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Chair

Mr. Leon Benoit

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● (0845)

[*English*]

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

We're here to continue our study on the cross-Canada benefits of the oil and gas sectors of the Canadian economy.

Today, we have three witnesses with us. Before I introduce the them, I want to remind the committee that probably after about an hour and ten minutes, we will suspend the meeting and go in camera for a future business meeting. Until then, we will hear from our witnesses and open up to questions and comments from members.

Today we have with us from TransCanada PipeLines Limited, John Van der Put, vice-president, energy east pipeline. Welcome to you and thank you very much for being here today, sir.

We have by video conference from Calgary, Alberta, from the Canadian Energy Research Institute, Peter Howard, president and chief executive officer. Welcome to you, sir, and thank you for being with us today.

We have by video conference from Saskatoon, Saskatchewan, from 3twenty Modular, Bryan McCrea, chief executive officer. Welcome to you, sir. Thank you for being with us by video conference as well.

We'll get into the presentations. I'd ask all the presenters to keep their presentations to seven minutes.

We'll start with Mr. Van der Put. Go ahead, please, with your presentation, sir. You have up to seven minutes.

Mr. John Van der Put (Vice-President, Energy East Pipeline, TransCanada PipeLines Limited): Good morning. My name is John Van der Put, TransCanada's vice-president, energy east pipeline. I am responsible for developing and implementing the stakeholder engagement strategy for TransCanada's energy east pipeline project.

I would like to take this opportunity to thank the Standing Committee on Natural Resources for the invitation to represent TransCanada's energy east pipeline and to participate in today's panel for the committee's study on the cross-Canada benefits of developing the oil and gas industry of the energy sector.

[*Translation*]

I would like to thank the Standing Committee on Natural Resources for the opportunity to discuss the East Energy pipeline project and its economic spinoff.

[*English*]

With more than 60 years of experience, TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure, including natural gas and oil pipelines, power generation, and gas storage facilities. We're developing one of North America's largest oil delivery systems. That includes the Keystone pipeline, which moves crude oil from western Canada to refineries in the U.S. Midwest and gulf coast, and several projects under development, including the energy east pipeline.

In August 2013, TransCanada announced the energy east pipeline project, a $12-billion project that will carry approximately 1.1 million barrels of crude oil per day from receipt points in Alberta and Saskatchewan to existing refineries in Montreal and Lévis, Quebec, and in Saint John, New Brunswick. The project will also include deliveries to two export marine terminals, in Cacouna, Quebec, and Saint John, New Brunswick.

By connecting western production to eastern markets, energy east will help eliminate Canada's reliance on crude oil imported from overseas, as eastern Canadian refineries currently rely on foreign imports for 86%, or 700,000 barrels per day, of their feedstock. In addition to laying the foundation for energy independence, this cross-Canada connection also allows Canadian producers and refineries to realize greater value for their products as producers gain access to new markets and refineries displace higher cost imports.

Another innovative feature of energy east is in repurposing a section of TransCanada's existing natural gas mainline pipeline to crude oil transportation. This converted section makes up approximately 70% of the total length of the project and minimizes the project's environmental impact. TransCanada has successfully repurposed natural gas pipelines for oil service before, as part of the existing Keystone pipeline, which has safely transported about 600 million barrels of crude to the U.S. since 2010.

While the benefits presented so far are significant in themselves, I would like to spend some time discussing another important aspect of the project, the jobs and economic benefits that energy east will bring to communities across Canada.

In September 2013, TransCanada released the results of a study by Deloitte Touche LLP, and I have provided a copy of the report to each of you. That report highlighted the significant economic benefits that energy east will generate across Canada in terms of job creation, economic growth, and increased tax revenues. The economic impacts presented in the Deloitte study were independently generated using Statistics Canada's input-output model, and measure the direct, indirect, and induced economic effects of the project.

The analysis conducted by Deloitte examined the impacts of the energy east project on gross domestic product, jobs, and taxes during the six-year development and construction phase, and over the first 40 years of the pipeline's operational life. It should be made clear that given the expected market need for the transported crude oil, the actual physical life of the pipeline would likely be in excess of 40 years with regular maintenance.

In terms of gross domestic product, the Deloitte study estimates that energy east will generate a total of $35 billion, with approximately $10 billion during development and construction, and approximately $25 billion during the first 40 years of operations.

In terms of direct job creation per year, the Deloitte study estimates that energy east will generate a total of 2,300 direct jobs during development, 7,700 direct jobs during construction, and 1,000 direct jobs during operations. Examples of direct jobs include construction workers, employees at pump stations and terminals, and other jobs typically associated with pipeline projects.

Including the indirect and induced job impacts, the Deloitte study estimates a total of 7,000 jobs during development, 23,000 jobs during construction, and 4,000 jobs during operations.

● (0850)

In terms of tax revenues, the Deloitte study estimates that energy east will generate additional tax revenues for all levels of government of around $3 billion during development and construction and another $7 billion during the first 40 years of operations.

In addition to GDP, jobs, and tax impacts, the Deloitte study estimates a range of cost reduction in crude oil feedstock that eastern refineries can realize as a result of energy east being built. On a basis of 100,000 barrels per day of feedstock, these cost reductions would lead to annual savings of between $92 million and $336 million for a refinery in Quebec, and between $51 million and $377 million for a refinery in New Brunswick.

A recent article from Business News Network reported comparable cost savings to eastern refineries, further supporting the case for energy east as a positive contributor to other sectors of the Canadian economy.

To conclude, TransCanada's energy east project will create thousands of jobs and billions of dollars in economic benefits across the country, helping to strengthen Canada's economic stability and energy independence.

Continued development of Canada's energy resources is an important driver of the economic prosperity of our nation, as studies by CERI and KPMG have shown.

By the way, I've shared a study from KPMG with you.

We need to ensure that our resources gain safe and reliable access to both domestic and international markets.

Since the beginning of this project, TransCanada has been engaging with various stakeholders across Canada to ensure energy east will be the safest and most environmentally responsible pipeline possible. We have, through our engagement, received enormous support and interest in energy east because this project makes sense for Canadians.

Thanks for your interest in our project.

The Chair: Thank you very much, Mr. Van der Put, vice-president of the energy east pipeline project from TransCanada PipeLines Limited. Thanks again for being here.

We go now by video conference to Calgary, Alberta, to Peter Howard, president and chief executive officer of the Canadian Energy Research Institute.

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

● (0855)

Mr. Peter Howard (President and Chief Executive Officer, Canadian Energy Research Institute): Thank you.

Good morning. My name is Peter Howard. I am president and CEO of the Canadian Energy Research Institute, CERI.

Founded in 1975, CERI is an independent, not-for-profit research institute specializing in the analysis of energy economics related to environmental issues in the energy production, transportation, and consumption sectors. Our mission is to provide relevant, independent, and objective economic research.

CERI is a fully funded institute, with funding coming from the Government of Canada, the Government of the Province of Alberta, the Canadian Association of Petroleum Producers, and in-kind funding from the Alberta Energy Regulator and the University of Calgary.

My comments today will focus separately on the Canadian oil industry and the Canadian gas industry, starting from their current production levels and examining CERI's forecast for the future, while exposing some of the future challenges.

Facts about the Canadian oil industry for 2013 include: conventional light crude and condensate production averaged 842,545 barrels per day; conventional heavy crude averaged 451,618 barrels per day; upgraded bitumen averaged 961,000 barrels per day; and non-upgraded bitumen averaged 1,019,810 barrels per day, with eastern Canada production averaging 235,566 barrels per day, for a total production of 3,510,643 barrels per day. In addition, Canada imported on average a little over 656,000 barrels per day. We exported 97% of that to the United States at 2,571,000 barrels per day.

From a western Canada perspective, since the future production forecasts are higher than domestic demand, the single biggest challenge for the industry is characterized by the term "market access". In its simplest form, market access relates to infrastructure, either pipeline or rail, that would allow conventional crude, crude/bitumen, or refined products to achieve unhindered access to refineries and markets either in North America or globally.

Achieving market access refers to the timely development of these infrastructures, such that the flow of fluids does not become capacity limited. Lack of market access refers to the opposite situation, where flows on pipelines or rails are apportioned or curtailed, leading to a decline in the local market price or, to express it another way, an increase in the differential dollars per barrel between the Canadian benchmark crude of Western Canadian Select and the U.S. benchmark of West Texas Intermediate, or WTI.

As pipelines and rails are added to the transportation infrastructure, the narrower the differential becomes. As pipelines and rail are not added, the wider the differential becomes. Both of these situations have played out over the past two years, with the historical average range being from about minus $15 to a high of minus $37, reached in December 2013.

Pipeline differentials have affected the relationship between WTI at Cushing, Oklahoma, and the global benchmark of Brent crude. Taking both into account, the WCS/WTI differential and the WTI/Brent differential, the deepest discount for Western Canada heavy crude and the global market was reached in December 2013 at $50.70. That's minus $50.70. Effectively, Western Canada heavy barrels are being discounted at 54% to world markets.

Over the next four years, with no new pipelines under construction with the exception of the enhancements to the Enbridge Alberta Clipper pipeline, rail is the only method of transporting incremental volumes of crude and bitumen to North American markets. The Canadian rail systems linking Alberta and Saskatchewan to U.S. markets are currently capable of loading around 150,000 barrels per day. An additional 750,000 barrels per day will be under construction and coming on stream in the 2015 to 2017 timeframe.

CERI is forecasting that production of conventional light and heavy crudes will grow to 1.4 million barrels per day by 2018, and oil sands, both upgraded and non-upgraded, will grow to three million barrels per day by 2018. Between today and 2018, the export volume levels and the transport capacity will be one and the same, leading to the suggestion that the WCS/WTI differential will continue to show its seasonal volatility. The WTI-to-Brent differential will see some easing as new pipelines come on stream to handle the constriction between Cushing, Oklahoma, and the gulf coast refineries.

● (0900)

After accounting for the diluent required to transport the heavy crude by pipe and the addition of some Bakken U.S. crude to that pipeline system, the projection for crude and bitumen exports out of western Canada in 2018 will reach 4.5 million barrels per day.

The export projection post-2018 will totally depend on the level of pipeline development or rail development, with a maximum potential of five million barrels per day by 2020 and 7.5 million barrels by 2030. Keystone XL, Trans Mountain expansion, energy east, and northern gateway are required to reach these levels.

On facts about the gas industry in 2013, on a marketable gas basis, Alberta averaged 9,537 million cubic feet per day, British Columbia 3,647 million cubic feet per day—

The Chair: Excuse me, Mr. Howard, you have about a minute left. I have a copy of your presentation and you have a long way to go. Could you make a quick summary, please.

The committee members at some point will get these presentations. They can't now because they're in English only and we have to get them translated.

Could you wrap it up in about a minute, please. Thank you very much.

Mr. Peter Howard: That would be fine. Thank you.

I will skip forward and go right to the end on the gas system.

The health of the gas transmission system in Alberta will also have implications on the petrochemical business, especially as it relates to ethane.

On facts about the Canadian petrochemical business, in 2012, ethane recovered 214,000 barrels per day. CERI is forecasting that, based on the decline in the export volumes of gas, the supply of ethane will decline to 144,000 barrels per day with only slight recovery by the 2030 timeframe. This will be augmented by the Vantage pipeline bringing ethane in from North Dakota. However, the volumes will still fall short of the ethane capacity.

On the Canadian oil and gas industry as far as capital investments is concerned, in 2012, exploration and development accounted for $39.7 billion, operation expenditures were $18 billion, royalties were $8.5 billion. On the oil sands side, capital investments were $27.2 billion, operating costs were $20.1 billion, and oil sands royalties were at $3.7 billion.

The oil and gas industry faces stiff challenges relating to market access, with the biggest risk being the lack of pipeline access to North American and global markets. The fallout from not solving this issue is a continuing of the WCS/WTI differential volatility, leading to the dampening of growth of the oil sands developments post-2019.

Thank you very much.

The Chair: Thank you, Mr. Howard, for your presentation.

We go now to Bryan McCrea, the chief executive officer for 3twenty Modular, from Saskatoon, Saskatchewan.

Go ahead please, Mr. McCrea, for up to seven minutes. Thanks again for being with us today.

Mr. Bryan McCrea (Chief Executive Officer, 3twenty Modular): Thank you for having me, and good morning, committee members, fellow witnesses, and guests.

My name is Bryan McCrea. I'm the co-founder and CEO of 3twenty Modular. I'm pleased to have the opportunity to share my insights and experiences as they relate to the cross-Canada benefits of developing the oil and gas industry of the energy sector.

For some background, 3twenty Modular is a designer and manufacturer of modular structures. We build workforce housing, offices, complexes, lavatories, and custom enclosures for the mining, oil and gas, and construction industries. We are headquartered in Saskatoon, Saskatchewan.

The perspective I am sharing is that of a young entrepreneur who has had the opportunity to start a business, grow a business, create jobs, and support tens of millions of dollars of economic development largely because of the opportunities provided by the oil and gas industry.

I have summarized my insights of the benefits of developing the oil and gas industry in three key points.

Number one is enabling entrepreneurship. Oil and gas companies do not develop their projects and resources alone. They rely on thousands of vendors in their supply chain who have developed specialized expertise, products, and services to support a project's life cycle. As such, the oil and gas industry provides vast opportunities for enterprising individuals to be a part of the supply chain. It is undeniable that the oil and gas industry has enabled thousands of entrepreneurs to take an idea or an opportunity and turn it into a business—much like our story.

As the world's population continues to grow, so do the pressures on the oil and gas industry to provide. As such, the industry seeks innovation that helps improve productivity, reduce cost, and minimize the environmental impact of the activities. Entrepreneurs tend to be a major source of this innovation. Entrepreneurs are usually the ones developing a better widget, improving reclamation technology and processes, and improving safer methods of transporting oil to export markets.

My second point is growth and reduced risk. Initially 3twenty Modular's close proximity to uranium, gold, and potash developments in Saskatchewan made Saskatoon an attractive location to build our business. However, with unfavourable commodity prices resulting in changing economics for many of our customers, we have been forced to expand, diversify, and ultimately focus on the oil and gas industry. Calgary, Edmonton, and Fort McMurray and area are now considered our primary markets for growth. In fact, in a year when major capital expansions were concluding in Saskatchewan's mining industry, we were incredibly fortunate to be able to refocus our business quickly to supply the Alberta market. As a result, in 2013, 75% of our revenue came from the Alberta market. Oil sands production is expected to double by 2025, and as such, we do not see this market focus changing. The Alberta oil sands market has become a primary growth target for our organization.

The oil and gas industry's continued growth has provided us with certainty to plan our business's growth and invest capital into additional infrastructure, human resources, and R and D. Without the oil and gas industry, expansion and investment would seem risky and unattractive. Financial institutions and private equity capital have been more willing to fund start-ups in Saskatchewan given our proximity and accessibility to Alberta's oil and gas industry.

Additionally, Canadian manufacturers are constantly competing against the economics of offshore procurement strategies. In the oil and gas industry, proximity to projects, customer service, and timelines are as important as, if not more important than, price. As such, offshore manufacturers may be able to provide a more cost-effective nut, bolt, or small widget, but when it comes to large material, buildings and equipment, local manufacturers like ours have an obvious advantage. The oil and gas industry helps sustain and grow a healthy Canadian manufacturing industry.

That brings me to the third and perhaps most obvious benefit: economic development. The oil and gas industry without doubt has a profound impact on the economy. We see this through business start-ups, employment creation, training and development, supply chain spinoff, and community investment. An industry that represents 25% of the value of the Toronto Stock Exchange, employs well over half a million Canadians directly and indirectly, and has attracted $55 billion in investment in 2012 is undeniably one of Canada's major economic engines.

The oil and gas industry is particularly important to the economic development of rural and semi-urban areas. In Saskatchewan, for example, oil and gas development has had significant impact on towns and cities, including but not limited to Kerrobert, Kindersley, Swift Current, Estevan, and Weyburn, and could eventually extend further north into such communities as Île-à-la-Crosse should the Saskatchewan oil sands be developed.

● (0905)

This industry has helped keep many of Saskatchewan's rural areas healthy and vibrant. No longer do young families need to move to the city to prosper. Now, thanks to the oil and gas industry, they can be employed, start a business, and raise a family in a town where they were born and raised.

To conclude, it is imperative that Canada continue to support the development of its oil and gas resources in a responsible and aggressive way. Continued growth will stimulate training and development, employment, entrepreneurship, and economic development for decades to come.

Thank you for the opportunity to share my insights as an entrepreneur building a business in the oil and gas industry.

The Chair: Thank you very much, Mr. McCrea from 3twenty Modular.

Those are the presentations. Thank you, all. They were very helpful indeed.

We'll go now to questions and comments. In the seven-minute round, we have Ms. Block, followed by Ms. Leslie and then Mr. Regan.

Go ahead please, Ms. Block, for up to seven minutes.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): I want to thank all our witnesses for joining us today. I know those of you in Alberta and Saskatchewan had to wake up very early to join us for 9:00, and I really do appreciate the testimony we've heard from all of you.

Mr. McCrea, I'm hoping to get to you in the seven minutes I have, but I truly do appreciate what you've shared about Saskatchewan. I am a member from Saskatchewan, and I represent the riding of Saskatoon—Rosetown—Biggar, just a little short of Kindersley, but I have seen some of the growth in my riding as a result of the exploration in the oil and gas industry taking root there.

Mr. Van der Put, I have a few questions for you. We understand that TransCanada submitted its project description in March and that this is the first step in the NEB process.

I took some time to look at the NEB website last night, specifically on project descriptions and their process. We know that a project description describes a project on which a company expects to file an application later. It is written by the company, TransCanada in this case, and submitted to the NEB, which is an independent arm's-length organization. It provides preliminary information, which allows the NEB to prepare for the application and begin outreach activities. It is my understanding that all project descriptions are publicly available on the NEB website.

Can you describe TransCanada's project description process? Was it a thorough process? What does one do after a project description? Can you walk us through the NEB process?

● (0910)

Mr. John Van der Put: Yes, thank you.

Project description is a summary of what the company intends to propose to build. As you mentioned, it provides the National Energy Board the opportunity to prepare itself for its regulatory review of the project. The actual filing of the application to the National Energy Board is expected to come this summer, so TransCanada at the moment is working on completing its environmental impact statement that will accompany its application for authorization for a certificate of public convenience and necessity, to ultimately build the energy east project.

What will happen after that is that the National Energy Board will begin its actual review process. It is a legislated 15-month process that includes a process of public hearings and thorough examination of that environmental impact statement.

Following that 15-month period, the National Energy Board will make a determination of whether it is or is not in the public interest, at which point my understanding of the process is that the cabinet has three months to make a final decision with regard to the project.

Mrs. Kelly Block: Thank you.

Could you tell me a bit more about the process surrounding the environmental impact statement? What goes into that process?

Mr. John Van der Put: The environmental impact statement is a rigorous assessment of all of the potential impacts of the project, but also the benefits of the project from a socio-economic standpoint. It looks at all of the aspects of the environment, biological, physical, the human environment, and, as I mentioned, the socio-economic impacts, and also the safety and security aspects of the project. All of those are dealt with in the environmental impact statement.

The various components of an environmental impact statement are prepared by independent consultants, independent firms that specialize in those kinds of assessments. They will assess the valued environmental components, for example, and will make a determination of significance of impact, with the consideration of anything that TransCanada in this case would be proposing to do to mitigate any of those impacts.

Ultimately, the National Energy Board, through its staff and members, will review that environmental impact statement. It will be made available publicly, and will certainly be the subject of review as well during the public hearing process.

● (0915)

Mrs. Kelly Block: Thank you.

The Chair: You have about a minute and a half.

Ms. Block, I'd like to remind you that the study is about the cross-Canada benefits of the oil and gas sector, so could you make sure that you tie that in to your questioning?

Mrs. Kelly Block: Absolutely.

Mr. Van der Put, could you tell me how many barrels per day of crude the pipeline would carry and how many jobs might be created with this pipeline?

Mr. John Van der Put: Yes.

The capacity of the pipeline is 1.1 million barrels per day. In terms of the jobs, we have the Deloitte study that I referred to, as I mentioned, prepared by an independent firm, using the input-output model from Statistics Canada. What the results of that report indicate —I'm just talking about direct jobs—is that during the development phase of the project, which is the phase we're currently in, up until the point where we would receive authorization to begin construction, it's estimated that there are 2,300 direct jobs during this current phase.

During the construction of the project, which would take place, according to our current schedule between 2016 and 2018, it is estimated by Deloitte, based on the Statistics Canada model results, that there would be 7,700 jobs during that period. Then, once the project goes into operations, there would be 1,000 jobs involved.

The Deloitte report, by the way, breaks down those jobs into each of the provinces that the project goes through, and there are six provinces that the project will be going through.

Mrs. Kelly Block: Thank you.

The Chair: Thank you.

Thank you very much, Ms. Block, Parliamentary Secretary to the Minister of Natural Resources.

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

Ms. Megan Leslie (Halifax, NDP): Mr. Chair, my colleague Ms. Mathyssen is only here for the beginning of committee, so I'd like to offer the first bit of my time to her.

The Chair: Go ahead, please, Ms. Mathyssen.

Ms. Irene Mathyssen (London—Fanshawe, NDP): Thank you very much, Mr. Chair.

Thank you to my colleague, and thank you to our witnesses.

I don't want to take up a lot of time. My question is directed towards Mr. Howard and Mr. Van der Put.

Mr. Van der Put, I'm looking at the study that you've done and I've noted where the energy east project is. My question pertains to my riding. Line 9 goes right through my riding. The proposal is to reverse that line. A lot of that line goes through very productive class 1 farmland. The concern is that the pipeline is 38 years old and it would be carrying corrosive bitumen. We're concerned about the impact on our community.

I wonder if you could share the concern in regard to pipeline breakdown, leaks, and whether this concern in the community that pipelines are old and may not be reliable would potentially have an impact on your proposal.

Mr. John Van der Put: I will say that pipelines are the safest way by far to transport petroleum.

For TransCanada, safety is our first priority, so in everything we do in terms of designing, building, operating, and maintaining a pipeline, that's always at the forefront in everything we do. Ultimately, what we're aiming for is that there be no incidents through all of those measures.

Specifically with regard to the age of a pipeline, a pipeline that is well maintained can be operated safely indefinitely. Particularly with today's technology, that's certainly something that is achievable.

The last point I'd like to make is with regard to our discussions with stakeholders, discussions with the public. We're currently at the stage, on the energy east pipeline project, where we are doing public consultation, engaging with stakeholders across the country. As a matter of fact, right now we are conducting a round of public information sessions across the country. Those provide us opportunities, not only to provide information to the public with regard to our project, but also to listen to them. We're really after two-way communication because we want to find out what's of concern to them. Oftentimes there are very specific things with regard to specific communities that we need to be aware of and we need to take into account when we ultimately finalize the design for our pipeline system. That's the stage of the project where we are right now.

● (0920)

Ms. Irene Mathyssen: Thank you.

I will turn it back to my colleague.

Ms. Megan Leslie: Mr. Howard, I have a question for you about CERI and the work that you do.

I've been on your website and have taken a look at your mission and who your researchers are. You certainly do some impressive work. My husband is an economist, so I know when you're looking at benefits through an economist's lens it's really very much about numbers. I see your staff has impressive credentials in engineering, accounting, economics, and things like that. I wonder if through any of your research, especially when it comes to things like the oil sands or pipelines, you do any of that more social science oriented research that looks at things like community acceptance or social licence. I think about, for example, the proposed fuel directive in Europe. That's not an economic proposition; that's a political proposition. That's about what communities or consumers are saying is or is not acceptable. It has nothing to do with just the raw numbers.

In a few provinces we have feed-in tariffs, and I know economists look at the idea of feed-in tariffs and think that doesn't work. But communities sometimes really rally around feed-in tariffs. In Nova Scotia we have the community feed-in tariff and people are wildly excited about this. I'm not able to find anything on your website about that kind of social science research looking at the impacts and what some of the possible barriers or hurdles are. Do you do any of that kind of work?

Mr. Peter Howard: We do it a little bit. I'll give you a couple of examples.

We investigate, monitor, and challenge the industry's relationship with first nations. What we've found over the past years is the collaboration between the oil sands producers and the first nations groups and the pipeline companies and the first nations groups, especially in British Columbia, is improving day by day almost. So the talking is going on, if you want to use that. The potential financial involvement is being discussed, and elements like that.

On the oil sands specifically, we do a fair bit of work on the emissions side of the spectrum, which is a social responsibility. Our analysis is suggesting we are getting to the point now where oil sands production is no longer the dirtiest production. It's actually getting to the point where it's getting very close to conventional oil production. So can you say it's addressing the fuel standards? Very simply put, yes, it is and that's all about innovation and technology use in the oil sands. We do look at that.

One thing we're looking at right now is the increase in emissions coming from the conventional oil side. That's something we'll be reporting about over the coming months.

Ms. Megan Leslie: Great. Thanks. I imagine my time's up.

The Chair: Thank you, Ms. Leslie.

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

Let's all remember that we're here to study the cross-country benefits of the oil and gas sector of the Canadian economy, and let's try to keep our questions and comments focused on that.

Go ahead, please, Mr. Regan.

Hon. Geoff Regan (Halifax West, Lib.): Thank you very much, Chair.

I heard a beep on the clerk's clock and I wanted to make sure he wasn't starting my time when you were still talking.

The Chair: I'm very careful.

Hon. Geoff Regan: I'm sure.

Thanks very much to the witnesses for being here.

Mr. Van der Put, one of the interesting witnesses we've had, I would say as a Nova Scotian at least, was Mr. Mike Priaro. NuStar Energy is looking at a marine terminal at the Strait of Canso, where Cape Breton meets mainland Nova Scotia. There's a lot of interest in Atlantic Canada about this project, particularly in New Brunswick, of course, and the benefits there are important. The idea is that if TransCanada were to expand its pipeline by 300 land miles, it would still benefit New Brunswick, but it would also mean that with the marine terminal at the Stait of Canso, you'd be a day and a quarter closer by sea to the Mumbai terminal in India, for example. They've also suggested there would be other benefits.

I guess the question is what the considerations are for TransCanada in looking at a proposal like that.

● (0925)

Mr. John Van der Put: TransCanada builds pipelines in response to market need.

The energy east pipeline project was announced officially on August 1 last year based on the interest that was demonstrated in the commercial open season that was conducted during the spring and summer of last year. We have long-term 20-year contracts that shippers have signed to transport crude oil from Alberta and Saskatchewan to various points that I described in Quebec and New Brunswick.

We're always assessing the market, and we are obviously always open to meeting the market need. If potential shippers were to demonstrate an interest in serving the specific point you mentioned, then that's certainly something TransCanada would be happy to look at.

Hon. Geoff Regan: Thank you.

In looking at the Deloitte report that you provided us with regarding the economic benefits of the mainline conversion project and energy east, I was a little surprised, actually. Obviously, it's important that the benefits be spread across the country, and that's a good thing. I actually thought that the benefits for New Brunswick, i.e., the percentage increase in economic activity and GDP and jobs, would be a little higher than the 8% increase in GDP and 12% increase in jobs, and so forth.

There are two things. First, are there other things that might happen that might increase the benefits in a place like New Brunswick and in other parts of the maritime provinces, for example? Second, what actions is your company taking to help train and employ workers from different provinces?

Mr. John Van der Put: Certainly the benefits in each of the provinces are significant.

In New Brunswick we'll be building about 400 kilometres of new pipeline as well as, I believe, five pump stations, a marine terminal, and tank terminal. So the benefits for New Brunswick, as you mentioned, are significant. Significant infrastructure is being proposed for the other provinces as well, and so you get some different results.

In terms of what specifically we are doing to ensure that we maximize opportunities, particularly for the workforce and for equipment and services and suppliers in each of the provinces, one specific example I can point to is that we have provided $1 million to Canada's building trades, specifically aimed at training for apprentices, for young workers, to be focused in the regions where the pipeline project will be going in.

As well, in all of our dealings with our prime contractors, who are the world-scale companies that will actually manage the construction, there is an expectation that they will focus on opportunities for local service providers. We're also going to be conducting what we think of or what we call supplier open houses in different parts of the country, to which we will invite local suppliers to come and find out more about our company, about the project, and about what it takes to be qualified to provide services to this kind of a construction effort.

Those are some examples of measures we're taking.

Hon. Geoff Regan: We've heard that refineries value diversity of supply. It's certainly important to Saint John and I'm sure elsewhere.

You've indicated that TransCanada is working with refineries along energy east, and along the line on that route, to provide direct delivery connections. Can you talk more about the details of the benefits for the refineries in Montreal, Quebec City, and Saint John? Is there any reason to think that having the line go to Saint John might have benefits as far away as Dartmouth, Nova Scotia, where recently a refinery has shut down? What would be the chances of that refinery reopening because of the supply in the region?

● (0930)

Mr. John Van der Put: In terms of diversity of supply for refineries, the very positive thing from a pricing standpoint is obviously the more suppliers you have, the greater the potential that you can get better pricing. Also there are benefits in terms of security of supply. If one of your supply points for whatever reason goes down, then you have other supply points you can rely on.

A number of factors point to the benefits of having diversity of supply. Certainly, the Irving refinery in New Brunswick having access to western Canadian crude supply to replace, in large part or in whole, the crude supply they currently get from foreign sources is a good thing. Ultimately, there would be benefits for the region overall. Specific quantification of those isn't my domain, but in general terms there would be benefits. Of course, when I talk about the region, I'm talking about the Maritimes in general.

I don't have a specific comment on the specific status of the refinery in Dartmouth. Those are based on lots of different economic factors that I'm not qualified to comment on.

The Chair: Thank you, Mr. Regan and Mr. Van der Put.

We go now to the five-minute round, with Mr. Trost, followed by Ms. Crockatt, and then Monsieur Labelle.

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

Mr. Brad Trost (Saskatoon—Humboldt, CPC): Mr. McCrea, I found your presentation very well-organized, so I'm going to start with the point you made about enabling entrepreneurship.

You said the oil industry opens up and enables entrepreneurship. Who can get in? Who are the small businessmen, the people, who can get in? Isn't the oil industry only for big companies, like Exxon, BP, Schlumberger, companies like that? What sort of background do you need to be an entrepreneur in the oil and gas industry?

Mr. Bryan McCrea: Thank you, Mr. Trost.

What's interesting about being an entrepreneur in the oil and gas industry is that it opens the door to a variety of backgrounds in everything from starting a janitorial service, which may not require significant post-secondary education, to fabrication shops, which require some trades, to working on the leasing side of the business, which requires a finance background. In other words, there's huge variability in the opportunities that exist within the oil sands, which is what is so attractive about it to me and to so many others.

There are small, medium, and large enterprises that participate in all aspects of the supply chain. Although we may not always contract directly with the owner, or TransCanada, for example, we may contract with their prime contractors, or the subcontractors of those prime contractors. There's a great trickle effect in oil sands development, starting from the top with the large companies that are basically financing the development of this, to the resources, to the small and medium companies that exist primarily to serve the oil and gas industry.

Mr. Brad Trost: In your presentation you also noted, in point four I believe it was, that this is an industry that's important to rural and semi-urban areas of the country. Why is it important that those areas have this economic benefit? Again, you're talking to Saskatchewan MPs, so this is a rhetorical question. Why can't they all exist purely on farming?

Mr. Bryan McCrea: I think you're seeing larger and larger farms, and so people are looking to re-create and reinvent themselves. Not everybody in Saskatchewan wants to be a farmer, believe it or not. I have lots of friends who came from rural areas to attend the University of Saskatchewan, and after finishing their education, they were evaluating opportunities. They asked themselves if they wanted to move out to Calgary, like many folks do, or if they wanted to start a business or work in Saskatoon, or maybe they'd return home and be a part of the family business there, or start their own business, or go work for a company there. There's more than just farming opportunity now. It's important, I believe, because those small towns and rural areas are part of the fabric of our province.

Furthermore, a lot of the infrastructure gets developed largely due to the resource development. Northern Saskatchewan is a particularly good example of the infrastructure development that's occurred because of the uranium industry. The same holds true in oil and gas areas, if you look at Estevan, and Weyburn and area. Continued infrastructure development is possible because of the industry that exists in the area.

● (0935)

Mr. Brad Trost: Look down the road to 10 years from now. We're assuming you're still president of a growing corporation. What sort of potential is there for expansion for companies like yours? Can they grow beyond their base in western Canada? Can they grow across Canada? Is there international opportunity? I don't just mean for places close by, like North Dakota. For Canadian businesses, what is the opportunity for growth if you start off in the oil and gas sector, even if you're not an official oil and gas producer?

Mr. Bryan McCrea: When we started our company, we identified the oil and gas market as sort of the low-hanging fruit that was going to really allow us to get our feet under us and then grow. For the last three years that's the market in which we've been building our business, but it's not the only market we are focused on, in the long term. It's basically financing our growth into other geographics and markets, including potential residential developments and affordable housing within Canada and outside of Canada.

We deal a lot with Canadian drilling companies, in particular, that have operations overseas. What they do is they get comfortable working with Canadian companies who provide a certain standard of product and service, and then they basically bring us with them to their international operations because they know us, they trust us, and they want to continue to see us grow. There's a tremendous opportunity geographically and across other industries, but the oil and gas industry is really what has allowed our company to grow. It kind of takes the risk out of that first leap in starting a business.

The Chair: Thank you, Mr. Trost.

Mr. McCrea, I have a question for you. Is it mandated under Saskatchewan law that an entrepreneur must be a Riders fan, and are you, in fact, a Riders fan? You don't have to answer that question.

We'll go to the next questioner, who is Ms. Crockatt. Go ahead, please, for up to five minutes.

Ms. Joan Crockatt (Calgary Centre, CPC): Thank you to the witnesses for coming.

We're winding up this study now, but I think it has been eye-opening to a lot of people to see just how widespread the benefits of the oil and gas industry are across the country. All three of you are bringing that message home today.

Mr. Howard, I'd like to start with you, please. CERI is a very storied research organization in the energy field. I'm wondering if you can tell us what your research has shown about what the U.S. agenda is of denying Canada the benefits of expanding its oil and gas sectors.

Mr. Peter Howard: I'm not sure I can define the agenda. I would suggest it's probably just politically motivated. But I do—

Ms. Joan Crockatt: Maybe I can just clarify.

We've seen that the oil and gas industry is moving full steam ahead in the U.S. The U.S. component of Keystone is moving ahead, and the Canadian one is being blocked. I'd like to have the benefit of your knowledge and thoughts there.

Mr. Peter Howard: Okay, I'll answer it this way.

On the gas side of the spectrum, it's all about supply. The U.S. is going to be in an oversupply position within the coming years, so Canadian gas is not going to be needed in that market, at least on a net basis. On the oil side, we've looked at this in many different lights and we do not see where the U.S. can become oil independent any time in the next several decades. That means imports are going to be required. I think they'll be coming from Canada. I actually believe Keystone XL will be approved, probably in the next administration. But, on a go-forward basis, Canadian crude is still needed in that market.

Ms. Joan Crockatt: So you can't shed any more light on why the U.S. is specifically discriminating against Canadian oil and gas?

● (0940)

Mr. Peter Howard: No, I can't add any light to that.

Ms. Joan Crockatt: Okay. Can you tell us if you think that the U. S. is on the verge of contravening NAFTA by curtailing the Canadian market access to the U.S. and not allowing Canadians to have the benefit of access to that market?

Mr. Peter Howard: I suppose that could become a challenge if in fact the pipeline is disallowed.

But as it stands right now, it's basically in the President's hands, and since he hasn't said yes or no to the pipeline, a NAFTA challenge really isn't relevant right now.

Ms. Joan Crockatt: Okay.

Mr. Van der Put, thank you very much for being here. I'm from Calgary. There's a huge presence of TransCanada there, of course.

I wonder if you could tell us, what do you consider to be the major impediment at the moment, if you do see any, to proceeding with your project and realizing the gains and benefits for Canadians?

Mr. John Van der Put: As I mentioned, there's broad support for the energy east pipeline project across the country. We know that from the polling we do but more specifically from just talking to people.

As I mentioned, the public information sessions that we conducted last year, that we are conducting right now, give us the opportunity to talk one on one with people and find out what they are concerned about. What we find is that in the vast majority of cases we're able to address their concerns, fully answer their questions.

Oftentimes, as I mentioned, there's value and we benefit from those discussions, as well, because we learn things that we can use to improve our project, actually. There are many examples that I can point to where we made specific changes to our pipeline route, to various aspects of our project, once we had taken people's comments and suggestions into consideration.

From my perspective, there are always questions, but we have answers to those questions and we're working through it in that fashion.

Ms. Joan Crockatt: Are there specific benefits to groups like aboriginals that you might be able to point to, or can you bring it down to the level of how you think this pipeline will specifically benefit? Is there any particular group that you have been surprised by or the public might be surprised to know of?

Mr. John Van der Put: First nations and Métis, are quite a significant component of our stakeholder engagement program. There are about 150 first nations along the pipeline route that are interested in this project and we have discussions with all of those. Some of the specific benefits for some of those, certainly, are employment opportunities.

There are a lot of aboriginal enterprises that in fact either are currently or can become qualified to contribute to the construction of a project like this.

There are also business opportunities. We are in discussion with some first nations in Ontario about specific business opportunities.

So in terms of aboriginal groups, there are a lot of opportunities, as there are in all of the communities along the way.

I've been at this for a while. I wouldn't say that I've been surprised with regard to any of the specific benefits. They are significant and we're leveraging them.

Ms. Joan Crockatt: Can you give any one example?

Is my time up?

The Chair: Your time is up, Ms. Crockatt.

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

[*Translation*]

Mr. Pierre Dionne Labelle (Rivière-du-Nord, NDP): Thank you, Mr. Chair.

My first question is for Mr. Howard, of the Canadian Energy Research Institute.

On Tuesday, former Prime Minister Brian Mulroney called on Canada to adopt a national energy strategy based on three criteria, partnership with first nations, a realistic plan to reduce carbon emissions and a coherent plan to ensure enough Canadian skilled labour in the sector.

What are your thoughts on the former prime minister's suggestions?

[*English*]

Mr. Peter Howard: Sorry. I'm not familiar with the speech he actually gave. What I can suggest to you is here in Alberta the relationship between the industry and the first nations is imbedded in our regulatory process now so that a consultation process takes place, and I think that's a good thing.

● (0945)

[*Translation*]

Mr. Pierre Dionne Labelle: Thank you.

My second question is for the chief executive officer of 3twenty Modular.

Have you received any government grants?

[*English*]

Mr. Bryan McCrea: We have received no grants. We've been successful in attracting some IRAP funding. We've utilized the SR and ED tax credit program, but we have not received any other grants.

[*Translation*]

Mr. Pierre Dionne Labelle: An international ratings system exists for excellence in building construction known as Leadership in Energy and Environmental Design or LEED. Do you plan to obtain LEED certification?

[*English*]

Mr. Bryan McCrea: Our buildings are not LEED certified. We can build to LEED certification should a client require it.

[*Translation*]

Mr. Pierre Dionne Labelle: Very well.

Do you plan to move towards LEED-certified construction?

[*English*]

Mr. Bryan McCrea: I certainly believe there is a trend to building with green components. For example, I think we're one of the only modular manufacturers that spray-foam insulates their structures, so we have a much more efficient building envelope than traditional builds. Our clients are really attracted to that. I see that there's a trend to it, and I believe at some point we will design and build LEED-certified buildings when our clients require us to.

The Chair: We have a point of order.

Mr. Leef.

Mr. Ryan Leef (Yukon, CPC): Mr. Chair, I gather you know what direction I'm going in with this one. It's probably a good time to remind us that we're here to study the cross-country benefits, and on the last four questions we haven't heard any tie-in to that.

The Chair: Thank you, Mr. Leef. I appreciate that. I was about to bring that up.

Just tie your questions into our topic of the day.

[*Translation*]

Mr. Pierre Dionne Labelle: Fine, Mr. Chair.

[*English*]

The Chair: Mr. Regan, on the point of order.

Hon. Geoff Regan: Mr. Chair, you did allow questions relating to what's happening in the U.S., which is a bit of a stretch from where we are, so it seems to me that some leeway should be permitted.

The Chair: Yes, as long as he ties the question or comment in with the topic of the day. That's all I ask.

Go ahead, please, Monsieur Labelle.

[*Translation*]

Mr. Pierre Dionne Labelle: Thank you, Mr. Chair.

In that case, my question will be for the TransCanada PipeLines Limited representative.

On page 15 of the report you gave us, I see it says that during the operations phase, the project is expected to generate a total of $7.2 billion in tax revenue from all sources, which represents $180 million annually. Could you give us the details on that tax revenue? Where does the $180 million a year come from?

Mr. John Van der Put: It comes from all taxes on revenue, property and excise taxes, all the various taxes. I could provide you with more information on the breakdown of the taxes later.

Mr. Pierre Dionne Labelle: Does the amount also include the tax increase on your operating profits?

Mr. John Van der Put: The amount represents taxes on revenue. If I've understood your question correctly, the answer is yes.

Mr. Pierre Dionne Labelle: Thank you.

The Chair: Thank you, Mr. Dionne Labelle.

[*English*]

We go now to Mr. Calkins, followed by Monsieur Jacob, and then Mr. Leef.

Go ahead, please, Mr. Calkins. You have up to five minutes.

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

Mr. Van der Put, you talked about jobs, 2,300 direct jobs, 7,700 construction jobs, and 1,000 operation jobs in terms of energy east.

Can you give us the difference between what a repurposed pipeline would do, insofar as economic benefits, versus brand new construction? There are several other pipelines on the books across Canada that would not be repurposing an existing pipeline, but would actually be new construction. Do you have any information that you could provide this committee on that? Both of them provide economic benefits, but could you tell us what the difference would be between a repurposed project and a new project?

● (0950)

Mr. John Van der Put: I can't give you exact numbers, but certainly the investment involved in a new pipeline is greater than the investment involved in a repurposed pipeline.

For a repurposed pipeline, there are new components, including new pump stations. All of the shut-off valves have to be replaced. The ones in existence for the natural gas system are only designed for natural gas service, so they have to be replaced. There is also some cost involved with isolating the pipe from the original gas system and creating the new oil system. But I can't give you exact figures in terms of what the difference would be between a repurposed pipeline and a new pipeline.

Mr. Blaine Calkins: Either way, any pipeline, repurposed or new, obviously creates economic benefit. I think that goes without saying, so I appreciate that.

I wonder if you could elaborate a little more on the tax components. You talked about $3 billion or so for the implementation of the repurposing of the pipeline and then the ongoing taxes of several billion over the next 40 years of the operation of the pipeline. Could you give us the breakdown? Do you have any information on the breakdown insofar as what would be royalties and what would be payments to provinces or taxes in the workforce? Do you have a breakdown? You got a total from somewhere. I'm just wondering if you could give us the breakdown statistics on that.

Mr. John Van der Put: All of the results that I quoted there and the figures that you're describing are outputs from the Statistics Canada input-output model. I don't have a breakdown on hand in terms of what portion of that is income tax versus sales tax versus property tax. It's all of those kinds of taxes. I can certainly go back to Deloitte if it's of interest to the committee and see what I can do in terms of getting a further breakdown of those figures.

Mr. Blaine Calkins: If it comes from those reports or if it comes from StatsCan, I would imagine that we can probably get that information. We can ask our analysts to look that up for us. We don't need to use up your time on that.

Mr. Howard, I'd like to talk to you about the petrochemical side of things.

I represent the riding of Wetaskiwin in central Alberta and all of the chemical sites associated with Joffre, which I'm sure you're probably very aware of. I'm concerned about the natural gas market insofar as production decreasing.

As you know, polyethylene plants need the sources, the wets, from these gas wells. If the production is going to go down and consumption is going down.... Could you tell the committee how important this is, not just for the purpose of heating homes, or for the other common uses of natural gas, but also for what some of the economic benefits are when it comes to the value-added component of the natural gas stream and that loss in natural gas production due to a lack of availability of markets in the United States? How important is the diversification of our markets in order to sustain not only the production of natural gas but also the value-added chain that natural gas provides?

Mr. Peter Howard: The petrochemical business actually has two centres in Canada, one in Alberta, primarily in the Joffre and the Edmonton area, and the other in Sarnia.

Probably of more concern are the Alberta facilities. As you indicated, because of the reduction in the flows on the export pipelines, the recapture or the stripping of the ethane molecules out of those streams is going to go down with those gas flows. I would suggest that this is a concern for Alberta, but the petrochemical business is actually in a position to try to recapture some of that ethane. As I indicated, some new molecules are coming on the Vantage pipeline, which will bring ethane from North Dakota into the petrochem business in Joffre.

There are several producer-led initiatives that are building deep-cut facilities in the fields and the gas plants, which will capture the ethane molecules in the field before that goes to the straddle plants. That will contribute to improving the ethane supply to the petrochem business or at least to maintaining it.

The third element is something that has been talked about but not advanced, and that's what they call streaming of the fluids. In essence, what you end up doing is sending the gas streams out to the straddle plant operations at the border locations, stripping out the ethane, propane, and butane, sending the drier gas to market, and then bringing the residual gas back into Alberta and up to Fort McMurray to feed the oil sands. That's the ethane side of the equation.

On the propane and butane side of the equation, the decline in flows is not as significant in the field operations, because we do need gas in Alberta to feed the oil sands, so there is a bit of an uptick in the demand in Alberta. As far as the C5 components go, again, that's a field operation, and we don't see significant loss of volume there, because the field plants are being enhanced and stuff like that.

One other thing is that our drilling programs are basically moving to the wetter resources, so today we are actually producing gas that has more liquids in it than it did five years ago. The liquids can be recovered even though the gas streams are falling off.

● (0955)

Mr. Blaine Calkins: That's good news.

The Chair: Thank you, Mr. Howard and Mr. Calkins.

We will go now to Mr. Jacob, for five minutes, and then there will be a few minutes for Mr. Leef.

[*Translation*]

Mr. Pierre Jacob (Brome—Missisquoi, NDP): Thank you, Mr. Chair.

I want to thank the witnesses for joining us this morning.

I am letting you know that I will be sharing my time with my colleague, Ms. Leslie.

My first question is for Mr. Howard.

During its study, the committee has learned that inflated costs and stretched timelines of oil sands projects have resulted in lower production than what was forecast in 2004. One witness told the committee that the more recent forecasts for oil sands production and associated economic benefits were underpinned by unrealistic assumptions about cost. Could you please comment on that argument?

[*English*]

Mr. Peter Howard: I'm not sure I totally understand the question, but maybe I can just answer it this way.

The energy east pipeline is a vehicle where western Canada landlocked crude-based systems can access global markets, so if the Keystone XL pipeline is disallowed, then the energy east pipeline becomes one of the major conduits to get crude and crude bitumen out to market.

Our assumptions with regard to increased oil sands production, especially anything above that four million barrel level, is predicated on one or two of the pipelines being authorized. The energy east pipeline is definitely one of the major pipelines that would allow sustained oil sands growth to feed that pipeline.

[*Translation*]

Mr. Pierre Jacob: Thank you, Mr. Howard.

I have a second question, after which I will turn the floor over to Ms. Leslie.

Have the high costs of oil sands projects affected CERI's assumptions about the future of the industry and its economic impacts?

[*English*]

Mr. Peter Howard: The oil sands are the marginal barrel production. They're very expensive to produce. I agree with that. They require a lot of human capital, a lot of technology, a lot of innovation to produce those. In the absence of a pipeline or any kind of pipeline, that development would not take place.

That's probably all I can add to that.

[*Translation*]

Mr. Pierre Jacob: Thank you, Mr. Howard.

Ms. Leslie will now take over.

[*English*]

Ms. Megan Leslie: Is there any time left?

The Chair: Yes, go ahead, Ms. Leslie. You have under two minutes.

Ms. Megan Leslie: My question is for Mr. Van der Put.

Representatives from TransCanada have said many times, both in relation to Keystone but also here in Canada with reference to energy east, that pipelines don't lead to greenhouse gas pollution. The argument is that the oil is coming out of the ground anyway, so pipelines don't spur new oil sands development.

Whether I agree or not with that argument, that is the argument, but if that is the case, then when TransCanada is building a picture of the economic benefits of a pipeline, the benefits that TransCanada lists go well beyond the actual operation and construction of the pipeline, so I see a contradiction there. How do you resolve that contradiction?

● (1000)

Mr. John Van der Put: The point I'd really want to make with regard to greenhouse gas emissions is that TransCanada is committed to doing its part to reduce greenhouse gas emissions. We are, in so doing, addressing the global issue of climate change. Our belief is that the solution lies both in terms of environmental performance, but as well in terms of using technology. Each year we do more to reduce our own emissions. We develop, together with our peers in the industry, technologies that can be brought to bear to achieve those reductions.

One of the specific examples would be this. We have quite an extensive program within our pipeline company to reduce what we call fugitive emissions, which are basically emissions from seals and things of that nature, to first of all, identify those and to take measures to reduce those. That's just one small example.

The Chair: Thank you.

Thank you, Ms. Leslie.

You have two minutes, Mr. Leef.

Mr. Ryan Leef: Thank you, Mr. Chair. I'll keep my questions brief.

Mr. Howard, you talked about capacity of railcars and we're having a discussion about pipelines here today as well. Maybe you could provide some information or figures regarding a potential benefit in Canada to other sectors with improved capacity of pipelines, and therefore a reduced reliance on transportation, specifically rail. How might that benefit other sectors' access to rail or other transportation methods if we had a better capacity development of pipeline flow?

Mr. Peter Howard: One very simple example is it's cheaper to send crude or bitumen through a pipeline than it is by rail. If in fact you do construct pipelines, that would mean there's more money flowing back to the producers, which would by implication suggest that they would then be able to reinvest more money into more drilling, more emissions systems, and innovation and technology.

The other point is I think rail is a system that's being used right now as a bridge to getting these pipelines built. On a long-term basis rail should probably be reserved for other commodities, not necessarily crude.

Mr. Ryan Leef: Thank you very much.

The Chair: Thank you, Mr. Leef.

I want to thank all three of the witnesses. It was very helpful information for our study.

Thanks, first, to Mr. Van der Put, the vice-president of energy east pipeline from TransCanada Pipelines Limited.

Thanks also to Mr. Howard, the president and chief executive officer of the Canadian Energy Research Institute.

Also, thanks to Bryan McCrea, the chief executive officer of 3twenty Modular.

Thank you all very much for being here this morning.

We will recess the meeting for a couple of minutes to go in camera. We're going to discuss future business of the committee after we come back.

[*Proceedings continue in camera*]