Quebec to acquire a right to access the resource?

**Mr. Jasmin Guénette:** If there is some legal confusion, the partners should first sit down and find a basis for agreement so that the rules are clear and known to everyone. That's the first thing to do, in my view.

Second, when the time comes to drill, as drilling is obviously done on the land of an owner, the negotiation should be started at that point. We believe that proceeding with drilling with the owner's

consent as to the place where it will be done will make the transactions much more "normal", I would say. Both parties involved will therefore be in agreement since the—

**Mr. Roger Pomerleau:** Are you aware that the owner of the land is not the owner of that resource?

**Mr. Jasmin Guénette:** Exactly, the business therefore can lease part of the land for five, seven or 10 years, long enough to—

**Mr. Roger Pomerleau:** It leases a right of way, that's all.

**Mr. Jasmin Guénette:** Exactly, but the surface rights still belong to the owner, and that resource must still be developed in cooperation with the landowners. When the time comes to drill, they must be at the bargaining table with the business, individually or collectively, so that acceptable prices can be negotiated both for the landowner and for the business.

If the business is prepared to offer such and such an amount of money and the people accept it, then everyone comes out a winner.

[English]

**The Chair:** *Merci*, Monsieur Pomerleau.

We go, finally for this round, to Mr. Shory again for two minutes.

**Mr. Devinder Shory:** Thank you very much, Mr. Chair, for giving me this opportunity.

This question will be to Mr. Liepert.

First of all, thank you for coming all the way here.

In your presentation, Mr. Liepert, you talked about the demand for energy in the coming days, that it will increase. You also talked about energy, specifically about the oil sands and how they're beneficial to the rest of Canada, and you tied it with the jobs throughout Canada, whereas the NDP leader, during the 2008 elections, wanted to stop any expansion in that industry.

My question is on the economy. Would you elaborate on some of the economic relationships that have been built between Alberta and the rest of Canada as a result of Alberta's success in the oil and gas industries?

• (1205)

**Mr. Ronald Liepert:** First of all, I'll make maybe just a quick comment on your very first remark.

I think there is this sort of belief by some that there is a diminishing demand for oil in the world. The U.S. energy department just released statistics about two days ago, and it said that the usage of oil last year, from the year previous—and keep in mind we're in a recession—increased by 936,000 barrels a day. So there is no decreased demand for oil in the world.

So how do you deal with it? You either rely on it from offshore or you develop your own energy security supply.

This is a national treasure of the country. It was described by an American senator as a national treasure. It creates jobs not just in Canada but in the United States. I like to say, "We don't build any caterpillars in Alberta, but we sure use a lot of them." They're built across North America.

I think the most telling statistic is the one I quoted in my remarks, that there are 28,000 people today who are working in camps in Northern Alberta on construction sites. Half of those Canadians are flying in and out every week or every two weeks from east of the Manitoba-Ontario border. It is creating jobs. It is creating tax benefits to those communities. And I'll tell you that it's a win for everybody because those workers are able to stay in their communities, their families are able to stay in their communities, whether they're in Quebec or Newfoundland, and their children go to the same schools they're used to going to, and they're working.

I think that's the part of this whole discussion that is overlooked, that this isn't just a benefit to Alberta. This is a Canadian treasure that we should all be very proud of.

**The Chair:** Thank you, Mr. Shory. You're out of time.

Thank you very much to all of our witnesses today: Minister Liepert, Mr. Guénette, Mr. Geloso, and also to Mr. Parfitt. Thank you all very much for coming. It was very helpful.

We'll suspend for just a couple of minutes as we set up the next video conference and get to the second panel of witnesses.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (1210)

**The Chair:** We will reconvene the committee, in spite of the news that apparently the Riders coach has just resigned. I know that's traumatic for some of our members here at the table.

But seriously, back to the second panel today on our study on energy security in Canada. We have with us on the panel David Coon, the executive director from the Conservation Council of New Brunswick, and Stephanie Merrill, the freshwater protection program coordinator. Thank you very much for being here. And by video conference from Halifax, Nova Scotia, we have Barbara Pike from the Atlantic Institute for Market Studies.

Thank you all very much for coming. We will have presentations of up to seven minutes from each of the two groups and then get to the questions. We'll do it in the order listed. From the Conservation Council of New Brunswick, go ahead with your presentation, please.

**Mr. David Coon (Executive Director, Conservation Council of New Brunswick Inc.):** Thank you very much, Mr. Chairman, and good afternoon, everyone. Thank you for the opportunity to speak to you this afternoon.

I'm speaking from the perspective of New Brunswick, a place apart from the rest of Canada. In New Brunswick, we have more than 1.4 million hectares under licence for shale gas development, which probably you haven't heard much about. We have been working with local communities. Some 90 communities fall within the leased and licensed area, in a wide arc sweeping across the province, from Chebucto, on the Northumberland coast—nice

swimming, beautiful beaches—all the way to the Maine border, by McAdam and St. Stephen, near where I live.

We have been working with many of those communities. They've banded together and created a coalition called the Citizens for Responsible Resource Development. We've been in conversation with our provincial government on this issue for almost a year now, and we've been in conversation with the industry since they arrived in New Brunswick.

We have a tiger by the tail with this issue. This is not the natural gas of our childhood—our communities are out there flicking on the end of the tail of that tiger.

I apologize to the translators; I'll try to minimize my asides from my notes.

We don't have the regulatory framework. Today, we want to try to identify some clear roles for the federal government, which we believe are important, and some of the needs that could be filled.

Last Monday night, the New York State Assembly passed a piece of legislation by overwhelming majority to suspend, until May of next year, the issuance of permits for shale gas drilling using hydraulic fracturing and horizontal drilling. This is a resource that could enhance their energy security. So why did they do that? In the United States, the U.S. Environmental Protection Agency, an august body recognized internationally for its work over the years, has launched a major study on the impacts of shale gas drilling and hydrofracking, which they expect to finalize some time in 2012, with some significant public engagement as they go along.

Why have they done this? Because experience in the United States has demonstrated that exploration for, and the development of, shale gas poses a host of risks to public health, the environment, water supplies, and the social fabric of rural communities, which conventional gas exploitation does not. We're talking about something very different. I say it's a sleeping tiger, because natural gas prices are low right now. When those prices rise, that tiger will wake up and we will see very rapid development, I expect, in places like New Brunswick and Quebec.

What are the problems? For one thing, we're talking about huge depths, drilling down to two kilometres. Doing something that in the conventional industry is quite straightforward, like cementing around the well casing to protect water supplies, is very difficult when you're in that deep. When you're fracking, that raises questions about the integrity of the cementing around it and whether in the long term it's going to protect water supplies.

So it's very different. You have to withdraw something like four million litres of water from somewhere for every frack. That's two Olympic-sized swimming pools' worth. In New Brunswick, just about every stream goes into the ocean and contains migratory fish. The Bay of Fundy salmon are protected under the Species at Risk Act, because their numbers have dwindled so much. So there are questions about, for example, the kind of stream flow that we require to maintain habitat for those endangered Atlantic salmon. It depends a lot on information that we don't have. Clearly, the federal government has a responsibility to address this situation.

That's one of the reasons we're concerned about these water withdrawals.

The millions of litres of water are mixed with sand and chemicals. These chemicals are pumped under pressure, as has been mentioned earlier, and something like 40% or 50% of that mixture is left underground. We don't know what the long-term fate of this might be. And we don't have the geological studies or hydrogeological mapping to help us understand what might happen if this flows through existing fractures or fissures, which we haven't characterized necessarily before this happens, to ensure that we don't create long-term environmental risks.

● (1215)

So by intentionally pumping this down, deep into the ground, and leaving it there, below the water supplies, the question is, what's the long term fate?

Then, of course, you have within that mixture, potentially, some CEPA toxic substances, like benzene. And there's no requirement at this point for companies to publicly disclose the chemicals they're using in these mixtures. Of course, when this comes back out—about 50%, or roughly so, of it comes out—you have a hazardous waste stream, a large hazardous waste stream that actually is of a different consistency than when it went in because you're scavenging other naturally occurring contaminants like heavy metals from deep in the geology.

In New Brunswick right now this hazardous waste stream is being trucked across interprovincial borders for treatment in Nova Scotia. What will happen when this takes off? How will it be treated? We're talking about thousands of wells in New Brunswick likely, if this takes off. What does that mean? How will it be managed as hazardous waste?

The high moisture content of this gas means that the water has to be stripped out as it comes to the surface, which produces volatile organic compounds, emissions, some of which are CEPA toxic.

As far as greenhouse gases go, there's been some work to suggest that in fact this kind of natural gas exploitation may have as big a carbon footprint equivalently as coal. So that's an important issue when you're thinking about this from an energy security perspective.

The stated purpose of the moratorium in New York is simply to afford the state and its residents the opportunity to continue to review and analyze the effects of hydrofracking on water and air quality, environmental safety, and public health. This is not happening in Canada. There are no plans for a national investigation into the consequences of Shell gas development, and there should be.

So let me quickly go to what I think the federal government could do here.

We see in New Brunswick—

**The Chair:** Mr. Coon, you'll have to do that in a very short time. You're over time already. So just be very quick, please.

● (1220)

**Mr. David Coon:** On the question of energy security, how is this gas going to be used if it gets developed? Will it benefit New Brunswickers, will it benefit Canadians, or is it simply going to be shipped to the United States? That's an important issue, particularly given the risks here, and that needs to be addressed.

The Geological Survey of Canada and other parts of Natural Resources Canada have important resources capacity that could support provinces like New Brunswick that lack that, that don't have the money to do the kind of baseline studies that are necessary to help protect our people and our environment.

Certainly in terms of the potential impact on future fisheries, the federal government has an important role to play there.

Finally, I think the federal government could look at developing a model regulatory framework, because we've heard the same thing in Quebec. It doesn't exist in the provinces, and it would be a great help, particularly in the provinces with little resources, to have that to look towards and consider adopting.

Thank you very much for the opportunity to speak to you. We'll entertain questions when it's our turn.

**The Chair:** Thank you for your presentation.

We go now to Barbara Pike, from the Atlantic Institute for Market Studies. Go ahead please, Ms. Pike, for up to seven minutes.

**Ms. Barbara Pike (Vice-President, Atlantic Institute for Market Studies):** Good afternoon.

My name is Barbara Pike, and I'm the vice-president of the Atlantic Institute for Market Studies, commonly known here as AIMS. Thank you for the invitation to speak to your committee.

As a quick background, AIMS is an independent, non-partisan public policy think tank. We're one of the most decorated think tanks in the world. We just celebrated our 15th anniversary. We're a registered charity in both Canada and the United States. We accept no money from government. About 70% of our money comes from philanthropic foundations, about 20% from corporations, and the rest from private individuals.

Our papers and research are peer reviewed in a double blind process. In addition to that, we basically do not take any contract work. We basically take a look at our projects by asking ourselves a few questions before proceeding. These questions include: is anyone else doing that work, and can AIMS add value to it? We also sometimes add in the question, is it fun?

Others are going to talk to you about the oil sands. They're going to talk to you about natural gas, or shale gas, or deepwater drilling.

Today I want to concentrate on one topic, electricity, and more specifically, the transmission of electricity.

We sit here in Atlantic Canada at the end of the grid, a grid that is not conducive to the free flow of electricity. Just last month, AIMS released a commentary by energy consultant Gordon Weil called "Freeing the Flow: Proposals for Reform of Canadian Electric Industry Regulation". The conclusion: it's long past time for Canada to reform the regulation of its electric industry.

Weil reviews the options to improve regulations governing Canada's electrical industry. He says that while it's not necessary to go as far as a single national regulator, there does need to be reform, so that all provinces are treated fairly. He identifies a number of essential elements for the reform of the existing system.

There is no doubt that the current system of regulation discriminates against Newfoundland and Labrador. It discriminates against P.E.I., Nova Scotia, and New Brunswick. That's because the federal system of review of interprovincial transactions does not function and offers no real protection for any province. As we witnessed last year with the failed NB Power-Hydro-Québec MOU, there is no federal regulatory regime for transactions from one province through another to a third, or to markets in the United States.

That's not to say there should be a single Canadian system, like FERC in the United States, but rather that we should use the existing National Energy Board as the review agency that treats electricity transmission, just like we do oil or gas, so that one province can't block the transmission of electricity to another market.

AIMS has said for years that we need to lower the barriers to interprovincial trade across the country. Electrical transmission needs to be at the top of the list. The free flow of electricity is an important element of Atlantic Canada's prosperity.

In the absence of regional cooperation on common regulation and open borders, a Canadian federal regulator could review transactions involving power flows originated in one province and crossing another on its way to a third market. Given our geography, and the current market conditions in North America, this authority would apply mostly in eastern Canada. For example, if Hydro-Québec wanted to sell power to New England by transmitting across New Brunswick, the transaction could be regulated. An impartial body might block Hydro-Québec, or allow it, from monopolizing the New England interconnections, thus encouraging new green power resources in Atlantic Canada.

Imagine if this proposal had applied to the original Churchill Falls transaction. Newfoundland and Labrador could have sold to the American market instead of being forced to sell to Hydro-Québec,

and a regulator, i.e. the NEB, could have set a reasonable rate for both parties. Hydro-Québec reportedly wants to sell power to Nova Scotia and P.E.I across the New Brunswick system. A regulator could assure a fair deal for all parties.

For transactions between two neighbouring provinces, such regulatory review could be optional. The parties could choose federal regulation or make the deal without such a review. The regulator could also have the authority to approve mergers across provincial borders. It could provide neutral assurance that customers would be no worse off because of a merger.

Let's take a look at the benefits of the announcement two weeks ago for Muskrat Falls on the Lower Churchill in Labrador. The Nalcor-Emera deal has the potential to benefit New Brunswick as well as Prince Edward Island. This is a win-win scenario. Yes, there is still work that has to be done. But most heartening on this file is the level of regional cooperation, seeking a win for everyone in the region. Now, I'm not saying parochialism is dead in this region, but this proves that it can be overcome for a common good.

As you know, the deal is between Emera, which is a publicly traded company, and Nalcor, which is a Newfoundland and Labrador crown corporation. The Newfoundland government obviously has a hand in the deal, but the support and participation of the Nova Scotia government is essential.

More to the point, the provinces have made it clear that while Ottawa's participation is welcome, it is not a precondition. Premier Dexter has been particularly blunt: the deal will move ahead with or without a contribution from Ottawa.

That's what energy security sounds like in Atlantic Canada, and it sounds very good these days.

I'm not sure that there is a more secure or greener energy source for Atlantic Canada, in fact Canada as a whole, than hydro generated electricity.

● (1225)

Freeing the flow, opening the transmission corridors, and enabling provinces to transmit across interprovincial barriers and borders could mean that rather than having two new nuclear plants in Ontario supplying future energy needs, there could be electricity generated at Gull Island in Labrador powering homes in Toronto rather than in New York. Transmission is what enables this.

For the current deal, the fact that transmission exists in New England and that Emera is a player there helps. And it's not just this project on the Lower Churchill at Muskrat Falls that benefits or the possibility that a second Lower Churchill project at Gull Island would benefit. It's also the independent producers of renewables in Atlantic Canada. Those include wind power and the wind technology being developed and researched on Prince Edward Island. Those include the tidal power that is being developed and researched in Nova Scotia. But transmission, as I have said, is the key to that, and it's the key to energy security.

Last April, Emera, Nova Scotia Power, NB Power, and the Governments of Nova Scotia and New Brunswick struck a deal to expand transmission between the two provinces. It too is an essential piece to the whole free flow discussion and indeed the question of viable energy security on a national scale.

Getting back to Premier Dexter's position that federal investment is warranted but not required for the Muskrat Falls project, he is right on both counts. Transmission capacity as nation-building is the principal foundation for the requested investment from P3 Canada of about \$375 million for the transmission line to bring power from Muskrat Falls to the Maritimes. Such an investment does precisely what the P3 fund was intended to do, leverage private investment driven by a business case in needed public infrastructure, a far cry from the pointless largesse of traditional, politically driven, federal investment and stimulus programs.

The willingness of traditional "tin-cup" federalists to go it alone on this project speaks volumes to the current and future business case. The new energy source and the associated transmission infrastructure are huge boons for Atlantic Canada.

If Nova Scotia is to be weaned off fossil-fuel-generated electricity, it needs hydroelectricity. Biomass is an option, but it is not as green as hydro. Apart from one generating station at Tufts Cove, the existing plants are too far from the existing natural gas pipeline for natural gas to be a viable option in Nova Scotia. On top of that, Nova Scotia Power is a cost-of-service utility, so if oil is cheaper, it's required that oil rather than natural gas be burned.

With regard to tidal energy, we've talked about it for generations. Acadia has been doing work on it for decades. This is still, for the most part, in a research and development phase, but the potential is huge. Work is progressing in the Bay of Fundy. The environment is harsh, and the technology is in its infancy, but if it can work in the Bay of Fundy, it can work pretty well anywhere, and that means that we would be world leaders in tidal generation, an industry that can be exported around the globe.

Without the free flow of electricity in this region, such development just stalls. There is no doubt about Nova Scotia's reliance on coal-fired generating plants. Foreign coal is an issue both from a greenhouse gas perspective and with respect to security of supply. The province's over-reliance on coal is the result of federal—

**The Chair:** Excuse me, Ms. Pike, could you wrap it up really quickly, please? You're a little bit over time already.

Thank you.

**Ms. Barbara Pike:** Okay.

Basically, the Province of Nova Scotia's reliance on coal is the result of federal-provincial energy security and economic development policies of decades ago when coal was king in Cape Breton.

On the island of Newfoundland, the Holyrood plant continues to burn, yet that province sits on the largest mega hydro project existing in North America today. In New Brunswick, Point Lepreau is down and continues to be down.

Transmission is the key to this, and the National Energy Board and the regulatory regime need to be changed and need to be advanced in order for us to take the opportunity that exists for electrical transmission in this region.

• (1230)

**The Chair:** We'll now go to questions and comments from members, starting with the official opposition.

Mr. Coderre.

[*Translation*]

**Hon. Denis Coderre:** Thank you, Mr. Chairman. I'm going to share my speaking time with my colleague Scott Andrews.

I'm a member for a Quebec constituency, but I know that energy security is important for all regions of the country. Without necessarily sharing this interpretation of the Quebec's situation, I understand that the important point is to ensure that two provinces can agree. I'm obviously sensitive to what the National Assembly and the Government of Quebec have said about the societal choice they made at the time regarding hydroelectricity.

I'm going to ask our friends from New Brunswick some questions. The situation we're in with regard to shale gas is somewhat the same.

[*English*]

There is an issue regarding the perception. People are scared because—I don't know about New Brunswick, but in Quebec they had a feeling that because the industry started first...frankly, they lectured people too much, instead of educating.

I'm at the federal level, and it is a provincial jurisdiction, but I would just like to understand how things are going in New Brunswick. How is the government working with the population on that situation? I have a lot of people in Quebec who are saying the same thing, that they want to have a moratorium, for all the same reasons that you're saying. They've been seeing all the documentaries, *Gasland* and all that, but at the same time this is a strategic resource, and if it's well done and environmentally okay, you might have something there. There is also a relationship with the municipalities and all that.

How are things going truly? Is there a compensation process? How does it work? What is the relationship with the people?

The second question is to Ms. Merrill, regarding water—water as the main issue, the way you treat it and use it. How are things going in your province from that perspective?

**The Chair:** Ms. Merrill, go ahead.

**Ms. Stephanie Merrill (Freshwater Protection Program Coordinator, Conservation Council of New Brunswick Inc.):** Our provincial governments act in a number of ways. They are the promoter, they are the regulator, and they represent the people of New Brunswick. I think a lot of people feel there are probably conflicts of interest there. A lot of communities are really feeling that they've been railroaded.

Some exploration companies have had a licence for exploration for nine years before communities are even aware that they exist. So they are really feeling like the provincial government is not stepping up to the plate to inform them of what is happening, and what will happen, and to act on behalf of the public interest.

They really feel like they have been left to struggle personally with industry. We heard previously about some landowner negotiations with industry. Landowners do not have the tools to negotiate with industry. Industry has a lot of backing, public relations people who know how to have landowners sign leases. Individuals and landowners do not have the tools to know what's in their interests sometimes.

So I'm hearing a lot from the public of New Brunswick that the government is not stepping up and protecting them.

**Hon. Denis Coderre:** So you don't have anything like the monitoring process vis-à-vis toxicity or future...?

**Ms. Stephanie Merrill:** No. This is an exploration phase in New Brunswick. As David said, there are a lot of questions left unanswered. People in rural communities are posing questions about what is going to happen when damage occurs. Will industry be responsible for cleaning up the mess? Where is the water being treated? Where is it going? What's the end result? Where is that water being ultimately discharged? Do we have the processes in place to effectively take out the toxins? Do we have that technology?

So there are a lot of questions that are being asked and very few answers given to them. The provincial government points to provincial acts that are triggered at multiple steps along the way, but they don't actually clarify what the specific rules and regulations are to protect New Brunswickers.

**Hon. Denis Coderre:** Thank you.

Scott?

**The Chair:** Mr. Andrews, go ahead, please.

• (1235)

**Mr. Scott Andrews (Avalon, Lib.):** Thank you very much.

My questions are going to be for Barbara, an old neighbour and friend of mine from Newfoundland.

Barbara, you spoke at great length about the deal that was just struck in Newfoundland and Labrador and Nova Scotia for hydro development of the Lower Churchill project. You said that both premiers have mentioned that the project will proceed whether or not the federal government invests. The amount of the project is \$6.2 billion. They've asked for \$400 million, a small amount, to invest in a green energy project. Do you think the federal government should be investing in this type of green energy?

The other part of their ask would be for loan guarantees, which are similar to the aerospace industry and the auto industry as well. I don't know if you'd like to comment on that, Barb.

**The Chair:** Ms. Pike, go ahead.

**Ms. Barbara Pike:** Hi, Scott. It's nice to see you.

If there is a P3 project that fits the bill, this is it, because as you say, it's green. With a business plan of \$6.2 billion, it's huge. As far as its impact on Atlantic Canada and its future impact across the country is concerned, this is a very large project even though the megawatts are small.

I guess the short answer is that this is what P3 was set up for. So if you're going to be handing out money, hand it out to something such as this.

**Mr. Scott Andrews:** Secondly, you were talking at the end of your presentation about the environmental impacts of Holyrood generating station and the coal-fired generation. I don't know if you'd like to elaborate a little bit more on what this project will actually do for the environment and green energy.

**Ms. Barbara Pike:** For starters, it would shut down the Holyrood station, which I believe is currently burning bunker C. It would also take off line approximately 10% of what we're now generating in Nova Scotia through coal fired.... Once this project goes forward and we take a look at the next project, we can be completely green in Atlantic Canada.

For Newfoundland, I think then you would be green—probably the only province outside of Quebec that would be. I believe they are saying it would basically be 98% or 99% hydro generation. That is huge, but it also provides, down the road, the stability that is needed if we're talking about economic development. If you want to attract business to this region, the fact that you can have long-term, secure green energy with secure prices that are not fluctuating because of fossil fuel world prices is a huge selling point.

**Mr. Scott Andrews:** What about an east-west power grid across Canada? How do you see that being beneficial to the nation as a whole?

**Ms. Barbara Pike:** As I mentioned, if you take a look at security of supply, the fact remains that we are powering New York when Ontario is talking about building new nuclear plants. Should we not be looking at an east-west power grid so that in fact the hydro power generated in this country is supplying Ontario markets?

**The Chair:** Thank you very much, Mr. Andrews and Mr. Coderre.

We will go now to the Bloc Québécois. Madame Brunelle, you have up to seven minutes.

[*Translation*]

**Ms. Paule Brunelle:** Thank you, Mr. Chairman.

Mr. Coon, Ms. Merrill, to date in Quebec, energy security has relied to a considerable degree on the development of hydroelectricity and wind energy. We've been taking considerable steps in that direction for many years now. Our environmental rules are definitely stricter than those enforced elsewhere in Canada. And we're proud of that fact.

However, this entire shale gas development issue has really taken the public by surprise. People aren't very informed. This concerns densely populated areas, particularly the St. Lawrence Valley where our most fertile farm lands are. We sense a great deal of concern and anger among citizens. However, I would say it's disorganized anger. BAPE is conducting hearings. There's some talk about that, but citizens are banding together in large numbers to demonstrate.

Mr. Coon, you talked about Citizens for Responsible Resource Development. What is that? Is it an organization? Perhaps we could use it as a model in Quebec. Can you give me more details about that?

• (1240)

[*English*]

**Mr. David Coon:** Stephanie actually works directly with the coalition, so I'll ask her to respond.

**Ms. Stephanie Merrill:** The coalition is newly formed. It is only about two or three weeks old. Basically, the coalition formed out of concern in a number of communities. What we were seeing were very similar things happening in the communities where exploration was coming forth. We saw that municipalities were not sure what to do. They obviously had to make decisions that were in the best interests of their community residents, who didn't like the idea. We had rural communities in New Brunswick that did not have local governance—the province represents these rural communities—so they had no formal mechanism for addressing their concerns.

We were seeing a pattern of things emerging across the landscape in terms of how industry and government were approaching communities. So basically, it was a grassroots movement of different individuals and community groups, such as the Cornhill Residents Association, for example. Those types of groups came together and decided to just start talking to each other so that they could learn from each other what was happening in their communities. So when industry moves to the next place, they will be well informed about what to expect, such as what types of things industry is saying and how things are going to play out.

They just decided that they would be more effective if they joined together to share information. They are not necessarily against any form of shale gas development or other resources. They have a very broad mandate. But they really feel that there needs to be responsible development of that resource in the interest of the public. And if there is economic benefit from the industry, if there is some, it should be for New Brunswickers, and specifically for communities where extraction takes place. Currently, in New Brunswick, the community where our current natural gas field is located cannot themselves hook up to natural gas. They think that is unfair.

In general, the coalition formed so that they could all learn from each other. They felt the government was not informing them as they should have been, so they took it upon themselves to learn from each other.

[*Translation*]

**Ms. Paule Brunelle:** I see that situations are similar from place to place. That's why the idea of a moratorium is increasingly widespread in Quebec, at least so that we can review our legislation, since this issue is governed by an old Quebec mining act. So it's inadequate. It's time we were able to properly gather information and inform the public, who were already very concerned about drinking water. Thank you.

Ms. Pike, I'd like to tell you I profoundly disagree with you on almost everything you say.

I would remind you that natural resources are a provincial jurisdiction and that, if we had to begin talks, we might perhaps have to reopen the Constitution. I don't think that's really what the members around this table want.

If we have to establish an agreement between the provinces on the free movement of energy, if it's as hazardous as the manpower agreement with regard to recognition and credentials, that may be difficult. Quebec currently agrees more readily with France on labour force credentials. They've reached about 100 agreements on credentials, much more than in Canada. Consequently, if we use this file as an example, yours could be quite hard to manage.

That was a comment.

Thank you.

[*English*]

**The Chair:** Go ahead, Ms. Pike.

•(1245)

**Ms. Barbara Pike:** I didn't hear the question, except for the fact that you disagreed with everything I said.

**The Chair:** If you would not like to comment, we'll go to the next question.

[*Translation*]

**Ms. Paule Brunelle:** That was a comment; I didn't want an answer.

[*English*]

**The Chair:** Madame Brunelle, do you have any more questions or comments?

Then we'll go to the New Democratic Party and Mr. Harris for up to seven minutes.

**Mr. Jack Harris (St. John's East, NDP):** Thank you, Chair, and thank you to our participants and witnesses today.

First of all, Mr. Coon, I wonder if you could tell us if there is something about the nature of shale gas development that has caused this concern, as you said, about social disruption and it being an issue? Does 1,000 wells seem like a lot? Is it due to the nature of the resource that it is spread out in such a way? Can you elaborate on that?

Would you tell us whether you agree with our position that, as the EPA is doing in the United States, there should be a full review, at the national level, of shale gas, among other things, before we proceed quickly with this?

**Mr. David Coon:** Thank you, Mr. Harris.

Yes, absolutely. As in Quebec, the areas being drilled and explored now are very similar to those in the St. Lawrence lowlands. You pretty well can't throw a stone in New Brunswick without hitting someone's house. We have agricultural areas and areas that are full of woodlots and communities. We're very spread out. So what people are concerned about is essentially the industrialization of their rural communities.

Certainly, in some parts of the United States, that's been the experience with the intensive development of shale gas. I say so because it's not just the pumping of the gas out of the ground that happens, but there's all of this ancillary equipment—the compressors, the condensers, and the pipelines, and so on and so forth—and the trucking, which is huge, to bring the water in and to take the waste out, all of which can really, truly industrialize communities. That's the issue there.

On an inquiry, we absolutely support having one, and in fact we think it's essential, because, as Madame Brunelle said, the issues are very similar across jurisdictions. We think an inquiry would help shine the light of day on the issue for all Canadians, so we can all work from a common set of information and ideas about how this can move forward in a way that, first, would be in the public interest of Canada in the regions where it's being developed, and, second, in a way that's safe for people and their environment.

**Mr. Jack Harris:** Would that require support from governments, say, to allow intervenors to have technical information to be able to participate?

**Mr. David Coon:** Well, sure. Under CEAA now, it's a well-established approach that there's the potential for intervenor funding under the Canadian Environmental Assessment Act. That principle should be in place for this kind of an inquiry, so you can bring expert evidence forward.

Not too long ago, we were intervenors on a proposal to build a large new oil refinery in Saint John, around the marine side of the proposal or the harbour they were going to build. We had opportunities to access that information and to bring in expertise that really added considerable value to the discussions.

So, yes, I agree.

**Mr. Jack Harris:** Thank you.

Ms. Pike, if I can ask you a couple of questions, being a Newfoundland and Labradorian, I, too, am pretty excited about the agreement announced last week between Emera and Nalcor Energy and the Newfoundland and Nova Scotia governments, which will, as you say, bring 98% renewable energy to Newfoundland and Labrador. I think there's a small number, maybe in the twenties, of remote, isolated diesel stations that will probably remain, but that's a remarkable achievement. And the 300-megawatt bunker sea-burning outfit in Seal Cove, which we've been criticizing for many years, will be taken out of the system as well, as well as some of the coal in New Brunswick.

This is an interprovincial project, perhaps eventually involving all four provinces using the electricity and making these agreements to make this project happen.

You indicated it may go ahead without federal support, because the drive is there for it, but this is a project of national significance. But do you support the federal government providing some assistance for that through the PPP program, or perhaps through a loan guarantee of some kind that would reduce the cost?

And can you comment on the energy security side of things with respect to what Newfoundland is doing by using some of its revenues from the offshore oil, the fossil fuel, to actually invest in renewable energy? Does that contribute to energy security, in your mind, and do you see that as a goal?

•(1250)

**The Chair:** Ms. Pike, go ahead.

**Ms. Barbara Pike:** Thank you.

Hello, Jack. I have couple of points.

One, as I mentioned to Scott earlier, if you're handing out money in P3, then this is the project and this money should go that way.

As far as the loan guarantees are concerned, the business plan is in place. It may come as a surprise, but these companies and this project will be making money. It's not as though the government is going to be on the hook for that money.

When you talk about security, it is about getting rid of the Holyrood plant or the Seal Cove plant. Again, that is absolutely significant and important, and we only wish it could happen in the rest of Atlantic Canada. It's going to be a while before that happens. We still have a lot of coal power here in Nova Scotia. One of the things, in talking with P.E.I., is that they'd like to get their wind power on the grid, and then they would be able to use wind power. And when the wind doesn't blow, they can use hydro.

Sorry, I don't remember your last question.

**Mr. Jack Harris:** The use of the green energy income stream from fossil fuel to invest in renewable energy and the effect of that. Of course, the other thing about Holyrood is that not only does it provide cleaner energy, but it reduces dependence on imported oil—in this case, probably Middle East or South American—to burn there. It's bunker C, so it's polluting, but it also increases energy security.

**Ms. Barbara Pike:** When we talk about the use of our non-renewable resource revenues, they should be used to pay down debt. But in this particular case, by investing it in a renewable resource—one that you're going to have a return for decades and generations to come—that is a smart use of that money.

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

We go finally to Mr. Allen for up to seven minutes.

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

Thank you to our witnesses for being here today. It's especially nice to see fellow New Brunswickers here at committee. We might not always agree, but I do appreciate the debate, and I do appreciate the perspectives that the Conservation Council does bring to the debate on development.

Mr. Coon, going back in some of the local press, you have really not said anything about being against the development of the shale gas, and I don't think the Conservation Council has taken that position at all. It's more about making sure the proper regulations are in place. I think that's the position you've taken. Is that correct?

**Mr. David Coon:** I can clarify a little bit. That has been our position, but because of the lack of progress—even on having the province establish a trigger under environmental assessment regulation to capture this kind of exploration in hydro-fracking—our board passed a resolution two weeks ago or so to instruct staff to work towards a moratorium until we get our ducks lined up well. That needs to happen.

So it's just a bit of a broadening of that position to one that says, look, we'd better have a moratorium—as they've done in New York—until we get our ducks in line, because clearly the discussions over the past eight to 12 months haven't really led very far.

**Mr. Mike Allen:** You obviously sent the letter to me wanting to appear before committee. I'm assuming you've had a chance to read some of the previous testimony at the committee from the witnesses who were in. There's been some pretty compelling testimony in the use of water being a significantly small percentage of even what's used for agricultural use.

The drilling and cementing technologies, and the safety of the groundwater, the reduction in chemical use.... As you've said, this might not be the natural gas of before, but it's certainly not the fracking of before either. I think we have to reflect that, and the footprint is actually quite small on some of these things now.

Having said that, I encourage everybody, and I encourage the citizens of New Brunswick, to read the testimony on this, because it is compelling, and it does go way down below the aquifers as well.

I want to go specifically to a couple of points. You've talked about the regulatory framework. Can you comment about what regulatory frameworks, in your view, have worked and stimulated responsible shale gas development?

Do you have any provincial jurisdictions that have regulations in place that you think could be models for New Brunswick?

• (1255)

**Mr. David Coon:** Well, we're actually just undertaking a review now of regulation in the U.S. There are three states that have developed some pretty impressive regulation on different aspects of this that we're looking at, that we want to be able to bring forward to regulators in our province and share with others across the country.

So there's that, and I guess that's what got me thinking that there would be a useful role here for the federal government to actually put together a model legislative framework for provinces to look at in discussion with the provinces. We do that with the National Building Code. It has no legal implication, but provinces can go to the National Building Code and use that to create their own provincial building codes. On something like this, it seems like quite an appropriate initiative for Natural Resources Canada, for example, to undertake in conjunction with Environment Canada. To do just that kind of thing, it would be a tremendous help. Not all provinces are created equal, and ours, in particular, is lacking in a lot of capacity by way of resources. We don't have the money to do some of the kinds of work and research and baseline work that should happen to do this safely, and the federal government has a role to play there as well.

So there are good examples of regulations. That's why New York has brought in its moratorium. The State of New York is saying they want to come forward with the very best regulations and to know whether there are areas that they should establish as no-go zones just because the risks are too high. We think that's a responsible approach. There's no rush here to get this gas out; the gas isn't going anywhere. It will be a strategic resource, and should be, for us for a long time. There's no reason that we can't get it right and ensure that we get it right environmentally, socially, and economically, so that we don't end up with a situation where the companies win and everyone else loses. We don't want that.

So we want the public to win, we want our provinces to win, and we want Canada to win here.

**Mr. Mike Allen:** I guess I support Minister Northrup and not the moratorium. At the same time, there's a school of thought that says we can miss the train as we go here too.

Barbara Pike, I'd like to ask you a question with respect to AIMS. I know a lot of the others have focused on the electricity side, but I want to take on the gas development side. Has AIMS done any research or any type of development work on the economic benefits of the potential shale gas in eastern Canada, and specifically the deposits that are in New Brunswick, which actually extend right through P.E.I.?

**Ms. Barbara Pike:** Unfortunately, we haven't, and if we'd had more time in this preparation, we would have been able to do more.

Having said that, one of the things to remember, whether we're talking about shale gas or in fact the oil sands, is that the technology for this continues to improve dramatically in very short periods of time. I keep hearing the scary stories about the oil sands from when they first started 20, 30 years ago, and that's the same with shale gas, when we're talking about fracking and other things. We are very much in the infancy here. Yes, our geology looks really great for it, but they said that about offshore Nova Scotia too.

So there's still a lot of work that has to be done, but as I say, the technology is improving dramatically, so it is not the same industry as it was even five years ago.

**Mr. Mike Allen:** Based on the deal that has been signed between Newfoundland and Nova Scotia, with the development of 800 or so megawatts in Newfoundland...about 40% of that I think will be used in Newfoundland and then potentially come into Nova Scotia, which is a much higher fossil fuel burner than even New Brunswick. We have about 1,500 megawatts right off the top with Coleson Cove and Belledune that are fossil generation.

Has AIMS done any work with respect to the long-term energy projections in Atlantic Canada? And how would a mixture of shale gas as well as electricity play a role in our economy?

**Ms. Barbara Pike:** No, we haven't. Sorry about that. We took quite a look at NB Power when the NB Power MOU with Hydro-Québec went in, and New Brunswick itself has a huge issue because the plants in New Brunswick that are currently producing fossil-fuel-generated electricity are old. They need to be replaced; they need to be taken offline, and that is going to be a cost to New Brunswick taxpayers. So the fact remains that they can be and probably will be the big customer for now for the extra Muskrat Falls hydroelectricity.

We hear it will be another year before Point Lepreau is back online, and it's another billion dollars. So New Brunswick does have some issue with its generation. Even with shale gas, with natural gas, there is still going to be an issue, much like in Nova Scotia. Most of the plants that are currently generating fuel in New Brunswick from fossil fuels are not close enough to the pipeline.

• (1300)

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

I have two minutes. I have a couple of things I want to ask the committee.

But I will first thank the witnesses very much—Barbara Pike, David Coon, and Stephanie Merrill—for being with us today. Your input was very helpful and is much appreciated.

Before I adjourn the meeting, I would like to remind people that tomorrow noon is the deadline for getting your witness lists to the clerk on the regional economic impacts of oil and gas development and on offshore oil and gas drilling off Canada's west coast. So perhaps you could get the witness lists in tomorrow.

Two other things. We'll try to get witnesses for the meetings on Tuesday, December 14, the second last day, and December 16. We'll certainly invite witnesses on the regional economic impacts and offshore oil and gas, but whether enough will come is the question.

Do you want to book a meeting for Thursday, December 16, the last Thursday before the Christmas break?

**Some hon. members:** No.

**The Chair:** Okay, we won't book that. We don't want to invite witnesses only to have them find out there's no meeting. There's a consensus that we don't invite witnesses for that meeting, so we'll do our best for December 14. The others are pretty much arranged.

Thank you all very much for your input.

The meeting is adjourned.





**MAIL  POSTE**

Canada Post Corporation / Société canadienne des postes

Postage paid

Port payé

**Lettermail**

**Poste-lettre**

**1782711  
Ottawa**

*If undelivered, return COVER ONLY to:*  
Publishing and Depository Services  
Public Works and Government Services Canada  
Ottawa, Ontario K1A 0S5

*En cas de non-livraison,  
retourner cette COUVERTURE SEULEMENT à :*  
Les Éditions et Services de dépôt  
Travaux publics et Services gouvernementaux Canada  
Ottawa (Ontario) K1A 0S5

Published under the authority of the Speaker of  
the House of Commons

### **SPEAKER'S PERMISSION**

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Additional copies may be obtained from: Publishing and  
Depository Services  
Public Works and Government Services Canada  
Ottawa, Ontario K1A 0S5  
Telephone: 613-941-5995 or 1-800-635-7943  
Fax: 613-954-5779 or 1-800-565-7757  
publications@tpsgc-pwgsc.gc.ca  
<http://publications.gc.ca>

Also available on the Parliament of Canada Web Site at the  
following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

### **PERMISSION DU PRÉSIDENT**

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

On peut obtenir des copies supplémentaires en écrivant à : Les  
Éditions et Services de dépôt  
Travaux publics et Services gouvernementaux Canada  
Ottawa (Ontario) K1A 0S5  
Téléphone : 613-941-5995 ou 1-800-635-7943  
Télécopieur : 613-954-5779 ou 1-800-565-7757  
publications@tpsgc-pwgsc.gc.ca  
<http://publications.gc.ca>

Aussi disponible sur le site Web du Parlement du Canada à  
l'adresse suivante : <http://www.parl.gc.ca>