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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 are here today to continue our study on the cross-Canada benefits of the oil and gas sector of the Canadian economy.

Before we get to our witnesses, Ms. Moore has asked me about the report on the rare earth study and how it's progressing. The analysts have collected the key quotes from the study so it is progressing. We can see what we want to do with that.

Maybe what we should try to do is, and this isn't for sure, but at the end of our Thursday meeting next week we could try to spend a short time on future business to discuss some of the things regarding the future of the committee. That's where we are now, if that answers the question you had for me privately.

We now go to our witnesses for today's meeting. From Suncor Energy, we have Heather Kennedy, vice-president, government relations, business services. Welcome. With her is Jean Côté, vice-president, Montreal refinery, refining and marketing. Welcome.

From the Canadian Steel Producers Association, we have Ron Watkins, president. Welcome and thank you for being here.

Also we have David McHattie, director, institutional relations from Tenaris Global Services Canada. Is he not here today? Okay. I'll just note that.

From the Sarnia-Lambton Economic Partnership, we have George Mallay, general manager. Welcome to you, sir, and thank you for being here.

We have two witnesses by video conference.

From Paris, France as an individual we have Normand Mousseau, a professor at University of Montreal, department of physics. Welcome to you.

Also by video conference, we have from St. John's, Newfoundland and Labrador as an individual, Andrew Leach, associate professor, author, Alberta School of Business, University of Alberta. Welcome to you, sir, as well.

We will hear from our witnesses today. We will proceed with the presentations of up to seven minutes each. I will ask you to keep your presentations to seven minutes.

As listed on the agenda we'll start with Suncor Energy.

Please go ahead, Ms. Kennedy, with your presentation for up to seven minutes.

Ms. Heather Kennedy (Vice-President, Government Relations, Business Services, Suncor Energy Inc.): Thank you, Mr. Chair. On behalf of Jean Côté, thank you very much for having Suncor here today to chat about the benefits of the oil and gas economy.

Energy touches every aspect of our lives. It heats our homes, fuels our transportation, and provides access to services within our communities and also outside of them. It creates the materials for the consumer goods, and gets them to us. It supports health and education programs and systems, and is a major contributor to our high standard of living. At Suncor we actually believe that we are able to develop energy responsibly and enjoy the benefits it provides for all Canadians.

Canada is in an enviable position when it comes to oil and gas. Our abundance of fossil fuels has positioned us as a global marketplace, providing a unique opportunity to develop the reserve base over the long term.

Suncor is Canada’s largest integrated energy company. We employ approximately 14,000 people all across Canada. In addition to that, we have about 10,000 to 15,000 contractors who work on a routine and regular basis on our sites. When we do a capital expansion we might have up to another 10,000 people on our sites. Individually you can tell we are a major employer across Canada.

We have two oil sands mines and a third mine has just been approved, called Fort Hills, which is a joint venture partnership with Total S.A. and Teck. We have two in situ oil sands operations. All of those are, of course, in northeastern Alberta, where the oil sands are. We have refineries in Edmonton, Sarnia, Montreal, and one in Commerce City, Colorado.

We have offshore operations off the coast of Newfoundland. We have reserves of natural gas in the Montney region in British Columbia. We don’t plan to develop those immediately, but we have them. We also have a renewable energy portfolio. We operate Canada’s largest ethanol facility in Sarnia, and we have six wind projects in operation, and two under development.

We have a major lubricants business. It's located in Mississauga. It sells 350 products in more than 70 countries around the world. We are the proud owner of about 1,500 Petro-Canada gas stations all across Canada.

From an investor perspective, approximately 85% of our ownership is North American, the vast majority of that in Canada, with the small remaining 15% across England, Europe, and globally.

I know you had the Canadian Association of Petroleum Producers here recently, so I won't go into the rather large statistics that the industry generally provides—$783 billion in taxes and that type of thing—but we'll specifically speak to Suncor's contribution to that.

In 2013 alone, our net earnings were $4.3 billion spread across all of our businesses, thus all across Canada. One of the things we're proud of is that our spending is right across the country. In 2013 alone we spent $10.5 billion on goods and services, and while the majority of that would have been spent in Alberta where the oil sands are, it was significant all across the country, including $1 billion of spend in Ontario, $241 million in Quebec, and $220 million in British Columbia.

We have that spend with over 11,000 vendors that reach all the way into transportation, telecommunications, and the primary, secondary, and tertiary aspects of manufacturing. I thought I would site a couple of examples. In Quebec, the oil sands industry gets a delivery of 45 buses a year from Prevost, so we have a great arrangement of buses coming from Quebec. Suncor has a large fleet of jets and all of them are CRJs from Bombardier, also a Quebec company.

A company like Fastenal in Kitchener supplies all of our consumable and safety vending machines across our sites. We have a very interesting partnership on social prosperity with the University of Waterloo. A company like Jacobs Engineering Canada will do maintenance and engineering at several of our sites all across the country.

We will pay in 2014 according to our guidance—I want to be clear, this is guidance and forward looking so a number of things could influence that—somewhere between $1.7 billion and $2.3 billion in income taxes to governments, including of course the Government of Canada and provincial governments. These contributions, along with the income tax contributions of our suppliers, we think help enable a strong fabric in Canada, providing governments with the revenue that they use for social programs, health care, and education.

● (0855)

Further, our contributions for income tax at Suncor are not heavily dependent on bitumen prices because of our integrated business model. We play at every level in the value chain all the way from upstream to downstream and refined and final products. That integrated model is what allows us to insulate our bottom line from the volatile and somewhat vast price differentials between bitumen and world crude pricing, something that, if you've spent any time thinking about it, you will have heard the term “the bitumen bubble”, it's not something that we experience. We actually get 88% of world pricing for all of our product that we produce.

We know that operating means reaching out and working with other businesses and being part of the community and local suppliers and communities who are impacted by our energy development, for example, first nations groups. Since 1992 we have spent over $2 billion on goods and services with aboriginal businesses. Last year alone we spent $425 million. This includes fostering incubators in aboriginal communities. Community investment for us in aboriginal communities promotes diversity, and provides training for in-demand trades including female-focused programs like Women Building Futures.

As we continue to make major investments in non-profit organizations to support sustainable communities we currently support 1,300 charitable and non-profit organizations across Canada. In 2013 alone we invested $22 million in communities, including some very innovative approaches like the social prosperity that I spoke to, building community leaders, engaging citizens, and collaborating on our energy future.

I'll stop there since I think my seven minutes are up. Jean and I will l be more than happy to entertain any questions when the other speakers are finished.

The Chair: Thank you very much and thank you for keeping on time. I'm sure the members of the committee have read the rest of your presentation and will question you as they see fit.

Next on our list of witnesses is Ron Watkins, president of the Canadian Steel Producers Association.

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

Mr. Ron Watkins (President, Canadian Steel Producers Association): Thank you, Mr. Chairman, and good morning committee members and fellow witnesses.

My name is Ron Watkins and I'm the president of the Canadian Steel Producers Association, which represents virtually all of the primary steel production and major steel pipe producers in Canada. We generate some $13 billion to $14 billion in annual shipments of high-quality steel products for domestic and export markets.

Our members employ some 20,000 Canadians with steel manufacturing in all provinces from Alberta through to Quebec. Sister companies and other parts of the broader steel industry, such as steel fabricators, are active throughout Canada. Our industry is an integral part of three major supply chains, automotive, energy, and construction, which represent a very large proportion of our business collectively.

CSA welcomes the committee's inquiry into the cross-Canada benefits of developing the oil and gas industry. Previous testimony has discussed at length the oil and gas industry itself, looking at matters related to development, processing, transportation, and direct economic impact. In my remarks I aim to add another dimension to the benefits picture for the committee's consideration.

The development and distribution of oil and gas reserves is very significant to us in two basic ways. Most importantly, the energy sector has grown to become a major customer segment for our industry such that it now rivals automotive as an end-use for Canadian steel products. We estimate that each of these sectors, each of these supply chains, is approximately one-third of the demand for our products.

Also, energy enables manufacturing and it particularly enables steel making. We are major industrial users of natural gas and other energy forms, so competitive and reliable domestic energy supplies are important to the competitiveness of steel producers. I'm unaware of any other industry that is simultaneously such a major customer and supplier for the oil and gas industry.

Today I'd like to focus on our energy supply chain relationships in Canada. Our product, steel, is the most important material input to the development, processing, and distribution of oil and gas resources. There are four steel-intensive components to our supply chain relationships. Surface transportation and equipment is required to transport workers and equipment to development sites, to house the workforce, and to build physical infrastructure, including roads, bridges, and water and sewage systems. Much of this is steel based.

In the exploration and development phase, reserves are extracted either through underground drilling, or in the case of the oil sands, a combination of underground and surface extraction. Both methods require specialized advanced technology steel tubular products, equipment, and structures, all made of steel.

Once extracted, oil and gas reserves are processed in large industrial complexes, including refineries, upgraders, pressure vessels, separators, storage tanks, piping, and more. Again, it's all steel based.

Finally, transporting oil and gas products to markets in Canada and abroad relies on thousands of kilometres of steel pipeline, rail tanker cars, truck transport, and related facilities. All these modes are built with steel.

Given the focus of these hearings, I'd like to highlight how this steel demand translates into benefits across Canada when Canadian steel is used. I'll use two examples from the steel pipe and tube part of our business.

First, an underground project using the steam-assisted gravity drainage, or SAGD, technology in the oil sands requires highly engineered seamless casing and speciality connections to join each pipe section in the well. Those pipe products might be manufactured in Sault Ste. Marie and threaded in Alberta with proprietary technologies using steel originally melted in Sorel-Tracy, Quebec. Other pipe products might be made in Alberta, Ontario, or Saskatchewan using steel produced at mills in Hamilton also with iron ore from Quebec and metallurgical coal from British Columbia.

Thus, in this example, iron ore originally mined in Quebec, for example, is transformed through a series of advanced manufacturing stages combining capital investment, skilled steel workers, technology, energy, other materials and transportation services. This is a value chain that adds value and jobs in several regions and communities across the country.

A second example is EVRAZ North America, which makes large diameter pipeline and other steel products. It produces its steel in Regina by re-melting more than a million tonnes of scrap steel every year that come from recycling operations from British Columbia through to Ontario. Not only does this add economic value and create necessary and valuable products for the oil and gas industry, and over 1,000 jobs in Regina alone, but it also contributes to steel's environmental record as the most recycled product in Canada. We recycle over seven million tonnes of steel per year in Canada.

● (0900)

Let me add a final comment regarding our own supply chain. We asked our members to quantify their supply base, and the result was some 10,000 suppliers of goods and services, large and small, that do billions of dollars of business annually with us. So our success obviously pulls an additional supply chain element.

Mr. Chairman, in closing, the key point I want to emphasize in these opening remarks is that when oil and gas developments use Canadian steel products, it's more than an input. Our products embody cross-Canada supply chain relationships that add value and jobs in multiple phases in several regions, and for multiple uses. We see additional growth opportunity for Canadian industry to contribute to and benefit from the further development of Canada's energy resources. So we look to work with the oil and gas industry, with steel fabricators, with our steel supply chain partners, and with government policy-makers to increase our value-added contribution in the development of Canada's energy and other resources.

I'll end there. Thank you, Mr. Chairman and members of the committee.

The Chair: Thank you very much, Mr. Watkins, from the Canadian Steel Producers Association, for your presentation

We have now from the Sarnia-Lambton Economic Partnership, George Mallay, general manager.

Welcome to you. Go ahead, please, for up to seven minutes. I see your member of Parliament is here listening intently.

Mr. George Mallay (General Manager, Sarnia-Lambton Economic Partnership): I'm really under the gun. I don't have a prepared text like these guys.

I represent the Sarnia-Lambton Economic Partnership, which is a public-private sector partnership to advance the Sarnia-Lambton economy.

Sarnia-Lambton has been a significant refining and chemicals complex in Canada. Oil was discovered in the 1800s. From about 1940 to 1970 was when most of the investment happened in the complex. However, presently, we're in the best position that we've been at in 30 years in terms of future potential.

We basically say we have three platforms. Platform one is oil and natural gas from Alberta. Platform two is shale gas that's coming from Marcellus and Utica into our area. Platform three is biomass that's being sourced from Ontario and from across the Great Lakes region. Of course, our location is right at the centre of the North American marketplace.

People talk about oil and gas and bio as one here and one over here. We've adopted a different view. We're building what we call a hybrid chemistry complex. Because of all the downsizing that happened in traditional hydrocarbon in our area, we had to find other ways to compete. For the last 10 years, we've poured a lot of effort into positioning our labour force, our infrastructure, to accommodate more bio-based chemicals and bio-based fuels, and we're getting a lot of traction there. The bio companies can save about 20% on capex by taking advantage of the existing infrastructure and using the distribution system. The first products are the ethanol like Suncor has. We have the largest biodiesel plant in Canada, and we're seeing drop-in chemicals go right on the chemical site to take advantage of the chemical industry distribution.

There's a lot of discussion across the country about pipelines, and trying to reach end markets. We have pipelines coming to our community now that have capacity that can bring oil. We have a group of retired senior executives from Suncor, from Shell, from Bayer, and other companies who have been working diligently to build a case for a new upgrader in our area. Again, we have the shale gas, which provides very cost-effective feedstock for making hydrogen. We have a lot of pipeline infrastructure that's available locally in terms of moving product around the area. We believe that our models show that we can displace U.S. gulf coast product moving into PADD 2 and be competitive. The netbacks show $2.5 billion per year in positive return.

The other thing I would say is we have a 5,000 labour workforce. There's about 30% employment among skilled trades. We also believe we can get the social licence to make it happen so we get time to market faster than other locations.

We have 100 industrial service companies in our area. They have organized themselves into something called the Sarnia-Lambton Industrial Alliance. They are looking at global markets. Historically, they service the Sarnia-Lambton market. They can do scale-up, they can build a full-scale plant, and are experts in terms of plant maintenance and turnarounds. They're looking at projects in eastern Canada, in western Canada, and globally. Our MP has been very good at bringing groups from the In Situ Oil Sands Alliance throughout Canada.

Our guys are out in Alberta on a regular basis now marketing. We're starting to see some success, but as a Canadian Manufacturers & Exporters study that was released in November showed, there's still a lot of opportunity to improve the supply chain to enable a lot more Canadian content.

One of the issues is still transportation. The modules in Alberta are being designed 24 by 24 by 120. We can move 13 by 13 by 120 easily, but there's still some work required on the larger modules in terms of transportation. That needs to be addressed and that doesn't have to cost the country a lot of money.

On shale gas investment, NOVA Chemicals has spent and is spending about $500 million. They're converting their plants in Sarnia from naphtha to run on ethane. They're also doing ongoing evaluation for a world-scale polyethylene plant.

● (0905)

Union Gas, a division of Spectra Energy, is bringing more shale gas into the area. Sunoco Logistics, which is a provider for NOVA, has additional capacity, so we are also starting to get more interest from other users that can take advantage of the shale gas.

The plants in Sarnia, to my knowledge, are the first plants in North America that are actually going to be using shale as part of their operations.

I'll end it there.

● (0910)

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

We go now, by video conference, to Paris, France, and Normand Mousseau, professor, University of Montreal's department of physics.

Thank you very much for being with us by video conference.

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

[*Translation*]

Mr. Normand Mousseau (Professor, Université de Montréal, Department of Physics, As an Individual): Thank you for the opportunity to speak to the committee today.

I will start by introducing myself. My name is Normand Mousseau. I have a Ph.D. in theoretical physics, and I teach at the Université de Montréal.

I am currently in Paris as a visiting professor at the Université Pierre et Marie Curie. I co-chaired the Commission sur les enjeux énergétiques du Québec from July 2013 until the report was submitted, about a month and a half ago. The focus was on how to manage Quebec's energy-related future in a way that benefits the environment, the economy and society. And during that time, I also authored the following books: *Au bout du pétrole — Tout ce que vous devez savoir sur la crise énergétique*, *L'avenir du Québec passe par l'indépendance énergétique, La révolution des gaz de schiste* and *Le défi des ressources minières*. I think those are more or less the reasons why I was invited to appear before you today.

Among other things, I'd like to share with you my observations when I took a tour of the regions.

In the fall, we received more than 460 briefs to help us prepare our report on Quebec's energy issues. I would say the issues are somewhat common to the entire country.

First of all, Canada does not have an energy supply problem. We have ample energy resources, be it fossil fuels or renewable sources. We have significant, recoverable resources and an export market. There is no doubt that development comes with benefits, but it's important to take a close look at the issues it raises as well. After all, the focus of your study today pertains more to oil.

Canada has yet to really integrate oil development into its climate change policy. Yesterday, or the day before, the IPCC's report came out and the findings demonstrated the importance of climate change-related issues and the need to take action.

It's also important to note that Canada's renewable and non-renewable energy resources vary greatly from region to region. Canada can't simply focus on fossil fuels, which aren't renewable. It also has to support renewable energy resources.

I think we promote Canada. But it's one of the big fossil fuel-producing countries with the least amount of control over its energy and resource development. That remains a major problem that isn't talked about at all or mentioned in the document I received. Why raise the issue? Because it's essential if we want to increase direct and indirect spinoffs to the industry.

Several provinces have implemented specific programs to assume their climate change responsibilities. British Columbia and Alberta both have programs targeting the oil industry, and Quebec has just signed a carbon-cap and trade agreement with California. Regardless, Canada as a whole, and certainly the federal government, refuse to commit to any such efforts. Canada has systematically put up roadblocks to developing the Kyoto approach.

In some respects, that position is understandable. For a primary resource-producing country like Canada, the Kyoto Protocol's underlying philosophy is somewhat problematic because it holds the producer fully responsible for greenhouse gas emissions. But, in my view, Canada shouldn't just be content to do nothing simply because the Kyoto Protocol didn't suit its interests. Rather, it should be proactive and adopt a positive approach, both domestically and abroad; that approach should recognize that the costs should fall to the end consumer, not the country producing energy that is used elsewhere.

The oil produced in Alberta is consumed elsewhere. The end consumer should be the one who pays for the extra emissions associated with production, and not necessarily Canada. There is a way to change things, but the government has to be serious about action. I'd be glad to discuss that further later.

Canada has to increase its investments in the area. Considerable investments have been made in techniques for capturing and storing carbon, but so far, we have seen little in the way of results.

● (0915)

To date, however, those investments have resulted in very little. What's more, investments in other renewable energies are clearly inadequate. Canada has displayed a very strong bias in favour of oil development and seems to have overlooked the fact that the country's capacities in other types of resources are considerable and should be utilized.

I also think that Canada should make a more meaningful commitment in the energy sector. In December 2012, the Government of Canada announced that foreign state-owned enterprises would have to undergo a much tighter review of investments and takeovers in Canada, particularly in the energy sector.

The fact remains, however, that, unlike most big oil-producing countries, Canada still has no major players in the energy sector. Nor does it have the international clout it should for its level of oil production and wealth.

To my mind, it's important for Canada to assume a more prominent role in the energy sector, in both the private and public domains. It should encourage the development of world-class Canadian companies and Canadian energy resources, as well as significantly broaden its support for issues of energy relevance. And, above all, it cannot disregard the issue of climate change.

Thank you.

[*English*]

The Chair: Thank you.

To remind all of our witnesses, this study is about the cross-country benefits of the oil and gas sector of the Canadian economy, and I would ask the witnesses to speak to that.

Thank you for your presentation, Monsieur Mousseau, professor from the University of Montreal department of physics.

We have next, by video conference, from St. John's, Newfoundland and Labrador, as an individual, Andrew Leach, associate professor and author, Alberta School of Business, University of Alberta.

Welcome to you, sir. Go ahead with your presentation, for up to seven minutes.

Dr. Andrew Leach (Associate Professor, Author, Alberta School of Business, University of Alberta, As an Individual): Thank you, again, Mr. Chair, for the invitation.

[*Translation*]

Good morning. It's a pleasure to appear before the committee this morning.

[*English*]

My name is Andrew Leach. I am an associate professor at the University of Alberta School of Business, where I also hold the Enbridge professorship in energy policy. For those who may have concerns about that, I thought I would lead off just by stating for the record that this position is a school position, not an Enbridge position, and does not in any way influence my research, nor do my views represent those of Enbridge this morning.

My presentation today will focus primarily on oil sands, in particular three aspects of oil sands: oil sands growth and the potential for the sector to grow, the risks to that growth, and questions you've been hearing about with respect to how to capture the greatest amount of value from that growth trajectory.

The first question is how large the oil sands sector will grow to be. If you look at industry forecasts, you'll see numbers that see the oil sand sector growing from two million barrels per day today to levels two to three times that within the next couple of decades, up to and above six million barrels a day. I feel, however, that these forecasts are likely underpinned by unrealistic assumptions about cost. I think the evidence of recent history supports that contention.

If you go back not to the beginnings of the oil sands but to the beginnings of the rapid growth of the sector in the 2000s to compare with today, operating costs since then have increased threefold to fourfold, and costs of building facilities within the oil sands have increased up to five times.

I'll cite a couple of examples for your consideration.

On the capital cost side, phase one of Imperial Oil's Kearl project came online this year. That project initially sought regulatory approval with a budget of $5.5 billion for a project of 345,000 barrels a day.

The first phase of the project, at 110,000 barrels per day, cost Imperial Oil more than $12 billion. What you have is a project that costs basically on a per barrel basis more than five times what it was initially slated to cost.

That should be a concern for you, because of course the majority of those costs are felt in the form of defrayed taxes and royalties. When you hear about benefits, what you're often hearing about in the guise of benefits is really increased costs.

The same thing occurs on the operating cost side. You heard already from Ms. Kennedy from Suncor. I'm going to use them as an example here.

In 2003, Suncor set out a goal to reduce oil sands operating costs below $10 per barrel. Unfortunately, I can report that their last quarterly report saw their operating cost at $36 per barrel, out of relatively similar facilities.

Sadly, these two examples aren't the exception; they are the rule across the sector. These inflated costs and stretched project timelines are the reason we have seen lower production than we would have forecast.

Why am I telling you about this? If you look back a decade ago, forecasts in the oil sands had production much higher than it is today. The 2004 forecast would have seen us producing today three and a half million barrels per day of oil in the oil sands, whereas we're now producing just over two million. We're essentially five to six years behind what those forecasts would have held.

You might say that's not a big deal; why am I worried about it? To put it into perspective, those forecasts were made assuming $30 WTI oil prices, or oil prices at a third at what we see them at today. When you consider that oil prices have essentially more than doubled and yet we still haven't met growth forecasts in the sector, we may want to consider whether or not we're basing our future benefits forecast on an unrealistic assumption.

The second element I want to bring forward—and the previous witness alluded to this as well, but I'm going to take a little bit of a different view on it—is with respect to climate change policy risks.

This week we saw ExxonMobil come out with a report to their investors stating the degree to which they felt their own assets were at risk from future climate change policies, both within their operating areas and elsewhere throughout the world. In fact, they state, "Governments' constraints on use of carbon-based energy sources and limits on greenhouse gas emissions are expected to increase".

My submission to your committee this morning, Mr. Chair, is to say that I believe Canadians deserve a similar assessment of the risks compared with the benefits that you're hearing about and the risks to oil sands development that arise from climate change policies here and abroad.

Interestingly—I think it's interesting, anyway—in research I have done with my colleague Branko Boskovic at the University of Alberta, we have asked these questions. We've asked how exposed oil sands projects are to climate policies and whether oil sands projects remain viable in low carbon economies. These are similar to the questions ExxonMobil asks.

● (0920)

We actually find that these projects are very robust to low carbon scenarios and to significantly more stringent carbon policies at home than those they face today.

The question this research leaves me with is, briefly for you this morning, why Canadians are generally told that you have to pick one. It might be implicit or explicit, but Canadians are generally told that they have to pick either climate change policy or oil sands development. Our research suggests that this is not necessarily the case.

The third element I'd like to raise, which has been raised a lot in your hearings to date, is the question of value-added. For those of you who don't have them in front of you, let me report that this term is in italics in my speaking notes.

I would like to remind you that most of our hydrocarbon reserves are in the form of bitumen. They are not light sweet crude, even though I think from everybody's perspective, we would certainly rather they were. But you're told often in this context that Canada should encourage more value-added processing of this bitumen.

I want to concentrate this morning on two words, the words "processing" and "encourage", and I want to differentiate between value-added and increased processing.

If we're going to think about governments encouraging more processing of bitumen in the country, I want to ask how they would do it. The ways they can do it are really simple: through trade policy, fiscal policy, or direct involvement in the sector, as we've seen most recently in Alberta with an essentially government RFP for a new bitumen upgrader in the province.

Implicitly what these policies would do is either directly assign government assets, resources, or direct financial support to the upgrading of bitumen or de-value Canada's bitumen through trade policies in order to underpin increased processing. Neither of those options would generally be value-added; they would be value-transfer or value-detracting; they would be taking away the value of our natural resource to support greater processing. We must recognize that using resources to support processing is not the same as adding value. We should all want to add value; we should not necessarily want more processing.

I hope these topics are ones you'll choose to explore. I will leave my statement at that and look forward to your questions.

Thank you very much.

● (0925)

The Chair: Thank you very much for your presentation, Mr. Leach, from the Alberta School of Business, University of Alberta, who again is here as an individual.

We go now to questions and comments from members. In the seven-minute round, we have Ms. Block, Ms. Leslie, and Mr. Regan.

Ms. Block, go ahead, please, with your questions and comments, for up to seven minutes.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): I would like to welcome our witnesses today and thank them for their testimony. I have a number of questions for a number of witnesses. I hope I will be able to get through them all.

I want to start with you, Ms. Kennedy.

I want to thank you very much for your opening remarks, in which you speak about the fact that energy touches every aspect of our lives. Then you go on to speak about consumer goods and say it "supports health and education programs and systems, and creates the high standard of living that we in Canada are so fortunate to enjoy".

This is one of the reasons we embarked on this study of the cross-Canada benefits of the energy sector, focusing on oil and gas. We had a sense there were benefits that we weren't actually putting our finger on or identifying but that are very real and that are experienced by not only communities but also individuals. I thank you for that.

I want to give you an opportunity to speak to Mr. Leach's comments concerning the inflated projected costs and the references he made to Suncor. I'm going to turn it over to you to speak to that issue.

Ms. Heather Kennedy: Thank you.

Mr. Leach obviously spends a lot of his time studying this, so his facts are quite correct. Back in the early part of this, in 2000, we did have an initiative to reduce our costs to $9.80 a barrel by 2003, and certainly our costs are at $35 a barrel. I think it's an important point that he's brought up.

If you look at the cost of producing a barrel of oil sands, it is one of the highest cost barrels in the world. Why is that relevant? It's relevant for two reasons. One is that if you look at the large costs to actually invest in the oil sands, only the big oil companies can afford to be part of the oil sands industry now, so it's Imperial, Shell, Canadian Natural Resources, BP, etc. Those companies have choices so when they look at where they're going to develop their next reserve or resource, there are places where they can actually make a higher profit and their shareholders will drive them to do that.

Suncor is in a similar position. Our CEO uses the term "profitable growth" now and that's new for the oil sands in this decade. Previously it was kind of grow, grow, grow, whereas now if we can't produce a project that meets a rate of return for our shareholders, we won't actually do it anymore.

Back to the operating costs, it's absolutely a strong initiative at Suncor to reduce them. We understand that we want to be middle of the pack in terms of operating costs. The best way for us to do that is twofold. One way is to sweat the assets and make them more reliable. I'm sure that Mr. Côté spends a lot of his waking hours making sure the equipment runs well, that it runs efficiently and effectively. The second way is in using new technology to actually reduce costs, particularly in terms of energy consumption and in terms of the human capital it takes to operate the assets. The more we can do, the more able we're going to be to reduce the costs, the more taxes and royalties that get paid, and the more opportunity there is for growth in the industry and reducing the risks that Mr. Leach spoke to.

Mrs. Kelly Block: I do note that you mentioned you have budgeted $175 million in 2014 for research and development funding. I'm sure that speaks to your commitment to look for those innovations that will help reduce the costs of production of the oil sands.

I want to move to Mr. Watkins.

Thank you for the comments you made this morning. In particular, I appreciated your summary at the end of your comments. I want to ask you to perhaps reflect on those comments a little bit more. Perhaps you could speak to us about some of the projects that are on the table right now in the oil and gas industry, and what these projects could mean for the steel industry.

● (0930)

Mr. Ron Watkins: As I was explaining, we see ourselves active in all four components of what we would consider to be an oil and gas development project. Different parts of our business will supply different components of those projects. The physical infrastructure above the ground, so to speak, is everything from rebar to piping, flat products, and steel plate. The range of products we make in our steel mills can appear in different applications at every phase.

In the actual oil and gas business, a lot of that is, of course, about pipe and tube for extraction, for distribution, and for long-distance pipelines.

From the interest of our membership, what we've seen over time is a growth in not just simply demand because it happened, but there is also more focus on these areas of industrial opportunity for us.

Now, it's a tough business and very competitive. We're not just competing among ourselves but with suppliers from the rest of the world. When those products are traded on a market base we stand prepared to compete with those enterprises.

Our company has put a stronger focus on the breadth of opportunity posed by the further development of oil and gas reserves. Obviously in these meetings we talk a lot about oil sands but we shouldn't ignore other sources of potential growth. We are engineering, developing and refining the products in particular that the business needs.

I just want to emphasize that it's not in a sense just about the pipeline, although pipe products are clearly a big part of what we do.

Mrs. Kelly Block: Thank you.

Mr. Mallay, would you please speak to us briefly about Line 9 and its significance to your community?

Mr. George Mallay: Line 9 is the line that brings the crude to Sarnia from Alberta. It's critical in terms of keeping our refineries going.

Mrs. Kelly Block: Okay, thank you.

The Chair: Thank you, Ms. Block, the Parliamentary Secretary to the Minister of Natural Resources.

We go next to Ms. Leslie, for up to seven minutes, please.

Ms. Megan Leslie (Halifax, NDP): Thanks to all of our witnesses.

I'd like to start with Ms. Kennedy. This is actually my first official interaction with Suncor since the death of Gordon Shields.He would often be here at committee, so I do want to extend my condolences to everyone at Suncor.

Ms. Heather Kennedy: Thank you.

Ms. Megan Leslie: My question for you is about the price on carbon.

Suncor has been pretty open about the fact that you factor in a price on carbon when you're looking at your long-term and medium-term strategic planning. Maybe saying that you've advocated for one is a bit strong, but you've been pretty open that this is a reality. I want to ask you why.

I assume it's because of two reasons: first, certainty, and second, social licence, the idea that if we have these kinds of robust environmental regulations, Canadians will say, “All right, I give you the social licence or the permission to dig and drill and pump, etc.”

I imagine those are the reasons. Is that correct?

Ms. Heather Kennedy: Thank you for that question.

In fact in our forward-looking analysis and our long-range planning, we do put in a price for carbon. Part of it is the reality that, as Mr. Leach mentioned, in Alberta there actually is a price on carbon and we've already paid into the large emitter fund since it came into effect. That's part of it. That's real. We think that's a relevant and important thing. Certainly Alberta is the first jurisdiction to do that. We thought that was very forward thinking.

The second is that obviously through the last year there was a lot of discussion around the oil and gas regulations. While they certainly appear to be on hold at the moment, we think it's relevant and important that Canada, when it's the right time and at the right place, actually proceed with that, working with the rest of the globe and the other countries.

We just think it's so real that it's important for us and for our board and our shareholders to see we're accepting that reality.

I think more importantly, it's really to the subject of social licence. It's been a curious thing as part of the oil sands business as we look at the amount of focus on carbon and emissions with the oil sands. There are a number of people out there who genuinely believe that the climate change issue, which is real and legitimate, would actually stop if we shut down the oil sands. The global contribution is very small, but certainly it is the largest growing sector in Canada, and so as a country we have to address it.

When we consider it, interestingly enough it is one of a number of areas that we look at in terms of our long-term plan, in terms of social licence. For us it's a combination. If you actually ask local stakeholders, the Athabasca River is a fundamentally important river to the region. Its health is, I would say, as critical to local stakeholders as emissions. Certainly aboriginal business and employment and community health are also part of the social licence, so we have a broad look at it. Carbon is just one element to it.

● (0935)

Ms. Megan Leslie: Okay, thanks. I appreciate your answer.

Mr. Leach, it's nice to meet you virtually, although I feel I already know you through our interactions on social media.

I want to pick up on the price of carbon. I want to pick up on some of your recent writings, actually, on your blog postings.

You talk about the viability of the oil sands. You're looking at what even a $50 per tonne carbon price could do to the oil sands industry. You argue it presents a really serious risk to its economic viability.

I'm trying to explain it in my layman's terms. You're arguing that some people will say the emissions are really downstream. That's where the problem is. But most of our carbon policy exposure comes from other jurisdictions, the fact that another jurisdiction might put a price on carbon or another jurisdiction might implement other kinds of environmental regulations.

Do I have that right?

Dr. Andrew Leach: Yes, absolutely. If you look at life cycle emissions out of an oil sands barrel, for example, probably 80% of the emissions are downstream, so to speak. In the refining sector, the largest share is in the combustion side.

Any policy that affects combustion emissions and therefore releases demand for oil, releases the oil price the producers see, is going to have a much larger impact on the financial viability of these projects than something that affects that smaller share of emissions upstream.

If you want to boil it down, the real question is what's the producer oil price after these policies go in place?

The Chair: Ms. Leslie, I want to remind you the committee is dealing with the cross-country benefits of the oil and gas sector of the Canadian economy, so if you could tie in your questions with that, that would be really good.

Ms. Megan Leslie: How do we reap these benefits? I'm questioning whether or not we can because when I think about what you have just told us, all I can imagine for us to realize these economic benefits would be to heavily subsidize the domestic industry or engage in a full-scale lobbying effort internationally to prevent those kinds of regulations from being implemented.

I see you're furrowing your brow a little, but that's what I've come up with. Can you help me with this?

Dr. Andrew Leach: It's my natural academic furrow.

Voices: Oh, oh!

Dr. Andrew Leach: Again, if you look at the International Energy Agency's low carbon scenario, oil prices are higher than what probably any oil sands company is using today to justify their projects, even in their 2°C scenario. It really does come down to what you believe the relationship is between global carbon emissions and that global oil price.

In response to the chair's question, I think the question is how at risk are these benefits. It really does boil down to whether you believe a low carbon scenario is also a low future oil price scenario as far as the revenue the producers receive is concerned. There are forecasts that will give you either side of that story. There's no universal consensus on high versus low oil prices tied to low carbon emission scenarios.

● (0940)

Ms. Megan Leslie: I want to get back to government's role in trying to realize these economic benefits. What I see is a subsidy. You and I have had a brief discussion about how much that subsidy is, but there is a subsidy to the fossil fuel sector.

Then I look and I see lobbying against the fuel directive in Europe for example, lobbying against carbon tax or carbon pricing in other jurisdictions. That's what I'm seeing as our economic plan for making sure this is viable in the future.

The Chair: Ms. Leslie, you're out of time, so I'll leave that as a statement.

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

Hon. Geoff Regan (Halifax West, Lib.): Thank you to all the witnesses for appearing, whether in person or virtually.

Ms. Kennedy, Professor Leach in his comments—I'm going to read from the notes he provided so it's a summary of his comments—says, and I think this is about the future benefits, how he's assessed the benefits of the oil and gas sector.

He says:

> For a new, in situ facility, and assuming that oil prices remain at US$90/barrel, a prototypical project would likely continue to meet typical investment benchmarks of a 12%-13% rate of return even at carbon prices of well over $100/tonne, or equivalently with regulatory requirements for carbon capture and storage.

What's your assessment of that statement? Do you agree with it? What does it mean for Suncor in the future?

Ms. Heather Kennedy: I couldn't comment on whether I agree on that particular statement or not. I apologize. It's not something I've studied long enough, but I can speak to the future of in situ. Part of the technology development either Suncor is doing on our own or through COSIA, Canada's Oil Sands Innovation Alliance.... We believe there is step-change technology—sorry, that was an engineering term—through in situ that is going to revolutionize the industry. We think that takes the current paradigm of natural gas consumption, which is what produces the greenhouse gases, and shifts it, maybe potentially reduces it in half, and so changes that whole dynamic and makes it that 12% or 13% rate of return. That changes the conversation.

That's the approach we're taking. Our next generation of in situ plants looking past 2022 or 2023 will, I think, look quite different from today.

Hon. Geoff Regan: You weren't able to comment on the whole statement, but let me get part of it. I'm not sure which parts you could or couldn't comment on. For example, what is your assessment of the impact on your rate of return of the kind of carbon price Professor Leach suggested, if it was well over $100 a tonne?

You mentioned that you, like others, have considered in your future planning having carbon costs and what implications that would have for you. I don't know what kinds of numbers you thought about as you made that calculation.

Ms. Heather Kennedy: Well, it's not $100 a tonne, that's for sure. But I would say that kind of number does impact your rate of return by 3% to 4%. For our shareholders at Suncor and our CEOs, it needs to be an 11% rate-of-return project in order for us to consider it. That's our threshold.

As we look forward, if you have to account for that, then either you have to do a number of other things that reduce that impact down to 1% or 2%, or you have to do some other things around productivity and the supply chain—the steelmakers and others—that will actually improve your IRR, internal rate of return, to 15% so that you can account for that cost. We think that's actually viable. Suncor's position would be that the risk around carbon pricing is somewhat less than what Mr. Leach described.

Hon. Geoff Regan: By the way, as I listened to the testimony of all the witnesses, I came up with enough questions for about an hour of discussion. Unfortunately I don't see my colleagues agreeing to give me that much time; probably the seven minutes is going to be it for me.

I'm going to turn now to Professor Leach. I'm going to ask you about the point you made that rather than taking jobs from Canadians, foreign refining capacity, which can cost effectively transform bitumen into higher value products, has a very important implication for Canada. It increases the implied value of bitumen, which is, after all, what we should want as owners.

As parliamentarians and as Canadians, shouldn't our objectives be employment and broad benefits for as many Canadians as possible? When you say "owners" here, what's your take? How would you respond to that question?

● (0945)

Dr. Andrew Leach: In terms of what we should want as Canadians, my rule of thumb would be, don't spend bitumen on something on which you wouldn't spend money. If you're not prepared to write a large government cheque, do not turn around and offer a company cheaper bitumen in order to underpin their operations.

What I meant by that statement was that if you have offshore refining capacity that is able to, at a very low cost—$10 to $15, or less, per barrel—convert bitumen into high-value refined products, that will create more demand for bitumen, and that in and of itself is going to raise the price and value of bitumen.

Our alternative there would be to say that we're not going to allow the export of bitumen, which would depress its price. That would enable, as you suggest, Canadian employment related to the processing of that bitumen, but we'd have to be clear that what was actually paying for those jobs was not new money; it was money taken in the form of a discount on bitumen.

That's why I made the point of saying don't spend bitumen where you wouldn't spend money. I don't think we would write a large government cheque to a new refinery. Don't give them discounted bitumen.

[*Translation*]

Hon. Geoff Regan: Mr. Côté, could you tell us how the Energy East Pipeline would affect refineries in Montreal, especially yours?

Mr. Jean Côté (Vice-President, Montreal Refinery, Refining and Marketing, Suncor Energy Inc.): Refineries like ours are always very keen on and open to the idea of accessing new sources of supply. As you know, the Line 9B reversal project was recently approved. And that's good news for us because it gives us access to raw products at better prices than through our current supply source.

The Energy East Pipeline would have a similar effect. If it were to become a reality, it would represent another supply source for us, in Montreal, and give the refinery greater flexibility.

Hon. Geoff Regan: Could you tell us what that would mean in terms of jobs and other advantages? Do you have any figures on that?

Mr. Jean Côté: Unfortunately, not. You'd really have to ask TransCanada that question. My standpoint is really based on our operations specifically.

Hon. Geoff Regan: Mr. Mousseau, you talked about the need to "encourage the development of world-class Canadian companies in the energy sector".

Do you have any suggestions on how to achieve that objective?

Mr. Normand Mousseau: As a physicist, I can't offer any economic models that could be used for that purpose. However, just making sure that the decision is always made in Canada is one way of ensuring greater benefits domestically. As everyone knows, when a company's headquarters are not in Canada, the benefits for Canada, as far as knowledge and research go, are minimal. It is imperative to develop a domestic company through various means.

As a physicist and an academic, I come at the issue from a broader standpoint, so I don't have any concrete suggestions to offer.

[*English*]

The Chair: Thank you, Mr. Regan.

We'll start the five-minute round now with Ms. Crockatt, Mr. Trost, and then Ms. Moore.

Go ahead, please, Ms. Crockatt.

Ms. Joan Crockatt (Calgary Centre, CPC): Thank you to all our witnesses for being here.

As usual, we have a lot of expertise here and not very much time to get to it, but I thought I'd make one comment on what we've heard. It seems somewhat ironic to me that we have my colleagues across the way, the NDP, advocating for a carbon tax, when we've also heard that this may be the thing that's actually putting our industry at risk of losing some of the benefits to Canadians, and at a disadvantage in the market when our chief competitors, the U.S. for one, do not have such a carbon tax. We have some of the best examples of environmental practices in the world, Suncor being an example of one of them, and Kearl, which was mentioned today, being another example of them.

Seeing as we're here to talk about what the benefits are of developing the oil and gas sector, I want to go into the jobs issue a little more. I'm wondering if I can ask Jean Côté what benefits you expect to see in Quebec, and maybe you could just drill down a little bit, as a direct result of Line 9 and the east-west pipeline.

Mr. Jean Côté: In Montreal what we have there is the last refinery left in operation. We used to have six refineries. That being said, our refinery is not alone. We are part of a larger petrochemical complex, so we call that the polymer chain, and we call that an ecological industry. What I mean by that is that we are all interrelated. One refinery provides products for the next one, and so forth. At the end we have more products, like plastic that we can use in the local market.

The whole industry, that whole pocket of industry in Montreal, is pretty much alive and it provides as many as probably 6,000 jobs in the area.

● (0950)

Ms. Joan Crockatt: It's the only refinery left of six?

Mr. Jean Côté: Yes, we used to have six refineries.

Ms. Joan Crockatt: So five have closed.

Mr. Jean Côté: That's right.

Ms. Joan Crockatt: What do you expect will happen if you get these two pipelines through?

Mr. Jean Côté: What these pipelines have in common is they allow us to use the supply from the west. There is a difference in pricing between the western crude versus the Atlantic Baffin crude. Up until now we've been unable to access that differential, so we're at a disadvantage with our competition because it's a global market. Anybody in Montreal and the area can bring some finished product, but those products being made with a cheaper crude won't allow us to be on the same playing field. The fact that we'll now have access to the crude from the west will allow us to be competitive. This will make it possible for us to maintain these jobs for a long time, we hope.

Ms. Joan Crockatt: Can you tell me how you think that will actually impact people on the ground in Quebec, the average person, if this east-west pipeline goes through, if Line 9 is completed in its reversal?

Mr. Jean Côté: If we have access to that cheaper oil, it means again that the future will be brighter, and we'll be able to operate, and all these jobs that we're talking about, all the professionals and the consultants that we use, the engineering firms, the companies around us, will still be able to benefit from our activities.

Ms. Joan Crockatt: So you see a resurgence in the community. What do you envision will be the benefit of the pipeline?

Mr. Jean Côté: What I see is that we'll be able to actually maintain and preserve what we have. Also we might see this triggering some new investment in the future, not only for our refinery, but also for the other plants that are attached to us.

Ms. Joan Crockatt: Ms. Kennedy, I wonder if you could talk for a minute about the work that you have done with aboriginals. I think all of us are concerned and want to make sure that aboriginals have an opportunity in the job market. I understand that the energy industry has been a very big player in that. Could you tell us exactly what you're doing there, please?

Ms. Heather Kennedy: Yes. I'll speak particularly to northeastern Alberta.

Since our operations started in 1967, we've taken a very proactive approach, we think, along with Syncrude. I have to give Syncrude credit on the leadership there. They were the first company in the region to look very seriously at including the aboriginal people in their economic benefits. We followed suit shortly thereafter, and think we've done some things very well in that region. Of our employees, 4% are aboriginal and they are in a variety of roles. That's very good, but needs to be better, of course.

We think it's important to have a targeted approach to hiring aboriginal people. To do that, some of our areas of success really rest with some of our previous use of the ASETS program, and currently programs like Women Building Futures and some collaboration with Keyano College, to ensure aboriginal people actually have the skills when they arrive. That's often a combination of life skills and employment skills, having a power engineering ticket or the pre-hiring for heavy equipment, as well as some of the life skills that need to go along with that. We're very active in that program, for sure.

I think, as a company, we're very interested in the new first nations education act, and what that might mean both for our company and for our region. We think that's a very important step in improving both the quality of the high school graduates and the number of them. We're very interested in that as a company.

Last, in terms of aboriginal business development, one of the things we've learned along the way is it is very important to listen to a community's priorities. That is how we've ended up with business incubators both in Fort McKay and near Calgary at Tsuu T'ina reserve. The communities wanted to be very entrepreneurial, so we actually support that. Whether or not those businesses actually end up doing business with us is a different question, but we support it anyway. We also have—

● (0955)

The Chair: Excuse me. I'm going to have to cut your answer off there. You've given a lot of good information.

Thank you, Ms. Crockatt.

We go now to Mr. Trost.

Mr. Brad Trost (Saskatoon—Humboldt, CPC): I'm going to start with Mr. Watkins.

Instead of giving you a positive scenario, I'm going to give you a horror scenario. What happens if a new national energy program comes back and as happened in the 1980s the western Canadian oil patch is wiped out? Extremist environmentalists take over, they get to....

What would that do to your industry? You said one-third has to deal with oil and gas, that resource. What would then happen to the steel plants in Ontario, Regina, and across the country?

Mr. Ron Watkins: I must admit I haven't actually done the scenario analysis on that one.

Seriously, the....

Mr. Brad Trost: This is a serious question.

Mr. Ron Watkins: No, I understand, so, let me try to answer that in a couple of different ways.

The steel plants outside western Canada would be affected, because that is not the only part of their business but a growing part of their business. Why that also matters is that steel plants aren't infinitely scalable. If you took away that segment of demand and you were left with two-thirds of what you were already broadly supplying, it doesn't make it easy to do that. There would be an impact on overall enterprise—

Mr. Brad Trost: By losing one-third of your customers, we could end up losing more than one-third of the steel industry.

Mr. Ron Watkins: Potentially, but it would vary by producer. We have some producers very focused on other segments, but others who are almost exclusively focused on oil and gas.

Mr. Brad Trost: One of the unseen benefits of the oil and gas industry is it also makes it possible to have steel producers in Canada supplying other industries.

Mr. Ron Watkins: Certainly, because the steel business is one which has capital intent, so it's a volume-based business.

Mr. Brad Trost: Mr. Mallay, you were talking about the possibility of an upgrader in the Sarnia area. As the business people in your area are looking at this, are they working on the assumption that there will be some form of government subsidy for it or other government action that would make it possible, or are they looking at this strictly from a market-based perspective?

Mr. George Mallay: I think, ideally, it would be best if it could be done with a market-based approach. There has been some discussion of a government subsidy. What needs to happen is there has to be a private sector champion found, and someone has to put some significant money into doing a proper feasibility study.

Five years ago, I worked with Shell Canada in assembling 6,000 acres of land for a 250,000 barrel per day refinery. That project did not go ahead. I think if it had gone ahead, it would have been a profitable project for Shell, based on comments I've heard since. So, I think there is a significant opportunity. Only 100 kilometres from us is an oil refinery in Michigan, which just became operational at the end of 2013, that is taking western Canadian crude. We believe we can be more competitive than that in terms of the assets we have in our location, and the ability to take oil now.

Mr. Brad Trost: I'll go to Dr. Leach.

Using that as a basis, you were pointing out earlier about how more intensive processing doesn't exactly mean more economic benefits. It often could be more of a transfer of benefits from one source to another. But when you listen to Mr. Mallay's responses, there's possibly no government interference.

In situations like that, are those areas where more value-added could be put into the Canadian economy? It may not be a question of if value-added works, but where it works based on market determinants.

Dr. Andrew Leach: I think absolutely we are all in favour of value-added. The key differentiation I make is between more value-added versus more processing. If you look across sectors of the Canadian economy, there was a study last week from the University of Calgary, a Trevor Tombe study, that highlighted where the value-added is in the sector. It's in extraction.

But your point is well taken. If there is an opportunity for a market-based non-subsidized refinery upgrader, etc., that isn't dependent on artificially discounted crude, then yes absolutely there is no reason to oppose that.

Mr. Brad Trost: So benefits are most widely and efficiently dispersed if the government does not involve itself in the industry.

● (1000)

Dr. Andrew Leach: In the sense of involving themselves in incenting processing, I think I'd be careful to draw that line. Economists are really clear that there is a role for government to correct market failures, in particular environmental ones.

The Chair: Thank you, Mr. Trost.

We go now to Ms. Moor,e for up to five minutes please.

[*Translation*]

Ms. Christine Moore (Abitibi—Témiscamingue, NDP): Thank you very much, Mr. Chair.

I have a few questions for Mr. Mousseau.

How would the oil and gas industry benefit from a comprehensive energy strategy that took all types of energy into account? And by that, I mean a balanced and cohesive strategy that is mindful of climate change.

Mr. Normand Mousseau: I think Ms. Kennedy partly answered that question when she said that Suncor is already factoring climate change-related elements in its long-range pricing. So it is definitely in the interest of any international oil company to show they represent a country that is sensitive to climate change. To my mind, that is one practical aspect that's being overlooked right now.

British Petroleum, now called Beyond Petroleum, exemplifies another issue I think is important. What we are seeing are efforts being made to implement technologies that could be used by the same companies in the long term. Lastly, I would say that renewable energy research is also important to Canada's long-range positioning in terms of the entire industry.

Ms. Christine Moore: How would a comprehensive strategy that takes all types of energy into account, one that reflects a pan-Canadian vision for energy development, directly benefit oil companies?

Mr. Normand Mousseau: It would increase the benefits for the energy sector country-wide. As I said, it would also allow the oil industry to position itself. Many oil companies around the world are involved in different energy systems and are endeavouring to expand their activities to position themselves for the future, with growing investments in renewable energy.

Ms. Christine Moore: Might there also be a strategic advantage in utilizing our energy systems more effectively? What I mean is achieving the right balance between renewable green energy sources and non-renewable sources, taking into account an eventual shortage globally.

Mr. Normand Mousseau: We shouldn't experience a shortage of fossil fuels in the next few decades. So that shouldn't dictate how we position ourselves. Instead, that positioning should centre on pricing in the world market, where the pressures and repetitive effects of global warming are very real.

Governments need to act. And fossil fuel prices would therefore be affected. It would rebalance things and steer the competition towards renewable energy. Canada must have a presence in that sector if it wants to compete internationally.

Ms. Christine Moore: What is your take on oil companies that decide to incorporate green energies in their portfolios in order to benefit from both energy sources? Do you think that's a good vision, a good strategy?

Mr. Normand Mousseau: I do indeed think it's a good strategy. These companies usually have a lot of money, with oil being an extremely profitable business these days. And putting a bit of that wealth towards diversification is certainly strategic for the long term.

Ms. Christine Moore: I had a chance to skim through one of your books, *Au bout du pétrole*.

Are you able to explain to me why gas prices at the pump continue to rise even though we are producing more and more oil?

How could we take better advantage of our resources?

Mr. Normand Mousseau: A number of countries subsidize the cost of gas domestically to make it less expensive for people. But that isn't a good idea. Governments need to accept the market price of gas, even add taxes, in order to reduce our dependence on it and become more effective and efficient energy-wise.

A number of prices come into play. The international market determines the price of crude oil, and the fact that the process of extracting oil today is more expensive than it was 20 years ago has an effect on that price. Environmental impacts also have to be taken into account, and taxes are a way to address them. That's the government's job, as Mr. Leach was saying earlier.

● (1005)

[*English*]

The Chair: *Merci,* Ms. Moore.

Continuing the five-minute round, we go now to Mr. Leef, followed by Ms. Charlton, and then Mr. Calkins.

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

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

The reason we undertook this study to find, obviously, the cross-country benefits is partly that there just seems to be a permeating sense that Alberta is the only province that benefits from energy development, oil sands development. It's easy to villainize something when you don't appreciate the benefits in your own backyard from something. The discussion—and we see it here today—has been couched in terms of we aren't realizing any benefits versus couching it as though it would be nice to maximize the benefits.

The other way it's couched—and Mr. Leach sort of leaned to this—is that we've presented this either/or discussion. Certainly I think we as a government have been trying to make sure that we've been promoting the responsible resource development angle, which means we aren't proposing an either/or scenario. We understand that care and concern for the environment and natural resource extraction aren't mutually exclusive things.

Ms. Kennedy, I have a couple of direct questions for you just to get it on the record. Would you agree with the characterization that the oil sands is dirty oil?

Ms. Heather Kennedy: No.

Mr. Ryan Leef: Would you agree with the characterization that you enjoy the benefits of an unregulated development?

Ms. Heather Kennedy: I think we enjoy the benefits of one of the strongest regulatory regimes in the world, and I think we try to be a good corporate citizen within that.

Mr. Ryan Leef: Would you agree with the characterization that no money from the oil sands flows into important social programs, in infrastructure development, a wide range of public transit, housing needs, all kinds of other government-based programs and social delivery services?

Ms. Heather Kennedy: No, we're a strong contributor to Canada. We're proud Canadians.

Mr. Ryan Leef: Part of the challenge when we get into this, the way things are couched and the public discussion around this, and to maximize realizing the benefits, starts I think with public leadership.

I won't expect you to weigh in on a partisan comment, but it's interesting that we have as an example an NDP candidate in the Trinity—Spadina riding, Joe Cressy, who is stepping out and saying these things about oil sands development. It's no wonder we face a challenge in helping people across Canada realize the benefits when the people in charge of, or looking to be in charge of, public policy and looking to lead this nation on this kind of discussion are starting out with rhetoric like that.

How challenging is it for companies like yours to help articulate the benefits that we are realizing, not just the maximization of it, when there's that kind of rhetoric and then just some challenges with the couching of the discussion in general?

Ms. Heather Kennedy: It can be very challenging. I would say one of the things that we have learned over the years is that the approach to ask every Canadian to be as technologically up to date on the oil sands as some of the engineers who work for us is a bad approach. We tried that at first. It's a very complicated business, so explaining it in graphic detail doesn't work.

As an oil sands company, I can say we recognize there are major detractors for the industry. There are those who will never think that extracting the oil sands can be done responsibly. We don't believe that, and we don't believe that the majority of Canadians think that. We know that the majority of Canadians actually would like us to make sure that we collaborate, work with policy developers, and so on, to actually do it as responsibly as we can. That involves, of course, academia. It involves think tanks, industry, and certainly government. A fulsome look at the policy to make sure that as we tackle some of the impacts, we're doing it in a way that makes sure we see the right benefit to the environment or the right social program, we think is an important approach.

We think it's also important that we tell our story about the benefits across Canada. We're all over the country. People own those Petro-Canada gas stations, and they work in them and their children work in them. We bring in students from every university across the country. We've actually initiated a program called whatyescando.com. I certainly encourage anyone here to look at that. It's our way of trying to make sure that the story is told in a way that is fact based and allows people to have a look and say, “Wait a minute. This isn't all about this particular issue. There's more to be told.” We think it's worth people examining and understanding.

● (1010)

The Chair: Thank you, Mr. Leef.

We go now to Ms. Charlton, for up to five minutes.

Ms. Chris Charlton (Hamilton Mountain, NDP): Thank you very much to all the witnesses.

Unfortunately, I only have five minutes. Being from Hamilton, I have to start with steel.

My first questions are for you, Mr. Watkins. We had the Canadian Manufacturers & Exporters here before committee on Tuesday. I don't know if you heard the testimony at that point.

Mr. Ron Watkins: I did, yes.

Ms. Chris Charlton: We heard that for every dollar invested in the oil sands, there's a 20% return to the manufacturing sector.

Do you know what the return is to the steel sector in those percentage terms?

Mr. Ron Watkins: I don't think I could give that to you this morning. I could come back to you on that, if you wish.

Ms. Chris Charlton: Is it probably somewhere in that ball park, do you think? It's a pretty high return.

Mr. Ron Watkins: Yes. We're very aligned with what happens in manufacturing broadly, and we and CME actually are pretty eye-to-eye on a lot of these issues.

Ms. Chris Charlton: Thanks.

I heard you say that now the energy sector is almost on par with the auto sector in terms of being an end user for steel.

In Germany, the second-highest end user for steel is wind energy now. When you talk about the energy sector starting to parallel the auto sector, are you talking specifically about steel's engagement in oil and gas, or are you talking about the energy sector more broadly?

Mr. Ron Watkins: No, energy more broadly.

For example, as you know, Ontario's had a fairly substantial wind power project. Domestic companies have been very much a part of that as well. If you think of windmills, they're large steel structures, with a steel-reinforced base. So part of our energy calculation includes other forms of energy. But I focused on oil and gas this morning, which I thought was the theme of this proceeding.

Ms. Chris Charlton: Fair enough, but we're also exploring benefits, and obviously benefits down the road. If you're talking about the sustainable development of oil and gas and you're talking about the introduction of greener technologies, that would obviously have an impact on the steel industry as well.

In terms of your projections, where do you see the growth in the natural resource sector for steel? Is it in green technologies? Is it...? Well, I'll just leave it open-ended. Where do you see that?

Mr. Ron Watkins: I think the growth will be in both conventional, let's call it oil sands and shale, and all those oil and gas sectors will certainly be growing strongly—

Ms. Chris Charlton: Oh, as a sector for sure, but there are opportunities even within the sector, right?

Mr. Ron Watkins: There are opportunities within that sector, but also within other forms of energy generation. Even electricity generation and distribution is a very steel-intense activity. There's no single energy form, if it's going to grow in the country. We're not arguing for this versus that. We think there's opportunity in them all for steel.

Ms. Chris Charlton: Thank you very much.

Mr. Leach, I'm going to turn to you next.

I'm almost afraid to ask this question. I think when you first enter politics, especially in question period, people tell you, “Don't ask questions to which you don't know the answer.” I'm going to ask one to which I don't know the answer.

Has there ever been an attempt to cost social licence? Certainly in debates people have tried to cost carbon. There have been tons of studies done on that. Social licence is a bit of a broader concept. Could you explain to me whether it's been done, whether it could be done, and how?

Dr. Andrew Leach: I wish I could phone one of my colleagues in our strategy group. They would have a better answer for you.

I would have to start with whether we can even define it. The term “social licence” means a lot of different things to a lot of different people, and obviously different things in different industries even within the natural resources or oil and gas sector.

At this point, no, I don't think there is a clear definition of what it would cost to obtain “social licence” for any of the sectors of the oil and gas industry, or more broadly.

● (1015)

Ms. Chris Charlton: Is there any merit at all in trying to come to some kind of agreement on what it ought to mean?

Dr. Andrew Leach: I think the broader concept is in terms of what Canadians expect in general from industries operating within our borders, the oil and gas industry specifically. We heard a lot on different parts of that, in part from Ms. Kennedy's testimony. It's going to mean different things in different regions. I think we should absolutely be having those conversations. Whether we have to agree on what a national definition for social licence is, I do not know that we'll ever agree on that.

Ms. Chris Charlton: Thank you very much.

The Chair: We'll go now to Mr. Calkins, for up to five minutes.

Mr. Blaine Calkins (Wetaskiwin, CPC): I am going to start with Mr. Mallay. I want to ask you some questions. I'll give you the context.

I represent the riding of Wetaskiwin, which is in central Alberta. In my constituency, I'm proud to represent companies like NOVA, which also has a large facility in Sarnia. We have a large value-added petrochemical industry. We have Dow. We have everything located out at Prentiss and Joffre. I am sure you're familiar with the installations out there. I want to talk to you a little bit about that.

In your opening comments, you said that in your area you are now positioned better than you've ever been in 30 years. Could you elaborate on what kinds of policy conditions, what kind of economic conditions and labour force conditions, whatever it happens to be, that have given you that position to be there?

A few years ago, NOVA, as an example, was not in a good position, and the economics of scaling back in central Alberta based on the economics was a reality. We saw share prices plummet. It was bought up. A few short years later, they're in the middle of a $1 billion expansion for the value-added in making plastics there.

Can you tell me what's changed, and how bright the future actually could be for the folks in your region?

Mr. George Mallay: First, I would say that the existing refinery assets and chemical industry that we have in Sarnia that relies on crude oil from Alberta is really at the core of our complex.

What we've done over the last 10 years is we have looked at opportunities to grow that complex, realizing that we haven't been receiving a lot of investment in traditional chemistry.

We have seen the movement for more renewable energy sources. By being able to put forward brownfield sites, by being able to re-tool our workforce to become more common with fermentation processes, by working with our agricultural industries, we've been able to build infrastructure for bio-based companies.

We've also received a lot of support from our existing industries. We also realized there were opportunities around shale gas. We had a large shale gas conference in Sarnia about eight years ago. We really started to promote the benefits of shale gas.

NOVA was in serious trouble in our area with their operations, and it's really shale gas that has enabled them to have a competitive feedstock. They recently had a large ceremony to celebrate the turnaround of their operations in our area.

The key thing in terms of refining bitumen is that in a barrel of oil the real benefits are in the downstream. I would suggest to you that Imperial Oil makes more on their ethylene operations in Sarnia than they do on the refining of gasoline and diesel and those things.

On the Dow side, there used to be 20 petrochemical plants. We're repopulating those brownfield sites with new petrochemical operations. Some of them are going to be bio-based and some of them are going to be hydrocarbon-based.

Marcellus shale gas is really generating a lot of new interest in our area. We also have a strong commitment locally to try to get an upgrader. It may not come from local companies. We may have to find a new type of partner.

● (1020)

Mr. Blaine Calkins: Obviously, the future's looking bright. That's good for jobs and it's good for economic prosperity in the area. It's important that we get the policy decisions right to make sure that this stays enabled.

I want to move now to Mr. Watkins.

You talked about steel. I wonder if you'd comment briefly about some of the advances in technology in the steel industry to build some of these highly technical components that we see in the engineering of oil sands. Oil sands development, even the mining operations, have evolved dramatically over the last number of years, but the in situ, the SAGD, all these other developments have required, obviously, incredible advances in technology. Perhaps you could talk to the importance of that in your particular industry, how using innovation keeps you competitive.

The last thing I want to do is tie this all back, because we are talking about cars using steel and the energy sector using steel. I'm wondering, Heather, if you could tell us how many trucks are purchased from North American automobile manufacturing plants to work in the oil sands. That would be a great tie-in.

The Chair: Mr. Watkins, we have a very little bit of time, so could you make the answer very brief, please.

Mr. Ron Watkins: I'll go very quickly, then, to the question.

Yes, it's absolutely important that our firms, particularly those making the highly engineered, highly advanced seamless pipe and tube products, for example, that you would use in an in situ development, engineering the couplings, as well as the pipe.... Going backwards across that cross-Canada supply chain, I'd say the other part of it they've worked with is getting the steel suppliers to the pipe mills to actually develop the types and grades of billets that they need. It's an innovation chain and not simply at the point of the pipe production. Our industry needs to work with the companies doing the drilling, actually, to make sure that the products, and so on are what they need. There's some relationship there.

Maybe with a bit more time we could talk about other investments in pipe-making technology.

The Chair: We're going to have to leave the answer at that. Thank you, Mr. Calkins.

We go now to Ms. Leslie, for up to five minutes.

Ms. Megan Leslie: In my last round of questioning, Mr. Leach, I was thinking about your writing, and then shared my conclusion or my thoughts. I think that government would either have to heavily subsidize the industry or engage in those lobbying efforts to ensure those environmental regulations don't happen downstream. I'll leave it to you if you'd like to comment on that.

[*Translation*]

My next question is for you and Mr. Mousseau.

I'd like you to comment on the diversification of our energy sector.

[*English*]

When it comes to diversification of our energy sector, Suncor, for example, has internally developed a GHG strategy road map. What they've done is looked at risk assessment, and in doing that risk assessment, they decided to create a business unit that's active in renewables, recognizing that we're probably going to go there anyway, right? I see that as fitting into this idea of diversifying our energy sector.

Sarah Dobson from Pembina was her last Thursday, and we talked a little bit about this with her. One of the true benefits of the oil sands is the opportunity to leverage the knowledge and the skills that are there to help us in our transition to that inevitable shift to the green energy economy. One small example I used was the skill of drilling, which is very much a skill needed in the oil sands, but is also the exact same skill that we need for geothermal, and whether we could leverage those skills and knowledge.

I want to pose a question to both of you just about that need for us to diversify in this sector.

Monsieur Mousseau.

[*Translation*]

Mr. Normand Mousseau: That's a huge need. As you said, synergies are possible in many fields. In terms of energy storage, chemical storage is one option. And chemical storage is also the transformation of molecules potentially into hydrocarbons. There's definitely a lot to explore in that regard. Companies active in refining and hydrocarbon development could use their knowledge to move towards those new possibilities.

[*English*]

Ms. Megan Leslie: Mr. Leach.

Dr. Andrew Leach: I think we want to be careful about the line between diversification and picking winners. I'm just thinking of my experience working in this industry. What is the new green economy going to be? It has been everything from hydrogen to CCS, to wind, to solar, and that's probably over an eight-year span. So our ability to say what the energy system will look like in 30 years, and to engineer an economy for it is very challenging.

I might echo, in this case, Janet Annesley's testimony from earlier in the week, to the degree to which Alberta as a province and also the oil sands industry as a whole are driving the training in some of those disciplines. I think you've seen a really hard pullback to some of the trades which you've talked about. Stephen Gordon has written about this; a real pull-up in salaries in those trades, which has been driven right now by the oil and gas industry, but is going to have that benefit of future training and developing those skills wherever the economy leads, with or without that active push from government.

● (1025)

Ms. Megan Leslie: I understand what you're saying about picking winners, but I think about government investment in innovation in the energy sector broadly, and I think about the magic of being able to pull that oil out of the sand, right? Thirty or forty years ago that was crazy talk, but we still sent scientists up there to try to figure it out and to explore and fail a lot, but then eventually succeed. I think about the parallels there with tidal. In the Bay of Fundy, it blew the turbines apart and people immediately saw that as a failure. But it's actually a profound achievement that the tides are so strong that they actually had the power to blow this turbine apart. So I see we have picked a winner, essentially, because we're not actually investing in that sector anymore.

Dr. Andrew Leach: I think in some sense, yes, we did pick a winner. But there are also a lot of things we've invested in along the way that haven't worked out. Just looking at one that has, and saying therefore government investment is always a good thing no matter what, is not necessarily true.

I would highlight on your point, though, it is important that government have the space to invest in things that don't turn out. It shouldn't be a question of every government cheque must be tied to a success story. If you do that, you're going to end up investing in things that we already know will work. You want government to take the risk in these cases of R and D that the market may not take because the risks are too high or just not quite compatible with a market.

So absolutely it's yes on that.

The Chair: Thank you, Ms. Leslie.

We go now to Ms. Block, for up to five minutes.

Mrs. Kelly Block: Mr. Chair, if my questions don't take me right through the five minutes, I will definitely share my time with either Mr. Trost or Mr. Calkins.

Our government introduced the responsible resource development plan back in 2012, which certainly has a focus of ensuring that projects are approved in a timely and predictable way, but also with a view of strengthening environmental protections. I certainly throughout this study have come to understand that, following up on the comments my colleague was making earlier, and Ms. Charlton, just in terms of the either/or or both/and conversation that we tend to have when it comes to non-renewables versus renewables, the responsible development of our oil and gas sectors creates a space for us to continue looking at innovations and renewable sources of energy.

What I would like you to do, Ms. Kennedy, is talk to us a little bit about COSIA and the work that group does.

Ms. Heather Kennedy: Canada's Oil Sands Innovation Alliance is an alliance of 13 oil sands companies that I think actually just spoke to a lot of what Ms. Leslie and Mr. Leach were just speaking about around innovation. A natural part of research and development is failure; a natural part of research and development is learning. If you're in an industry such as ours which is so vested in technology and needs technology to continually improve, it is far better off to share those learnings and those failures rather than repeat them over and over again and hoard them.

So the 13 CEOs got together and signed an agreement, and it's the only kind in the world, actually, where intellectual property is shared among all of the companies. Each company is required to put a certain amount in each year, so you can't just ride on the coattails of others. You actually have to participate actively in research and development and share it. It started two years ago, and right now there's a billion dollars' worth of intellectual property that's being shared, 560 projects to be exact. We are starting to see some of the benefits.

I can speak to a small example at Suncor. Another company did some research with an initiative called Faster Forests. It allows us actually to plant trees. It saves us about $5 million and allows us to reclaim land much faster. We didn't have to do anything to that, for example.

On some of the centrifuging technology around tailings, Syncrude developed it, and Shell is using it without having to use the technology. In fact, there are actually some parallels to some of the steel industry. Erosion is actually one of the biggest challenges in our industry. The sand can be quite abrasive, as one would imagine. So development of new kinds of steel.... There's some technology now that rather than it just happening and the rest of us having to figure it out, we're using it industry-wide. That's, of course, to the benefit both from a safety and a cost perspective.

It's very innovative, and I would venture a guess if I were to come back here in two or three years, there would be some absolute breakthrough technologies that were a result of COSIA and the sharing of technology.

● (1030)

Mrs. Kelly Block: Thank you.

The Chair: You have about a minute left.

Go ahead, Mr. Calkins.

Mr. Blaine Calkins: I was hoping that maybe Heather would be able to provide some insight on the fleets of vehicles that are used up in the oil sands and where they come from.

Ms. Heather Kennedy: I'm so...[*Inaudible—Editor*]...I shouldn't have to answer that question.

Voices: Oh, oh!

Ms. Heather Kennedy: We have fleets of thousands of vehicles and most of them are with one particular manufacturer. But I can get back to you on the specific details.

Mr. Blaine Calkins: You don't have to give the manufacturer; just tell us that they're Canadian or North American made and I think that would be—

Ms. Heather Kennedy: That they are.

Mr. Blaine Calkins: Okay, and that's great news.

Ms. Heather Kennedy: There are thousands of them and they're all white pickups.

Mr. Blaine Calkins: Fantastic.

The Chair: Okay, we're on to the next round.

Mr. Calkins or Mr. Trost. Who's going to start off?

Go ahead, Mr. Trost.

Mr. Brad Trost: Following up with Mr. Leach, you made a remark about how...and we know this in Saskatoon, anecdotally, that salaries are under pressure throughout western Canada due to the higher salaries being paid in the oil sands.

As far as you know, have there been any studies done to calculate what the impacts are on wage rates for various skilled trades throughout not just Alberta, but western Canada, and increasingly throughout Canada, due to the situation with the oil sands?

Dr. Andrew Leach: I don't have a specific study that I could point you to apart from Statistics Canada data that shows very clearly western Canadian wages outstripping Canadian wage growth significantly. Stephen Gordon has significant writings on specific sector wages. He's frequently at *Maclean's* magazine, processing some of those data. That would be a good source to start with.

Again, what you do see is not just manufacturing sector wages or skilled trade wages. You see essentially all Canadian wages being pulled up by that increased labour demand relative to what would happen if we didn't have that industrial growth.

Mr. Brad Trost: That would just be the general macroeconomic analysis rather than anything specific.

Dr. Andrew Leach: Well, at the sector level or at the skill level, that does it just as well. I just don't have it in front of me.

Mr. Brad Trost: Okay, that's totally understandable.

Ms. Kennedy, you've been the one most directly involved in this and everyone else tends to spin off this. Looking forward, we've been going through this now for a few weeks seeing what the benefits are, where and how. If you could pick one or two things that would allow your industry, your company, to grow more, and therefore allow more of the spinoffs to spread throughout the country, what would they be?

We're not opposed to Fort McMurray getting as much benefit as possible, but as my good friend Brian Jean has pointed out, there's a lot of pressure there due to the geographical constraints. What can we do from a prescriptive perspective at the federal level to allow the benefits to continue to spread out throughout the country?

Ms. Heather Kennedy: Back to Ms. Block's comment, I think from a government's perspective continuing with the implementation of responsible resource development is an important component, so that creates some certainty and creates some stability.

The second point I would make is actually local to Fort McMurray, but is relevant. It's around infrastructure investment. Oddly enough, it's probably one of the only large-scale industrial investments in the world that doesn't have a rail line that goes right to it. I think there are some opportunities to invest in infrastructure there. The reason I mention it is, if that can significantly reduce cost, then that will actually help across the country.

The third piece I would talk about is technology. We think the opportunity to create the technology breakthrough in the oil sands probably doesn't rest anywhere near Fort McMurray. It's somewhere else, either with supply companies or universities, and so continuing support for research and development in technology would be absolutely critical.

Probably the last thing is around labour mobility. It's very important for us to hire Canadians and also to hire folks who are into the non-traditional roles, so being able to move or get across Canada more easily so you can have a good wage and support your family, we think, is critical. So it's continued work on labour mobility.

● (1035)

Mr. Brad Trost: I saw a couple of other witnesses nodding when you were making your remarks, so I will throw that out to Mr. Leach or Mr. Mallay.

Do you want to answer the same question? From your perspective, is there one thing that you could add to what Ms. Kennedy has said that would help bring the benefits to Sarnia?

Mr. George Mallay: The one thing for us currently is the movement of large modules. We have the ability to make large modules inside existing facilities all year round. I guess there are two things that need to happen. One is changes by engineers in terms of design of modules so that they can be smaller. Two, we can manufacture large modules now and ship them to Thunder Bay, but then the problem is getting them from Thunder Bay to the oil sands. If that transportation—

Mr. Brad Trost: So it's an infrastructure question.

Mr. George Mallay: It's an infrastructure problem, yes.

The Chair: Actually, you're out of time, Mr. Trost, so I guess we'll have to leave the answer at that.

We'll end the meeting in terms of questions and comments with Ms. Charlton, with up to five minutes.

We'll need a couple of minutes at the end to discuss the issue of whether we invite Pacific NorthWest LNG and Progress Energy as one group of witnesses, and also the Business Council of British Columbia. They have both requested that they appear before the committee. Very quickly, without getting into discussion at the end of the committee, I hope we can decide whether there's a way we can make that work or not.

Ms. Charlton, for up to five minutes.

Ms. Chris Charlton: First, I would like to ask Mr. Leach a question. You threw a proposition out there that's a myth, as you rightly identify, that's been out there for a very long time, and that is, that Canadians must choose between oil sands development and concrete action on tackling climate change. You're right that it is a pervasive myth out there. I just wonder whether you want to say a few additional words on dispelling that myth.

Dr. Andrew Leach: Sure, I'd love to.

First, in response to some of the comments that have made around the table this morning, to say that oil sands and climate policy aren't related would be wrong. There's certainly significant potential cost to the oil sands industry from carbon policy. So it's not going to necessarily derail all projects, but it does have a significant material cost.

What I do think risks having larger material costs are some of the policies like we've seen from the European Union, for example, that discriminate specifically against oil sands. I think when we talk about, and when people put out that trade-off and say, basically, as some have said that carbon taxes or carbon policy would destroy our industry, what they're basically doing is giving food to those people who would oppose the industry. They're feeding directly into what the opponents of oil sands and Canada's oil industry are telling their supporters. They're saying, “This industry is not compatible with climate change policy. Therefore you should protest against it. You should shut it down.”

Canada needs to respond by being able to say, not just, “Here's what our policy is. Here's what our goals are,” but showing the world how that policy and those goals fit in with global climate change goals that our Prime Minister and others have signed on to, and it's possible to do that.

Ms. Chris Charlton: Right, because I think it is possible to sustainably develop the oil sands.

I want to go somewhere else with Ms. Kennedy, if I could.

When people normally think about government support for the oil sands, they think very specifically about supports for the energy sector. You've done it already a bit by talking about investment in things like skills training and help on labour mobility issues. I had the privilege of being up in Fort McMurray and noticed that there's a bunch of other significant challenges in the community that support oil sands development, for example, housing, and the absence of housing. I wonder whether you could take a bit of a broader look at what kinds of supports are important to continue to sustainably develop the oil sands.

● (1040)

Ms. Heather Kennedy: On the social side of things, I think back to the start of Fort McMurray, which of course was there many centuries ago, through when Great Canadian Oil Sands came, and then Syncrude, and then most recently, the latest kind of growth spurt in the mid-1990s and 2000s. It is a town that grows incrementally, so there are step changes.

One of the things I think the Alberta government has done particularly well recently is to create regional planning and actual infrastructure plans for the high-growth regions in the province. That's allowed it to become very clear about what's required in terms of land release, housing development, and infrastructure, and also what's required in terms of getting people to live and work there. It's one thing for the oil sands companies to have their engineers and their spouses come up there and work and do their thing, but you need to have teachers, and nurses, and people to work at McDonald's, and all of those things. So actually planning for it, I think, is quite important.

When I consider, as a Canadian, the Ring of Fire, or even the LNG opportunities in northeastern British Columbia, that's an area where governments need to say that if they're going to do this, it isn't all about how they extract the resource; it is about determining what is actually needed to make sure it's healthy and vibrant and that the benefits are maximized for the community. It was a little late in coming to Fort McMurray, but it's there now.

I would say that the federal government's role is to look at that, to view it, and to see if there are opportunities where they can participate. They're a strong participant in the colleges, in the skills development, and that's been very critical. It's really about planning and it's about accepting and understanding that the social side of things is really critical in a community like Fort McMurray.

Ms. Chris Charlton: I think I saw Mr. Watkins nod, especially when you talked about infrastructure, because of course that kind of investment in infrastructure will again have a spinoff benefit for your industry, right?

Mr. Ron Watkins: Yes, right.

Ms. Chris Charlton: Do you want to add anything to the comments about those investments?

Mr. Ron Watkins: I think the points made by Ms. Kennedy are, from my point of view, spot on. The planned development of the resources, the infrastructure, and so on is obviously good from a steel consumption point of view, but in a sense the predictability of it also becomes important as people try to stage their production and investment decisions looking forward.

We as an industry need to understand much more about that. In fact, we're going to hold our next board meeting partly in Fort McMurray directly for that purpose.

Ms. Chris Charlton: I think if we had the Federation of Canadian Municipalities here, they too would agree that federal support for infrastructure would be badly needed.

I thank you for your testimony.

The Chair: Thank you, Ms. Charlton.

I want to thank all of our witnesses very much for being here and for their presentations and for their answers to the questions from committee members. Heather Kennedy from Suncor, Jean Côté from Montreal Refinery, Ron Watkins from the Canadian Steel Producers Association, by video conference as an individual, Normand Mousseau, and as an individual, Andrew Leach from the Alberta School of Business, thank you all very much. Your input has been helpful and it will add to our study greatly.

To committee members, we'll very quickly see if there's a willingness or a desire to accommodate the requests of two groups of witnesses. The first is Pacific NorthWest LNG and Progress Energy, which are both involved in one of the three leading most advanced natural gas exporting facilities. The second is the Business Council of British Columbia.

Ms. Block.

Mrs. Kelly Block: What I would like to know from you, Mr. Chair, is can this work with what's already been scheduled next week to include these witnesses in the next two days of meetings that we have?

The Chair: We know for the last day, we've only had two witnesses so far who have agreed to come. Even on Tuesday, we certainly could add.... I understand that the witness from Progress Energy could appear Tuesday as well, so we could accommodate on either day for that.

I don't know if the Business Council of British Columbia could come on Thursday. We have to find out if it can be by video conference. You'd think it would be possible. They certainly expressed a keen interest in coming.

Ms. Charlton.

● (1045)

Ms. Chris Charlton: Chair, I don't have a problem with that. I'm late to this game here. But there are a number of witnesses who we had put forward as well who haven't appeared on our witness list. I wonder, if we're going to add witnesses now, whether we could just add some of the ones we had put forward as well instead of just adding three others to the list. Is there some rhyme or reason why it's those but not others?

The Chair: They've made a request. That's why I brought it to the committee, and there are lots on our list, the list presented by the government side, who couldn't appear either.

Ms. Block.

Mrs. Kelly Block: I would ask the clerk to speak to Ms. Charlton's questions around that, whether or not those witnesses were not able to appear or whether they declined to appear. As the chair has pointed out, not all of our witnesses managed to make it either.

Perhaps the clerk could let us know what attempts were made and whether or not there were some witnesses who just couldn't make this work.

The Chair: Do you want to comment on that for me?

The Clerk of the Committee (Mr. Rémi Bourgault): It depends on exactly who you are talking about, Ms. Charlton.

Ms. Chris Charlton: As all of us do, we submit longer lists to make sure that there are lots to draw from in the slots that are available. We understand that not everybody is available at the drop of a hat, which of course is fair game, but now that we're expanding the witness list, all I'm asking is that, if we're including the three witnesses who have contacted us, whether we can also go back to this list and include a couple from our list as well, just to get a balanced perspective before the committee.

The Chair: I would argue the point whether these witnesses should be considered government witnesses or not.

Mr. Trost, we have to deal with this very quickly. Maybe I shouldn't have gotten into it today. I thought it could be handled quickly.

Go ahead, Mr. Trost.

Mr. Brad Trost: Mr. Chair, I'm trying to remember exactly what the agreement was on this, but if we do start to open this up, it could start setting a precedent.

I think Ms. Charlton has a fairly valid point about people who may have wanted to be invited by one side or the other. I don't think this is what happened here, but in theory you can see that people inviting themselves in sort of a back way favouring one side or the other.

What I would say is that I always welcome written submissions by everyone. I'm a little concerned. I'm not 100% opposed, but I am a little concerned that this could start set a precedent and cause some more functionality to break down.

The Chair: We had agreed to submit our witness list by a certain time and choose witnesses from that list, so that is what we've done.

I think these would be great witnesses, but I think we're going to have to agree to just leave things as they are and invite those witnesses, along with others, to present a brief if they would like to do so. Very good.

We'll be back on Tuesday with further witnesses for this study.

I thank you all very much for your input today.

This meeting is adjourned.