



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on Natural Resources**

---

RNNR • NUMBER 070 • 1st SESSION • 41st PARLIAMENT

---

**EVIDENCE**

**Tuesday, March 5, 2013**

—  
**Chair**

**Mr. Leon Benoit**



## Standing Committee on Natural Resources

Tuesday, March 5, 2013

• (1530)

[English]

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

We're here to continue our study of innovation in the energy sector.

We will be moving in camera at five o'clock to discuss future business of the committee. I think everyone's prepared for that.

In the meantime, we have four witnesses here today from four different organizations. We're looking forward very much to their presentations and then their answers to questions.

The witnesses today are: from the Canadian Federation of Apartment Associations, John Dickie, president; from the National Aboriginal Forestry Association, Bradley Young, acting executive director; from the Forest Products Association of Canada, Catherine Cobden, executive vice-president; and from Waste to Energy Canada Inc., Alistair Haughton, chief operating officer.

Thank you all very much for being here today. We're looking forward to your input into this study on innovation in the energy sector.

We will have presentations of up to seven minutes in the order that you're listed on the agenda today. We'll start with Mr. Dickie, president of the Canadian Federation of Apartment Associations.

Go ahead please, Mr. Dickie, with your presentation.

**Mr. John Dickie (President, Canadian Federation of Apartment Associations):** Mr. Chair, thank you very much for inviting us to this committee, and thank you to all the committee members.

You have our written submission, but I will speak more broadly than that submission, leaving that submission as one example of a broader theme.

The Canadian Federation of Apartment Associations, CFAA, represents the owners and managers of close to one million rental homes across Canada, through 14 provincial and municipal associations and also direct landlord memberships.

The rental housing sector as a whole consists of four million homes, housing four million households, or about nine or ten million Canadians. We heat; we light; we use water. We use a lot of energy.

In building new rental properties, developers often go with a LEED standard. But most residential rental buildings are old, often 40 or 50 years old. In a technical sense, they have lots of

inefficiencies. In other words, most rental buildings are not very energy efficient. The building envelopes leak air. They have older equipment. They are not set up properly to use more modern equipment or techniques, and certainly not cutting-edge or new innovations. It is important to address our sector correctly because it is a big sector, because we use a lot of energy.

In addition, we disproportionately serve lower income people. Most people who can afford to buy a home do so. We provide housing for people who cannot afford to buy their own home and for some people who rent by choice.

The industry is also very competitive. There are many suppliers in every community. We are constantly forced to keep costs down. We as a sector need to use proven technologies. We are not in a position to go out on a limb and adopt technologies that are new, revolutionary, which are unproven over the long term.

What I'd like to turn to are some barriers that our sector faces in adopting improved technology for the use of energy.

One barrier I'll mention is with respect to submetering. You may be familiar with the notion of submetering for electricity. In other words, the power company puts the electricity into a building, and then the technology exists to measure what goes to each suite.

When people are paying for their power, they tend to conserve it. Those of you who are parents can think of your teenage children leaving the lights on all around the house. They're not paying for it. We go around turning off all the lights because we are paying for it.

**Mr. Blaine Calkins:** I hear you, sir.

**Mr. John Dickie:** Yes.

Now, our tenants are not all teenagers—some of them are 18, 19, and 20 years old—but by the same token, any of us, if we are faced with a free good, will tend to waste it.

We want to use submetering. We want to use it for electricity. We also want to use it for heat. But under the Weights and Measures Act, it is illegal for us to submeter for heat. Section 8 provides that no one in Canada can submeter for anything, including heat, unless they use an approved meter. However, Industry Canada and the government have not approved any meters. The EU has approved meters. The U. S. has approved meters. But in Canada, we do not have approved meters. This is a barrier to an improvement in energy usage and technology.

We also face barriers in terms of the tax system. The paper I provided sets out an illustration where it makes economic sense for a landlord to replace mid-efficiency boilers with mid-efficiency boilers. The tax treatment is such that the landlords are worse off, even though they save more energy down the line, because it costs more up front. And because of the way the tax system treats that, they are better off financially to go mid-efficiency to mid-efficiency, rather than mid-efficiency to high-efficiency. This is a barrier that could be overcome, although I realize that is primarily a matter for the finance committee to address.

We would like those barriers to be fixed. There are other similar barriers, but let me focus on those two. Let me refer to a third element.

• (1535)

A third thing that concerns us significantly is there is a tendency by government to regulate, to impose higher conditions, to require people to use, say, high-efficiency boilers rather than mid-efficiency boilers. For our sector, that is a serious problem because our buildings are not built to take high-efficiency boilers. For us to put them in sometimes requires major capital expenditures, and really, it is not economical. It is not sound from a resource utilization point of view to force us to use high-efficiency equipment.

That is one of the examples within the regulatory field in which matters have come forward in the past. They were turned down, the regulatory changes I'm thinking of. I'm glad, but I'm concerned that they may come forward again. Within our sector, we need to see value in improvements, value to the bottom line, value to the services given to tenants, and we want to keep housing affordable.

Because of all those factors, we would ask the government to pay close attention, when it is bringing in mandatory regulations, to what those impacts are, to make sure they don't in fact raise costs to the sector. We also need government either to get out of the way in the case of these heat meters or at least to approve some heat meters so we can go down that path. Certainly, we would appreciate incentives. We would appreciate the tax system and the other systems being structured so that they reinforce our desire to use higher efficiency equipment rather than making us choose between whether we do the environmentally sound thing or whether we do the economically sound thing. Do we do the thing that will let us continue to provide low-cost housing, or lower cost housing, I should say, for people.

Those are basically my three pitches for you today. Thank you very much.

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

We go now to Bradley Young, acting executive director of the National Aboriginal Forestry Association.

Welcome, and go ahead with your presentation for up to seven minutes, please.

**Mr. Bradley Young (Acting Executive Director, National Aboriginal Forestry Association):** Thank you, Mr. Chair, and honourable members of the committee.

I would like to thank the standing committee for inviting us to contribute to the study on innovation in Canada's energy sector.

My name is Bradley Young and I am the executive director of NAFA, the National Aboriginal Forestry Association. I come from the Opaskwayak Cree Nation and Swampy Cree Tribal Council in northern Manitoba. I would also like to take this time to recognize the traditional territory of the Algonquin Nation, Kichi Sipi Aski, otherwise referred to as Ottawa.

First, I will provide a little background on NAFA. We are a non-governmental, first nation controlled organization focused on research, advocacy, and associated economic development activities in the forest sector. We advocate for policy and initiatives that will address aboriginal rights, values, and interests, and also that will lead to a more equitable creation and sharing of benefits from the vast forest resources of the land we call Canada.

It is on the creation of genuine wealth through world-class business and natural resource management that our 300-plus members and over 1,400 aboriginal forest sector businesses are increasingly focusing.

In Canada 80% of over 630 first nations communities overwhelmingly call the forest home. Coupled with the aforementioned businesses, this is the energy that NAFA is working hard to help unleash. In no other natural resource sector do we find the confluence of geography, population, history, culture, experience, and increasingly the successes, that we find in the forest.

The other natural resource sectors in Canada are critical. However, let us remember that 24 Sussex Drive, the Prime Minister of Canada's official residence, was built by Joseph Merrill Currier, timber businessman and member of Parliament.

In 1994 the people of Oujé-Bougamou, under the expert advice of their elders and leadership, together with the national treasure, architect Douglas Cardinal, in partnership with the Government of Canada, realized the dream of a sustainable village.

At its heart is a biomass energy regional heating system. Here is a 20-year-old example of Canadian community vision, technological innovation, and northern stick-to-it-iveness—that's a hockey term. The remote geography of the community was turned on its head and used as a complementary strength, where stagnant waste from regional sawmills is diverted and continues to be harnessed for community needs.

Now we have provincial biomass innovation centres updating this forerunning example and templating one-megawatt biomass power and heat units for installation in remote communities, building complexes, and regional heating grids in urban scenarios. What an opportunity.

This is what I mean. At the core of most of these bioenergy scenarios, wood fibre is the feedstock. The most logical structuring of the supply chain guaranteeing this foundational input is attachment to regional harvesting and forestry operations. Divert, offset storage costs and liabilities, create an additional revenue stream, provide energy for heat and electrical generation to maximize the utility of our resources. That is the mix that has been put together.

This basic infrastructure logic, as I've stated, is in a high state of readiness with numerous projects up and running, showcasing the potential. As for the feedstock, first nations now hold over 22 million cubic metres of annual allowable cut nationally. To be sure, first nations are yet again on the cutting edge of proving this virtuous circle.

I will share commentary highlighting one such emblematic example of this.

In Meadow Lake, Saskatchewan, the riding of first nations MP Rob Clarke, and home of aboriginal hockey player and Stanley Cup champion Dwight King of the L.A. Kings, the Meadow Lake Tribal Council, through its business operating units MLTC Resource Development Incorporated, Mistik Management, and NorSask Forest Products, has connected all the dots. They co-own, with the people of Saskatchewan, but wholly manage the forest through Mistik Management, according to the gold standard of forest certification, FSC.

● (1540)

The member communities supply all the harvesting and subcontracting work to get that fibre out of the bush. They supply Meadow Lake Mechanical Pulp and NorSask Forest Products with the fibre they need. They own 100% of NorSask Forest Products.

Despite the downward pressure on the forest sector, the first nations kept the mill alive out of their belief in the employees, the regional economy, and the hopes and aspirations of first nations and non-first nations people alike.

They manufacture SPF studs and export around the world. Their waste stream goes into the chip supply for the pulp mill, but they have also installed bioenergy heating technology in their facilities to further harness the resource. This is all standard as far as it goes for forest facilities in Canada. But here is where it gets interesting.

Under the chairmanship of tribal Chief Eric Sylvestre, Vice-Chief Dwayne Lasas, and the nine first nations chiefs of the Meadow Lake Tribal Council, Ben Voss, the CEO of Meadow Lake Tribal Council RDI, and Trevor Gladue, the president and CEO of NorSask Forest Products have established a precedent-setting energy generation relationship with the Province of Saskatchewan.

As I've mentioned the first nations side of the table, likewise, Premier Brad Wall and his SaskPower CEO, Robert Watson, deserve credit for their shared vision.

What are they doing? First, MLTC RDI—I apologize for the acronym—holds a long-term contract to generate and produce power for SaskPower. Through the business configuration described above, NorSask Forest Products will divert bioenergy to their own industrial-scale biomass electricity generation facility.

The return is, in the words of Vice-Chief Dwayne Lasas and CEO Ben Voss, and I paraphrase here from public statements, investment, jobs, hundreds of millions of dollars in revenues, jobs, long-term business stability, jobs, expanding business partnerships spearheaded by a first nations power authority, and last but not least, jobs.

On the last point, in terms of the power authority, the partnership circle as I understand it also includes the Government of Canada through Aboriginal Affairs and Northern Development, so additional credit must be given here as well.

Taken as a whole, first nations have a unique opportunity to contribute to Canada's energy innovation in a concrete, proven, and growing way from a solid footing in the forest. I want to remind honourable parliamentarians that in our opinion, Canada's growth agenda is really the first nations growth agenda.

We live in the bush in the midst of all the natural resources. We contribute to the well-being of the supply lines for these resources, and increasingly are managing, co-owning, and developing them. Our population is young, expanding, and ready for constructive nation building. We can't squander these resources. We need to maximize and sustainably manage them. And we need to tell the world about what it is we are doing.

With over 22-million cubic metres of wood under first nations control nationally, now is the time to work in partnership with first nations to support the critical aboriginal forest sector as never before. NAFA is playing a leading role in this discussion, and as we work in partnership with our members and supporters, this is the vision we want to pursue: growth, investment, job creation, world-class management, and genuine wealth generation with our partners regionally, nationally, and internationally in government, in industry, and in society.

I want to take this time to thank our NAFA membership, board of directors, staff, and supporters out there. It's really their vision that I've been given the opportunity to share here today.

I also want to thank our core partners in government, Aboriginal Affairs and Northern Development Canada, in particular, the director of community economic development, Neil Burnett, and program manager, Hugues Landriault. Natural Resources Canada's Canadian Forest Service also merits mention, specifically Trudy Samuel, Anna Bailie, and Trevor Longpre. They have been of assistance to NAFA as we build momentum in the forest sector.

● (1545)

Canada's only a small country and our dedicated civil service is even smaller. So it's only through teamwork that we will continue to build our nation from good to great.

In closing, I do have some words of caution. As I said last year in front of the Standing Committee on Environment and Sustainable Development: Canada, beware.

In the words of our elders, beware of those who would protect the land to death. What I mean is that forest conservation initiatives must be considered carefully and broadly in the context of the forest and first nations. We cannot set aside the responsible development ethic and vision of our first nations working on and communing with their traditional territories as found in the original treaty teachings.

Let us remember that responsible forestry, the everyday practice of it through the symbology of the wooden pipestem, speaks to this.

*[Witness speaks in native language]*

• (1550)

**The Chair:** Thank you very much, Mr. Young from the National Aboriginal Forestry Association.

We go now to Catherine Cobden from the Forest Products Association of Canada.

Go ahead, please, with your presentation of up to seven minutes.

**Ms. Catherine Cobden (Executive Vice-President, Forest Products Association of Canada):** Thank you.

I very much appreciate the invitation to be here today. I'm here representing the forest products industry. We have members from coast to coast from 200 rural communities, and we represent 230,000 employees in the forest sector.

Given the abundance of forests in Canada, it is very good to see this committee looking at the renewable energy sector as you assess energy use and innovation.

I thought I'd start my remarks with a bit of a global perspective on how Canada is doing vis-à-vis others in attracting investment into this space. According to Bloomberg New Energy Finance—I don't know whether you're following it—investments in biofuels and bioenergy are approximately \$200 billion globally.

Leading nations are taking very different approaches to the issue. For example, the U.S. and Brazil, as you're likely aware, are heavily investing in corn-based ethanol, and Europe and China are the dominant players in biomass energy generation. The U.S. is also dominant in a much smaller segment, next-generation biofuels. Canada's share is quite small compared with the rest, but we are attracting 8% of the global investment in biofuels and are attracting 3% of the global investment in biomass energy.

Given our vast forest resource and Canada's large forest sector relative to our global competition, it would seem reasonable to ask ourselves a number of strategic questions: What is the right portfolio mix of bioenergy versus biofuels versus next-gen biofuels versus other products that can be made from Canada's forests? What are the barriers to investment? Are Canada's forests a Canadian advantage in this context?

So, what is the Canadian forest industry perspective specifically on bioenergy? Let me take a minute first of all to describe to you the current context of the industry.

Following years of poor economic conditions and structural change in some of our markets, such as newsprint, FPAC member companies have embraced a multi-faceted transformational agenda, and it is already positioning us in many ways. First, we are one of the

most productive sectors in Canada. We're also Canada's leading exporter to China and are Canada's leading exporter to India as well. We are setting a global standard in sustainable forest management and we're an innovations adopter to extract more value from every tree that we harvest in Canada.

Last year we launched vision 2020 to demonstrate the potential of the transformation we feel is before us. We have three goals with vision 2020 that we believe give you a sense of the importance and criticality of our transformation.

First, we want to further improve our environmental footprint. While we've done a lot already, we want to do 35% more reduction in just eight years.

Second, we'd like to see 60,000 new hires in the forest industry, and we hope to work with NAFA and others, because we sure hope that a number of them come from our neighbours, the aboriginal communities.

Third, we believe we have the potential to generate an additional \$20 billion in economic activity in the next eight years. We're at \$57 billion at the moment, so the trajectory is quite steep.

Bioenergy is an incredibly important part of the mix of our transformation agenda to extract maximum jobs and economic opportunity from every sustainably harvested tree in Canada. To give you a sense of scale, the Canadian forest industry generated 47,000 terajoules of electricity in 2011. That is the equivalent of approximately three nuclear reactors. Some 80% of it was bioenergy-based, utilizing residual forest material from our operations, as previously described. We have completely eliminated energy generation from coal at our facilities—no longer do we use it—and we've reduced our reliance on heavy fuel oil by 91%. This has translated to a greenhouse gas emissions reduction of a whopping 73% since 1990. So as we have followed this trajectory, we've continued to reduce our emissions quite substantially.

I'd like to take a moment to recognize the Government of Canada's pulp and paper green transformation program. This has been a key contributor to our success.

• (1555)

This program recognized the link between our sector's competitiveness position and the adoption of greener technologies and practices. Through the careful selection of projects, the program has bolstered the production of biomass energy and improved our energy efficiency dramatically. It also resulted in greenhouse gas emissions reductions equivalent to approximately 150,000 cars being taken off the road annually.

Incidentally, it also protected and/or created tens of thousands of jobs in our communities across the country. These are rural Canadian jobs, and they're really critical. It also created countless temporary jobs that we have not been able to put a fine print number to.

Where are we going from here? Between 2009 and 2011, FPAC undertook, with a broad base of stakeholders, a groundbreaking and I would say a globally envied study called the bio-pathways study. It analyzed the opportunity to see what more we could do with the forest resource we have in Canada. We asked ourselves the question whether, since we have the trees, we should be making pulp and paper, or whether we should just be doing bioenergy or doing a combination thereof, etc., or should it just be lumber.

When we did the detailed analysis and looked at the emerging technologies and compared them with the existing technologies, we found 36 different innovative technologies that were within our grasp to be adopted by the forest industry. Within our grasp means within a two- to five-year window; they were that far advanced in their technology innovation. Many of them were bioenergy technologies, but I also want to stress that many were actually technologies to produce other bioproducts from wood.

In the interest of time, I thought I would share with you the major conclusions of the study. If any of you haven't looked at it or have an interest in looking at it more, we have a lot of information on our website and I'm happy to follow up.

The major observations were that there are existing opportunities today to extract more value from the trees we're harvesting. We need to take this seriously and we need to take the bio-economy seriously. It's an interesting fact that 30 of the Fortune 100 companies are taking the bio-economy seriously.

Bioenergy and bioproduct production actually performed better and are more job rich when done in an integrated fashion within the existing forest industry. When you're considering the installation of a bioenergy plant, you should be thinking about how to integrate it within the supply chain of the forest industry.

Bioenergy goes hand in glove with the production of other bioproducts, and in some cases production of other bioproducts is equally important or maybe even more important for the long-term survival of the sector.

Bioproducts, a category that includes bioenergy, biochemicals, and biomaterials, can utilize existing residue streams. We don't have to harvest more trees. We don't want to, nor should we Hoover up the forest floor; we can do this within the existing residue stream that we have. It's diversion from landfill and diversion away from products that are just not profitable and that no longer have a market. As a final point, a lot more innovation is coming.

There are barriers to this investment: the price of fossil fuels, technology adoption risk, length of runway for developing markets for these new products. They remain our biggest challenges in reaching this potential. Some of these challenges, we believe, can be overcome with smart policy thinking. They can be strategized around and they can certainly be managed.

One suggestion is that, rather than the expensive and technology and/or product specific subsidies we're seeing in China, the U.S., and Europe, FPAC feels it is essential to take a broad technology-neutral perspective that gives companies the freedom and room to make investments and the right business decisions for their own transformation.

We recommend supporting innovation and idea generation through the innovation system. A lot of that work is already being done. Ultimately, we need support for the commercial demonstration of these new innovations. Getting over that valley of death is the hardest part.

And you cannot attract investment from the outside world, meaning from the traditional banks. Even venture capitalists are very tight on this. So we need the ability to partner, to demonstrate that these technologies work commercially. Then the sector takes it from there.

It is then up to the sector to share the risk. We believe the federal and provincial governments are a strong public policy base for this, but that in the long term this is industry's job.

• (1600)

In conclusion, Canada does have a tremendous potential. Vision 2020, the goals I've described to you, the bio-pathways project, and our vast forest resource demonstrate that potential.

Bioenergy is a key part of the mix, and it's an exciting opportunity. We have a lot of opportunity ahead of us. We need to assure ourselves that we will continue to use our forest resource sustainably—that is a no-go place; it has to be and must be sustainably used and managed—and that we support as broadly based an approach as possible, one where bioenergy, biochemical, and other bioproduct production can be produced in concert, not in competition with one another.

With those remarks, I thank you very much for your attention.

**The Chair:** Thank you, Ms. Cobden, from FPAC.

We have another witness who was supposed to be here. He sent an e-mail to the clerk saying he was having difficulty with the flight. I can't imagine that; I've never had that happen personally. I'm sure none of you has. He isn't here yet, but if he arrives, we'll find a logical break in the questioning and go to his presentation.

In the first round, the seven-minute round, we have Mr. Trost, Mr. Julian, and Mr. Hsu.

We'll start with Mr. Trost, please.

**Mr. Brad Trost (Saskatoon—Humboldt, CPC):** Thank you, Mr. Chair.

And thank you to all the witnesses. I found all of your presentations useful.

I'll start with Mr. Young. You referenced the Meadow Lake Tribal Council and the situation there in fair detail, so I'm assuming you're fairly knowledgeable about that circumstance. You listed some specific things that had helped them to connect to get their project done as far as various steps to take. Every project has its own individual steps.

I was wondering, what do you know from that project that could be transferred out? Was the situation with Meadow Lake Tribal Council and what they do there specific only to them? I know they have a reputation of being more aggressive than the average tribal council in Saskatchewan. They're the go-getters. What things from their circumstances can be transferred out to other remote aboriginal communities around the country so that we could apply them in a broader sense and maybe learn from their experiences?

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

**Mr. Bradley Young:** Thank you for the question, Mr. Trost.

I've had the opportunity to visit NorSask and Meadow Lake a few times in the recent past. Through our other portfolio of work we've been able to contextualize and compare it to other examples, as you point out. I guess the safest bet in terms of a specific answer on this is that they have their governance figured out. There seems to be a kind of magic formula that they have in terms of a tribal council being the economic unit.

**Mr. Brad Trost:** So they have an entrepreneurial culture. Is that what you're saying?

**Mr. Bradley Young:** Oh yes, a northern entrepreneurial culture, I believe, and also the tribal council level of organization—

**Mr. Brad Trost:** Then let me ask you to follow up on that. How does one encourage that culture in other places? Is this organic—you know, it was in the water and the families there had that? What does one have to do to make the magic potion?

**Mr. Bradley Young:** I think you've mentioned that there are some unique families there. I was able to sit next to one of the foundational chiefs in my last visit there. There are nine chiefs and nine communities that have put it together. They have a pretty discrete and pronounced business approach and thought process.

How that can be translatable across into other jurisdictions, that's where you have to rely on organizations such as the National Aboriginal Forestry Association to take that message laterally into other jurisdictions. They're very busy running their shop. They are a full-on, business-oriented set of communities that are doing some really wonderful things.

When you look at tribal councils, they do some bumping of shoulders and transferring of ideas, but it's also competitive within the region and in the provinces writ large. That's where organizations, in between the technical organizations, fill in with that role. That's where we see NAFA continuing to play a stronger role. In the past we've been a little more policy oriented, but that's where we are hearing the message from our membership, asking how they do it over there. It's not just coming from people who are wanting to know how it's done, whether you're in government, industry, or society. It's also first nations themselves that are looking over and asking how to do this. That's where we hope to play a role.

• (1605)

**Mr. Brad Trost:** Thank you for your answer.

My next question is for Ms. Cobden. Toward the end of your presentation you talked about there often being a certain hesitancy when people get new ideas to take the next step. It's interesting that, going back to when this committee was still part of the industry

committee in 2004-05, this is what we heard for not just the forestry and energy sectors but everywhere in the Canadian experience.

Could you comment on what sorts of things your association has seen that have helped to bridge that gap, and on what sorts of things have been tried and have not been successful?

Going back all the way through 2004, it has been said that Canada is really good at the original idea and the final idea, but that we have that little gap in between wherein we hesitate. Sometimes people have said it's because of a lack of capital. Sometimes people have said it's the dynamics of our north-south relationship. I'd be curious how—

**Ms. Catherine Cobden:** —things have improved?

**Mr. Brad Trost:** I'm sure we could give credit to the government of the day for that, but I'll let you answer that one.

**Ms. Catherine Cobden:** I've already attempted to do that with my description of pulp and paper green transformation.

There is a real gap to be addressed, and in fact there may be more than one. Over the continuum of time I think we have done an excellent job in the forest industry of figuring out ways to get from idea generation to actual markets. The numerous steps involved are quite interesting and long. Obviously you start with idea generation. Some scientist somewhere is doing the work in the lab, and you're doing some more interesting commercially relevant demonstration, but really, at the end of the day you need to be able to demonstrate it on a commercial scale.

Another program I'd like to highlight is the investing in forest industry transformation program. It's a quite small program, but it has been astounding in what it has been able to create in terms of what I call the last mile, which is often referred to as the valley of death, and in generating enough financial base, enough capital to try this new technology or new idea out in the real world.

**Mr. Brad Trost:** But every scientist or engineer who has a really neat project can't access government programs. If we allowed that, we would be feeding all the engineers in the world, and then scientists with their little gizmo products.

What do we do as a generalized policy, other than give specific grants and so forth? What can we do to bring in, say, the private sector with more capital, to move things through those in-between stages to, and I'm from the mining industry, so, rather as it does, flip the property to the next level. What can we do in a broader sense?

**Ms. Catherine Cobden:** We're doing many of the things together in partnership already. For example, market development work is a critical piece of the equation. Even if you have done the... By the way, we consider bio-pathways as a bit of a framework for decision-making that helped weed out all of those thousands of things, from snake oil salesmen to real, verifiable projects. We used things such as that, which is a solid analytical base, to let the cream of the crop flow to the top. Then from there we need to look at such questions as, who cares whether you can make biochemical X; is there any market for it?

One thing we have learned is that developing a market pathway takes a lot longer runway than anything we have ever imagined. In fact, especially when trying to do biochemicals within an existing supply chain, you have to meet their economic criteria, obviously. You have to meet their quality criteria, obviously. At the same time, you're trying to do it with a whole new technology that has never before been tested.

You can see how that all comes together to create the hesitancy you referred to earlier about going there. Getting over that hesitation is really what I go back to. I know you don't want to hear me talk about programs, but first-in-kind demonstration breaks the mould, shows that it can be done and will be done, and the rest of the tech transfer takes care of itself, especially with our sector.

•(1610)

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

Thank you, Mr. Trost.

We will go now to Mr. Julian for up to seven minutes.

**Mr. Peter Julian (Burnaby—New Westminster, NDP):** Thank you very much, Mr. Chair.

Thank you to our witnesses for very interesting presentations.

I'd like to start with you, Mr. Dickie. You referenced programs in the United States and in the United Kingdom around encouraging investments in energy efficiency.

Of course, in Canada we had an energy efficiency program that was halted by the current government. I'm wondering to what extent you think that helped or hindered the development of energy efficiency in apartments across the country. To what extent has it had an impact on renters? What are the other countries doing right that we're not doing?

**Mr. John Dickie:** I think that of the programs that did run, the last iteration was a good program. One or two programs before that had not been as effective. They had certain limitations; they came at it in a particular way. I think the most recent one was the third version, and it was properly set up so that it minimized risk and assisted people in making energy improvements.

It was a good program. We were sorry to see it end.

**Mr. Peter Julian:** Has ending it had a negative impact?

**Mr. John Dickie:** Yes, to some degree it has within the sector.

The references I've made to the U.S. and the U.K. in the written paper were specifically with respect to tax programs that gave a preferential approved tax treatment to energy-efficiency renovations. They are more akin to the one we were pitching for in the written presentation than the subsidy program you're referring to.

Certainly, in making the pitch here, we're members of a coalition. We call it the Building Energy Efficiency Coalition, and it includes manufacturers and installers of the energy-efficient equipment, and includes the commercial building sector, as well as ourselves.

The installers have indicated a preference for tax reform, rather than the incentive programs, because they find that when the incentive programs come out, their work goes up. Toward the end of it their work is high, and then it's cut and their work falls off. So

they're on a kind of roller-coaster ride, which isn't good for their employees and isn't good for their businesses. They would prefer the tax improvements, because that provides a more long-term and sustainable advantage.

**Mr. Peter Julian:** Thank you. I have to move on, because I only get seven minutes.

I'll move on to Mr. Young. Thank you very much for being here.

I want to refer to a previous appearance by the National Aboriginal Forestry Association. Harry Bombay was the executive director at the time. This was back on April 28, 2009, and it was a presentation done before a Senate committee. At the time, what Mr. Bombay said was:

Despite its constitutional responsibility, the federal government has been silent on the relationship between Aboriginal rights and interests and forest management processes in Canada.

I'm wondering to what extent that has changed. Have you seen any improvements?

**Mr. Bradley Young:** That's a real policy-type, government-type answer.

I think what you're talking about in terms of the overall relationship between first nations and non-first nations people in Canada is an ongoing project. Every government in recent history has moved the yardsticks forward in whatever imperfect way it can, and first nations are going to continue to push for improvements there.

As to where I see the relationship right now, for the political questions there are always a thousand options to deal with. What I like to think about in terms of our work at NAFA is connecting it back to home fires. What I'm talking about is working families and working communities in first nations. When I see such things as Meadow Lake and the Government of Canada....

But there are other first nation forestry businesses out there too that are accessing the different programs, that are working with various industry partners. When they're putting these together, I see real hope for me, because —and this is where Brad talked a bit about being “in the water”. I come from a working-class first nations family that worked in the bush. They were loggers. They held a contract. They did the silviculture.

I come from a working-class family in the bush. Seeing that working culture being supported through first nations businesses, whether by accessing tenure or accessing some type of capital program to invest back into their businesses or through policy discussions around making room for them in the industry, is important. That's where I see things going.

Can it be better? Yes, Peter, it can always be better. Members of Parliament, it can always get better, all right?

•(1615)

**Mr. Peter Julian:** Thank you very much for that.

I'll move on now to Ms. Cobden. I'm very appreciative of the work your organization is doing as well.

I come from a community that was absolutely devastated by the softwood lumber sellout that was signed by the Conservative government. We lost 2,000 jobs within the span of a few weeks after the signing of that agreement. We had Canfor, Interfor, and Western Forest Products all go under.

To see, despite that huge mistake, that the Forest Products Association is still managing to move forward is a source of some hope to all of us who come from forest-dependent communities and who are dependent on the softwood lumber industry.

I have two questions.

We are last in the industrialized world in terms of public investment in research and development. It's a lamentable state of affairs. We have to turn that situation around. First, to what extent can having research and development support from the federal government make a difference in your industry?

The second question I want to ask is around the black liquor credits and the pulp and paper green transformation program, PPGTP. That was basically wrapped up; you couldn't claim the credits after March 31 of last year. To what extent was the industry unable to access those credits because of that deadline? Are you aware of companies that were unable to access the program because it was wrapped up early?

Those are my two questions.

**Ms. Catherine Cobden:** Thank you very much for the questions. It's great to see you again.

The first thing I'd like to say is that in fact we are getting tremendous support for our innovation system not just from the federal government but from a number of provincial governments from coast to coast.

We have the luxury in the forest industry—and to me this is the whole reason we are leading the world in some innovative new products.... I can tell you, I go to Sweden and Finland, and they are envious of such things as the nanocrystalline cellulose plant in Quebec. This is a global first anywhere, brought to you by the good work of FPInnovations, of which the federal government is a strong and committed supporter. I sure hope that commitment continues; it is absolutely critical.

It is making a difference and it must continue to make a difference. If we don't innovate, we in this industry are going to be the BlackBerry of tomorrow, and we don't want to be that; we want to be the Apple of industry.

I really am a BlackBerry supporter, so I hope I'm not going to be quoted out of context here.

With respect to the PPGT program, I didn't think it was possible, and this is a confession, to move a billion dollars as effectively and efficiently as the Department of Natural Resources Canada did with the PPGTP.

In fact, the 21 member companies of FPAC have asked FPAC to ensure that we are communicating the success of the program, because none of us believed it could happen, and it did.

**The Chair:** Thank you very much, Mr. Julian.

I go now to the five-minute rounds, with Mr. Leef, Ms. Crockatt, and Mr. Nicholls.

Oh, Mr. Hsu, I apologize deeply.

We'll finish the seven-minute round first, and that's with Mr. Hsu.

Go ahead, for up to seven minutes.

**Mr. Ted Hsu (Kingston and the Islands, Lib.):** Thank you. I thank the witnesses for coming today.

I want to start with Mr. Dickie. You mentioned there were no meters approved in Canada for submetering heat. Could you get into some of the technical details? I guess I'm a little surprised, because we have district heating projects in Canada. I'm thinking of one in Alberta in the Okotoks community, which is built around district heating. Maybe you know whether they have meters or not.

I'm wondering who is responsible for approving this metering. Is it NRC?

• (1620)

**Mr. John Dickie:** I also had the same surprised reaction when my researcher gave me this information. Her reference was not to Okotoks but to another area in a western province for which her information—I think it came from government sources—was that these people were not supposed to be doing this but were going ahead anyway, because they want this energy submetering to happen.

Quite literally, if neither party complains about it, then no one complains about it, and on you go. I think that is a technical problem out there.

In terms of the federal department responsible for approving these submeters, I believe it is Measurement Canada within Industry Canada, although we also heard tell there was some jockeying for position. The image one has of officials is that they always want to grow their empires. We were told the jockeying in this respect was, "No, our little group doesn't want it; your group should do it", and group B was saying, "No, our little group doesn't want it; you do it". They both consider it this baby that they don't want.

I don't know why they don't want it, whether it's because of a lack of resources that they feel are stretched already and would just become more stretched, or what it is. We looked into this last week in some significant measure and were told that these meters for heat are simply not approved. There are none approved in Canada.

**Mr. Ted Hsu:** There's another issue that comes up, so let me give you an example. Actually, this comes from my own experience, but I'm sure lots of people have this experience.

I live in an apartment, or used to, and I pay the utilities. I don't own the refrigerator. The landlord owns the refrigerator, and it's a crappy old refrigerator. In these situations in which property rights are not carefully defined, the markets don't work very well, and so there's no incentive for anybody to change the refrigerator and save energy.

Has your group thought about the kinds of regulations we might need—say in this specific example, to have refrigerator standards—because the market has broken down?

**Mr. John Dickie:** Electricity is a provincial matter, and the province has a regulation with respect to refrigerators, the age at which it was installed, in order to get to the refrigerators that are more sound from an energy point of view. That has been addressed on the refrigeration side.

On the heat side, buildings are what they are. When tenants come in to rent them, there are all kinds of sites, and information is available about whether the building is good or not good in terms of heating. The same principle applies: while the refrigerator is not within your control, the lighting is within your control, and whether you leave your computer on overnight is within your control. There are certainly things the landlord controls and things the tenant controls.

We shouldn't just pitch out submetering as a technique because there are these issues. There will be these issues, and they should be addressed by effective means, but if we give up the ability to submeter, we're giving up a serious ability to conserve energy.

**Mr. Ted Hsu:** Okay.

I want to ask you about the request to change the capital cost allowance depreciation for high-efficiency heating. You want to change it from 4% over some large number of years to 50% over two years, I guess.

**Mr. John Dickie:** What happens is that in the classes that provide for a 50% CCA rate, there's a half-year rule, so in the first year you get 25%, and then it's a declining balance. You get 37.5% in the second year, about 25% in the third, and about 10% in the fourth year. People think of 50% and think that means two years, but it's not two years because of the half-year rule.

**Mr. Ted Hsu:** All right. It makes sense to me, because you can get that depreciation for, say, renewable energy.

• (1625)

**Mr. John Dickie:** Exactly.

**Mr. Ted Hsu:** But this is an even better way to save energy, to reduce fossil fuel use, for example.

Is this something that needs to be implemented by legislation, or can it be done by a regulation by the Governor in Council?

**Ms. Catherine Cobden:** We believe it could be done by a regulation under the Income Tax Act.

**Mr. Ted Hsu:** All right. Thanks.

Ms. Cobden, you talked a bit about the forestry industry having reduced its greenhouse gas emissions and its use of certain fossil fuels by using forestry residue as energy. Do you think there are government policies that could encourage the use of those resources beyond the mills that you have in the forest? There are issues such as transportation. It's really hard to transport all that biomass.

Also, the availability of forest residue in large amounts is highly dependent on economic conditions and on how much activity there is in the primary part of the industry. Do you think there's a role for government in facilitating the use of forestry residue elsewhere, outside your own industry?

**Ms. Catherine Cobden:** I definitely believe that economics drives the answer to that question. For example, could we make the

forest-based biochemicals in Sarnia instead of in Thunder Bay? Probably we couldn't afford to get the woody debris to Sarnia.

Is that the nature of your question?

**Mr. Ted Hsu:** Yes.

**Ms. Catherine Cobden:** Yes, okay.

The interesting thing is that we can produce the chemical at the pulp mill in Thunder Bay, so why wouldn't we? Why would we transport all that material? This is the type of elaboration that you have to do.

Economics definitely drives.... As you may have heard, FPAC works very hard to try to reduce the costs of transportation to facilitate the next thing. We might not be able to do chemical  $\gamma$  in Thunder Bay and might have to do it in Sarnia, and so we have to figure out how to have lower transportation rates, for example.

Certainly, the technology breakthroughs have been fascinating. We looked at more than 80 different technologies, and as I say, found 36 that we could start using. It's very fascinating.

**Mr. Ted Hsu:** Would you say it's very important for the long-term economics of transporting biomass around if it's needed, to make sure that we can manage the water levels in the Great Lakes so that they don't fluctuate wildly from year to year?

**Ms. Catherine Cobden:** I'm not really equipped to answer that question. Whether shipping—

**Mr. Ted Hsu:** It's a question about transportation costs, really. Around the Great Lakes you can transport a lot of biomass on water, which would reduce....

**Ms. Catherine Cobden:** I'm ignorant of the degree to which the implication of water levels is impacting the cost structure of shipping on the Great Lakes. I'm not an expert in that area. But it's a fascinating question.

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

We go now to Mr. Leef, for up to five minutes.

**Mr. Ryan Leef (Yukon, CPC):** Thank you, Mr. Chair. Thank you to all of our witnesses today.

Ms. Cobden, you noted that identifying the right portfolio mix is the question. I assume you may have meant within the industry. We heard in previous testimony that the indication for innovation support was to support everybody and then let the market decide.

The question I have, and I'm going to get everybody to comment quickly on this, is how, when our market is only so big, we can put so many options on the table and then have the market decide. Does it make sense from a government perspective to focus policy, regulations, and investment on maybe the best or the most attainable innovation or industry to deliver its product to the consumer?

I'm the member of Parliament for Yukon. I see small communities that have geothermal, biomass, are looking at wind technology, hydroelectric... They're exploring all these things. There are lots of proposals and lots of ideas, and it seems there's a perpetual state of exploration, but nothing really moving forward, no concrete investment in it, because the options are too diverse and the market too small.

Maybe I'll get you to comment on what we could do to resolve that and on where you see things going.

**Ms. Catherine Cobden:** From FPAC's perspective, we wouldn't say to let the market decide; what we would say is to let economics prevail.

A perfect example of that is that if you had a fund dedicated to biofuel generation and you allowed only biofuel generation, the forest industry would never be able to make it economically viable to generate it. Here is a perfect example: in bio-pathways we looked at five different platforms to produce ethanol from wood. Not a single one of them was economic without huge subsidies, which I don't think we want.

I'm actually not saying to let markets drive it, because markets are quite a bit removed from this decision-making process. It's let the economics... Let the companies not be hamstrung by force-feeding a particular technology or product that they need to head to. They're strong business people. They can analyze the economics and identify what makes the most sense for their company. If they're forced to squish into a box, it could be problematic for them.

• (1630)

**Mr. Ryan Leef:** Mr. Young.

**Mr. Bradley Young:** It's a fascinating question, and I appreciate Ms. Cobden's answer. I too share the belief that the economics have to support it.

In the case of aboriginal communities, however, I think there's a role in accessing the actual idea, and in the actual technology as it is proven coming out the gate.

I go back to the Oujé-Bougamou example. That was a regional heating option that was put on the plate 20 years ago, and it hasn't been followed up on. The aboriginal regional heating policy piece has been in various government documents from that time, but the budget going into supporting it has not been there.

This is where we see a critical gap for the aboriginal forest sector. What you would have with the aboriginal forest sector and aboriginal communities is a real democratizing of the technology, not so much on the large pulp and paper green transformation front, but on the microsizing of this technology to make it work for communities in the rural context. There's a little creativity and some room there.

This is what I would ask members of the committee to think about. Those areas have been in government policy, but they have not been supported to the same degree.

I think what you'll find is that the messenger matters in this. It should be first nations trade associations, which are made up of the business community and which actually have an interface with the decision-makers in the communities, so that there's a separation of business so that the economics can win out. That's the magic mix we're locating on and would advocate for.

**Mr. Ryan Leef:** Those are good points. Thank you.

Mr. Dickie?

**Mr. John Dickie:** I'm sorry. I confess to having thought that the question wasn't overly applicable to me.

**Mr. Ryan Leef:** Okay, fair enough.

**The Chair:** Thanks.

**Mr. Ryan Leef:** Do I still have a minute or so, Chair?

**The Chair:** No, you don't, Mr. Leef.

**Mr. Ryan Leef:** I'm done? That was good timing, then.

**The Chair:** Your time is up, my friend.

Ms. Crockatt, go ahead. You can have the rest of Mr. Leef's time too.

**Voices:** Oh, oh!

**Ms. Joan Crockatt (Calgary Centre, CPC):** Thank you, Chair.

I'd just ask you to keep your answers fairly short if you can.

First, Ms. Cobden, you said that essentially your objective, and I think you're attaining it, is to extract more from every tree. How do you measure that? What's the best measurement benchmark that you've reached now?

**Ms. Catherine Cobden:** It's actually measured in a number of ways. Are we accessing new markets from yesterday? Are we basically solidifying our global competitive position in those new markets? Are we producing more value from the forests?

I've mentioned that we're a \$57-billion industry today. I'm just looking straight, on straight value, and actually, a couple of years ago we were a \$53-billion industry. As you've heard, we're aspiring to reach an additional \$20 billion, which is based on two years ago, so that's a \$74-billion industry.

One way to track it is, and this is publicly available information, what's our economic activity looking like in the sector over time? How is our competitive position in markets vis-à-vis...? We operate in a very competitive global marketplace. It's very interesting in the forest industry. We're very rurally based. We access the globe.

**Ms. Joan Crockatt:** Is that with the same amount of input, though? How do you show that you get more per tree? Are you cutting down more trees?

**Ms. Catherine Cobden:** No.

**Ms. Joan Crockatt:** In which case, increasing from four billion wouldn't maybe show that.

**Ms. Catherine Cobden:** Right. In fact, with the increase in set-asides, etc., we may be cutting less. I'll have to check, but for sure we are basing this on the residuals without cutting an additional extra tree.

**Ms. Joan Crockatt:** That might be something that I'd like follow-up information on: how do you measure it?

**Ms. Catherine Cobden:** Sure.

**Ms. Joan Crockatt:** If you can't measure it, you can't manage it.

I want to say to all three of our witnesses that I really appreciate your being here. You're like a breath of fresh air: entrepreneurial, clear-thinking, and providing some real information on solutions.

Bradley, here's what one of the NDP members, Pat Martin, said a while ago at committee about forestry products: "If we were talking big picture, about a sustainable future, we wouldn't be talking about a better way to cut down more trees and build with material that begins to rot the moment you use it."

In light of the comment you made a bit earlier when you said to beware of those who would protect the forest to death, I'm just wondering how you square those two things, especially with your aboriginal background as custodians of the environment.

• (1635)

**Mr. Bradley Young:** Oh boy, that House of Commons, that question and answer period: people get riled right up, right? They've got to make the media clip.

**Ms. Joan Crockatt:** Actually, that was in a committee just like this one.

**Mr. Bradley Young:** Okay, you've got to get your points across. I'm not going to address the exact comments of the member of Parliament, outside of maybe with a little humour—

**Ms. Joan Crockatt:** What did you mean by yours, then?

**Mr. Bradley Young:** J-grade cedar from Taan Forest Products, the Haida Nation's forestry company: let's build that home out of Taan Forest's western cedar J-grade lumber. Let's build business with first nations.

Let's engineer these homes to the highest standards. Maybe we'll take some FPAC and FPInnovations know-how from their dozens and dozens of scientists and let the first nations and the first nations trade associations democratize this technology and access the right investment pools.

Let's get it done in Canada's first communities. That would be my answer there.

**Ms. Joan Crockatt:** Okay.

I'm going to move on to you, John, so that I can ask you a bit more about metering. What I hear about meters is that they do work to reduce consumption, but consumers don't like them. I'm wondering if you think that the best way to go is to meter. If so, how do you individually meter your various utilities and commodities so that people can track their usage? I think studies show that they do decrease consumption.

**Mr. John Dickie:** There's no doubt that they do decrease consumption. It's sometimes in the order of 30% or 35%. People don't like them because they add an element of uncertainty to the bill. In many cases, people don't realize that in an average apartment building when you go to submetering, or some landlords have the metres for electricity installed so they can measure what electricity is going to what unit, you find that about 15% of the users use a great deal; about 15% are on average; and 70% are using less than the average, so they would save. There's always this concern that "Oh, no, it won't be me who gets the savings."

One of our provincial groups put out this great cartoon. It had a young person—I'm afraid I took a dig at teenagers before and now I'm going at young people, but if you keep me long enough I'll get to the seniors. The young person is sitting there with his big high-def TV and his three computers running, and all this blah, blah, blah,

with power cords like you wouldn't believe. Beneath that picture is a senior citizen sitting there, freezing, and paying the same for electricity. It's stupid. Let the person using all the power pay for it.

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

Your time is up.

We go now to Mr. Nicholls, followed by Mr. Allen and Ms. Liu.

**Mr. Jamie Nicholls (Vaudreuil-Soulanges, NDP):** Thank you, Mr. Chair.

I would just mention that member Pat Martin is a carpenter so he knows wood.

Our business at hand, which the NDP proposed, is to look at how we can improve our competitiveness globally by improving innovation. The idea isn't about picking winners and losers. It is about knowing your strengths, weaknesses, opportunities, and threats.

With that, I'd like to ask a few questions of you, Ms. Cobden. I've looked at the report produced by FPAC. In the report, "Transforming Canada's Forest Products Industry", on page 8, "Next Steps", you say:

With regulations in the works worldwide to address climate change, and growing public scepticism about the environmental risks associated with further development of oil sands and nuclear power, the time is right to showcase Canada's natural advantages and international leadership in sustainable forestry.

With that, do you believe that regulations addressing climate change can drive innovation, and thus productivity, in our economy?

• (1640)

**Ms. Catherine Cobden:** One of the things that we're really for, specific to your question, is consistency of approach. As many of you around this table are business people, you probably know that one of the things that kills investment and kills businesses is a lack of predictability and consistency. FPAC isn't advocating for a particular approach to any one of the many hurdles and issues we face, but we are advocating for a consistent approach.

**Mr. Jamie Nicholls:** Thank you.

I also noticed in your report that biomass from trees fuels two-thirds of the energy requirements of your member companies. The surplus of that is sent to the grid.

I had a chance to visit Dapp in Westlock County where they have a biomass plant selling energy to TransAlta, to the grid, powering about 600 homes. This was powered by Edmonton's wood waste streams.

They told me that boilers from pulp mills closing down could be repurposed to generate electricity. Is this a possibility?

**Ms. Catherine Cobden:** It is.

Ideally, we'd keep the pulp mills running and we'd diversify the mix of products they make so that everybody keeps running. That's the real vision behind bio-pathways. If you take any of your existing forest industry assets, be it a sawmill, a pulp mill, an integrated paper producer, a tissue mill, and add these types of technologies to them and diversify the products mix they were making, you'd actually be protecting more jobs and positioning yourself for better economics in the long run.

**Mr. Jamie Nicholls:** I was amazed that they had bioproducts such as the ash they were distributing to farmers as fertilizer. It was a fascinating and a very positive story.

Could you table the two bio-pathways project reports with the committee?

**Ms. Catherine Cobden:** I'd be very happy to.

**Mr. Jamie Nicholls:** Thank you.

I'd also like to address the green transformation program. The government claimed that the mission of the pulp and paper green transformation program is accomplished. It's kind of disturbing. The way it's presented is that it was a success and now it's over.

Do you think there should be some sort of next step to that program? Are they consulting with you about a next step?

**Ms. Catherine Cobden:** Do you know what we really liked about PPGTP? We liked the creativity behind it.

It would have been really easy for any government to respond to the competitive distortions we were seeing in the marketplace with just a quick fix-it, slapdash subsidy like you saw in the U.S. Instead, they designed a program that actually advanced us from a competitiveness position on green credentials.

So I do have to say, and go back to, that I'm very sincere about the benefits of the pulp and paper green transformation program.

**Mr. Jamie Nicholls:** Thank you.

I just have one more thing to add that sort of contradicts your report on bio-pathways, where you say:

The government of Canada has already invested in the transformation of the forest products industry. But more must be done so that the industry can produce long-term plans and share risks and rewards in a more vibrant, green, knowledge-intensive economy.

**Ms. Catherine Cobden:** Yes. It gets back to my commentary during my appearance here, that in fact the type of support we need is the one that's across that valley of death, more things like the IFIT program. That was a very small \$100-million program. We had \$2.2 billion in interest from the industry side, so \$100 million doesn't go very far.

We had 65 projects. I think at least a third of them were bioenergy based. That also signals that a third of them were biochemicals, and another third were biomaterials.

So our agenda is not strictly bioenergy, and I don't think it should be.

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

We'll go now to Mr. Allen, for up to five minutes.

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

Thank you to our witnesses for being here.

Ms. Cobden, I'd like to start with you. It's about the pulp and paper green transformation program.

There's one mill in my riding, which was a beneficiary of AV Nackawic. They did a number of projects in the mill that significantly lowered their energy usage. One of the comments they made to me, when we were talking about doing a couple of the announcements, was that we got that right as opposed to the U.S. Theirs was just a plain subsidy on operations. It didn't encourage any innovation. It didn't encourage any savings in energy costs.

What is the report card on how the mills have done? Most importantly, how have some of your other operations, and the sawmill operations, been able to improve their energy use over the last little while as well, to make them more competitive? As we know, it's been a real challenge because of board lumber prices and whatnot in the U.S. market. What have those sawmills done?

• (1645)

**Ms. Catherine Cobden:** Across every side of the House, there have been mills in ridings from every political party that have benefited tremendously from the pulp and paper green transformation program. I do want to make that clear. I don't think we should make it a political agenda.

The investments were targeted in a smarter way than in the U.S. program. I completely agree with that analysis. In fact, I continue to add my voice to that point.

By lowering energy, in the AV Nackawic example, but it happened all across this country, you're really supporting and giving an opportunity for a competitive position for these mills in the long run. So the report card is high.

Could we do more? Should we do more? Of course. We'll never say no to that. There is more opportunity. But if we had to capture opportunity, we would like to suggest that it should be in the form of that IFIT program, because it's tremendous.

By the way, it's applicable to sawmills as well as pulp mills. I think your question is extremely valid in that the pulp and paper green transformation program could not apply to sawmills. There is a gap. Part of our opportunity is to support further their transformation.

The number one finding from bio-pathways was that sawmills were the centre of the universe as it related to forestry economics. You want to do something for sawmills in the long term.

**Mr. Mike Allen:** Thank you.

Mr. Dickie, I want to ask you about this submetering and how that applies.

Having been in apartments and whatnot in New Brunswick, in a lot of cases they were individually metered, except for the common facilities. When I say "common facilities", I mean the hallways and other things. Each individual apartment had its own meter, and therefore the energy use, including the heat.... In vast cases in New Brunswick, the heat is either electric or oil. In this case it's electric.

Is this a phenomenon where we see a mixture of these types of things happening in different provinces, where different provinces see different things? Or even within the provinces do you see different activities going on?

**Mr. John Dickie:** When the heat is provided by electricity, the electricity, including the heat, can be submetered. That's not a problem. What I'm addressing here is the notion that the landlord has a central boiler—usually a boiler, which is usually natural gas-fired, but it could be oil—and then the boiler emits hot water. The hot water then goes to the different apartments.

If this problem were solved, the flow and the temperature of the water being delivered to each apartment could be measured, and then the cost, and then there'd be a carve-out for the common areas for that piping, or just the residue would be left with that. The cost of the oil or natural gas could then be charged to the users.

**Mr. Mike Allen:** Okay.

That takes me to my next question. When you talk about the CCA class, you're talking about class 43.2 and the 50%. That was in your numbers that you used in the net present value analysis, as opposed to 4% now.

**Mr. John Dickie:** Yes.

**Mr. Mike Allen:** That basically is a special class enacted in 2010 for clean energy generation equipment, typically for ground source heat pumps, active solar and heat recovery equipment. I'm wondering, if you look at the stock of all your apartment buildings and heating systems, would the heating systems you have in your current stock in Canada actually meet some of those requirements?

**Mr. John Dickie:** Very few of them fall within those renewable categories. Our desire was to expand that class by a modest amount, including these high efficiency boilers, furnaces, or in fact, chillers. We were involved in discussions with the government, with the officials in Finance and others, with a view to trying to determine what would both be worth doing and what there might be an appetite for. We looked at other more expensive changes, what the Finance officials regard as bigger changes, and those were rejected. This was the one that there seemed to be an interest in discussing. That's why we brought it forward.

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

We go now to Ms. Liu, followed by Mr. Calkins.

**Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP):** Thanks, Mr. Chair.

[Translation]

Thank you to our witnesses.

• (1650)

[English]

I'll be questioning in English. I can see you reaching for your earpieces.

I have questions for Mr. Dickie.

Thanks for your presentation. It was very complete. I see that you actually did a costing of your propositions that show total government revenues will rise due to the reform, and not fall. I found that very interesting.

I was doing some reading and you cite the U.S. as being a model. I know that in the U.S. there are many low-income housing projects that actually include energy efficient measures. I was reading about a project in the south Bronx. There are some boiler-room houses with a microturbine system that actually reduces greenhouse gases. I know there are projects like this in cities like Boston and Chicago.

I am wondering if you've heard of any best practices in Canada, or if you think these kinds of projects could be recreated north of the border for low-income individuals and households.

**Mr. John Dickie:** There are some similar projects in social housing in Canada. However, there are very few of them in for-profit housing, simply because the economics do not work. They're not far off from working, but they do not work. From that point of view, as I explained, the competitive position of businesses in our sector is that they have to look at the bottom line. If it doesn't work, then they won't do it. Whereas within social housing, there are political decisions made, not just economic ones. In some cases the boards of directors are willing to go forward knowing that according to the metrics this is going to cost them money but they want to do it to be green. It's the same thing with the governments which provide the subsidies for these units. They will sometimes make that political decision to do what does not compute from an economic point of view.

Within the private sector, there are a few people who are very keen to be green and advertise to their tenants that they're green and so on and so forth. They might take a similar approach, but it's relatively uncommon. If you do that across your whole portfolio, you may end up going broke, and that doesn't help you very much at all.

**Ms. Laurin Liu:** Have you looked at the percentage of GHG emissions caused by housing in Canada?

**Mr. John Dickie:** I don't know it as a percentage; I do know it's certainly not trivial. With this proposal, which is a limited proposal, we used the metrics put forward by the Toronto atmospheric fund, which assisted in getting the coalition going. According to that, the savings would be 85,000 tonnes of the measure of greenhouse gas. That is the equivalent of 145, more than 12%, of Toronto's high-rise apartment towers not emitting any greenhouse gas. I know it's countrywide, as opposed to Toronto, but it's a significant amount of greenhouse gas that would be saved.

**Ms. Laurin Liu:** That's a significant number. It's very impressive.

Do you think Canada should have a national housing strategy?

**Mr. John Dickie:** Oh, I surely wasn't prepared for that question at this committee.

**Ms. Laurin Liu:** It's a big question.

Do you think it would help implement your recommendations into policy?

**Mr. John Dickie:** I don't believe that a national housing strategy is needed in order to do useful things for housing.

**Ms. Laurin Liu:** No, but would it help?

**Mr. John Dickie:** I don't have an opinion on whether or not it would help.

**Ms. Laurin Liu:** Thank you.

I have some questions prepared for Mr. Young as well.

Thank you for appearing before committee. I know that you've appeared before many other committees, including the Standing Senate Committee on Agriculture and Forestry in 2009. In your presentation, your organization asked the federal government to use "research, policy coordination initiatives, science and technology and worker adjustment programs" to fulfill its responsibilities towards first nations.

Since then—it's been a few years—what kind of response have you had from the federal government concerning recommendations specifically contained within this submission to the Standing Senate Committee on Agriculture and Forestry?

**Mr. Bradley Young:** Off the top of my head, in terms of a specific response, I'm not sure if we've had a specific response, but I know that in terms of a few forestry-gearred programs delivered through Aboriginal Affairs and Northern Development and also Natural Resources Canada and the Canadian Forest Service.... I'm talking in particular about the AFI program, the aboriginal forestry initiative program. Aboriginal Affairs moves a certain amount of funding over to NRCan and they do the forestry thing.

There have been program dollars that we've accessed to look at that complex mix that you bring about and to pull out the best strategy. The best strategy that we've managed to locate is around this idea that for first nations business organizations, first nations in the forest, the communities are ready for innovation.

Because our scale is a little bit different from the FPAC membership, it means that we're being forced to associate and to organize ourselves in a similar but dissimilar and, I think, complementary fashion. I think that's where I would like to push to suggest that this government and also Parliament take a look at, for example, NAFA's funding amount. We have a core of about \$244,000 and change.

Take a look. I'm not saying that we're in competition with FPAC or FPInnovations. Their core budget is over \$20 million, \$30 million, or \$40 million, depending on the year. How are we supposed to innovate? How are we supposed to democratize and use the technology on that scale, get it into our mills, and really get and keep first nations in the forest sector moving and driving that investment and job creation cycle?

I'm not saying this in competition, Catherine. I know that your budget—

**Ms. Catherine Cobden:** My budget is nowhere near that—

**Mr. Bradley Young:** I know it goes up and down, but relatively speaking we can say that your budget is not \$245,000.

**Ms. Catherine Cobden:** Right. You can. That's fair.

**Mr. Bradley Young:** Let's be a little fair here in this. Let's hear that there's some responsible players that want to work with the Government of Canada and all the leadership across Canada and build the aboriginal forest sector. That's how we begin to answer that question. I think it has to be done through the support of free enterprise, of entrepreneurship, and of growing first nations business in Canada.

•(1655)

**The Chair:** Thank you.

Thank you, Ms. Liu.

We go to Mr. Calkins. We'll close off the questioning of witnesses with Mr. Calkins, and then we'll suspend and go in camera.

**Mr. Blaine Calkins (Wetaskiwin, CPC):** Thank you, Chair. I've only got one question with about six or seven parts, so let me get to it. I'll ask all my questions up front and hopefully there'll be enough time.

Mr. Dickie, I really appreciated your testimony. I like that you highlighted the fact that your industry group as a whole is not on the cutting or bleeding edge of technological implementation simply because of the nature of the business. I would like you to explain to the committee what specific recommendation you have for the government to take into consideration in the tax treatment, moving from mid-efficiency to mid-efficiency, which is what you said your industry is doing for the most part, and also from mid-efficiency to high-efficiency, so we can get higher efficiency technology into the buildings of your member representation, so that we can recognize those savings. I think you did talk about the tax treatment on that.

Mr. Young, you talked a lot about Meadow Lake and you talked about hockey players. I just want to mention that I did see a sign honouring Ron Duguay the last time I was in Goodsoil. I just want to make sure we understand the generational differences between you and me.

I would like you to engage the committee a little more on employment retention for folks. I represent the four bands in Hobbema and I know employment retention, especially working off reserve, is an issue for employers in my area who want to engage and hire aboriginal people. I want to talk about engagement of the young people who are involved. You mentioned something about having the capital to be able to expand and grow business. The difference between on-reserve and off-reserve is that the rest of us have equity in property and ownership, which is something most people on first nations reserves don't have the opportunity to have. We had some changes in Bill C-45 that may allow that for certain bands who wish to pursue that. I would like any comments you might have on that.

Then if I have any time, I'll get to Ms. Cobden afterwards.

**Mr. John Dickie:** With respect to the tax treatment we're looking for, it's for high-efficiency boilers under certain conditions; not an open door, but to be included in class 43.2 to gain the 50% CCA rate, or it could be a new class.

**Mr. Blaine Calkins:** This would write off the depreciation faster.

**Mr. John Dickie:** Exactly. This is a question of how quickly the owner can write off the cost. The point is the upfront cost is higher, so if you can write it off faster, you achieve tax savings. The beauty of it is that because there are energy savings that increase the business's income, the taxes go up, and because there's more work done because it's a more costly job, there are taxes on that. When we do the math on this, we come to the result that the government would be ahead of the game rather than behind the game, which is a nice tax reform.

• (1700)

**Mr. Blaine Calkins:** Absolutely. Thank you.

Go ahead, Mr. Young.

**Mr. Bradley Young:** On the HR question, it's a very good question. I hear the request and the opportunity or potential issue with 60,000 employees needing to be hired in the forest sector. To bring it down to some of the entities I've worked with and am working with right now, such as NorSask, they want to start a second line of production. They need and want first nations people from the communities to get into those jobs. They want to work with the unions. They want to work with the communities and the young people to do that. I think there is some good program design that could be done around this. I think the importance is that how those programs interface with the aboriginal infrastructure, if you will, needs to be first nations-led, aboriginal organization-led, because the messaging matters. Who delivers the program and who delivers the technicality of it matters. We are open to partnership, but we need to recognize that it's 2013 and first nations can lead these programs and deliver results.

On Bill C-45, I didn't come to the presentation prepared in any way whatsoever for this question, so I have no comment.

**Mr. Blaine Calkins:** How much time do I have left, Mr. Chair?

**The Chair:** One minute.

**Mr. Blaine Calkins:** I have one last question for you, Mr. Young. I would be curious to find out why you are not a member of Ms. Cobden's organization, because it seems there would be some synergies there.

Ms. Cobden, you talked about the 73% reduction in greenhouse gases. I missed that part and didn't get the clarity. Could you please

remind me about the equivalence of taking some 150,000 cars off the road and so on?

**Ms. Catherine Cobden:** That was for the pulp and paper green transformation program. On an annual basis, it's the equivalent of taking 150,000 automobiles off the road.

**Mr. Blaine Calkins:** Is that in perpetuity?

**Ms. Catherine Cobden:** Yes.

**Mr. Blaine Calkins:** Thank you.

**Ms. Catherine Cobden:** It would be as long as these boilers operate.

**Mr. Blaine Calkins:** Fantastic.

**Ms. Catherine Cobden:** Can I just say for the record that FPAC is member companies only, so it's only private sector money from companies. But partnerships with NAFA should be something we both pursue following this discussion.

**Mr. Bradley Young:** I had a similar response. We have a membership as well, so we're a membership-driven organization and first nations businesses are part of it. Partnerships should be above board and apropos.

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

Thanks very much to all of you for your very helpful presentations and answers to questions today.

We're going to suspend the meeting now and come back to an in camera meeting on the future business of this committee.

*[Proceedings continue in camera]*

---





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.

---

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.

---

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