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Chair

Mr. Leon Benoit

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● (0850)

[*English*]

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

We're here today to continue our study of the benefits of developing the oil and gas industry of the energy sectors. We have four witnesses with us today. I'll introduce them in a minute. Two of them we're still trying to get online.

Before I do that, you probably have noticed that a budget has been put in front of you. We should approve this. It's the budget for this study that we've undertaken. We should have a look at that budget and hopefully approve it just at the end of the meeting. It should only take a couple of minutes.

With that, I will introduce the witnesses. We're very much looking forward to this meeting today.

We have with us, from the Canadian Energy Pipeline Association, Brenda Kenny, president and chief executive officer.

Welcome to you. You probably think you're a part of our committee. You've been here quite often.

We also welcome, from The Conference Board of Canada, Michael Burt, director of industrial economic trends.

By video conference from Saint John, New Brunswick, we have Colleen Mitchell, president of the Atlantica Centre for Energy; and by video conference from Edmonton, Alberta, Gil McGowan, president of the Alberta Federation of Labour.

We will go through the presentations in the order in which the witnesses are listed on the agenda today. I want to ask the witnesses to make sure they keep to the time, to the seven minutes we've allocated.

To members, I'm going to cut you off right at the time allocated, or very close to it, because we've found that things have been going overtime considerably. I'd really like to keep this on schedule so that we can get the maximum benefit from the meetings.

Brenda Kenny, president and chief executive officer of the Canadian Energy Pipeline Association, please go ahead.

Dr. Brenda Kenny (President and Chief Executive Officer, Canadian Energy Pipeline Association): Thank you very much.

Thank you for having me today. I'm looking forward to all the presentations. It's a very important topic that you're considering.

I'll be sharing the views of the Canadian Energy Pipeline Association, and some of the benefits across Canada in developing oil and gas industries in general. Many of you would know that CEPA represents the large transmission pipeline companies comprising the energy highways of Canada. We safely transport about 97% of all the onshore crude oil and natural gas produced and used, enabling about 20% of Canada's trade value, allowing the basic, everyday modern activities such as fuelling your car, and economic prosperity through delivering natural gas to power machines at manufacturing plants, for example.

We currently operate over 115,000 kilometres of transmission pipelines that move about 3.2 million barrels of oil every day, and 14.6 billion cubic feet of natural gas. This is an integral part of a very reliable energy system that enables the quality of life Canadians enjoy and ties our country together. We often talk historically about the railways, the Trans-Canada Highway, or the seaway. These have all in their time been and continue to be foundational to Canada's economic development. Pipelines are playing that role in modern times.

From over 60 years of practice and growth, we've touched virtually all kinds of communities and regions, beginning with the Trans-Canada Highway, a natural gas backbone built in the 1950s; the interprovincial Line 9, now Enbridge, in the 1970s, connecting to Montreal; the Norman Wells pipeline halfway up the Mackenzie Valley; and many more to come.

Nationally today we employ directly over 9,000 full-time employees in the course of operating these major systems. Of course, it's a trivial number compared to the many hundreds of thousands of jobs that are enabled by having energy produced and moved across the country and used. We enable about one-fifth of Canada's mercantile trade value. That's one out of every five dollars that comes in with respect to trade value to Canada, and that amounts to about $100 billion every year.

We pay, both directly and indirectly to the communities we operate in, over $1 billion in municipal, provincial, and federal taxes, and this can be used by local governments to support services such as health care, infrastructure, and education. We also have procurement expenditures in the order of $360 million each year across Canada, and a further $20 million in direct community investment, such as in the education and arts fields.

These national numbers often obscure, though, the overall contributions felt. We commissioned a study, which I believe you've each received. The clerk has copies, and it can be found on our website as well. It's a 2013 study by Angevine Ltd. to shed more light on regionally specific economic benefits. We can refer to it throughout the morning, if you'd like.

Clearly, there are benefits across the country in all regions. If we start on the west coast for instance, direct, indirect, and induced economic activity for oil and natural gas in British Columbia provided over 2,900 full-time equivalent jobs and $645 million in GDP in 2012.

In Alberta, it's almost 7,600 full-time jobs, and close to $4 billion.

In Ontario, full-time jobs amounted to 5,300 individuals, and $1.4 billion in GDP, with over $85 million in procurement to over 350 local suppliers, all a result of transmission pipeline companies.

In Quebec and other regions the numbers are also very large.

In total this amounts to about $8.8 billion in GDP in 2012, sustaining over 25,000 full-time equivalent jobs, and generating over $1.5 billion in labour income.

Now, many studies, and you may hear some this morning, do point as well to the role we play in ensuring Canada receives its maximum value for the energy products produced. Our studies indicate that close to $50 million a day is being lost due to a lack of capacity.

● (0855)

These are impressive numbers, but they're only a component of what we do. Of course our first job is safety and this entails adhering to a world-class regulatory system and continuously striving to implement newer and stricter pipeline integrity damage prevention and emergency response requirements and technology developments.

In that avenue, our members back up that commitment with more than $1 billion spent each year to ensure that crude oil and natural gas is delivered safely and efficiently. As an industry association we're moving forward on a number of safety measures that go well beyond compliance with regulation. We're increasing our transparency as well, and that is why we have rolled out our CEPA integrity first program. Under that program we developed best practices and have identified performance indicators that fall into broad categories such as safety, environment, and socio-economic issues, all the while minimizing habitat disruption of any sort and maintaining good relations with aboriginal communities and landowners.

These are the components that enable successful social licence and ultimately economic activity to the benefit of the country. Our safety record is impressive by any measure, but our goal is zero incidents, and we're striving to invest toward that objective.

In conclusion, our members are committed to safety first and foremost for the communities in which we live and work, and our social licence is determined by the benefits we deliver, not only economic but also the trust we earn through the integrity of our pipeline systems.

The energy pipeline industry is an enabler of prosperity across Canada and continues to be a hallmark of this country's nation building. We help keep the cars moving, factories running, houses heated, creating jobs and economic activity in every region of the country. I invite the committee members to visit our website at aboutpipelines.com and find further information on our safety practices and the economic data that I've been speaking to.

I look forward to your questions. Thank you.

The Chair: Thank you very much, Ms. Kenny, for the information you've given us, and for the written document you've left with the committee. It is very much appreciated.

And thank you for sticking to the time allocated. It's very much appreciated as well.

We go now to Michael Burt, director, industrial economic trends, from The Conference Board of Canada. Thank you again for being here and go ahead with your presentation for up to seven minutes.

Mr. Michael Burt (Director, Industrial Economic Trends, The Conference Board of Canada): Thank you for inviting me.

For anyone who is unaware, the Conference Board is a non-profit, non-partisan think tank based here in Ottawa. We do research in a variety of areas including public policy, economic forecasting and analysis, and organizational performance. My understanding is that we're talking about the oil and gas sector in Canada and investment associated with that. I thought we'd start with some numbers.

First of all, in terms of oil and gas in Canada, today, it accounts for 6% of the economy directly and employs 100,000 people. Obviously that's most prominent in Alberta where about a quarter of the economy is directly accounted for by oil and gas. But it's also an important industry in a variety of other provinces, for example, in B. C., Saskatchewan, and Newfoundland and Labrador the sector is a major component of their economy.

Those are the direct impacts. When we talk about the oil and gas industry it's also important to look at the other impacts, the secondary impacts in the economy. These take a variety of forms. For example, the investments that these businesses undertake, their supply chains and, also, what we call in economics the induced effects or the income effects, the money people earn in their jobs creates additional economic impacts when they spend it.

We've undertaken several studies looking at the economic impacts of the oil sands over the last few years. I'd like to talk a little bit more about one of those studies. The biggest one is called *Fuel for Thought*and it was shared with the committee. Hopefully if you've not had a chance to look at it, at least you can after my comments. But I'd like to focus a little bit on the findings from that study.

Basically what we expect to see over the next 25 years is literally hundreds of billions of dollars of investment going into the oil sands. This is going to cause considerable economic impacts outside of Alberta. Obviously Alberta is the locus for the economic activity but it's not the only province that will see economic benefits. Just as an example, 30% of the supply chain impacts associated with oil sands development will occur in provinces outside Alberta. Ontario is the biggest recipient. They get about half of that total. Industries in Ontario like financial services, professional services, and manufacturing all benefit as a result of oil sands development. But we also see benefits across other provinces as well, everything from transportation and, again, professional services, manufacturing; different types of industries in different regions are all benefiting from this investment activity.

Another type of benefit that is often forgotten when we talk about economic impacts is the effects of income remittances. Right now there's an estimated shadow population of about 40,000 people in Fort McMurray. These are people who don't live there but are working there. If you think about it, there are fewer than 80,000 people actually living there. So that's a huge share of the population. We estimate that at least 5,000 of those 40,000 people are out-of-province workers, and if you look at the income that they're bringing back to their home provinces, in many cases it's actually larger than the supply chain impacts that I just mentioned. Particularly for the Atlantic provinces that's true.

The other impact that we looked at in the study is the fiscal impact associated with the development of the oil sands. We estimate that it's about $80 billion in fiscal revenue for federal and provincial governments over the 25-year period. I want to emphasize that this is just investment. We're not looking at royalties. This is just the investment activity. Most importantly, about 60% of that occurs outside the province of Alberta. That's because a large portion of the revenues are paid to the federal government, which gets redistributed back to the provinces, largely on a per capita basis.

Of course, all of this investment will lead to increased production. If we add together the economic impacts of production and investment in the oil sands we find that today, directly and indirectly, oil sands activity supports about 400,000 jobs across Canada. Given our investment profile and our production profile, we think that number could rise to as high as 700,000 by 2030. It's a significant source of jobs today and it can continue to be going forward.

In terms of how we realize this future, one of the key threats, if you will, one of the key restraints, is the fact that we need to have a sufficient infrastructure to move the product to market. At present we only have one market for our oil, North America. North American demand is flat, and production is rising. Where is production rising? It's rising in Alberta, also, primarily, in North Dakota and to a lesser extent in Texas. What's happening with an environment of flat demand and rising production is we're having to displace imports coming from outside North America. Those imports primarily come in on the periphery of the continent. The increase in oil production is coming from the interior of the continent.

● (0900)

We have a transportation problem. We need to move the oil to market. This has caused a glut of oil in the interior of the continent right now. They're seeing significant discounts on Canadian oil relative to international benchmarks, and it's costing literally billions of dollars.

We did a calculation in 2012 of estimated costs of about $25 billion to oil companies in Canada. That translates through to about $8 billion in lost revenues for federal and provincial governments in terms of income taxes and royalties in Canada. This is a huge number, and it's something that we need to address if we're going to maximize the benefit of our non-renewable resources.

Finally and obviously, if we don't address this, it could significantly hamper the investment plans in the oil sands going forward.

Thank you.

The Chair: Thank you very much, Mr. McGowan, for your presentation and for the written document that you've provided as well.

We now have with us, by video conference from Saint John, New Brunswick, from the Atlantica Centre for Energy, Colleen Mitchell, president.

Go ahead, Ms. Mitchell, with your presentation. You have up to seven minutes.

● (0905)

Ms. Colleen Mitchell (President, Atlantica Centre for Energy): Good morning Mr. Benoit, Chair, and members of the Standing Committee on Natural Resources.

Thank you for the opportunity to address this committee and assist in supplying information on the benefits of developing the oil and gas sectors specifically as it applies to Atlantic Canada.

The Atlantica Centre for Energy serves as a bridge for governments, the education and research sectors, the community at large, and we foster partnerships to engage in energy-related issues. I'd like to point out that we represent a cross-section of organizations involved in the energy sector, not just users or producers of energy.

I'd like to put the Atlantic Canadian economy in context. The Bank of Canada stated last month that the Atlantic economy is still moving sideways from the 2008 recession. Five years later the gap between Atlantic Canada and the rest of Canada remains significant. Interprovincial migration across and the loss from Atlantic Canada to other parts of Canada is still the worst in history, and interprovincial employees, i.e. those who remain in one province and work in another, for example, the two weeks on/two weeks off, remain at over 400,000 people. In a country with our relatively small population, this number is staggering.

The Atlantic Provinces Economic Council reported that New Brunswick in particular had zero economic growth in 2013, and the 2014 forecast is a mere 0.9%. The development of key oil and gas projects that are identified here have the potential to reverse these economic trends.

First is the west-east crude oil pipeline, also known as the energy east project. There exists an infrastructure challenge, where eastern Canadian refineries right now rely on imported foreign crude oil, which is inaccessible because of western Canadian crude oil. Western Canadian crude oil cannot realize the full potential of its value due to infrastructure, as has been mentioned, because it cannot be transported to refineries. TransCanada Pipeline has proposed to connect this stranded crude oil to eastern refineries. That will add $35.3 billion in GDP, which will economically benefit the entire country. This project is of such significance that if it proceeds to completion it will have a profound impact on the Atlantic region.

A study by Deloitte estimates the economic impact to New Brunswick alone at $2.8 billion GDP. Tax revenue to the New Brunswick government would include $266 million during the development and construction and an additional $428 million during operations. The long-term stable supply of domestic crude oil to eastern refineries saves up to $11.50 per barrel, which is $377 million per 100,000 barrels per day. Eastern refineries also invest to increase flexibility for processing this crude oil. For example, $2 billion is the low-end estimate required for coking capacity at 100,000 barrels per day. This region has the potential to become a global centre for energy, as it will have a supply source, production, movement, value added, regional use, and the opportunity to export.

With respect to natural gas production, it has been brought back to New Brunswick over the past decade. We have proven and probable reserves at 70 trillion cubic feet, which is 10% of Canadian proven resources. The province has recently renewed activity. One of the reasons for this is due to increased related infrastructure and pipelines. While early results have been encouraging, current production remains insignificant by national standards. There's a great opportunity here for developing it.

The benefits include creating a stable, long-term supply of natural gas and lowering tolling fees to local manufacturing, industry, and residential users. It creates an opportunity for export, balances the Atlantic energy requirements, and provides a significant source of royalty and taxation revenues to the government.

Nova Scotia has foreign investment potential for a proposed export terminal for natural gas. The New Brunswick Repsol/Irving Oil-owned LNG import terminal now has an export permit, but requires a source of supply. The economic impact of having an indigenous supply of natural gas in New Brunswick includes $21 million in direct, indirect, and induced investments and a direct GDP of $4.5 million.

● (0910)

As an example, the royalties that Saskatchewan receives from the oil and gas sector roughly equate to New Brunswick's equalization payments. Once developed, natural gas royalties in New Brunswick could transform the balance sheet of the province.

With respect to regional competitiveness, industry located in Atlantic Canada must be able to operate in a cost-competitive structure. This is important for the suppliers of energy as well as the users of energy. Industry cannot continue to absorb price spikes or shortages of supply and bottlenecks in the New England market. The current situation is not sustainable. A stable supply of cost-competitive natural gas benefits large and small businesses, electric utilities, residential customers and, of course, government revenue streams.

In summary, oil and gas have a major influence on this region directly impacting GDP. Nova Scotia and Newfoundland have strong oil and gas offshore developments. New Brunswick has flat GDP growth, with the potential for growth on the horizon if these initiatives can get off the ground, mainly the energy east project and the development of its own domestic natural gas reserves. Canada's oil and gas sector can continue to be a major source of economic benefit to the country. To maximize the price of our oil and gas reserves, Canada needs to have the infrastructure in place, so that we can use it domestically and for foreign markets.

Thank you.

The Chair: Thank you very much, Ms. Mitchell, for your presentation.

The information you've given will be very helpful to us with our study. Thank you very much for that. I'm sure you'll have questions directed to you later.

We go now to our final witness by video conference from Edmonton, Alberta, from the Alberta Federation of Labour, President Gil McGowan.

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

Mr. Gil McGowan (President, Alberta Federation of Labour): Thank you. Good morning.

I've appeared before this committee before and I know how quickly seven minutes can go. I'm going to move right into my talk by presenting you with the Alberta Federation of Labour's top five reasons why the oil sands are a blessing, but a mixed one.

Number one. The oil sands are a mixed blessing as opposed to an unambiguous and unadorned blessing because the pace at which governments at the provincial and federal level have allowed development to proceed is one that's open to question. Before he died, former premier Peter Lougheed made it clear that, if he were still in charge, he would only approve one major oil sands project at a time. By taking a more reasonable and measured approach to development, Lougheed said, we could avoid overheating the provincial economy, we could improve the economics of value-added projects as opposed to always opting for rip-it-and-ship-it projects, and we could do a better job of balancing economic concerns with environmental concerns.

Interestingly, after announcing his retirement and being freed from the yoke of Conservative Party discipline, outgoing Fort McMurray MP Brian Jean gave a few media interviews in which he sounded an awful lot like Peter Lougheed. Mr. Jean said his community is feeling the strains of the gold rush approach to development. He said it probably would have made sense to set a more deliberate pace for development. As federation president in Alberta, I spent a lot of time in Fort McMurray and I can tell you that, if it was up to the people who actually live in that community, the pace of development would look a lot different from what it does.

Number two. The oil sands are a mixed blessing because the public who owns the resource is not getting a fair price for the sale of their assets. When talking to investors, oil industry leaders have bragged about mountains of revenue and avalanches of profit, but when it comes to the public share, the mountain is a molehill and the streams of cash are a relative trickle compared to the cascades of corporate profit.

In Peter Lougheed's day the public, as the owner of the resource, was paid about 40% of the revenue generated by Alberta's oil and gas sector. Today, the public share has dropped to as little as 10% of the oil and gas pie. According to a study from the Alberta government itself, which we had to pry out of their hands using freedom of information legislation, we get far less for our heavy oil than other nations with comparable resources. We get less than Norway; that's perhaps no surprise. We get less than Russia; we even get less than Angola. The biggest reason we get less is that since the 1990s developers in the oil sands sector have been getting a sweetheart deal the likes of which is not enjoyed by any other industry or sector in the Canadian economy.

The oil sands royalty regime has been tweaked since Ralph Klein introduced it in 1996, but the basic outlines remain the same. Oil companies pay a token royalty until they pay off their capital costs. Once these capital costs are paid, which can take years and years, the royalty goes up but it is still lower than most oil-producing jurisdictions in the world.

When the Canadian Association of Petroleum Producers puts billboards or bus stop ads out in public spaces saying that they're paying for health care and education, they're engaging in a fabrication. The truth is that the public is paying. Specifically we're paying a large portion of the costs for all of those expensive oil sands projects in the form of forgone revenues. Instead of Canadians thanking CAPP for the abundance that they bring, CAPP should be thanking Canadians, and particularly Albertans, for the giveaways that have allowed them to prosper while ordinary Albertans struggle with cuts to things like education, health care, and universities and colleges.

Number three. The oil sands are a mixed blessing because the current rip-it-and-ship-it approach to development doesn't create nearly as many stable long-term jobs and economic spinoffs as would be the case if we followed Lougheed's advice and focused on upgrading. We've all heard the numbers from CAPP and from other organizations about the hundreds of thousands of jobs that are being created and will be created by the oil sands, but those numbers should be taken with a huge grain of salt. CAPP has never released the methods that they use to get those numbers, and those numbers have been used by other groups like The Conference Board of Canada in their reports, and they don't jibe with the numbers that you get if you used Statistics Canada's own multiplier tables. The truth is that there are about 22,000 direct, permanent jobs in the oil sands, and that's great news. A lot of our members hold those jobs, but it would be better if we upgraded and refined our resources before exporting them instead of shipping them raw and cheap. Here's a quote for you on that subject: the export of Canadian bitumen rather than higher quality upgraded oil “could become the greatest loss of economic value for any country in world history”. Now, that's not a quote from me or some wild-eyed socialist. That's from Wilf Golbert, who is the chairman of the Calgary Economic Development Board.

● (0915)

Number four. The oil sands are a mixed blessing because overheated development in the sector is being used as a pretext to expand the temporary foreign worker program, to the detriment of individual working Canadians and the broader Canadian labour market. Employers say they need the program to address labour shortages, but the facts tell a different story.

The facts tell us that there are currently seven unemployed Canadians for every vacant job in Canada and 2.5 unemployed Albertans for every job vacancy. The facts tell us that the majority of academics and senior policy experts, including people such as former Bank of Canada governor Mark Carney, don't think Canada is suffering from a labour shortage.

The facts also tell us that employers are using the program as a first choice rather than a last resort. Whether it's a company like Saipem, on the Husky Sunrise oil sands project, or Pacer Promec, on the Kearl Lake project, employers are using the temporary foreign worker program to displace Canadians and drive wages down.

The problems used to be more evident in the low-wage service sector, but now it's high-paying and high-skilled jobs that are being affected. Conservatives are fond of saying that Canadians should train themselves and move to where the work is. Well, that's exactly what was done by dozens of apprentices who were displaced by temporary foreign workers at the Kearl site not very long ago. These are people who were from Hamilton, Cape Breton, and Montreal. They followed the rules and they followed the advice to head west, and what was their reward? Their reward was to be displaced by temporary foreign workers and the program that the federal government has put on steroids.

Number five. The final reason the oil sands are a mixed blessing is that they have been used to entrench what I would describe as an “energy McCarthyism” at the heart of Canadian politics and democracy. For some reason, we can't have a rational, nuanced conversation about the benefits and costs—and I underline the word “costs”—of developing this important resource. For too many people in government and industry, “you're either with us or against us”. If you raise a question about pace, or royalties, or value-added development, or, heaven forbid, the environment, then you are painted as a simpleton, or, worse, some kind of traitor to Canada and its core industries. This has to stop.

To the Conservative members of this committee, I say this—

The Chair: Mr. McGowan, you're half a minute over your time already—actually three-quarters—so could you could wrap up really quickly, please? Thank you.

● (0920)

Mr. Gil McGowan: Okay.

To the members of the committee, I say this. You want to hear about jobs, but we would argue that more jobs, and more stable and valuable jobs, would be created if we moved up the value ladder rather than down. You want to hear about royalties, and I would suggest to you that there is a possibility for more royalties than are being collected. You want to hear about the benefits of the development of the oil sands that accrue across Canada, but I would suggest that if we moved up the value ladder, this would be a win-win situation for all of Canada in a much bigger way than it is right now.

Thank you.

The Chair: Thank you, Mr. McGowan, for your presentation. I'm sure there will be some questions directed at you too.

We will start now on the government side with the Parliamentary Secretary to the Minister of Natural Resources, Ms. Block.

Go ahead, please. You have up to seven minutes.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

I'd like to welcome our guests here today. It has been good to hear each presentation.

To those who have joined us by video conference, thank you.

My first question is going to be for you, Mr. Burt. In your opening remarks, you mentioned the need to look at the secondary impacts. You spoke of lost revenues in the range of $8 billion. You said that this could significantly hamper investment plans. I'm wondering if you could elaborate on that, please.

Mr. Michael Burt: Just to give you an example, the paper that I was referring to in my piece was written about a year and a half ago. Since then, the price discount has become much more entrenched. It's no longer viewed as a temporary or one-off phenomenon. It's now being built into investment plans inside the oil sector. We have seen projects being deferred or cancelled. We have seen at least some of the ongoing projects slowing down the pace of development.

It's also showing up just in terms of the bottom lines. The oil sector was far more profitable five to six years ago, with essentially the same or similar price levels, than it is today. Part of that is cost escalation over the last few years, but the issue also is that the discount we're getting relative to the international benchmarks is much, much higher today than it was at that time. There's definitely an impact in terms of the business activity that's going on, which of course impacts the potential for growth going down the road. It's also affecting the bottom line both for businesses and for government today.

Mrs. Kelly Block: Thank you very much. I appreciate that clarification.

Dr. Kenny, I have a number of questions I would like to ask you but I know seven minutes goes very quickly, as one of our witnesses mentioned.

In our government's responsible development plan, we have focused on four pillars, one of which is enhancing aboriginal engagement. I'm wondering if you would be able to tell me how CEPA member companies support Canada's aboriginal communities.

Dr. Brenda Kenny: Sure. I don't have specific hard numbers in the economic data broken down with respect to those communities, but I would point to a number of major developments that have been proposed to allow for the possibility of equity shares and a lot of models are available to consider should communities wish to have sustained long-term revenue as partners in these big developments.

In addition, a lot of the jobs can very much be afforded to aboriginal communities with appropriate support for capacity. I was very pleased to see the announcement just two or three weeks ago by the Prime Minister and National Chief Atleo with regard to the education supplements that would be directed toward enabling those communities to participate.

I think there's also a great interest on the part of our members to engage early and often in sustained relationships. In addition to the type of consultation that's relevant to a specific project, one clearly needs a basis of trust. When we build infrastructure, it lasts for many decades and generations, so it's very important that you have a position of trust within those communities and can engage together on issues of mutual benefit whether that's environmental monitoring, emergency response training, construction operations, what have you.

● (0925)

Mrs. Kelly Block: We have come to understand that corporate social responsibility is not just nice to have, it is a must-have.

Dr. Brenda Kenny: Yes.

Mrs. Kelly Block: And the companies that you represent would definitely make that corporate social responsibility—

Dr. Brenda Kenny: We're absolutely committed to that. That's a central tenet of our CEPA integrity first program in the industry. Our members have signed on to that and I can tell you that without exception our board members are pushing us to ensure deeper and faster collaboration on all those fronts. You can't look anymore at any type of responsible development without considering it through the lens of corporate social responsibility. I know from my doctoral studies that this is exactly aligned with sustainable development. You're fundamentally looking for the triple bottom line connection and a means to fundamentally address public interest through the actions that you undertake as a responsible member of society.

Mrs. Kelly Block: Thank you. I have one last very quick question.

You talked about regionally specific economic benefits and the ability to access that information.

Did you mention a website?

Dr. Brenda Kenny: Our website, aboutpipelines.com, is our best attempt so far to be as transparent as we can, and that's continuously being populated with more and more information related to the industry. The particular economic evaluation that you have before you, commissioned from Angevine in the fall of 2013, is our best available information with respect to economic activity and jobs with regard to operating systems. For the new projects I would direct attention to specific project development websites.

Mrs. Kelly Block: Thank you very much. I still have a minute.

The Chair: Would anyone like to take another question in Ms. Block's time?

Mrs. Kelly Block: Sure, I will give that minute to Mr. Trost.

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

Ms. Mitchell, could you describe the current benefits of the oil and gas industry in New Brunswick. What are the basic benefits now and where do you see them most directly?

Ms. Colleen Mitchell: The benefits are that we have a small production of natural gas in the province, in particular with Corridor Resources and signing with the various pipelines, Maritimes and Northeast, and with Enbridge.

We also have Canada's largest oil refinery, the Irving Oil refinery, producing approximately 300,000 barrels a day. They employ 2,000 people every day across their network and currently they are undertaking a maintenance turnaround. I bring this up just from the standpoint of annual maintenance. They're spending $60 million, which is 2.5% of New Brunswick's GDP, on this one project, and they're hiring an additional 2,000 people for this maintenance turnaround.

So when you try to extrapolate the importance of having Canada's largest oil refinery and having it competitive with other refineries around North America and around the world and having a source of energy such as natural gas for local communities and industries, it's important as well. It also helps with respect to the mining sector and the forest products industry because they then can offer a source of competitive energy pricing.

The Chair: Thank you, Ms. Mitchell.

Thank you, Ms. Block and Mr. Trost.

Go ahead, please, Mr. Julian. You have up to seven minutes.

[*Translation*]

Mr. Peter Julian (Burnaby—New Westminster, NDP): I am sorry, Mr. Chair, but I think there's a problem with the simultaneous interpretation system.

Ms. Christine Moore (Abitibi—Témiscamingue, NDP): It's just because, when Ms. Mitchell speaks, the sound fades in and out. The interpreters can't translate what she's saying into French.

[*English*]

The Chair: We'll see how it goes.

Go ahead, please, Mr. Julian.

Mr. Peter Julian: Thanks, Mr. Chair.

Thanks to all our witnesses for being here today. This is all interesting.

I'd like to start with you, Mr. McGowan. That was very important testimony. We appreciate that you represent certainly more Albertans than anyone else around the table, so your testimony has a lot of weight. I'd like to get back to your point about the ripping-it-and-shipping-it approach of the current government around value added. You very correctly cited somebody I've always admired, Peter Lougheed, who understood the importance of looking at upgrading and refining. We seem to have moved away from this. You raised a number of concerns, so I'm going to ask you a number of questions.

First off, with regard to the move away from tying development of the oil sands to upgrading and refining in Alberta and in Canada, what has that meant in terms of potential lost jobs?

The second issue is around Keystone. I know that the Alberta Federation of Labour has done some analysis in terms of shipping raw bitumen through Keystone and what that would mean in terms of potential lost jobs.

Could you comment on those two concerns, and then tie them in, coming back to the issue of temporary foreign workers, to the exploding number of temporary foreign workers in the oil sands, and what this means in terms of lost economic opportunity in Canada?

● (0930)

Mr. Gil McGowan: As part of our testimony before the National Energy Board hearings on various bitumen export pipelines, we have contracted with economists to do the kind of calculations that we've heard from the Conference Board about induced job creation and multiplier effects.

Our analysis has suggested that if the same volume of bitumen that is planned to go down the Keystone XL pipeline, or the Northern Gateway pipeline, for example, was instead to be upgraded in Alberta or other parts of Canada, it would create literally tens of thousands of jobs. In the case of Keystone XL, it would create about 41,000 jobs, and in the case of the Northern Gateway pipeline, 28,000 jobs.

These are jobs that we're essentially just flushing down the pipeline because we're allowing other nations to add value and create those high-value jobs.

On the subject of value added, we've heard from a lot of people in the industry that the economics don't add up. I think one word we have to keep coming back to in this discussion about value adding is “pace”. Right now it's the Wild West in the oil sands. Basically every project that comes across the provincial government's desk is approved. The result is that it drives up cost. We have so many projects chasing a scarce number of resources that it actually drives up the cost, drives down productivity, and makes the more desirable value-added projects less economic. By not setting a reasonable pace, we're actually pricing ourselves out of reach for the kind of development that would actually be in the longer-term best interest of Canadians. That pace also is what's driving the call for an increased number of temporary foreign workers.

Basically we're creating a situation in which some employers.... I won't mince words here; some of the bottom-feeders can't attract high-quality staff people, so they use the temporary foreign worker program. That's what we see over and over again. These employers use the program not as a last resort but as a first choice, and in the process they displace Canadians.

These are not just isolated cases. We're talking about case after case, and it will just get worse as work in the oil sands heats up.

Mr. Peter Julian: Thank you for that.

Roughly speaking, then, when you include the temporary foreign workers, the number of jobs that would be thrown out of the country or exported down the line for Keystone and you look at Gateway, you're talking about 100,000 good Canadian jobs that are basically lost because of the mess that this government has created, rather than putting in place a really strong economic framework that allows for value-added jobs.

When you talk about the pace of development as well, in Alberta, you're also talking about lost jobs that come from the fact that we're not tying—the way Peter Lougheed certainly saw as part of his vision—directly into upgrading and refining development of the oil sands.

I guess that's why the Canadian Chamber of Commerce provided some pretty compelling figures just a few days ago, that 95% of jobs created in Canada over the last year were part-time, which means they're not family-sustaining.

Could you comment, then, on what this means in terms of economic costs? Poor management from this government in terms of the blessing that we have, as you say, is leading to this becoming very much a mixed blessing because of all the lost economic opportunity.

Mr. Gil McGowan: I think one number is really telling. Only a few years ago about two-thirds of bitumen extracted in Alberta was upgraded in the province before being exported for sale. That number has collapsed to about 50%, and by the Alberta government's own estimates—according to testimony they gave before the Northern Gateway Pipeline hearings—in very short order, in the next 10 years or so, we could be looking at a situation where only about 26% of our bitumen is upgraded.

This represents a huge lost opportunity in terms of job creation, and as one of the other witnesses, the woman from New Brunswick, pointed out, when you build an industrial plant like a refinery, it doesn't just create employment for people in that particular refinery; there are all sorts of spinoffs. Refineries and upgraders have huge supply chains, and they also—as she pointed out—have these big turnarounds and maintenance every year that create almost as much work for tradespeople on an ongoing basis as they do for operations people. But if you don't build the plant, if you don't build the upgrader, if you don't build the refinery, all those opportunities are lost.

What we're afraid of is that with the current approach to development, which is focused almost exclusively on bitumen export rather than value adding, we're looking at an historic lost opportunity, not just for Alberta but for Canada.

It's true that even the rip-it-and-ship-it approach that we're currently looking at creates jobs, but we're saying we could create that many more if we were to move up the value ladder rather than down. The same is true of revenue generated through royalties and taxes. Why accept a half loaf when we could have a full loaf?

● (0935)

The Chair: Thank you.

Thank you, Mr. Julian.

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

Hon. Geoff Regan (Halifax West, Lib.): Thanks very much, Mr. Chairman.

Thanks to all the witnesses for coming today.

Let me start, Ms. Kenny, with you, if I may.

Saskatchewan premier Brad Wall told the Manning conference last week that having the federal government introduce long-overdue greenhouse gas regulations for the oil and gas sector would send a strong signal that Canada is taking action on the environment.

It seems clear that the time the Obama administration has taken to approve Keystone is largely being delayed because of the lack of action in Canada on greenhouse gases and because of the impression overall of Canada's environmental performance, particularly related to oil and gas.

What's your position as an association on this?

Dr. Brenda Kenny: There are a couple of things.

First of all, the issues surrounding any given project are highly politicized at this point of view, particularly in the United States, and I'm not convinced that any given action from within Canada would necessarily outright remove some of the political pressures for or against. That said, I think that industry overall is supportive of movement toward climate change in a measured approach that allows Canada to remain effective in our own sovereignty with respect to the right choices.

I personally sit on the board in Alberta for the Climate Change and Emissions Management Corporation, where $1.3 billion worth of innovation projects are under way that have been funded outright by a levy program within that province.

Canada's jurisdiction is very complex, as you well know, with respect to environmental legislation, and we're blessed with a variety of great pilot projects across the country right now from coast to coast in how to address that. So we are supportive of appropriate action on climate change, our gas pipelines are designated as large final emitters, we are involved with national programs and inventories, and we've been investing, ourselves, in technology to reduce the overall emissions of those major transport systems.

Hon. Geoff Regan: But you don't think that if Canada were seen in the U.S. to have acted seriously on greenhouse gases, that would make it easier?

Sorry, if you could give me a quick answer as I have a very short time.

Dr. Brenda Kenny: I don't think that it's a direct conclusion.

Hon. Geoff Regan: Let me ask you another question. You've heard Mr. McGowan's comments about “rip it and ship it”. Why aren't more petroleum products upgraded, refined, or fractionated here in Canada? Should it be at a much higher rate?

Dr. Brenda Kenny: I don't have any opinion on the issues of upgrading where in the value chain.... Clearly from the wellhead through to the fuel tank in a car or a moped in Kenya, or what have you, there's a series of different events that happen in that supply chain to enable the use of energy.

My position from pipelines is simply this. In order to move large quantities of energy, you need tubes of steel a metre under the ground. We have a shortage of that in Canada right now for the type of energy production that's under way, regardless of whether you're shipping diluted bitumen, refined product, or synthetic product.

● (0940)

Hon. Geoff Regan: Thank you.

Mr. Burt, do you have a view on that?

Mr. Michael Burt: We focus a lot on value added. Sure, I agree wholeheartedly you want to maximize the value we're getting out of our natural resources. We focus too much on the upgrading and the refining. There are a lot of other inputs that go into the industry. It's become world-class at those products as well.

Hon. Geoff Regan: Could you give an example?

Mr. Michael Burt: A good example would be lots of different types of equipment that go into the oil sands. One of the few manufacturing industries that's been a success story in Canada in the last decade has been manufacturers of oil and gas equipment. So how do we make our businesses successful across the supply chain, and not just focus on upgrading?

Hon. Geoff Regan: Ms. Mitchell, speaking of the value chain and value added, I wanted to ask you a bit about the energy east pipeline, which I'm certainly interested in as a Nova Scotian. They're talking about 1.1 million barrels per day. What's your understanding about how much of that would be potentially refined in places like Montreal, and how much of it would be refined in Saint John, and how much would be shipped out of Saint John? What's your expectation?

Ms. Colleen Mitchell: At this particular time, it's at the preliminary stage with respect to determining exactly how much of the crude oil would be supplying Quebec refineries versus the refinery in Saint John. Certainly, the Saint John, New Brunswick, refinery has the capacity to receive this and to upgrade it. I think the important thing is the actual economic benefit overall to Canada of receiving a higher value for the Canadian crude, reducing foreign imports of crude into Canada, as well as the opportunity for the refineries in Quebec and New Brunswick to be more cost competitive because they will have access to a lower priced crude.

There have certainly been numbers bandied about of around 100,000 barrels per day of capacity that they would be taking here in New Brunswick, and also the potential for upgrading in the Quebec refineries, and potentially, of course, in Saint John as well. The investment in upgrading capacity is significant. As I mentioned, the low end is $2 billion to upgrade a refinery, as an example for coking capacity, up to even $8 billion. There's a 95% correlation of that—$95 million of a $100-million investment is actually realized in gross domestic product, so it is significant by any standards.

Hon. Geoff Regan: Thank you very much.

Mr. Burt, has the Conference Board carried out a study of the impact of federal tax breaks for oil and gas companies in Canada? Can you tell us how much those tax breaks are worth? Do you know what kinds of profits were recorded by the same companies that received these tax breaks?

Mr. Michael Burt: I can't say...we haven't studied...I don't know what the value is of the credits currently in place. We have built models looking at the existing regime, but unfortunately, right now I can't say if you changed the regime what the values would be.

Hon. Geoff Regan: For example, recent reports suggest that Canadian taxpayers have given more than $400 million in subsidies to some of our largest oil companies for green projects. One would hope they would want to do those on their own. It raises the question of whether we think profitable companies like Shell, Suncor, Husky, Enbridge, need to be subsidized like this.

We also have the problem, as I understand it, that several millions of these dollars have gone to companies from state-owned companies in China, Mexico, and Colombia. Do you think that's appropriate?

The Chair: A very short answer, please.

Mr. Michael Burt: I don't know how to answer that. We haven't done the analysis so I can't really say whether or not.... I don't even know which programs you're talking about so I can't really comment on whether or not they're appropriate.

The Chair: Thank you very much.

Thank you, Mr. Regan.

We go now to the five-minute round. We'll start with Mr. Trost, followed by Ms. Crockatt and then Ms. Duncan.

Go ahead, please, Mr. Trost, for up to five minutes.

Mr. Brad Trost: To Ms. Mitchell, following up on the question that I started with, you had outlined some of the current benefits. But you talked quite encouragingly about the potential New Brunswick has. We don't think of New Brunswick as exactly an oil and gas centre in Canada. So what would it take to realize some of that potential that you're talking about? We know some things with pipelines. Could you outline for us some of the steps? And who are the actors who would have to take them, for New Brunswick to become like Saskatchewan, like Alberta, and like Newfoundland, which is becoming very successful in this industry?

● (0945)

Ms. Colleen Mitchell: As an example, for Nova Scotia, there's $4 billion in offshore investment going out to 2025, which generates $700 million in royalties during that period. New Brunswick has larger proven and probable reserves, natural gas. That's the kind of economic impact we're talking about. What would have to happen to develop those is right now we do have the regulatory framework in place. That's one thing. The second is attracting that investment from other shale plays around North America.

There has been in the United States a 518% increase in shale gas production from 2007 to 2011. In particular, this has created full employment in North Dakota. The same thing could happen in New Brunswick. So really it's a matter of attracting that investment to the province. We have licences in place. There are companies that are interested in doing the exploration. The New Brunswick government has the regulatory framework in place. So really it's a matter of getting the parties together and getting the development started.

Mr. Brad Trost: One of the things you noted was about how much Saskatchewan gets in some of its resource revenues relative to New Brunswick's equalization payments. Blue-sky here a little bit: I don't know if you have numbers on this. If the industry develops with the economic projections that you've been involved with or have referenced, is it possible that New Brunswick could move from being a have-not province with a higher unemployment rate than the national average, to being a have province with a lower unemployment rate than the national average, if this industry is successfully developed or successfully expanded?

Ms. Colleen Mitchell: I think that's exactly the potential we have here presented before us with respect to the natural resources that we know we have in New Brunswick, in particular, in this case, speaking of natural gas. It's to look at the opportunity for Atlantic Canada, and particularly New Brunswick, and further developing our natural gas specifically from shale formations, just as other regions in North America have done.

Mr. Brad Trost: My question is to Mr. Burt. You had noted how there are other elements of the supply chain, not just refineries and upgraders, that could be developed. You talked about manufacturing. Could you explain to us some of the distribution across the country? Where are we seeing that manufacturing take place? Is it just in Alberta or is it spread around the country? What centres are being tied in? Who are the people who are benefiting from the oil sands, who may not realize they're benefiting from it?

Mr. Michael Burt: Manufacturing, because it's more tradable than other types of goods and services generally speaking, is one of the products for which we see more trading across provincial borders. I will say there's plenty of opportunity to improve domestic trade ties with the oil sands. We actually import more from outside the country than we do from other provinces into Alberta as a result of the oil sands. There are lots of opportunities to improve domestic supply chains.

It varies by region. The big manufacturing inputs going into the oil sands are things like steel, manufactured metal products, different types of machinery. The things that are very specific to the oil sands tend to occur in Alberta so there's definitely a cluster there associated with those things, but a lot of secondary things might come from elsewhere. For example, from Saskatchewan there's a fair amount of steel coming in and there's a fair amount of metal products coming from Ontario. Even out east the Michelin plant in Nova Scotia provides tires that go onto some of the vehicles that are used in the oil sands. It goes right across the country. It's tied to what's produced in the local regions and then how they've been able to link with Alberta.

As I said, 30% of the supply chain effects in terms of employment occur outside of Alberta. Ontario is the biggest beneficiary. They have half of that. B.C., Quebec, and the other prairie provinces each split the rest of that between them. The Atlantic ties are fairly small, to be honest. The biggest impact for most of the Atlantic provinces is the income remittances they get from people who are working temporarily in the region.

● (0950)

The Chair: Thank you.

Thank you, Mr. Trost.

We go now to Ms. Crockatt for up to five minutes.

Ms. Joan Crockatt (Calgary Centre, CPC): Thank you very much, Mr. Chair, and thank you to all our witnesses for being here today.

I want to follow up on Mr. Trost's question because I'm interested in the induced effects as well. I know it's not always a straight uptick when you're investing and that it can fluctuate a bit, but I wonder if you could talk about some of the investors in the oil sands, because I think some individuals might be surprised to know who some of the investors are. I wonder if you know about OMERS and the Ontario Teachers' Pension Plan's investments in the oil sands and could tell us anything about that.

Mr. Michael Burt: Obviously it's a very capital-intensive industry. We're talking about billions of dollars being invested. That money comes from a variety of sources. Roughly half of the ownership in the oil and gas sector is foreign. The other half is domestic. It comes from different sources. As you say, pension plans are one of those sources. Equity markets, private wealth, there are lots of different potential sources.

In terms of foreign investment, the U.S. is the largest source, but we have seen growing investment coming from Asia as well.

Ms. Joan Crockatt: Are you aware that the Ontario municipal employment pension plan and the Ontario Teachers' Pension Plan are two of the largest investors in the Canadian oil sands?

Mr. Michael Burt: I wasn't aware of the fact.

Ms. Joan Crockatt: How about you, Ms. Kenny. Can you speak to that?

Dr. Brenda Kenny: I don't have hard numbers. Michael may know this more tightly than myself, but I would point generally to the Toronto Stock Exchange, for instance, which is broadly held by a lot of those sorts of investors. I think about 25% is energy related at this point in time in Canada. So any large pension plans would certainly have a stake in this.

Ms. Joan Crockatt: Essentially you're saying that Canadians are heavily invested in the energy industry for their pensions. Is that taking that too far or...?

Dr. Brenda Kenny: That's my understanding absolutely, in respect of anyone who has gone beyond simply holding a GIC in a bank. Any other types of investments, about one in four of those dollars are typically in energy as I understand. I'm not an expert in the field.

Mr. Michael Burt: It's fair enough to say that given that energy's a large component of the Toronto Stock Exchange, anyone who owns mutual funds, pension funds, these sorts of things, would indirectly be invested in the oil sands, yes.

Ms. Joan Crockatt: Did I hear you say one in four pension dollars would be invested in energy?

Dr. Brenda Kenny: These are publicly available numbers to be corroborated, but my understanding is that currently the Toronto Stock Exchange is roughly 25% valued related to energy.

Ms. Joan Crockatt: Thank you very much.

Could I ask a little more about Ontario, going back to you, Mr. Burt? You're saying industries with the largest above-average employment effects—these are effects from the oil and gas industry in Ontario—include scientific services, science and technical consulting, scientific research and development, computer services, accounting for one-fifth of the manufacturing employment effects. Do you have any examples that you ran across as you were doing that analysis?

Mr. Michael Burt: It's only four businesses, but we actually highlight a few companies that have been working with the oil sands in other provinces.

The main objective is to try and understand how we improve domestic supply chains and how they become successful suppliers to the oil sands. There are a few examples in the bigger report.

Ms. Joan Crockatt: Maybe I'll pass on to Colleen Mitchell if I could. Thanks for that.

While you're here, I'd like to know with regard to New Brunswick —if you could bring this home for us—what examples have you seen personally or companies you know of that are part of this? It's sometimes hard for us to get our heads around when we see huge numbers in the billions of dollars.

Have you seen local companies—I think we heard about a Michelin tire plant just in passing—that are actually benefiting real folks who buy washers, dryers, cars, fridges, and stoves? Can you give us one or two concrete examples of that in New Brunswick or Atlantic Canada?

Ms. Colleen Mitchell: Absolutely. We'll take the engineering sector as an example. Consulting engineers in New Brunswick are constantly looking for engineering solutions to the oil and gas industry.

One that is coming currently as we are speaking is the processing of waste water from natural gas exploration activity. There are companies, such as Fundy Engineering, Stantec, exp Services, all local companies based here in Atlantic Canada, or have offices here in Atlantic Canada, that are working with exploration companies for the treatment of the spent waste water that comes from the exploration activity. So there's one right off the top of my head.

If you also look at the contractors who are required for my earlier example of a refinery turnaround, it spans the whole thing from taxis to restaurants, to plumbers and pipefitters who are physically doing the work. When you have 2,000 extra people on site, it's phenomenal the amount of spinoff activity that does become generated. You won't be able to find a hotel room in St. John as an example. Short-term lodging will be completely taken up.

These are just a couple of examples, but in particular with the engineering businesses located in Atlantic Canada, they are always working hand in glove with the various suppliers to the energy industry looking for engineering solutions.

● (0955)

The Chair: Thank you, Ms. Mitchell, and thank you, Ms. Crockatt.

Continuing the five-minute round, we will go to Ms. Duncan, followed by Mr. Calkins and then Ms. Moore.

Ms. Duncan.

Ms. Linda Duncan (Edmonton—Strathcona, NDP): I have a set of three questions I'm going to put to Mr. McGowan and Mr. Burt. I went through some of your report, Mr. Burt—thank you very much—which notes that by far it's Alberta, my province, that's benefiting from the oil and gas sector by perhaps a thousandfold if not a hundredfold. But there is an area that is a mounting deficit, and that's the environmental deficit.

My question would probably be to you, Mr. Burt, but Mr. McGowan might like to speak to this. What percentage of the investment The Conference Board of Canada has reported in the oil and gas sector is being spent on environmental controls, climate action, and reclamation including employment?

My second related question is, who is actually benefiting economically from the delayed duty to reclaim, the delayed duty to reduce greenhouse gases, and the delayed duty to reduce, for example, PAH emissions? In other words, it's a perverse subsidy right now. Somebody is obviously benefiting by that. Who is getting the economic benefit? I think that's plenty.

I went to the NSERC presentation yesterday. There's a lot of good investment in research in the lab. But what I'm hearing when I go to the oil sands trade shows is that there are delays in the uptake or the creation of jobs in manufacturing in Canada because there's no regulatory driver, including in pipelines, so you might want to speak to that.

Maybe Mr. Burt, first.

Mr. Michael Burt: I guess I'll try and address the question around what share is spent on environmental. I don't know off the top of my head. How we did our assessment is....Basically, we know the oil and gas businesses spend their money in a certain way right now and we assume they will continue to spend that—

Ms. Linda Duncan: You don't have to tell me right now off the top of your head. You have an overall report. My question is, have you done the breakdown, and if so, can you provide that?

Mr. Michael Burt: I could go back to the statistics and find out what the actual spending categories were.

Ms. Linda Duncan: I'd appreciate that if you have that information.

On the second side, regarding who is currently actually benefiting economically from these delays, Mr. McGowan or Mr. Burt, do you have a comment?

Mr. Michael Burt: From our perspective, spending money is good, economically speaking. If you spend money on pollution control, there are still benefits as there would be if you spent it on something else.

I'm not sure who is benefiting. There are definitely benefits associated with spending money on pollution control as well. It's sort of a reallocation in terms of where the benefits are, if you will.

Ms. Linda Duncan: Mr. McGowan, do you have a comment on that?

Mr. Gil McGowan: From the Federation of Labour's perspective, we think we don't have to make a choice between the environment and job creation. But what's missing from the oil sands development in the Alberta situation is direction from the provincial government.

We know there are good technologies out there. We know all sorts of advances are being made in terms of reclamation, water use, and pollution, but unfortunately, our provincial government is leaving it up to industry to decide when and if to implement a lot of this stuff. We would like to see more direction from the government, as the steward of the resource, to actually require that industry adopt best practices. So far that hasn't been the case.

I think we could have a win-win situation, as Mr. Burt suggested, if we implemented these new technologies. We could help create jobs all through the chain and also produce a product that is cleaner and less environmentally damaging. By taking a more aggressive approach to sustainable development, we could actually improve Canada's reputation on the energy front as opposed to what we've been doing for years, which is winning awards for our backward approach to environmental protection.

● (1000)

Ms. Linda Duncan: Any of the witnesses can feel free to answer my second question. The Conference Board of Canada report talks about where the benefits are spread across Canada, again with the majority of them in Alberta. I know Albertans appreciate the revenue, at least the portion of royalties that is coming into their coffers.

I understand, from the people coming to my office, that there's a growing concern that particularly smaller to medium-sized companies in Alberta, in the Edmonton area, are being—

The Chair: Ms. Duncan, I'm sorry your time is up.

There wasn't really a question there, so we won't have an answer.

We will go now to Mr. Calkins, followed by Ms. Moore and then Mr. Leef.

Go ahead please, Mr. Calkins.

Mr. Blaine Calkins (Wetaskiwin, CPC): Thank you, Mr. Chair.

I'm going to touch on something. I want to follow up, because I think there was some misleading information presented in the form of a question by my colleague Mr. Julian when he said that raw bitumen is being shipped out of the country.

Ms. Kenny, can you tell us if raw bitumen is transportable in a pipeline?

Dr. Brenda Kenny: Well, diluted bitumen is moved in pipelines and there—

Mr. Blaine Calkins: But that's not the raw bitumen that comes right out of the first stage of the plant, right?

Dr. Brenda Kenny: Generally it's diluted with condensate.

Mr. Blaine Calkins: That's right. And that process of dilution, diluting it and putting a solvent or a diluent in it—where does that come from?

Dr. Brenda Kenny: The diluent is a side product of other production. It's a type of hydrocarbon, but it's lighter.

Mr. Blaine Calkins: Right. It usually comes from the natural gas side of things, where everything—whether it's the midstream process or whatever the case might be, which is a full value-added aspect of the natural gas side of our economy—uses those by-products as part of the shipping process for our oil sands product.

And I believe it was you, Ms. Kenny, who said that the lack of capacity we have right now is costing us $50 million per day. Did I hear that correctly?

Dr. Brenda Kenny: That is correct.

Mr. Blaine Calkins: Could you elaborate on that?

Dr. Brenda Kenny: There is a distortion in the market when you don't have sufficient capacity to give the market choice. We've seen it before at other points in history when a shortage—whether it's a highway capacity to move manufactured products or pipeline capacity—will cause a deterioration in the prices that one can get.

We're always further ahead in Canada to have a little bit too much pipeline capacity rather than a bit too little. Right now we have too little and that is costing us in the order of $50 million per day. The numbers will vary slightly, depending on the actual commodity prices as they move through the year, but I think that's a reasonable estimate. You heard similar numbers from the Conference Board as well.

It's very grave when you put it up against the fact that a large new pipeline can be constructed for considerably less than what you lose in a given year. So the macroeconomics of the delay are problematic for Canada.

Mr. Blaine Calkins: That's interesting. So what you're saying is that every minute we wait on some of these things, whether it's the change in direction of Line 9, or the building of Keystone, or the building of the Northern Gateway pipeline, there's an economic or a multiplier effect in place. Is that right? Did I hear you say that?

Dr. Brenda Kenny: Absolutely, and that multiplier is not just revenue to companies, but lost government revenue as well, in the order of about $8 billion every year that could otherwise go to higher education, health care, tax reduction, or whatever you would choose to deploy.

I want to restate something that I mentioned in an earlier response as well. We are decidedly agnostic about the use of that tube of steel a metre under the ground. Our job is to build it with state-of-the-art technologies and keep it as safe as possible for decades to come.

As for Canada's future energy needs and choices with respect to upgrading or what is moving, we can adapt to that, as we have done and as we will continue to do in the decades forward, whether it's natural gas, refined products, diluted bitumen, or—who knows?—maybe future products that we've not yet seen.

● (1005)

Mr. Blaine Calkins: Okay.

Mr. Burt, could you talk to us a little more about the general economics of the North American locked energy system that we currently have due to the fact that we don't export a lot of our natural resources? Could you give us an update? We've talked many times in this committee about the price differential between the North American market and the international marketplace right now. What would the effect be on not only our broader Canadian economy, but also on the provincial jurisdiction and at the local level, if possible? Because I don't know what that price gap is right now, but I know it's significant.

Mr. Michael Burt: Well, it varies from day to day, to be honest.

Basically with the price gap, what we usually look at is, first of all, the difference between Brent, which is an international benchmark for light oil, and West Texas Intermediate or Canadian Par. It's been averaging $10 to $20 a barrel in the last couple of years. Normally those trade on par, so we're losing $10 to $20 a barrel in revenue for the companies, and of course that translates into fiscal impacts for light oil products. For heavier oil, we look at the differential between.... There are different heavy oil benchmarks. The one we look at is Western Canadian Select relative to West Texas Intermediate, and that differential has been as wide as $40 a barrel. It's normally more like $20.

We're losing $10 to $20 on light oil and another $10 to $20 more than usual on the heavy oil. The heavy oil is as much as $40 a barrel less—total—than what we would consider normal for heavy oil. That's where these figures come from, this $50 million a day that Brenda mentioned. We estimated that the total cost was $25 billion in 2012 if we got international benchmark prices for our oil, and of course that feeds through to fiscal impacts as well.

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

We go now to Ms. Moore, followed by Mr. Leef.

Go ahead, Ms. Moore. You have up to five minutes.

[*Translation*]

Ms. Christine Moore: Thank you. Mr. Chair.

My questions are mainly for Mr. McGowan.

I would like to know if there are economic diversification plans for places where the oil sands and natural gas are the main economic drivers. Are there strategies to relocate workers once we have fewer resources and the number of jobs drops dramatically? If not, are companies just extracting oil and gas without any kind of plan for that?

In places where the economy relies heavily on extracting oil from oil sands, do young workers have access to financial advice and enough help in that area? For example, do many young workers spend most of their income on cars or big trucks without bothering to save a little money? If they have a workplace accident or go through a difficult situation, those young people could end up broke. Are those two elements in place in regions that are reaping the benefits of oil from the oil sands?

[*English*]

Mr. Gil McGowan: Let me begin by addressing some of the points that have been raised, which will relate to some of your questions.

We've heard from several of the witnesses today who've repeated this figure of $50 million lost per day. This is based on the assumption that if we were to get better access to markets, such as the American market or the international market, we could get parity for our prices for bitumen.

I just want to make it really clear that this is kind of a fantasy. This $50-million-a-day number is based on a fantasy that we could get for bitumen the same price that lighter oil, under WTI, gets. The bottom line is that our bitumen that comes out of the ground is not really oil. It needs to be upgraded at heavy cost.

In some ways, we should look at the low price we get for bitumen as opportunity, because if we're upgrading, that means the input costs might be a little bit lower. We see this with companies that are what we describe as "integrated" companies. They have upgrading sides and they have export sides. These are companies like Cenovus and Suncor. Oil prices go up and down; that's inevitable. But if you're an integrated company that has an upgrading side, you actually benefit on both sides. When the price for bitumen is high, you can make money on your export side, but when it's low, you get a low-cost input that allows you to produce a higher-cost product like synthetic crude—which, by the way, trades at pretty much parity with WTI.

It's in the interest of Alberta and the Canadian community to have a more integrated approach to developing the resource rather than simply ripping it and shipping it. Otherwise, someone else will benefit on the upside when the price is low, and that will be foreign countries with refining capacity.

Our question is this: we own the resource, so why shouldn't we benefit on both sides of the price spectrum in terms of upgrading or refining when the price for bitumen is low, and then benefiting on the export side for raw bitumen when the price for that product is high?

I'm sorry if I didn't answer your questions directly, but honestly, I'm running out of time and I wanted to get some of that on the record.

● (1010)

[*Translation*]

Ms. Christine Moore: Okay.

Do you think we are ready to deal with a drop in prices? That could have a significant impact on a region or certain kinds of development. Are we ready to deal with that kind of situation? If not, will people pay the price because we have no action plan and because the economies of some regions are almost exclusively or uniquely based on oil and gas? We would not be able to take action and avoid a crisis if there were market instabilities.

[*English*]

The Chair: You have 15 seconds for an answer, please, Mr. McGowan.

Mr. Gil McGowan: This is yet another reason why we prefer value-added production over what I described as rip-and-ship production. If you build an upgrader or a refinery, it's an existing piece of industrial infrastructure. The jobs that are created in those kinds of plants are much more stable through the economic cycle. Whether it's a boom time or a bust time, the jobs remain. That's been our experience with our upgraders in Fort McMurray and our refineries in Edmonton. They ride out recessions, whereas on the extraction-only side, when there's a bust everyone loses their job.

That's why we're looking over the long term. If we want to maintain stable employment, if we want to keep those economic spinoffs running, it's in our best interest to move up the value chain rather than...and then go down.

The Chair: Thank you, Mr. McGowan.

Thank you, Ms. Moore.

Mr. Leef, you have up to five minutes. Go ahead, please, sir.

Mr. Ryan Leef (Yukon, CPC): Thank you, Mr. Chair.

To Mr. Burt, we've heard some hypothetical questions being asked, but is there any indication that we need to be addressing the hypothetical situation that there will be an absolute crash in the oil and gas sector that would leave hundreds of thousands of Canadians unemployed?

Mr. Michael Burt: Are you asking what the probability of that happening is?

Mr. Ryan Leef: Yes. We've been hearing hypothetical questions around that, but where's the reality of that?

Mr. Michael Burt: Well, to a certain extent the gas industry has already experienced that. Natural gas prices in North America are actually reasonably good right now just because we've had a very cold winter. For years they've been very low, and investment activity in natural gas has been quite weak in Canada as a result. The oil side is a little different story. Ultimately it is a commodity. It's subject to risk. We did see prices collapse during the financial crisis in 2008. It did come back up. We do think that $80, $100 oil is the normal now, as opposed to $20, $30 oil, but it doesn't mean that it couldn't go back to that level.

To address some of the comments of—sorry, I don't remember your name, in Alberta. But when there is a crisis or when there is a collapse in prices, what you do see is a drop-off in investment. Basically the businesses pull back on the investments they're undertaking, but you don't necessarily see a drop-off in production because the investment has already been made. You do see job impacts on the investment side in terms of the development, the drilling, and all that sort of stuff, but you don't necessarily see production impacts during weak economic periods.

Mr. Ryan Leef: I'm from the Yukon. I certainly see a number of my constituents who enjoy economic opportunities in Fort McMurray, Fort Nelson, and areas in northern British Columbia. Obviously as we're exploring opportunities in the territory, one of the things that we're doing is heavily investing in trades training. The Centre for Northern Innovation in Mining is a good example of that.

What we're seeing is that those skills and investments by the federal government are highly transferable. So an investment in the education is great for the economy, great for development, and it's highly transferable. In my mind, that is preparatory work so people can work in the oil and gas sector but then take their trades and skills that they're learning through federal government investment into other sectors of the workforce should there be downturns in a particular economy.

Ms. Kenny, are you seeing that with people employed in the pipeline sector who are coming and going, ebbing and flowing? As there are opportunities, they move into it; as there are not, they're able to find secure, gainful employment in other sectors.

● (1015)

Dr. Brenda Kenny: Certainly pipeline construction has a lot of transferable trades, as you're describing, and also a lot of sustained employment because, in addition to new construction, there's ongoing maintenance and that also involves many of the same trades. These big operating systems are maintained regardless of the current economics. So the numbers that are provided in the report I submitted to the committee are absolutely steady and a part of the backbone of the Canadian economy on an ongoing level as well.

Mr. Ryan Leef: Mr. Burt, we're trying to study the cross-country benefits and we've talked about the current benefits today. Do we ever conceptualize or comprehend, just for the sake of perspective, where Canada would be today without the current situation in the oil and gas sector? Do we have indication of what that picture would look like?

Mr. Michael Burt: I can't say we've done that exercise. I mean, it would be a difficult thing to do because it would have profound implications across the economy in terms of what we're doing, where, and how we're doing it. As I said in my opening remarks, for Canada-wide it's more than 5% of our economy directly, without even including all the secondary impacts that we've been talking about today. It's a huge impact in terms of jobs, a very large impact in terms of GDP, and a big impact in terms of fiscal. So it's very hard to disentangle what it would be without that industry being there.

Mr. Ryan Leef: How significant is that compared to potential in other sectors? We've heard suggestions that we could replace that entirely with tourism. Now, I'm a big proponent of not putting all your eggs in one economic basket, having a really nice cross-section of investment. How does that compare to the other opportunities that we have in the absence of oil and gas?

Mr. Michael Burt: Jobs-wise, as I said, directly it's about 100,00 jobs, so it's not that big. You compare that to, for example, manufacturing: directly it's about 1.7 million jobs. For construction, I forget the number off the top of my head, I think it's about 2 million jobs. Jobs-wise there are other industries that are bigger. But its impact is more on the GDP side and fiscal side. That's where it would be more difficult to replace just because it's....

Mr. Ryan Leef: Because of the bouncing buck....

Mr. Michael Burt: Yes.

The Chair: Thank you, Mr. Burt.

Thanks, Mr. Leef.

We go now to Mr. Julian, followed by Mr. Calkins.

Mr. Peter Julian: Thanks very much, Mr. Chair. It's a very interesting discussion.

I'd like to come back to you, Mr. McGowan. You mentioned in your introduction the disturbing royalty gap in Canada, in Alberta. It's obviously a provincial jurisdiction. The royalties that Albertans receive for the resource are much less than countries like Norway and Russia. And you mentioned Angola, even third world countries, where what they've done is actually put into place a royalty regime that makes a lot of sense. I'm acutely aware as well of the gap in sovereign wealth funds, and Norway is often given as a great example: the same level of production as Alberta over the same number of years, and the social democratic government in Norway has now put away, I believe, $683 billion. Those are resources that will go into the long term, transitioning to clean energy, of course, but also to provide for a wide array of social programs and environmental programs. In Alberta, I believe it's considerably less than that.

Can you comment on the royalty gap, on why in Alberta and Canada we're simply not getting the benefits of royalties, and what that gap may be, and also, on the gap in best practices around sovereign wealth funds?

● (1020)

Mr. Gil McGowan: Well, the Alberta government made a political decision in the mid-nineties that we're still paying for. At the time, Premier Ralph Klein and his cabinet decided that in order to develop the oil sands, which at that time was considered somewhat of a marginal resource, we had to sweeten the pot, and so he introduced the famous penny-on-the-dollar royalty, called the generic royalty at the time. It was designed to basically have the public pay for the construction of oil sands projects in the form of forgone royalty until all the capital costs had been paid off.

As I said in my remarks, there's no other industry in Canada that's been given a sweetheart deal like that. But at the time, oil was trading at about $15 a barrel and we were coming out of a recession, so it may have made some sense at that time. But the general outlines of that royalty regime have not been changed even through periods of dramatically increased oil prices. The Parkland Institute, which is affiliated with the University of Alberta, did a study and said that even if the Government of Alberta had hit its own very low targets in terms of royalty collection over the last 10 years, they would have generated $65 billion in extra royalty revenue for the Alberta government.

Contrast that to the situation we've had with the province. We have six years now of deficits which are being used to justify cuts to education, health care, universities, and colleges. By any measure, we're the richest province in the country, but you wouldn't know it by our services. Our politicians say the cupboard is bare, but the reason it's bare is that they made a decision not to collect revenue from the sale of our resources. So the gap is huge, and for some reason, it's taboo in our province for politicians to talk about increasing the royalty, even though it's clear that it's having huge impacts.

Sorry, that was the royalty question. What was the second part of the question?

Mr. Peter Julian: Well, it's around the sovereign wealth fund. In Norway and Alberta, we've seen two varying degrees of approaches and how Norway has managed to benefit from the same level of production over the same number of years as Alberta.

Mr. Gil McGowan: Yes, for those who don't know, the numbers in Alberta are shocking. Peter Lougheed introduced what we call the heritage savings trust fund back in the seventies and he put in an initial influx of money, and it's shocking to imagine that despite all the vast increases in production of oil from the oil sands and from other energy resources, our sovereign wealth fund, the heritage fund, is actually worth less now when you adjust for inflation than it was when Lougheed established it back in the seventies. So we haven't saved a cent—not a cent. The people of Alberta should be shocked and angry, and the people of Canada.... I think the rest of the world would probably laugh at us if they realized how poorly we'd handled our wealth fund.

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

We go next to Mr. Calkins.

Mr. Blaine Calkins: Thanks, Chair.

I want to go back to that line of questioning I had and I think I was discussing things with Mr. Burt insofar as the North American energy system is concerned.

I've been on this committee for quite a while now and we've talked about the rationalization of the refining sector in North America because the North American marketplace—the refining sector basically provides for the refined products here in North America. We've gone from I think hundreds of refineries—we have some abandoned refineries in Alberta and I know where they are—and we've rationalized down to a very few that are providing. When we get the refining folks in here they say that even the refineries that they have only need to run at about 85% capacity in order to provide for the North American marketplace.

Can you just talk from an economics perspective, because it's been argued here at the table and while it sounds good at the coffee shop...? Could you discuss some of the economic impacts of regulatory or political policy intervention when they interfere in a marketplace, a market-driven approach to providing energy, and what the impacts or effects might be if that's handled badly? If the governments tried to put or force the refineries to happen and force through policy directives like what's being promoted at the table here today, what would the potential impact be?

Ms. Kenny, can you talk a little bit about, from a pipeline perspective, I'm not sure it matters a whole lot to your companies what goes down the pipeline, but I think you have regulatory approval. Certainly you need to go through a NEB process just to switch the direction of flow in a pipeline, which to me is beyond absurd. Can you just talk a little bit about some of the issues you had faced from a regulatory perspective and just from an overall logistics perspective of shipping a known product consistently, rather than changing it up all the time to ship one refined product followed by another refined product and so on? I think there are some costs associated with that and ultimately who would pay that?

So go ahead first, Mr. Burt.

● (1025)

Mr. Michael Burt: The refining industry globally is set up so products are refined locally. Crude oil is imported or comes from local sources and it's refined locally. It's just the way the industry is set up. It seems to be the best way to do it. Partly it's because we think of gasoline as a commodity and it's not. There are all kinds of different blends even in Canada in terms of how different regions have different requirements—weather affects it, all kinds of different things. So it's not a commodity product and that's part of the reason why it's refined locally, because it's adapted to local markets. That's part of the problem with the proposal of building lots of refineries to make gasoline or diesel products internationally.

In terms of upgrading, ultimately it's up to the industry to decide whether or not they can make money. Really what matters is the price differential between heavy and light oil. Is it worth investing billions and billions of dollars and upgraders to take advantage of that differential? Right now, they're making the decision that they can't make money doing that. That said, there are lots of technological possibilities around less capital-intensive partial upgrading. These are things that are interesting in the sense that there's a way for companies to potentially move to a medium grade oil or at least move away from bitumen, which requires diluting, to a heavy oil that does not need diluting and get more value that way.

So it's around can the businesses—

Mr. Blaine Calkins: That's upgrading. The first stage of upgrading is you peel the simple stuff off and make it more....

Mr. Michael Burt: So it's around basically if businesses are able to make money doing that. Right now they say they can't. I'm not an engineer, I can't tell you the ins and outs of the price differential and how much they need to make money at it, but that's why you're not seeing investments in upgraders right now.

Mr. Blaine Calkins: Brenda, did you remember my question insofar as...?

Dr. Brenda Kenny: You were interested, I think, in the cost structure in the pipeline industry as well as the regulatory requirements if you were to change what's flowing through the pipeline.

Certainly, costs are a factor. When operations become more complex and switching and batching is involved, they cost more.

Some liquid pipelines are designed to do just that. The Enbridge system is a good example of a system that carries many different products. They have about six parallel pipelines that have been built over time. They are run like dedicated highways, and within each highway there are batches. This does cost more.

Ultimately that cost is borne by the overall value chain, and so by the shippers. Of course, when you impact overall cost structures, ultimately it trickles back through to lower tax revenues, lower royalty revenues, and the like. We all have a vested interest in making things efficient and effective to the maximum effect possible.

On the regulatory side, when you change the type of product, regulatory approval is generally required, and sometimes so is renegotiation of land easements and that sort of thing. It is not trivial. My points were simply that in the measure of public interest, which is ultimately the measure that matters most, a repurposing of assets is entirely plausible. It is something that we do in Canada, and it can be effective.

One final comment—

● (1030)

The Chair: Thank you, Ms. Kenny. I'm going to have to cut you off there.

Thank you, Mr. Calkins.

I'll take the next five-minute round.

In my constituency there would be a lot of empty homes in small towns if it weren't for the oil and gas sector of our economy, particularly the oil sands. A lot of people live in small towns that would otherwise be, in some cases, almost ghost towns. If you're working in the oil sands, and often it's on a two weeks in, two weeks out basis or some kind of arrangement like that, you can live anywhere—and not just in Alberta; you can live anywhere across the country.

Just a couple of weeks ago I had a meeting in the constituency, and a gentleman from Newfoundland said, "You might as well roll up the streets of our town", in his colourful Newfoundland dialect, “if it weren't for the oil sector in Alberta.” It was that clear. The impact goes far beyond Alberta. It clearly goes to Newfoundland and other Atlantic Canadian provinces.

Ms. Mitchell, let me get you to comment on that. Have you seen substantial impact from the oil and gas sector in Canada—enough that it would really affect a small town if the activity weren't there in Alberta, in Saskatchewan, in British Columbia?

I know there's not as much impact in New Brunswick, but I want to get a sense of how much impact there is, beyond the engineering companies that you talked about earlier.

Ms. Colleen Mitchell: Certainly, the idea is to build up the oil and gas sector in Atlantic Canada so that Atlantic Canadians do not have to go to Alberta to work two weeks on and two weeks off. In Newfoundland and Labrador, the offshore oil industry right now accounts for one third of their GDP, and the idea is to continue to build that up so that people don't have to go back and forth.

The biggest benefactors of the out-migration and interprovincial migration are the airlines. From Pascan Aviation, based in Quebec to Air Canada and other small carriers, the transporting of the employees back and forth is one of the largest beneficiaries here on the Atlantic side, along with the airports and the other infrastructure associated with that function.

The toll it takes on the families is significant. The longer-term initiative would be to develop the oil and gas sector here in Atlantic Canada. As I mentioned earlier, Nova Scotia, with its offshore program on the natural gas side, has created more than 1,000 jobs. In Newfoundland and Labrador there are 6,000 jobs.

We'd like to see New Brunswick share in part of that. The 70 trillion cubic feet of proven and probable resources of natural gas in New Brunswick far outweigh what there is in Nova Scotia. That's why we consider the potential of developing the oil and gas sector here in New Brunswick as transformational.

The Chair: Thank you.

In my constituency I have a lot of what we call the refinery role, but in fact it's value added from the oil and gas sector in the Fort Saskatchewan area. There are tens of billions of dollars of investment, and it continues each year. There are thousands of jobs in that area. Still, they pale in comparison with the jobs in the exploration and production and operations parts of the oil and gas sector, but it clearly is important.

In previous studies, in fact, we've had it pointed out very clearly that.... We'd all love more value added, and that's good: the more we get, the better off we all are. But the highest percentage of jobs in the oil and gas sector will remain in the exploration-production-operations ends of the industry.

Mr. Burt, have you done any studies in the past that have dealt with this or had a look at it, and what have those studies found?

Mr. Michael Burt: Could you repeat the question?

The Chair: The question was on the relative number of jobs, in the oil and gas industries, of the exploration, production, and operations sides of these industries compared with the value-added side—refining and all the other various types of upgrading. It's for value added, I should say.

● (1035)

Mr. Michael Burt: Looking just at refineries, that's a fairly small industry. It only directly employs a few thousand people across the country, whereas the oil and gas sector employs closer to 100,000 people. That's one reason why, when I was answering questions earlier, I thought it was very narrow to focus on refining. If we want to maximize the value associated with these natural resources, refining is good, but we want to look at the whole supply chain and get a better understanding of how it can maximize our value in all ways.

My favourite example of this is that Toronto's financial sector is a global leader in mining finance. How can we create other industries in Canada for which we are the go-to place if you want to do that sort of activity?

The Chair: Exactly. Thank you.

My time is up. We'll go now to Ms. Duncan, followed by Mr. Regan, if you have questions, Mr. Regan. Then very quickly we will have to deal with the budget, with about five minutes or so to go, unless the bells ring.

Go ahead, Ms. Duncan.

Ms. Linda Duncan: Did my time start while you were talking, or is my time now starting?

The Chair: Your time is starting now, Ms. Duncan.

Ms. Linda Duncan: Thank you very much. The time is always so short, and we have great witnesses.

My questions relate to the alleged manufacturing benefits of the sector. Of course, there is no doubt that there are benefits, but the question is who is benefiting. In the Conference Board report, you give us useful information on regional impacts outside of Alberta, but you also talk about the apparent 192,000 person-years of manufacturing employment provided in the United States. We've noticed that there is great consternation in the United States about allowing the massive equipment manufactured in Korea to come across their roadways; then it will go across Alberta roadways.

I'm wondering whether the Conference Board has done any analysis of whether the number of manufacturing jobs for the oil sands sector is increasing or decreasing for Canada, vis-à-vis those offshore.

Mr. Michael Burt: Vis-à-vis offshore...?

Ms. Linda Duncan: I mean outside Canada, which would be in the United States.

Mr. Michael Burt: I understand what you're saying.

I can definitely tell you that the dollar value of what we import from other countries is larger than the interprovincial imports. If you add in what's occurring inside Alberta, it's probably bigger domestically than the—

Ms. Linda Duncan: Do you know the job breakdown?

Mr. Michael Burt: Even the U.S. number that you quote is based on some assumptions, because the way the model works is based on dollar flows rather than employment. It makes assumptions around how that translates into jobs in the U.S.

So it is very hard to say.

Ms. Linda Duncan: So you don't have the figures on it.

Mr. Michael Burt: No, unfortunately.

Ms. Linda Duncan: But definitely, part of the economic benefits would be an analysis of what the trends are, what direction we are going in to create these manufacturing jobs.

Mr. Michael Burt: Yes, there's no doubt that we could expand domestic supply chains. We've done work with the companies in Alberta. Quite often they look overseas before they look to Ontario or Quebec or wherever for their inputs.

Ms. Linda Duncan: Okay, thanks.

My second question is about R and D. I'm looking at a report by Natural Resources Canada showing that even among the resource sectors, energy provokes less expenditure than mining and minerals and forestry, at only 0.05% of R and D expenditure, as a percentage of revenue.

Of course, one of the economic benefits to the country, as you've reported, is that we have $100 billion being spent on developing the resources. How much of that money is actually being spent in Canada on R and D, including through pursuing more activity here —upgrading, reclamation, better environmental controls?

I wonder whether Mr. Burt or Ms. Kenny or Mr. McGowan would like to speak to that.

Mr. Michael Burt: I don't have the BERD numbers in front of me. I assume that's what you are quoting. R and D tends to vary from industry to industry. If you look at pharmaceuticals, it's 10% of the revenues. For other industries it's a very tiny share.

We can certainly look at whether they can spend more. That's a valid policy question. I don't really have an answer for it.

Ms. Linda Duncan: So you didn't factor that in your report on the benefits of the oil sands industry.

Mr. Michael Burt: The investment we're looking at here is investment in essentially equipment and things like drilling activity. We're not looking at the R and D activity.

● (1040)

Ms. Linda Duncan: So spent on getting the product out.

Dr. Brenda Kenny: I could perhaps elaborate somewhat. I understand that within the upstream there are some concerns in terms of how the R and D numbers are calculated as opposed to on-the-ground innovation. I would point out that on the TSE, Canada is blessed with the largest number of energy companies in the world by given placement of companies.

My point is, we have a very active innovation ecosystem in Canada because we have a lot of private investment. Certainly within the pipeline space, when you look at the derivative impacts, a large percentage of them are not actually manufacturing, although that's a big part of it. But innovation in terms of financial services, professional, scientific, technical services, and all of those are continuously improving and putting Canadian firms and SMEs at the top of their game for future global exports of those know-hows as well.

Ms. Linda Duncan: But it's still .5% of the revenue of the industry.

Dr. Brenda Kenny: We don't have the pipeline numbers yet and we're working on them. I'm not saying the numbers are high enough but I am pointing out that embedded within the reinvestment numbers is a lot of innovation that is leading to state-of-the-art outcomes in Canada and to SMEs that export their know-how around the world.

The Chair: Thank you, Ms. Duncan.

Mr. Regan, you can have one short question, or should we get directly to the budget?

Hon. Geoff Regan: Well, I've got a short question. But before I go to that, I hope we're going to hear perhaps from Ms. Block, perhaps by Thursday, whether or not we're likely to hear the minister, have him come to the committee on the main estates.

The Chair: We can deal with that briefly on Thursday.

Hon. Geoff Regan: Ms. Kenny, according to your website, energy pipelines of course generate economic benefits for all Canadians including employment, local procurement, and community investment. Do you have a breakdown by region, province, or community of those benefits that you could provide to the committee, obviously not necessarily today?

Dr. Brenda Kenny: The report provided, the energy, mining report, is the one that would look at the actual economic outputs, GDP, jobs, etc.

Hon. Geoff Regan: And it breaks down by....

Dr. Brenda Kenny: By province, and if you would like, we can provide that. With respect to community investment, I know we have a rolled-up number. I'm sure there are some data below that, but I don't have those with me.

Hon. Geoff Regan: I'd have more questions if I had time.

The Chair: Thank you, Mr. Regan.

If the witnesses wouldn't mind, we'll just take a couple of minutes to deal with the budget. I don't think it will take longer than that, and then I'll thank you. Rather than have committee members stand up to chat with at least the two of you who are here in the room before you leave, we'll ask you to just hang on a second.

Everyone, you see the budget in front of you. This is a budget to pay the expenses for the study we're currently undertaking. It is important that we pass the budget so we can actually use the expenses from this particular study rather than from the general committee fund.

Is there any discussion on the committee?

Yes, Mr. Julian and Ms. Moore.

Mr. Peter Julian: First off, I have a question because we have asked previously about the number of witnesses that the government saw coming forward. We see an estimate here of 24. I'm not sure of the overall number of witnesses and the number of dates that we see for this study. That would be my first question.

The second is more of a comment and that is, we had real concerns about just seeing one side of this. I think, Mr. Chair, that today we had a very useful discussion. I hope that continues. We're looking at the benefits or net benefits but also looking at costs and concerns. Even though that has been a bit of a fight to get a balanced approach on this study, I think today your chairmanship was good and I hope that's the kind of approach that we'll continue to take in the future.

The Chair: Thank you, Mr. Julian.

Any discussion on the budget itself?

Ms. Moore, did you have something on the budget?

[*Translation*]

Ms. Christine Moore: Mr. Chair, I would just like to add to what Mr. Julian said.

A while ago, I asked the parliamentary secretary to tell us how many meetings we were going to have. I have not yet received any information about the number of meetings they decided we should have on this topic.

I think it is strange that here we have a budget, but we do not even know how many meetings we are going to have on the subject. We haven't even talked about it.

[*English*]

The Chair: I'm sorry, Mr. Julian. I didn't answer your question.

I think we're going to have roughly eight meetings with five witnesses per meeting. The 24 isn't the total number because some witnesses will be appearing by video conference. That's listed separately there, just to clarify that.

I'm sorry, Ms. Moore, did you have a question? I heard your comment.

Mr. Calkins.

● (1045)

Mr. Blaine Calkins: Thank you, Chair.

I understand this is just a budget. One of the things I don't ever remember seeing is an actual cost of what we did. We actually did a study. We pass budgets, but we never bring back the actual expenditures afterwards and see if the actual expenditures marry up with the budget. That would be an interesting exercise in public accountability some day.

But the question I have is on the expense for video conferences. Can somebody please rationalize for me what the video conference individual unit price on a video conference of $500 would be for?

The Clerk of the Committee (Mr. Rémi Bourgault): Usually, this is for the link. Usually, we have to rent a studio to—

Mr. Blaine Calkins: —at the other end.

The Clerk: Yes, and then also there is a cost to have a bridge. In the case of today, we had two video conferences so both video conferences are going to one place and that place is linking with us. There is a bridge between all of that and there is a cost attached to that.

The Chair: I'll answer the question on the actual cost of studies. That's always included in the study report when we do a study report.

Are we going to have a long discussion on this? Who is next up?

Mr. Regan, had you indicated you wanted to speak? Go ahead, please, Mr. Regan, and then Ms. Block.

Hon. Geoff Regan: Like Mr. Julian, I was pleased today. It seems to me that if we're looking at the benefits, you can't do that without basically doing a balance sheet of the pluses and minuses, and I'm sure most of us would expect that there are a lot of pluses.

Secondly, just as a clarification here, in terms of the wording we've been giving out to the witnesses and others, according to the minutes from the committee's December 9 meeting, it was agreed:

> That the Committee undertake a study on the benefits experienced across Canada from developing the energy industry with a focus on oil and natural gas.

Different wording than that has been used in various things. I think it's important that we stick to the wording that we agreed upon, and so far that's aside from the fact of whether or not it really makes sense that we're looking at the energy industry and not looking at nuclear, tidal, hydroelectric, thermal, and wind, as if those aren't important. But at least we ought to stick to the wording that we adopted.

The Chair: If we're going to get into a debate on what the study is about, we're going to have to go in camera. We're talking about the budget here and I really—

Hon. Geoff Regan: I just referred to the motion we passed, that's all. Let's stick to that.

The Chair: Yes, and by the way, the reporting of the costs of the committee are through the liaison committee report, not through the actual committee reports that we do on a particular issue, just for clarification on that.

Ms. Block, and I hope the final discussion on this....

Mrs. Kelly Block: I'll be very quick, Mr. Chair.

Just in response to Ms. Moore's comments in regard to the number of meetings that we had discussed for this study, I think originally the request by the person who made the motion was 10 to 12 meetings. We've cut that down to nine, and I believe that perhaps she was not here when we had those discussions.

Thank you.

The Chair: Thank you.

Yes, go ahead, Ms. Duncan.

Ms. Linda Duncan: Following up on Ms. Block's point, I'm not sure that we have agreed on the number of meetings. My concern is we have the estimates, we will have a budget implementation bill, we have a statute that may well be coming to us soon. I think that at the next meeting, we better sit down and plot out and see exactly how many meetings we have. It's fine for the budget to have more money than we might need, but I think it's time for a discussion on exactly how many meetings we're setting aside to discuss this topic.

The Chair: Any time members of the committee indicate they want discussion on future business, we can fit that in.

Ms. Linda Duncan: I suggest the next meeting.

The Chair: Okay, I hear your suggestion.

Is there agreement that we pass the budget as presented to us here? Is that agreed?

Mr. Blaine Calkins: I'm not going to object.

Mr. Peter Julian: If we're having discussions on committee business next Thursday, why don't we discuss the—

The Chair: I don't know that we had agreed to having a discussion—

Mr. Blaine Calkins: Mr. Chair, I move that we accept the budget as presented.

The Chair: There's a motion that we accept the budget as presented. Is there any further discussion on that?

Let's go to a vote.

(Motion agreed to)

Mr. Blaine Calkins: Mr. Chair, I move that we adjourn this meeting.

● (1050)

The Chair: I just want to thank the witnesses first, Mr. Calkins.

I'd like to thank very much again witnesses who have been very helpful.

I guess I should never assume how long it's going to take to discuss a budget for the committee, apparently.

But I do want to thank the witnesses: Ms. Kenny from the Canadian Energy Pipeline Association; Mr. Burt from industrial economic trends, The Conference Board of Canada; Colleen Mitchell from the Atlantica Centre for Energy; and Mr. McGowan from the Alberta Federation of Labour from Edmonton. Thank you all very much. It's very much appreciated, very helpful to our study, indeed.

The meeting is adjourned.