House of Commons
CANADA

Standing Committee on Natural Resources

RNNR • NUMBER 044 • 3rd SESSION • 40th PARLIAMENT

EVIDENCE

Tuesday, February 15, 2011

Chair

Mr. Leon Benoit

Standing Committee on Natural Resources

Tuesday, February 15, 2011

● (1530)

[*English*]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): I call the meeting to order.

Good afternoon, everyone.

Welcome to another meeting on energy security in Canada. Today we are dealing with the topic of regional economic impacts and we have three groups of witnesses here today.

First of all we have Gary Flett, vice-president and chief operating officer with the Athabasca Chipewyan First Nation Business Group. Welcome.

We also have Douglas Bloom, president of Spectra Energy Transmission West. Welcome.

Is there no translation? We'll suspend for about two minutes until we get this fixed.

[*Technical Difficulty—Editor*]

● (1535)

The Chair: Can you hear me now? Is the mike working?

Some hon. members: Yes.

The Chair: We will start the meeting. The technical people can try to straighten things out.

We'll just get directly to the witnesses. I started to name the witnesses we have here today. We have Gary Flett, vice-president and chief operating officer with the Athabasca Chipewyan First Nation Business Group. We also have Douglas Bloom, president of Spectra Energy Transmission West. Welcome, gentlemen, here in the room.

By video conference from Cenovus Energy Inc., we have Jim Campbell, vice-president of government affairs and corporate responsibility; Alan Reid, vice-president for regulatory, local community, and military areas; and Jon Mitchell, team lead for environment policy and strategy.

We will start the presentations, for up to seven minutes, in the order listed on the agenda.

We'll start with Gary Flett from the Athabasca Chipewyan First Nation Business Group.

Go ahead please, sir, for up to seven minutes.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Mr. Chair, I have a quick question. I was wondering when the video conference would be coming on.

The Chair: Cenovus will probably be coming on. They tested it earlier and it was working. We'll do what we can.

Mr. Flett, please go ahead.

Mr. Garry Flett (Vice-President and Chief Operating Officer, Athabasca Chipewyan First Nation Business Group): First of all, thanks for having me. It's a pleasure to be here.

During a committee question period on December 7, 2010, Mr. David Anderson asked questions of Lionel Lepine relative to the ACFN Business Group on employment statistics of the Athabasca Chipewyan First Nation membership.

I wish to submit some of the statistics on the ACFN Business Group as well as some supporting documentation and comments.

The Athabasca Chipewyan First Nation Business Group consists of five companies that are 100% owned by the Athabasca Chipewyan First Nation, and another seven joint ventures and partnerships. The ACFN Business Group employs a moving number of employees, depending on industrial demand. At peak industrial requirement of resources during industrial maintenance turnarounds and/or shutdowns, we employ approximately 1,400 people. During the non-industrial maintenance turnarounds, the business group maintains employment numbers of approximately 1,200 employees.

Employment opportunities for ACFN band members are also a moving number depending on industrial demand. During these turnarounds, industry may ask the business group to provide additional labour resources of 300 to 400 personnel. Out of these numbers, we attempt to provide temporary employment for band members living on-reserve. These employees are then transported from Fort Chipewyan to other communities, directly to the plant site, and are provided with accommodation for the period required by the industrial companies.

For questions pertaining to permanent employee levels, I will provide you with some of the demographics of band membership employed with the business group.

The reasons for ACFN band members being at a suggested low level are listed as follows: in the regional municipality of Wood Buffalo, based on the 2010 census, the population of Fort Chipewyan was 1,261 people. ACFN's total membership population out of that is 920. The number of Athabasca Chipewyan First Nation members living in Fort Chipewyan is 236. This equates to 19% of the total population in Fort Chipewyan which are ACFN members in all ages.

Of the ACFN membership, 26% reside in Fort Chipewyan. The ACFN working-age population, between 18 and 55, as of May 2010, is as follows: in Fort Chipewyan there are 135, in Fort McMurray there are 99, and in Edmonton there are 57.

With regard to the Athabasca Chipewyan First Nation Business Group joint ventures employees, based on January 2011 stats, the ACFN Business Group consists of five companies that are 100% owned by the Athabasca Chipewyan First Nation. These include Chip Manufacturing, manufacturers of Kevlar wristolets and safety products; Denesoline Environment, our waste division; Denesoline Janitorial, our janitorial division; Denesoline Maintenance, for highway mechanical repairs; and Tech Sonic Services, an ultrasonic cleaning company.

Our seven joint ventures and partnerships consist of ACFN Allnorth Consulting, our civil engineering firm; AC&T, our heavy equipment earth moving company; ACE Industrial, where we do all the welding and machining; Cutting Edge, where we shred all sizes of tires, on highway and off highway; Dene West Catering; Lemax Machining and Welding; and Poplar Point, another camp catering service.

Our current combined workforce is 1,250 employees with ACFN business and joint ventures. On our website, we stated we had over 1,400 valued employees. Although that was accurate at the time, we must also take into account the attrition and recession in our business group and joint ventures during 2010.

ACFN Business Group employees, in our 100%-owned companies, total 585.

● (1540)

In the ACFN Business Group, 9% of our total employees are of aboriginal descent, at 54 out of 585 employees. Of our total employees, 4% of them are ACFN members. Thirty-nine per cent of our aboriginal employees are ACFN members, at 21 out of 54. The number of working-age ACFN members living in Fort McMurray and Fort Chipewyan combined is 234, with ACFN employees at almost 9% of that population. You will need to consider other employees who work directly for the industrial energy groups such as Syncrude, Shell, and Suncor.

Of the ACFN members who are employees—21 of them—there are 11 in Fort Chipewyan who hold managerial positions and positions as factory workers. In Fort McMurray, we have 10. These employees are in executive management and senior management, are accountant personnel, and are in administrative support, trades, and janitorial positions.

Our joint venture employees total 665. Seven per cent of the total employees of the joint ventures are of aboriginal descent, at 47 out of 665. Two per cent of the total employees of the joint ventures are ACFN members, at 11 out of 665. Twenty per cent of the joint venture aboriginal employees are ACFN members. The types of positions held by ACFN employees in our joint ventures and partnerships include supervisory positions, heavy equipment operators, camp attendants, accounting and administrative support people, and labourers.

The ACFN Business Group supports continuing education and development. We currently have four ACFN members who are employees as well as students. One is on educational leave, pursuing her studies in native studies; one is working part time towards her accounting degree; one is full time, completing an associate certificate, and has her Bachelor of Management degree and a certified human resources professional designation; and one is a heavy equipment apprentice.

On ACFN students in general—as a whole nation, not the ACFN Business Group—during the last few years, we've had many graduates. They have certificates, diplomas, degrees, master's degrees, and doctorates. They are in range of disciplines, such as environment, management, law, numerous trades, nursing, education, and sciences, to name just a few. Within the last few years, ACFN has a very good number of students registered with our education department for post-secondary studies.

Now I will go on to some barriers to employment opportunities. Employment opportunities for ACFN band members are also a moving number, depending on industrial demand. The business group caters to industry in services such as our janitorial division, waste management, and recycling, and also to very specific sectors.

We do have a large number of graduates, but their field of expertise is not in the sectors that we work in. For example, there are ACFN members who are nurses, but we do not hire nurses. We have no positions for them.

Although we have had success in some areas, there are some areas that need special attention. There are other factors that contribute to barriers, such as, for example, a lack of education among band members. A study done in 2006 said that 74% left high school in grade 10 or earlier.

Also, some band members cannot achieve employment because they do not have a driver's licence.

There is also a lack of employability skills and training.

Transportation is a very critical area. People living in Fort Chipewyan want to work for industry, but they reside in Fort Chip, and when they move to Fort McMurray, they must seek accommodation on their own.

Also, like the total population of the municipality, we have alcohol and drug testing, which is mandatory with us, and some people cannot pass it.

There are 78 houses in Fort Chipewyan, 53 of which are band owned, and 25 are mortgaged. Currently there are ten families, four singles, and two elders on the waiting list for housing.

● (1545)

The average wait for a home is three years. There are homes with more than one family living in them because of the housing shortage.

Housing in Fort McMurray is at an extremely high cost. If an ACFN member decides to leave Fort Chip and move to Fort McMurray, the following is what he or she can expect to pay: a bachelor suite in Fort McMurray is $1,492 per month, a one-bedroom apartment is $1,524, a two-bedroom is $1,879, and a three-bedroom apartment is $2,093. The average single detached home costs $704,000; a multi-family home—a condominium, and that sort of thing—is $429,000; a duplex is about $508,000; and a mobile home on its own property sells for about $410,000. On top of this, there are child care costs. At the YMCA in Fort McMurray, daycare is $1,225 a month per child and after-school care is $450. For a family of four, with two adults and two children, the cost of living in Fort McMurray is $3,000 a month with housing and child care.

I hope I have provided you with some answers to the questions that were asked of me.

Thank you.

The Chair: Thank you.

We are going to suspend while the system is rebooted, and then we'll go to Mr. Bloom.

● (1550)

(Pause)

● (1550)

The Chair: We will resume the meeting with a presentation from Mr. Bloom, President of Spectra Energy Transmission West.

Go ahead, please.

Mr. Douglas P. Bloom (President, Spectra Energy Transmission West): Thank you, Mr. Chairman, and thank you for allowing me the opportunity to appear before the committee.

If there's anything you need for the committee's work that I'm unable to provide today, we'd be happy to follow up afterwards and make sure we get you the information you need.

I hope my remarks are of assistance as you study various aspects of energy security.

The Chair: Hang on for a second, please, Mr. Bloom. Apparently there are problems with the translation now. They're not getting the feed.

Mr. Bloom, could you try it again? I hope we won't have to interrupt you again, but we might.

Go ahead, please.

Mr. Douglas P. Bloom: Do you want me to start with testing?

Mr. Chair: Sure.

Mr. Douglas P. Bloom: Are you able to hear me now?

Thank you for the opportunity to appear before the committee....

● (1555)

The Chair: This is the responsibility of the parliamentary secretary. Everybody knows that.

Okay, I'm doing a test here. I'm just seeing if this works. I'll just keep talking until it's working.

Okay, I think we have it fixed.

Mr. Bloom, could you go ahead and start your presentation from the top? Thank you.

Mr. Douglas P. Bloom: Thank you, Mr. Chairman, and thank you for allowing me the opportunity to appear before the committee. Let me just say from the outset that if there's anything that you need for the committee's work that I'm unable to provide today, we'd be happy to follow up separately and make sure you have the information you need.

I hope my remarks are of assistance as you study various aspects of energy security. Spectra Energy is one of the largest natural gas gathering, processing, transportation, and delivery systems in North America. We operate in seven Canadian provincial jurisdictions, with a significant presence in British Columbia, Ontario, and Atlantic Canada and 3,400 Canadian employees coast to coast. Our operations have deep roots in Canada, more than 50 years of history in B.C., and this year we celebrate 100 years of operations at Union Gas. My written testimony highlights our Canadian and North American footprint and operations in more detail.

Let me first take a moment to talk about our cultural commitment to safety. Our employees live and work in hundreds of Canadian communities, and we're committed to their safety and the safety of the public. We operate and maintain our facilities using thoroughly tested procedures and standards, while adhering to and surpassing strict regulations. With respect to safety, we have a relentless commitment to a zero work-related injury and illness culture. In support of these efforts we ask provincial and federal governments across Canada to work together to support the creation of a national “Call Before You Dig” program. Third party excavation damage continues to be the leading cause of pipeline incidents in Canada.

Given the scope, scale, and geographic diversity of our businesses, Spectra Energy is well positioned to speak to regional economic impacts of energy development throughout Canada. What I hope you take away from my presentation is that the ripple effect from activities in one particular jurisdiction extends widely across our sector and delivers benefits for Canada as a whole.

Let me start with northeast British Columbia. Spectra Energy's assets in B.C. are significant by any measure. Our pipeline and gas processing assets form the backbone of the natural gas sector in B.C. We connect B.C.'s natural gas exploration and production industry with millions of customers who rely on natural gas as a feedstock for manufacturing, as a boiler fuel for electric generation, or as a means to heat their homes and businesses. We process and transport 60% of the natural gas produced in the province, with growth under way. Our system supplies all of the natural gas needs for B.C. and 50% of the natural gas demand in the states of Washington, Oregon, and Idaho, and it is interconnected with the North American pipeline grid.

I recognize this committee has heard testimony about the emergence of new technology and how it's vastly changed the supply picture in North America. In response to this supply growth in the Horn River and Montney/Doig resource areas, Spectra Energy is investing heavily in B.C.'s future. We're expanding our infrastructure to carry these new shale natural gas supplies to markets in western Canada and beyond. Our expansion program is targeted to invest about $1.5 billion in our B.C. assets between 2009 and 2012. To give you a sense of the importance of western Canada in our company, that $1.5 billion represents almost a half of our company's current capital expansion program.

Our expansion program to respond to the ramp-up in production means boots on the ground in northeast B.C. and resulting direct and indirect benefits across the country, spread much more broadly than just in the northern communities, B.C., and western Canada. In total, our regional expansion activities now under way include an estimated incremental 1,350 direct construction and inspection jobs over the next three years and close to two million person-hours of work, with additional jobs related to the many engineering, design, procurement, trucking, and logistics services that are required during an expansion of this scale.

The multiplier effect of these incremental jobs, in addition to the $1.5 billion in capital investment, extends right across Canada and ultimately North America. For example, we're also sourcing equipment from across the continent—pumps from Ontario, process control systems and valves from Alberta, and structural steel from Quebec. All this equipment comes together in collaboration with resources from northeast B.C., along with state-of-the-art engineering, transportation logistics, and millions of dollars in road and bridge upgrades along the way—and this is just Spectra Energy's contribution.

● (1600)

British Columbia's natural gas industry royalty revenues totalled $406 million in 2010, and the property taxes that Spectra Energy paid, $60 million, made a significant contribution to the provincial economy. Our industry also invests in local communities across B.C. in the form of money and time. In 2010 our employees donated more than 700 hours to volunteer projects in B.C., and annual charitable contributions in the west were nearly a million dollars.

We believe that robust natural gas supplies will provide energy security for Canada and our U.S. neighbours, and natural gas will continue to underpin local, provincial, regional, and federal economies well into the future.

That covers two of the three "E"s in our continental energy equation. The third "E"–our environment–is also a natural fit for natural gas. With a carbon profile that is 45% cleaner than that of coal and 30% cleaner than that of oil, natural gas is available right here and right now to fuel our environmental objectives. Our U.S. neighbours are recognizing this. During his State of the Union address to Congress last month, United States President Barack Obama voiced support for the role of natural gas in a forward-looking clean energy policy.

Alternative sources of energy are essential, and an important part of the overall energy mix, but the reality is that natural gas will continue to provide a significant share of energy for generations to come, and will provide backup to renewables when the wind doesn't blow and the sun doesn't shine. In Ontario, natural gas is displacing coal-fired electric generation and delivering immediate emission reductions. Spectra Energy is transporting this natural gas through our Union Gas subsidiary, a company serving 1.3 million customers in Ontario's energy market, and in the maritime provinces, Nova Scotia and New Brunswick are exploring opportunities to further diversify their energy portfolio with increased utilization of clean-burning natural gas and renewables.

Beyond near-term emissions reductions that can be achieved, the economic benefits associated with greater utilization of natural gas are essential to the host communities that are benefiting from today's natural gas technology and development boom. We must take advantage of the fuel before us today: a clean, domestic, abundant, efficient, and versatile fuel. This important step will set the stage for economic benefits at the local, regional, and national level.

As Spectra Energy undertakes the large natural gas infrastructure investments across Canada to take advantage of today's cleanest conventional fuel and support our energy security, environmental, and economic objectives, we offer the committee the recommendations that follow.

First, continue to recognize and support the energy industry's role in providing essential services to Canadians and stimulating economic growth. Amidst a significant worldwide economic downturn, Spectra Energy added jobs. Our contributions to economic growth can be bolstered by continuing to provide a competitive tax environment; support for infrastructure, research, and development as our industry expands; and a harmonized, efficient, and stable national and North American regulatory environment.

Second, build homegrown demand for natural gas and diversify access to our resources through offshore markets. With more than 100 years of domestic natural gas supply, commodity prices are also expected to remain modest for the foreseeable future. If Canada is unable to build domestic demand for natural gas use and develop offshore market outlets, it will impede the growth of exploration and production across Canada, a major source of revenue and economic benefits for regions across the country.

Third, ramp up efforts that support investments under way in Canada's natural gas infrastructure. Spectra Energy strongly supports the positive direction taken by the National Energy Board to encourage and attract investment in key energy infrastructure in Canada. Initiatives to encourage regulatory efficiency bode well for long-term investment in our sector.

● (1605)

Fourth, continue to recognize the role that Canadian natural gas resources play in North American energy security. A clear national energy strategy would be helpful to support growth in the energy sector and regional advantages.

I'd like to thank you for the opportunity to speak today. I hope these remarks and our brief are helpful to your deliberations and I look forward to your questions.

The Chair: Thank you, Mr. Bloom.

The witnesses we had hoped to hear from by video conference aren't connected as of right now, so we'll go to questions and comments, and if they become available, we will stop at some point and hear from them and then carry on. As well, Mr. Flett has to leave before five o'clock, so please keep that in mind while you're asking questions.

I will go first to the official opposition. Go ahead, Mr. Tonks, for up to seven minutes.

Mr. Alan Tonks (York South—Weston, Lib.): Thank you very much, Mr. Chairman.

Mr. Flett, Mr. Bloom, welcome. I appreciate your being here.

My first question is to Mr. Bloom. Mr. Bloom, you've made several references to a projection of regulatory clarity. Also, you finished by saying that the whole opportunity for investment perhaps hinges on that preciseness of regulatory clarity and excellence. Could you expand on what you believe to be that regulatory framework?

You also talked about a clear national energy strategy. Could you expand on that a little bit in terms of the regulatory regime that you would like to see in place and whether there are problems with the existing regime? As well, what do you mean in terms of an energy strategy?

The Chair: Mr. Bloom, go ahead.

Mr. Douglas P. Bloom: Thank you. Let me start with the regulatory efficiency point that I wanted to make.

The issue here, sir, is that investment decisions really are advantaged when we have greater certainty of the process, so we encourage any steps on the regulatory side that help us provide clarity and certainty of the process. The outcome, of course. is left to the regulators, but what's important to private sector investors is the timeliness and certainty of the process, and those are probably among the more important things that we could ask of any regulator.

● (1610)

Mr. Alan Tonks: On the national energy strategy, could you expand on that a bit? We've gone down that path before, and I think you can appreciate that we want to be very careful in terms of provincial sensitivities and so on. What do you see a national strategy encompassing?

Mr. Douglas P. Bloom: In short, we feel that there's a tremendous opportunity in Canada at this point. We're blessed in this country with abundant resources. We've been also very fortunate to sit next to the largest market in the world, but we're also accessible to many other very large and emerging world economies. We feel there's a tremendous opportunity now for Canada to pause and think about what goals we want to establish for the energy sector and the jobs and incomes that it can support. I think now is an opportunity for us to assess how we best can maximize the value of the resources that we have in this country—respecting the provincial jurisdiction over those resources, but nevertheless assessing the goals that we aspire to as a country and the things that we need to do in order to achieve them. That would encompass all levels of government, as well as the private sector participants.

Mr. Alan Tonks: We might come back to the point you made in terms of investment, where that investment comes from, and the terms and conditions that would be part of that national strategy.

I'd like to go to Mr. Flett. Mr. Flett, thank you very much for the statistics. This is very excellent, and I think the committee would be interested in terms of the accessibility, if you will, to the benefits of the tar sands, the development that's going on into shale gas and so on—sorry, I meant the oil sands. I just wanted to make sure they are awake over on the other side there. There's a sensitive issue there.

Mr. Flett, the success of your own companies that you have nurtured and developed is very admirable, but are you satisfied that you're getting the reinvestment in educational opportunities and in child care?

You mentioned the housing issues. We have been up to Fort McMurray. We've seen the tremendous overcrowding that's happening. Are some of those benefits equitably coming back to the local populations, and in particular to the first nations that you represent?

Mr. Garry Flett: The answer, I think, is no, but is there long-term relief? Possibly. There needs to be more input, more development done by industry itself, maybe in conjunction with the provincial government, to relieve some of the pressures on the housing issues.

The reason I provided those stats was the question on behalf of the ACFN employment numbers, the membership numbers. A lot of the members live out of the Fort McMurray area but still within the regional municipality of Wood Buffalo. A lot of the members have limited skills to enter the market, so the positions that they can fill are entry-level, low-skilled, or unskilled positions, which of course attract a low salary or income and hinder their ability to access the local housing market in Fort McMurray.

When industry provides accommodations for them—and mostly it's temporary—they can come into or fly into Fort McMurray or into the area, live in the camps, make an income, and provide it back to their families in the remote regions in which they live, but there really is no incentive shown yet by industry or by the government to provide a long-term solution to the housing issue.

Mr. Alan Tonks: I see.

How is my time?

● (1615)

The Chair: Your time is up, Mr. Tonks.

Mr. Alan Tonks: Thank you very much for that, Mr. Flett.

The Chair: We now go to Madame Brunelle for seven minutes. Go ahead, please.

[*Translation*]

Ms. Paule Brunelle (Trois-Rivières, BQ): Good afternoon, gentlemen.

Mr. Flett...

[*English*]

The Chair: Madame Brunelle, just wait a minute while we make sure the gentlemen get their translation devices working.

Okay, carry on.

[*Translation*]

Ms. Paule Brunelle: The ACFN Business Group is made up of five companies that belong entirely to the Athabasca Chipewyan First Nation. I thought most of your employees had to be aboriginal to work in your company. But I see that's not the case. What percentage of aboriginals work for you? Could you also tell me the percentage of aboriginals in administrative or executive roles?

[*English*]

Mr. Garry Flett: Thank you. Maybe I could answer that.

Within the ACFN Business Group, 9% of our total employees are of aboriginal descent. That is our core business, of which we own 100%, and 54 employees out of a total number of 585 are of aboriginal descent.

Four per cent of our total employees are ACFN members, so that's 21 out of 585 employees. Some 39% of our aboriginal employees are ACFN members. That's in all of the businesses, all 11 businesses. The number of working-age ACFN members living in Fort McMurray and Fort Chipewyan combined is 234. ACFN employees number almost 9% of that population.

I hope that provides you with the right....?

[*Translation*]

Ms. Paule Brunelle: I will take my question a little further. You will see what I am trying to get at.

You told us that 74% of aboriginals left school in grade 10. So the aboriginals are experiencing a significant school drop-out rate. I told myself that, under those conditions, perhaps none of them could be administrators or executives in the companies that belong to a First Nation. I was wondering whether you felt that it was your responsibility to do something about the drop-out rate problem facing aboriginals, or you felt it was the federal government's job to take action, so that some might be able to get a good salary and an executive position in one of your companies.

[*English*]

Mr. Garry Flett: Thank you.

The numbers I provided are correct on the high school dropout rate for grade 10 or below grade 10. I provide employment for people of different educational levels, but I'm not at a political level to encourage them within their community to continue with their education. That is mostly in the community of Fort Chipewyan, where I don't live or reside. I just provide employment for those people when they do come to Fort McMurray.

As far as administrative positions go, if an ACFN band member qualifies, I have a sense of priority for that person to get the position applied for, but they must qualify like everybody else.

Do I feel that it's the federal government's responsibility to push or provide encouragement to these people to continue with their education? To me, it's an individual responsibility. I think the federal government and the provincial governments do provide the resources for these people to succeed or to go back to seek an education, but it's an individual thing. The higher your qualifications are, the better position you can land with me, and the higher the salary.

Does that answer your question?

● (1620)

[*Translation*]

Ms. Paule Brunelle: Yes, thank you.

Mr. Bloom, you are telling us that natural gas is cleaner than oil, in terms of the carbon footprint. So I wonder why it is not used as much in Quebec, for example. Is it just because of the widespread use of hydroelectricity?

[*English*]

Mr. Douglas P. Bloom: Thank you.

We see in Quebec as well as in several other jurisdictions, Manitoba and British Columbia among them, that we have an abundant hydroelectric supply. Those two are very clean sources of energy, and as a result, between the clean and abundant nature of the supplies and the relatively competitive prices, we see that hydro-electric energy captures a large area of the energy market in jurisdictions such as Quebec and British Columbia.

[*Translation*]

The Chair: Thank you, Ms. Brunelle.

[*English*]

Mr. Cullen, you have up to seven minutes. Go ahead, please.

Mr. Nathan Cullen: Thank you, gentlemen, for being here today.

I just want to get some context first.

Thank you, Mr. Flett, for the numbers and for your thoroughness.

The Chair: Wait for the translation again.

Mr. Nathan Cullen: Are we good?

The Chair: Go ahead, Mr. Cullen.

Mr. Nathan Cullen: The statistics were about ACFN members. About 2% of the employees in your joint ventures and 4% in the ACFN solely owned companies are ACFN members. Is that right?

Mr. Garry Flett: Yes, that's correct.

Mr. Nathan Cullen: Does your organization set targets? Is there a goal you hope to achieve? I understand all the factors that you presented, the educational levels and costs. I think that was the context of the presentation. Does your group seek to set any targets for what the employment numbers would be like? They seem pretty low if 96% of the employees are not ACFN members.

Mr. Garry Flett: The total number of band members is around 920. Out of the working age, the percentage gets lower, and there are professionals and technical people who go into different arenas for employment, so that leaves a limited few to pick up. A lot of them are for unskilled positions, and I employ a lot of those.

To answer the question on whether I provide incentives—

Mr. Nathan Cullen: I was asking if you or any of your companies set targets. For example, you're at 2% right now, but you'd like to get to 10%, or you're at 4% and you'd like to get to 8%. Does anything like that go on for you?

● (1625)

Mr. Garry Flett: Thanks for clarifying. No, I do not set targets. I can only wish to increase my numbers.

As I stated earlier, if, across the board, everyone has equivalent skills and one is an ACFN member, I will give the AFCN member the advantage. However, you need to have all the other qualifications.

Mr. Nathan Cullen: In your joint ventures, are the companies that you joint venture with comfortable with that policy, the policy that if there are two equal candidates, you're going to give preference?

Mr. Garry Flett: We discuss it in our quarterly and semi-annual updates. Yes, there's a comfort level with it.

Mr. Nathan Cullen: Mr. Bloom, a number of oil and gas companies have mentioned the need to establish a Canadian energy security strategy. They have spoken of a need to begin a national conversation on energy security, which many see as generally absent. I don't know if it is attributable to just having a lot of energy.

Does Spectra have any opinion on that?

Mr. Douglas P. Bloom: We believe that establishing a national energy strategy is a good idea and that now is a good time to address that issue. We're fortunate that we have abundant resources. We've had abundant market opportunities as well. However, on the natural gas side, we're in an increasingly competitive situation. While we in Canada have abundant shale resources, so does the United States, and we're seeing vigorous competition for existing markets. As a result of that, I think we need to start looking at a longer-term strategy to develop the resource, to develop the markets, and to maximize the value that energy can provide to the economy.

Mr. Nathan Cullen: It's an interesting thing. I'll quote from one of your recommendations here: Spectra Energy strongly supports the positive direction taken by the National Energy Board to encourage and attract investment in key energy infrastructure in Canada.

What did you mean by that?

Mr. Douglas P. Bloom: We think the National Energy Board has done a good job of establishing a regulatory framework that's clear and understandable and relatively dependable in terms of the timelines for handling regulatory applications. That's a very important and sometimes under-appreciated part of what they do, and frankly it's an important part of energy investment and ultimately of the delivery chain. We think the work they have undertaken to try to provide as much regulatory clarity and certainty of process as possible is important and should be recognized.

Mr. Nathan Cullen: At this committee, I think we might interpret energy security in slightly different ways. You spoke earlier in the question to security of market and the global competitiveness, particularly in your industry, because there is so much natural gas and prices are incredibly depressed right now. They are very low, relatively speaking.

Something that confuses some of us is that the east-west connections in our energy profile in this country are very weak, whereas north-south avenues have been the historical and predominant ones. As you're a Texas-based company, you have an encouragement to have that north-south supply continue, and under NAFTA we have certain treaty obligations, but you talked about encouraging the Canadian market. Why is there a lack of investment from companies to this point, whether it be in electricity, gas, oil, or any of the things we want to use in the Canadian market, and why has there been no leadership from government to enhance our security—and I'm talking about the supply for consumers side of things—from an east-west profile, rather than importing Middle East oil into eastern Canada while exporting Canadian oil from western Canada to the United States and other markets? Why has there been so little infrastructure built between the provinces on oil, gas, or electricity?

Mr. Douglas P. Bloom: Let me comment on natural gas, for starters.

There is a pretty substantial east-west infrastructure in place right now, and in fact it has been in place for decades now. There are pipeline systems that extend from Alberta and western Canada—and you could extend that back to British Columbia, because of the interconnected nature of the pipeline systems—to eastern Canadian markets, including Quebec. In the natural gas sector there has been a pretty substantial infrastructure put in place.

I think on the oil side there has been as well. A lot of western Canadian oil is transported east, not only to Canada but to markets in the U.S. midwest and beyond. At least in those two sectors there has been a pretty sizeable west-east infrastructure put in place.

● (1630)

The Chair: Thank you, Mr. Cullen

We will now go to the witnesses from Cenovus Energy: Jim Campbell, vice-president of government affairs and corporate responsibility; Alan Reid, vice-president for regulatory, local community, and military areas; and Jon Mitchell, team lead, environmental policy and strategy.

You have, combined, up to seven minutes for your presentation. Go ahead, please, with your presentation.

Mr. Jim Campbell (Vice-President, Government Affairs and Corporate Responsibility, Cenovus Energy Inc.): Thank you, Mr. Chair.

Good afternoon, and thank you for the invitation to join you here today. My name is Jim Campbell, and I am vice-president for government affairs and corporate responsibility at Cenovus Energy Inc. I'm joined by Jon Mitchell, team lead, environmental policy and strategy.

We're very proud to represent our 3,000-plus staff to share information with you about Cenovus, including information on our contribution to the Canadian economy and our commitment to safely and responsibly produce energy resources that the world needs.

Cenovus is a Canadian oil company based in Calgary, Alberta—

The Chair: Excuse me, Mr. Campbell; you're going to have to slow down a bit. The interpreters can't keep up if you go that fast. You're going to have to convince yourself to deliver it slowly.

Go ahead, please.

Mr. Jim Campbell: My apologies, Mr. Chair.

The Chair: Go ahead.

Mr. Jim Campbell: Cenovus is a Canadian oil company based in Calgary, Alberta. Our roots date to the 1880s, the earliest days of the oil and gas industry in western Canada. Today we have oil and natural gas production across Alberta and southern Saskatchewan; however, the growth of our business will be within our oil sands properties in northeast Alberta.

The oil on Cenovus's oil sands leases is deep underground and cannot be mined. In fact, as the committee has likely heard, 80% of the oil in the oil sands region in Alberta cannot be mined. These deep oil sands reservoirs require specialized methods to drill and pump the oil to the surface. We produce this oil by injecting steam into the reservoir to soften the oil deposits so that they can separate from the sand and be pumped to the surface. This is a production method known as steam-assisted gravity drainage, or SAGD, a technology we helped pioneer at Foster Creek in 1996.

A single well pad, with nine well pairs, covers about four to six acres on the surface, but accesses approximately 185 acres underground.

In 2010, we produced about 116,000 barrels of oil a day from 177 wells at our oil sands projects, and by 2019 we expect that the gross production capacity at our two major producing projects, Foster Creek and Christina Lake—both of which are also 50% owned by ConocoPhillips—could reach 493,000 barrels per day.

As we grow our business, we consult with local stakeholders. Where we can, we train and hire locally and use local businesses and services. We also work with many aboriginal communities and organizations in our operating areas.

In the Christina Lake area, for example, about 120 kilometres south of Fort McMurray, we have worked closely with Chipewyan Prairie Dene First Nation, which is our closest first nation neighbour. We have worked with this community to identify preferred vendors from among their joint venture companies. Overall, in 2008 and 2009 we spent $186 million with aboriginal businesses that provide oil field services and help to keep our camps running smoothly.

Wherever we can't source materials locally, we expand our reach. Many of the materials used by our company and our industry require the skills of Canadians beyond Alberta's borders. In 2010, we procured services and materials from all 10 provinces. In Ontario, our spend was almost $57 million. More than130 Ontario-based businesses benefited, including BlueSky Process Solutions in Stoney Creek, which provided us with pipe connectors and fittings. East of Ontario, our spend was more than $6.6 million. We bought environmental cleaners from suppliers such as West Penetone in Montreal, and commissioning and startup services from suppliers such as OTS in Sydney, Nova Scotia.

But within the industry we are just one of many companies that have contributed to the wealth of Canadians. A July 2009 report by the Canadian Energy Research Institute, CERI, indicated that oil and gas businesses paid $58 billion to Canadian governments in 2007. Further, the report anticipates that over the next 25 years the industry will add about $3.6 trillion to Canadian GDP, 25 million person-years of employment, and over one trillion dollars in net revenues for Canadian governments.

Those are significant numbers, but I'd like to shift now to the economic impacts of in situ development. Another CERI report, from January 2010, found that a 30,000-barrel-per-day SAGD project, with a lifespan of roughly 30 years, generates economic benefits throughout Canada. Over its lifetime, that single project would support more than 5,500 direct jobs, generate more than $9.5 billion in royalty revenues, more than $2 billion in federal tax revenues, and more than $3 billion in GDP nationally, and would contribute $35 million and $15 million to the GDPs of Ontario and Quebec respectively.

However, we don't believe that economics is the only thing we should consider. Like every human activity, energy development has an impact on the environment. One of our ongoing objectives is to advance technologies that increase oil production while using the smallest amount of water, natural gas, electricity, and land possible.

● (1635)

Since our first oil sands well in 1996, we have taken a measured approach to our growth in the area. We develop our projects in phases, increasing production in 30,000-40,000 barrel-per-day increments, applying what we learn from one phase to the next in a process of continuous improvement.

The key measure of efficiency for SAGD operations is the amount of steam needed to produce a barrel of oil. Our steam-to-oil ratio is less than 2.3, which is among the lowest in the industry. A lower steam-to-oil ratio translates to lower energy usage, lower water usage, lower emissions, and a smaller surface footprint.

I'd like to share with you a few examples of innovations that have allowed us to steadily reduce our steam-to-oil ratio.

Recently, we introduced a new technology that taps into zones of previously inaccessible melted bitumen near our producing well pairs. This technology is a Cenovus innovation that allows us to access that wedge of bitumen and pump the oil to the surface using only single wells and little or no incremental steam. We call these “wedge wells”. They increase the amount of oil recovered while lowering our environmental impact.

We are also pilot-testing another technological improvement in our SAGD operations. It involves combining the injected steam with solvents, such as butane, to help bring the oil to the surface. Using the solvent also reduces the amount of steam required in the SAGD process.

These and other technologies come from our significant investment in research and development. We recently announced that we would increase our budget for research and development to $65 million. At any one time we have approximately 50 research projects under way, each designed to improve processes, protect the environment, or improve the energy efficiency of our operations.

Thanks to the hard work of our people, we increased our oil sands production 190% from 2004 to 2009. During that same period we lowered our sulphur dioxide intensity by 77%, reduced our well pad footprint by 23%, improved our greenhouse gas intensity by 17%, and improved our fresh water-to-bitumen ratio by 91%.

The majority of the water we use is saline water, which is not suitable for animal or human consumption or agriculture and is not taken from rivers, lakes, or streams. We use less than 5% fresh water in our oil sands operations. This water comes from wells in the area and not from surface sources. Fresh groundwater is used mostly for domestic purposes, such as drinking water and sanitation at our camps and facilities; wastewater is reused in our operations whenever possible.

In 2009, Cenovus produced enough oil that, refined into gasoline and diesel, it would fuel 2.8 million cars for one year, but oil is more than a source of fuel. Oil and natural gas are essential materials needed to develop cutting-edge technologies that make a positive difference in our lives. Indeed, nearly everything we use is either made from oil and natural gas byproducts, made by machinery or in facilities powered by oil and natural gas, or transported by fuels refined from oil, such as gasoline or diesel.

We are a company that prides itself on its innovative spirit. Since 2003, Cenovus has committed $14 million towards early-stage technologies through our environmental opportunities fund. We have funded 11 projects spearheaded by internal teams, external entrepreneurial firms, and academic researchers, all of whom are developing technologies focused on renewable and alternative energy, as well as environmentally driven improvements for the oil and gas sector.

In closing, I would like to assure the committee and Canadians that the people at Cenovus are committed to applying new ideas and new approaches to develop energy resources safely and responsibly. We are committed to making smart decisions, advancing technology, and continuously improving.

Thank you. We'd be pleased to answer your questions, sir.

● (1640)

The Chair: Thank you very much, Mr. Campbell, for your presentation.

We will carry on with questioning.

We'll go now to Mr. Anderson, who will have up to seven minutes.

Mr. Flett, if you feel you have to leave partway through, just go ahead. We understand.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Mr. Flett, I will start with you, in case you do have to leave.

I heard in your response to Nathan's questions what sounds like a little bit of frustration that you haven't been able to employ more of your own people.

You refer to Syncrude, Shell, and Suncor in your presentation as employing folks in your area. Do you have any idea how many people they employ? Is it a fairly large number?

Mr. Garry Flett: Do you mean in the aboriginal community?

Mr. David Anderson: Yes, I do, out of your communities.

Mr. Garry Flett: No, I don't know the number offhand.

Mr. David Anderson: Then that's fine.

You have 1,300 employees in both your business and joint ventures there. Can you talk a little about the change that you feel you're bringing to your community, then, from providing employment? Has it made a significant difference in your community for you to have these dozen businesses operating in the area?

Mr. Garry Flett: Thank you.

The home community for the ACFN, the Athabasca Chipewyan First Nation, is in Fort Chipewyan, which is not their reserve. Do I feel that I'm providing a local benefit for them? For the ones who are living in Fort McMurray, yes, I do. We have one business that's within the community of Fort Chipewyan. It's Chip Manufacturing, which produces Kevlar material out of Kevlar yarn. There we employ 15 or 16 people in a factory. It's a great business and great for the community. It provides employment for working-age mothers who drop their children off at school, go to work, and then pick up their children and go home.

Do I feel that it brings benefit to that community? I do, definitely. Do I wish I could expand it? Definitely, and I probably will be doing that, providing there is industrial demand for the product.

Mr. David Anderson: Mr. Bloom, we had a Quebec witness here last week who suggested that it would be best if the natural gas stayed in the ground. His rationale was that the prices are low now and that the gas should stay there until the prices rise.

I have a couple of questions. You folks have added employees through these low prices. Can you tell us why you've done that and how you've been able to do that? Is this a good time to be expanding?

Mr. Douglas P. Bloom: Thanks—

Mr. David Anderson: Why are you expanding now?

Mr. Douglas P. Bloom: What's driving our expansion is the rapid increase in production that we're seeing in the shale gas and unconventional plays, particularly in northeast B.C. The Horn River Basin is a shale play in the Fort Nelson area. We have a very large infrastructure in place, and by infrastructure I mean extensive gathering pipelines and a very large gas processing plant at Fort Nelson, which has given us a very good foundation.

● (1645)

[*Translation*]

Ms. Paule Brunelle: There are some technical problems.

[*English*]

There are some problems about mikes.

The Vice-Chair (Mr. Alan Tonks): The microphones apparently are in bad shape. The translation part isn't working.

Madam Brunelle, could you just...?

Ms. Paule Brunelle: It's not mine. It's the interpreter.

The Vice-Chair (Mr. Alan Tonks): So it's between the witnesses, then.

Ms. Paule Brunelle: Yes.

The Vice-Chair (Mr. Alan Tonks): To our witnesses on video, we've had problems with our translation, so if we could just wait a moment....

The Chair: Okay, where were we?

Mr. Bloom, would you like to complete your answer?

Mr. Douglas P. Bloom: Okay, let me try to....

The Chair: If you remember the question.

Mr. Douglas P. Bloom: I'll give you an answer. Hopefully it matches up with the question.

Voices: Oh, oh!

The Chair: You can kind of talk about whatever you want here.

Go ahead.

Mr. David Anderson: The question was on whether a good time to develop the resource is when the prices are low.

Mr. Douglas P. Bloom: Thank you. We've seen what's really been driving the expansion of our business. Our business is a gas gathering, processing, and transportation business, so we are the connection to the supply—which in our case is in northeastern B.C. and northwestern Alberta—and markets. What's driving us is really the rapid increase in production growth that we're seeing in these unconventional gas plays.

In response to your question about low prices and whether this is the right time to develop, I suppose you'd really have to ask a producer to get their perspective on it. However, what we've seen in our producer customers—and we deal with many—is that they have applied some very advanced technologies that are helping to substantially reduce the cost of developing natural gas, especially in these unconventional plays. Even though prices are probably lower than they'd like them to be, they're nevertheless able to support and sanction their projects, which in turn creates a demand for the infrastructure that we provide.

At the end of the day, their cost competitiveness is critical to them, as it is with us, and it's really advances in technology that have allowed them to reduce their costs and operate within what we would generally perceive as a relatively low price environment.

Mr. David Anderson: Is shale gas more cost-competitive now than conventional gas? Is that what you're implying?

Mr. Douglas P. Bloom: In some basins it is more cost-competitive than conventional gas. It's hard to make a generalization like that, because each basin and each producer has a different cost situation, and supply basins are different.

That said, what we've seen, not only in the basins that we connect customers in in northeast B.C. but also in the other supply basins in which Spectra Energy is active in North America, is that these unconventional gas plays have become among the more leading and most cost-competitive regions to produce gas from. In some cases we're still seeing continued development of conventional gas, but in other areas we're seeing declines in conventional gas production. From that, I think you could make the assumption that in those areas, additional conventional gas production isn't as cost-competitive.

● (1650)

Mr. David Anderson: To the folks at Cenovus, I'm just wondering if you can give us a bit of an explanation of your involvement with the Chipewyan Prairie Dene First Nation and the aboriginal folks around your developments. We've talked about that a bit today. I'm just wondering about your perspective on that.

The Chair: Go ahead, Mr. Campbell.

Mr. Jim Campbell: Thank you.

We're very interested in ensuring that aboriginal communities share in the benefits associated with our operations. I can't speak to specific commercial arrangements we've made with the first nations, but as I mentioned in my remarks, in 2009 we spent $187 million with aboriginal businesses. The number I got this morning was that in 2010 we spent $125 million with aboriginal businesses in procuring either services or materials.

For example, one of the aboriginal businesses that provides services to us started out a few years ago providing catering services in one of our camps. That year, 2007, we paid them $177,000. Last year, they had grown their business with us to $12 million. We think that's great for them. They're building capacity, they're employing people, and we're proud to be associated with that.

The Chair: Thank you, Mr. Anderson. Your time is up.

Mr. Coderre, you have up to five minutes. We're in the second round.

[*Translation*]

Hon. Denis Coderre (Bourassa, Lib.): Thank you, Mr. Chair.

[*English*]

Thank you very much.

Mr. Bloom, the first thing I was impressed with is that you have a program called “Call Before You Dig”. Maybe if you come to Quebec for shale gas, it might be appropriate to have the industry calling people before they dig.

It's a joke, but it's pretty serious, in a sense, that you have that cultural principle to be inclusive. What's your view? We saw there is shale gas and it might be the future, but it seems there was a major problem, specifically in Quebec, in the relationship with the industry and the population. Some of the people want to be aware of a situation before having to see what's going on in the field.

What advice would you give to our committee about what the relationship should be with new energy? I'm asking because it's new for us, although it's not new in western Canada.

Mr. Douglas P. Bloom: Thank you.

I'll start by saying I'm not personally familiar with the situation in Quebec and some of the issues you refer to. I can speak about the kinds of things we do in our business.

In many cases we expand our infrastructure in areas where we haven't had natural gas gathering and processing infrastructure before. In those areas it's very important for us to get into the local communities and begin consultation early. We consult with communities, we consult with landowners who could be in areas where we would situate pipelines or other facilities, we consult with first nations communities, and we try to take their input and reflect it in the development plan that we arrive at when we apply for new facilities.

Hon. Denis Coderre: This is a question for Mr. Campbell and Mr. Bloom. We had a person who was in charge of the round table for the future of energy, and we were talking about the problems regarding what I call the regulatory process or the monitoring process. Now I'm pleased to see, Mr. Campbell, that you have new technology, but it seems that at some level, the right hand doesn't know what the left hand is doing at the government level, or at least there is a perception there.

So Mr. Bloom, since you've been involved with the regulatory affairs since the beginning in 1987—and Mr. Campbell, you're living it too—what would be your recommendation for that purpose? I believe there is a problem with the monitoring process. I agree with the panel and what they were talking about, but you live it every day. We can talk about smart regulation or whatever. What's your position on that?

Mr. Campbell can go first, and then Mr. Bloom.

● (1655)

The Chair: Go ahead, Mr. Campbell.

Mr. Jim Campbell: Thank you, Mr. Chair.

I think a number of the panels that have reported recently have pointed out issues concerning monitoring. I think from Cenovus' perspective, we want to ensure that the communities where we live and work are better off, so we want to ensure that our operations are safe. We want to ensure that the monitoring of our operations is as good as it can be and makes our stakeholders more comfortable that we're doing the right things.

From Cenovus' perspective, we would hope that the various levels of government—federal, provincial, and sometimes municipal—and the industry would work together to design the best possible monitoring system we can have. I think that's what has begun now, and we'll work with those organizations to ensure it happens.

Hon. Denis Coderre: Mr. Bloom, do you believe that when we talk about a national strategy with regard to the issue of monitoring, we should probably take a look at the provincial and federal levels more specifically?

Mr. Douglas P. Bloom: Could you help me with what you mean by monitoring? I'm just not sure I'm following.

Hon. Denis Coderre: Monitoring might refer to issues with the water, the environment, or the air, or to the relationship between government and industries. You made the point that the regulatory process was okay. The last panel of several panels said we might have a situation at the National Energy Board that we should take a look at.

I'd like to hear from you on this, because you have industry perspective. You're living it.

If there's no problem, there's no problem, but I believe that specifically when you look at what Dr. Schindler said regarding some of the monitoring processes, specifically those for the water, the fish, and all that....

I'm not an expert and I'm not a scientist, and that's why we have witnesses. From your own perspective, do you believe that the monitoring process right now for oil sands or natural gas is accurate?

Mr. Douglas P. Bloom: I'll just speak to my own experience here. I'm not familiar with the report you're referring to, but we have a pretty demanding regulator in the National Energy Board in terms of the regulations that we're held to. On the pipeline side, there are the onshore pipeline regulations, and we operate to those standards. The National Energy Board holds us to those standards, and they regularly audit us to make sure that we are complying with those standards.

The Chair: Thank you, Mr. Bloom, and Mr. Coderre.

Mr. Hoback, go ahead. You have up to five minutes.

Mr. Randy Hoback (Prince Albert, CPC): First of all, thank you for being here to testify.

Mr. Bloom, I'll start off with you on the gas line. Over this last year we've been hearing from the industry that we're seeing a lot of the drilling rigs moving south and that the natural gas is being developed more south of the border instead of up here in Canada.

Is that still happening, and are we at risk of seeing that capacity moving somewhere else and not coming back?

Mr. Douglas P. Bloom: Well, there's always a risk that we become uncompetitive or that rigs and capital move elsewhere. As we know and as we often say, capital is ultimately very mobile, so investment decisions really track the opportunities that are in front of companies. Over the last couple of years, among other things, we've seen producers drive increasingly toward natural gas plays that have a high natural gas liquid content that can enhance the value of the production. We have some of those plays in Canada, but of course we see those plays in many regions of the United States. They include the Eagle Ford and the Marcellus plays, among others.

Mr. Randy Hoback: Of course, if we raise corporate taxes by 2%, as the opposition members proposed, that's just going to escalate that movement across the line.

● (1700)

Mr. Douglas P. Bloom: Well, corporate taxes are an important part of any company's investment decisions. Higher taxes reduce the economics of investing in a given play. Our view is that it's very important to ensure that in Canada we have a very stable and competitive fiscal environment, as well as ensuring that we have a very competitive and responsive regulatory environment.

Mr. Randy Hoback: Of course. I agree with you 100% on that.

Cenovus is also in the refining sector. What's the advantage of refining down in the States versus refining up here in Canada? Why wouldn't we look at increasing capacity in refineries here in Canada versus the U.S.?

Mr. Jim Campbell: Well, Mr. Chairman, I can only speak on behalf of Cenovus. When we were considering this investment, we looked at the economics of refining and upgrading in Alberta and at existing refineries in the United States, and we found that the economics were better there.

We also found that there is an environmental benefit to refining only once. Upgrading in Canada, moving the product to the United States, and then refining there means you have to heat it twice. There's actually an environmental benefit in not doing that.

I should also point out the deal we made with our partners on the refineries. We own 50% of two U.S. refineries with ConocoPhillips, and Conoco operates them. Conoco then made a corollary investment in our Foster Creek and Christina Lake projects, which enabled us to expand those projects and provide more jobs and economic benefits for Canadians.

Mr. Randy Hoback: A criticism that comes up is that here's another example of exporting a raw product instead of exporting a finished product.

Mr. Jim Campbell: I'm sorry, but I didn't get all of that, sir.

Mr. Randy Hoback: How do you answer the critics when they come out and say we're exporting the raw product all the time instead of exporting a finished product?

Mr. Jim Campbell: Well, again, thanks to our commercial arrangement with ConocoPhillips, we've managed to expand our Foster Creek and Christina Lake operations perhaps more quickly than we could have alone, which has also provided economic benefits and jobs for Canadians.

Mr. Randy Hoback: Okay.

It's too bad Mr. Flett has left, but when we look at capacity, I'm curious about the aboriginal content of your organization. How do you see that? Is it growing? Has it been steady?

Up in my riding we have a place out at James Smith that does training for aboriginals so that they can learn how to run the graders, the Cats, the Euclids, and stuff like that. Are you seeing that coming into the sector more all the time?

Mr. Jim Campbell: Well, we do want aboriginal communities to share in the benefits of our operations, and sometimes that means helping them out. In the one example I referred to earlier, we started out at $177,000 a year. They're now at $12 million. We worked with them to help them build capacity.

Specifically, our spend by year over the last four years has gone from $64 million in 2007 to $110 million in 2008, about $86 million in 2009, and $125 million in 2010. I think that's really good performance. You have to keep in mind that we've only been operating a commercial project for the last 10 years.

Mr. Randy Hoback: Yes, I'd agreed with you that those are nice numbers. I think anybody can be proud to see the increase. I encourage you to keep increasing it as you're able to.

If you had any advice for us here when we look at security going forward, is there one thing that you would say that needs to be changed or addressed?

Mr. Jim Campbell: Cenovus is a Canadian oil sands company. We think we're very fortunate to be operating in Canada. If we had one piece of advice for anybody, it would be that there is some overlap of jurisdiction. The work the Energy Policy Institute of Canada is doing to define what a national energy strategy might look like, so that all parties—the federal government, provincial and territorial and municipal governments, the industry, and other stakeholders—work together to ensure that we have a competitive world-class industry would be what we think would ensure that Canada continues to be a leader in the oil and gas industry.

The Chair: Thank you, Mr. Hoback.

We go now to Monsieur Pomerleau for up to five minutes.

● (1705)

[*Translation*]

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

Thank you both, especially today when communication has been making our lives really difficult.

Mr. Bloom, my first question will be short and strictly technical. Are the pipelines used for conventional gas the same as those used for shale gas? Is there a need for modifications or will the same pipeline work for both types of gas?

[*English*]

Mr. Douglas P. Bloom: Thank you.

Pipelines are designed based on the properties of the natural gas they transport. In other words, a different type of pipeline will be required, or a different type of pipeline design will be required, if the pipeline has liquids associated with the natural gas or if it has sour gas constituents such as carbon dioxide or hydrogen sulfide within the natural gas. Those are the things that really determine whether a pipeline can be used to transport gas from a different supplier.

It's not necessarily a distinction between unconventional gas and conventional gas, because we certainly have examples of conventional gas that is as relatively sweet and free of carbon dioxide and hydrogen sulfide as an unconventional play. We have other examples in which conventional and unconventional plays have very different raw gas composition characteristics. There's nothing one can really generalize about the gas compositions from conventional and unconventional plays.

[*Translation*]

Mr. Roger Pomerleau: You talked about three or four places in Canada that are rich in both gas and water resources, meaning the potential for hydroelectricity.

When there is an abundance of both resources in a particular place and they are both usable, don't you think there could be a conflict between the two? Wouldn't it be difficult to use them at the same time, because of the significant amounts of money that would have to be invested, the people who would have to be trained and the market that might not be able to absorb the various new types of energy right away?

Do you think that having those two resources in the same place could create a conflict between them?

[*English*]

Mr. Douglas P. Bloom: It's a good question.

We certainly see circumstances in which natural gas and electricity from hydroelectric resources compete. For example, in heating applications, just to name one example, you can use either natural gas or electricity. I think in other circumstances, as we look more broadly at the energy resources we have—and in many regions, we're very fortunate to have an abundance of both hydroelectricity and natural gas—I think we can rise above looking at them as two competing sources of energy and see them as sources of energy that can create new market opportunities for us, whether it's within our own country or exported outside of our country.

They compete in certain end-use markets, but in other circumstances, we can see them as complementary, and frankly, as good opportunities for the country.

[*Translation*]

Mr. Roger Pomerleau: Mr. Campbell, you work a lot with aboriginals in the places where you are developing tar sands. Tar sands could be a great opportunity for aboriginals to increase their own wealth, because of the work that you would allow them to do through subcontracts, through the operations of companies that are connected to your operations.

Notwithstanding this source of revenue, do your companies or the government of the province where you are, have a projected amount in mind for the value of what you are taking from the aboriginal lands?

● (1710)

[*English*]

Mr. Jim Campbell: If I understand the question correctly, I'm being asked whether we're paying a royalty to the aboriginal peoples.

We pay a royalty to the province, which is the resource owner. We work closely with the aboriginal communities to make sure they share in the benefits associated with our operations. We provide them with opportunities to work in our operations and to supply services to us, and we look to find out what they need in their communities and how we can help. Cenovus is committed to making sure our communities are stronger and better because we're there. We're an Imagine Canada Caring Company, which means we provide 1% of pretax profits to community initiatives. We look to see where the needs are and how we can help.

[*Translation*]

The Chair: Thank you, Mr. Pomerleau.

[*English*]

We go now to Mr. Allen.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you, Chair, and I want to say thanks to our witnesses for being here today.

Mr. Bloom, when you were responding to the questions from Mr. Tonks, you talked about the regulatory environment and timeliness and certainty. What do you mean by timeliness? Can you put a number on timeliness? Is it six months, a year? In your investment horizon, what do you see as the key timeline for regulatory certainty?

Mr. Douglas P. Bloom: I can't give you a specific timeline that we could generalize across all regulatory applications. Some are more complex than others. At the National Energy Board, we've seen that simpler and smaller regulatory applications can be decided within a certain timeframe. Larger, more complex ones could require a little longer timeline, perhaps with a public hearing.

The important things are that the timeline be competitive from the standpoint of other jurisdictions with which we're competing, and that the process be certain within that timeline.

Mr. Mike Allen: So more certainty in determining the simple ones would be helpful to you.

Mr. Douglas P. Bloom: More certainty and shorter timelines are important, but the most important thing is to establish a regulatory process that accurately and effectively brings in the input from the applicant as well as the various stakeholders, deals with it efficiently, and is known and certain to the applicant in advance. The outcome is a function of the process and is up to the regulator, but the certainty of the process is what's important for investment decisions.

Mr. Mike Allen: You also talked about $60 million in estimates of royalties in B.C. from natural gas. Where do you see these royalties going with the development of shale gas in the Horn River Basin?

Mr. Douglas P. Bloom: The $60 million I referred to was the annual property tax payment that Spectra Energy makes in British Columbia. Those property tax payments generally find their way back into the communities through which our facilities run. As a result, those moneys go back into local infrastructure and running the local governments and meeting the local needs.

Mr. Mike Allen: Thanks for clarifying.

This question is for the Cenovus people. You talked about a 30,000-barrel-a-day in situ, which would have a ratio of perhaps four acres to about 185 acres as a ratio of drill pad size to the area. Would that typical four-acre size bring in the 30,000 barrels, or can that vary by drill pad size?

● (1715)

Mr. Jim Campbell: That's referring to two different things. We build our projects in increments of 30,000 to 40,000 barrels per day. With our well pads, which are four to six acres of surface footprint, seeing 185 acres underground, there would typically be about nine well pairs on one of those well pads. Each of those pairs of wells, depending on where it might be—Foster Creek, Christina Lake—might produce between 1,000 and 2,000 barrels of oil per day, so you could have anywhere from 9,000 to 18,000 barrels per well pad.

John, would you like to supplement?

Mr. Jon Mitchell (Team Lead, Environment Policy and Strategy, Cenovus Energy Inc.): Sure. There's a rule of thumb that we tend to use from our production perspective, and that's about an acre of land for each hundred barrels of production.

Mr. Mike Allen: Thank you.

I have one more quick question. What are you seeing with respect to some of the new technological development that you're doing? What increases have you seen in the recovery rates? You have the steam-oil ratio of 2.3:1. Are you seeing any better utilization of steam, or are you seeing better recovery rates for the wells you're actually drilling?

Mr. Jim Campbell: We have two examples of actually lowering the steam-oil ratio.

I referred earlier to wedge well. I believe we have about 36 of these wedge wells now working in Foster Creek. Each of these wedge wells is producing about 800 barrels per day of incremental oil with little or no incremental steam, so that helps to reduce the amount of steam we produce as we're producing oil.

I also referenced in my remarks our solvent-aided process. We have one test well operating right now, I believe. We think we can get the steam-oil ratio down below 2 by using butane in place of some steam.

The Chair: Thank you very much.

We have the bells going for votes now, so we have to end the meeting a little bit early.

I want to once again thank all of the witnesses: Garry Flett, from the Athabasca Chipewyan First Nation Business Group; Douglas Bloom, from Spectra Energy Transmission West; and by video conference, Jim Campbell and Jon Mitchell, from Cenovus.

I apologize for the technical difficulties. Hopefully we won't see those in the future.

Your input today has been very helpful indeed. I thank you for that.

Thank you, members of the committee.

The meeting is adjourned.

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

SPEAKER'S 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

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