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Chair

Mr. James Maloney

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• (1540)

[English]

The Chair (Mr. James Maloney (Etobicoke—Lakeshore, Lib.)): Good afternoon, everybody. Thank you for coming out. It's good to see so many people wearing pink today.

I see that we're joined by a special guest, Mr. Albas, today. Thank you for substituting.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): My mother calls me special all the time.

The Chair: Well, she called me and told me you were coming.

Some hon. members: Oh, oh!

Mr. Dan Albas: Thank you, Mr. Chair.

The Chair: Truly, we have some special guests today. We're joined today by two groups, four individuals whom I want to thank for being here. Everybody should have in front of them two decks of material, one on behalf of CSA and one on behalf of CAPP. If you don't, we can get you copies.

I want to take a quick moment to introduce the individuals and thank them for coming. Mr. Ferguson is the vice-president, policy and performance, from the Canadian Association of Petroleum Producers, which we know as CAPP. I'm sure Mr. Ferguson will go into more detail, but CAPP is a large industry organization that represents the upstream Canadian oil and natural gas industry. Their members produce 90% of Canada's natural gas and crude oil, with revenues of about \$100 billion a year, if I have that correct.

After Mr. Ferguson, we will be pleased to hear from Kevin MacDougall, who is the director of energy and utilities; Mr. Michael Leering, who is the program manager, environment and climate change; and Jeffrey Walker, the program manager of natural resources, from the Canadian Standards Association. Gentlemen, thank you for coming.

The CSA group is traditionally known.... Certainly I associate you with things like hockey helmets and stoves, but we're going to learn today—most people should already know this—that the organization is much bigger and far reaching than that. Thank you very much for coming out today.

It's up to you who wants to go first, but I'm looking to my left, so maybe Mr. Ferguson would prefer to start.

Mr. Alex Ferguson (Vice-President, Policy and Performance, Canadian Association of Petroleum Producers): First of all, thank you very much for the opportunity to be here today. I have gone through a lot of the previous materials and presentations that you've

had here, so I'm hoping not to rehash some of the good information that I saw in some of the materials that you've seen already, but hopefully to add a little bit of value to that and maybe additional insights from the upstream producer's perspective.

I do want to highlight that although we focus on the upstream as the sector that we represent, it's not just large producers, it's also very small producers, down to some of our member companies that would be in the order of drilling two or three wells in a year. It's quite a diverse perspective on what the industry is, where it wants to go, and where it thinks it can go. It does provide a good integrated view.

I thought I would start with some really new information. I sent some information in some slides previously. I don't know if they translated that perfectly, but I thought I would start with a few opening remarks about some of the late-breaking news this week that would add some perspective on the current situation and highlight some of the direction that we think our sector could be and should be going into the future.

This first highlight of note that I wish to bring up is the recent media release late last week on the capital investment plans for our sector for the coming year 2016. We do this on a regular basis. It's not a forecast. It is a compilation of all our members, their capital programs and budgets, and how collectively that impacts activities.

In that context, over the last seven or eight years, every dollar of income that our member companies have made has been directly put back into the ground in activities in Canada. On top of that, we have had over the last several years, a pretty significant inflow of capital from foreign sources into Canada to support the activity levels up to date.

It is a pretty significant number. It's hard to put into context for average Canadians, but it is a sector that permeates a lot of our other industries, a lot of our alliances, associations, and supplier networks. It's a pretty far-reaching integrated network based on the capital investment that our sector brings into Canada and puts into Canada. Unfortunately, we had to announce this week that we've seen a 62% drop in capital investment in our sector from 2014 levels. To tell you what that number looks like, it is approximately \$50 billion of investment that has been lost out of the Canadian economy since 2014, projected to 2016. That is a pretty significant drop.

Another way to translate that is in terms of actual well-drilling activity, which is a good indicator outside of the oil sands of the kinds of activities that drive local employment, local opportunities, and government revenues. We're projecting right now for 2016, a total number of 3,500 wells drilled primarily in western Canada. To give you a perspective, in 2014, that number was a little over 10,000. There has been a pretty significant impact, not just on sources of government revenues, sources of community employment, but also on the service sector that's related and relies on the investments that we bring in.

Although we've seen this week a slight recovery in the price of oil, it's important to note that we haven't seen the lasting effects of some of the decline that we have seen in terms of impacts on the service sector. Our industry relies heavily on that service sector. By service sector, I mean broadly. It's not just the companies that contract drilling for us but it's individual companies, one-truck type of operations hauling water for a facility.

● (1545)

It could be completion crews, but also if you go more broadly into the supply network, there are—for example in Prince Edward Island—three companies that supply goods and services to the oil sands, and they are impacted today by that decline and that impact. Once we lose the service sector and we start seeing drilling crews go south to the U.S., it becomes very difficult to bring them back. We are at the point now where I think our anxiety level for the sector has translated into a concern for the integrity of that value chain in the service sector and what we can do today to support that the best we can, so when there is a recovery we are able to get Canadians back to work.

The other thing I would point out is that this week we have our annual joint CAPP and Scotiabank investment symposium for our sector. It's held in Toronto every year. It's very well attended. Among the highlights you will see from that is, if I can quote the headline from one of the more notable things coming out of that symposium, that "The era of megaprojects in Canada's oil sands is probably over". What that means—and we've seen this for a while—is that the value opportunity for us for our sector, and for our resources in Canada, is going to shift and we're going to be looking at more of the unconventional resource-play type of opportunities. The investors are looking for more confidence and shorter return periods. They don't want to wait 15 years to see what kind of return they're going to get from their investment. We've seen this phenomenon in the U.S. as well, in terms of the shift to investment into resource plays where you can shut and turn off a well program a lot quicker than a \$2-billion oil sands project.

Now the converse of that is also true. We haven't seen a decline in oil production at the same time as the decline in oil price simply because it's also hard to turn off those megaprojects. You know the capital has been invested, and it's two-thirds or three-quarters of its way through, so that project will continue. We are still going to see growth in oil production in Canada for some time; however, new megaprojects are probably going to be a lot more challenged going forward than they have been in the past.

Another point I would highlight is that tomorrow the Alberta government announces its budget. I'm aware we're going into the

lock-up in Edmonton tomorrow. We are expecting to see some manifestation of the recent climate policy statements and commitments made in Alberta. Certainly it's not the only province that has made significant commitments to the climate agenda, but we think Alberta should be particularly proud about the leadership position it has stated. We're hoping to see some evidence around the carbon levy piece that it has announced, the oil sands emissions limit, and the performance standards, as well as the methane reduction commitments that we have made as a province, and provinces, as well as federally.

Certainly in my last points before I turn it over to my colleagues, I think one thing I do want to mention, certainly, is the recent activity around the federal government leadership on market access and pipelines for our sector. We have seen some growing and certainly this week some more activity in that area, more intent stated in that area, which I would say from our sector's perspective we welcome dearly. It is really the underpinning piece for our aspirations on the climate policy; for indigenous peoples and their role in going forward, which is a key trigger in the market access issues from our perspective; for the regulatory confidence that we're hoping to see continue to emerge and grow in this country; and of course for the political commitment to get Canada's natural resources to the right markets, at the right time, all the time.

I'll stop there, and there are plenty of answers that I hopefully can provide to questions that come up from any of the detailed materials we've provided, as well as previous presentations.

Thank you.

● (1550)

The Chair: Thank you, Mr. Ferguson.

I'll turn it over to you, gentlemen.

I see, Mr. MacDougall, your light is on. I assume that means you're going to be the spokesperson.

Mr. Kevin MacDougall (Director, Energy and Utilities, Canadian Standards Association): Thank you, Mr. Chair and committee members, for inviting CSA here. As indicated, I'm a director with CSA and I have two of my colleagues here with me today.

We sent 70 slides in with the submission so we're not going to do that to you this afternoon. This is about discussion, and I'm not trying to put you to sleep with a PowerPoint presentation, but there are some key slides, and I'll go through them relatively quickly. Then I want to turn it over to Jeff and to Mike. They have some key messages they want to deliver as well.

The key points I want to focus on here in the information that was sent is what CSA is and how CSA standards support society and industry for the better good. Of course, if there are questions afterwards, we can respond.

We heard the hockey helmet and the refrigerator reference. We do much more than that when it comes to supporting industry and other initiatives. As I said, the information was sent through, and I'll focus on what CSA is and the standards development.

Here are some key facts about CSA. CSA was established in 1919, so we're coming up on our 100th birthday here. We're going to have a big cake and a celebration. The other key thing is that we have a presence in 14 countries. Saturday I returned from Taiwan. We had met with the Taiwanese government and industry officials, and they are adopting our standards for pipeline operations, so it's huge with regard to the recognition that we're seeing around the world and the adoption of the standards that have been developed by CSA.

Moving on to CSA standards, basically, we're a not-for-profit organization. We serve business, industry, government, and the consumer society. Our whole goal here and our vision is to make the world a better, safer, more sustainable place to be. We build our standards to that end to enhance public safety and health, quality of life, and to facilitate trade.

If I was to pick out one part of that to add on to Mr. Ferguson's information that he shared, it's that recently, and because we are not-for-profit, we have seen a vast decline in many areas of our operations in CSA. We produce training manuals and training classes on the standards. That has declined. The purchase of the publications have declined. Participation in our technical steering committees that come from industry, which I'll speak to in a minute, has declined, as has funding, which historically comes from industry and government sectors.

We're seeing a risk here to what CSA does. If the government wants to do right by Canada and it wants to fund the development of standards and programs to support industry, that's a key place that they could focus on. One of the organizations that is funded by the federal government is the NEB, the National Energy Board, which is key to many of the standards that CSA produces for the oil and gas industry.

Moving on, the slides show the breadth of where we operate and where we produce standards across the various programs: the electrical, the energy, the environment, and technical safety. It's not just focused strictly on the energy industry.

As for the standards development process, basically, CSA is a facilitator of an accredited process. We bring the experts to the table to develop the standards to put controls in place and run the industry safely and sufficiently. Those committees are composed of volunteers. They all volunteer their time and efforts and, of course, are funded by the companies they work for or by the programs that are funded by the government.

Slide nine shows a brief overview of the workload for standards development. The key thing to notice here is that there are three points in the process where standards in development are put out for public review. We have an opportunity for the public or for interested parties to actually submit a request for information or to provide any additions they want for the standards.

I want to touch on the part of the process that affects the energy industry in oil and gas. We also have a nuclear program, but I won't get into that today. I'll talk about the oil and gas program. It has been in existence for about 45 years. There are actually 20 committees that support the standards development process in the oil and gas industry, and about 400 members in 11 different areas are covered in

the work that those committees do. That's found on slide 12, and those are all the green balloons, if you see them there.

● (1555)

On our goal in CSA moving forward, we opened an office in Calgary in 2014, and our goal there is to advance the development of standards in additional areas of the oil and gas industry. Currently, we deal with LPG—liquid petroleum gas—storage and handling and pipelines. We also want to get into the upstream industry on the refining side, into the gas processing side, and into the oil and well drilling and servicing piece as well. That's an area where we want to work with industry and the regulators to move forward and have more standards in place to support that side of the industry, sustain it going forward, and make it successful in Canada.

We see the technical committee and the formation of that now, so I'm not going to spend a lot of time on that. But on slide 14 you'll see that the two main standards in the oil and gas industry are supported by about 11 other standards. As we develop a standard, we start to develop more standards to support those various aspects of the industry to make sure the industry is safe and that we have regulatory and public confidence as we go forward.

We have a couple of slides there on security management and emergency management. Those are global. They aren't adopted just by the oil and gas industry. Many of our municipalities and cities have adopted these same standards for their emergency management processes and security processes.

Next, there are examples of some standards that are in development. The one on “fugitive emissions and venting” is a work in progress right now, as is the one on “well design”.

Moving into the piece away from standards development, CSA supports our standards with web applications and access. We have over 100 learning products that support the standards and about 10,000 customers who access our information annually.

On stakeholder engagement, we have about 9,000 members currently, and well over 40,000 people have actually come to our website in what we call our “community of interest”, which provides information to the public about what's going on within CSA, the various programs, and the status of those.

At that point, I'm going to stop. There is a ton of information that was sent to you. If you have any questions on it, of course we're prepared to answer.

I want to turn to Jeff first and let him give you a quick briefing on what he has going on.

● (1600)

Mr. Jeffrey Walker (Program Manager, Natural Resources, Canadian Standards Association): Thanks, Kevin.

In the near future I think we'll get to slides that are related to the natural resources program. In my group we're looking more on the unconventional oil and gas side. We also look at mining, which also relates to the oil sands, forestry, carbon capture and storage, and water resources.

I want to take a moment to talk about one of the standards we're working on. It's related to international standards. It's about innovation and how standards support innovation. It's on autonomous mining.

Autonomous mining is a new and emerging field. It's exciting. It's related to the application of information technology, advanced robotics, vehicles and equipment in the mining process. In relation to oil and gas we're talking about the oil sands mining side. It's a brand new initiative. In theory it's expected to have a significant impact on the oil sands because all this rapidly developing automation technology can improve the performance, the economics, and the safety of the operations.

With the standards, we're trying to help commercialize the field by providing for interoperability, common reference points, common interfaces, and fewer non-value-added differences that crop up whenever a new field is developing. All these different producers will develop their own things and they don't work together, so it can introduce inefficiencies and confusion.

We're trying to show that standards aren't just about mature areas. They're also about commercializing and mainstreaming new innovations. Often standards provide some of the building blocks that you need to commercialize and mainstream the new innovations.

When you see the slides in future you'll see a few more examples in carbon capture and storage, and offshore oil and gas, and northern, which is really the Arctic and offshore Newfoundland types of applications for oil and gas. Innovations are being made there, particularly where Canada is a leader, not only in international standards but also in these applications. It's a way of helping to give them a wider, more global market.

That's all I had to say. I'll hand it off to Mike now.

Mr. Michael Leering (Program Manager, Environment and Climate Change, Canadian Standards Association): Thank you. I just have about one more minute of context to add as the program manager for the environment and climate change group with CSA.

The information I want to bring forward today is that aside from standards development, we also have a large portfolio of programs and services that we offer that are supplemental to certification and testing.

I'd like to focus on climate change implementation and emissions within the province, present day and into the future. I think by and large the biggest program we do offer and manage is that, since 2007, we have operated the entire offset system within the province of Alberta. Under the specified gas emitters regulation, there are means by which the large emitters in Alberta can track and reduce their emissions under that regulation. CSA has been operating the entire offset registry system since 2007.

Obviously the federal government is now very actively engaged in the climate portfolio. As we move into the era of new regulations within Quebec, British Columbia, and Manitoba, I just want to bring to the table that CSA has a lot of experience and services that we've been working with the provinces on for about 10 years now.

You will be receiving further slides from the CSA group, I believe on Friday. In those slides, I have provided for you a pictorial representation of the Alberta offset system and what it looks like.

My key takeaway that I would like you to have is that public transparency, from a climate change reporting perspective, is of utmost importance. People in the public need to trust that offsets and the use of carbon market mechanisms are robust and secure.

Our registry and work with the Province of Alberta really speaks to that, in that all project documentation on any greenhouse gas initiatives are publicly available. If you're looking for the emissions savings or emission reductions and offset usage of any specific company, you can use our registry, and the public portals that are live and active today, to gain insights as to who's creating offsets, how they are creating them, who's verifying them, and what the verification reports say.

Public transparency is of utmost importance for us. I just wanted to bring that context to you today, aside from the standard development work that we do. We have a lot of robust programs that are very mature with all the provinces, and we're obviously very interested in supporting linkages, new regulations in Ontario, Quebec, B.C., Manitoba, and others.

I just wanted to provide that. There will be some supplemental information on Friday that you will be receiving from us. I appreciate the opportunity to provide that context for you today.

• (1605)

The Chair: Thank you very much all of you for your excellent presentations.

I am going to open the floor to questions now. The first person up is Mr. Denis Lemieux.

[Translation]

Mr. Denis Lemieux (Chicoutimi—Le Fjord, Lib.): Thank you, Mr. Chair.

My thanks to the witnesses. I very much appreciated your testimony. I am very pleased that you are here today.

My questions are for the Canadian Association of Petroleum Producers.

Mr. Ferguson, according to the Canadian Fuels Association, Canada is an exporter of refined oil. Has the Canadian oil industry thought about increasing Canada's refining capacity to export refined oil outside North America, more specifically if a pipeline is built between western and eastern Canada?

[English]

Mr. Alex Ferguson: Thank you very much for the question.

The value-added piece for our product is pretty important for us. We don't represent the refineries and the upgraders necessarily. They are not really an upstream activity. However, we fully support any value-added employment opportunity in Canada.

It's a fact, for example, that all bitumen produced in Canada is upgraded somewhere, so the question for us collectively is where we would want that to occur. We would be happy, as the upstream producers, to see that happen here in Canada for the benefit of Canadians. I think of some of the activities we saw recently in Alberta, for example, where the government a little while ago announced a subsidy-type program or incentive program to promote more upgrading of that bitumen product in Alberta.

Also, when we've had conversations...for me personally, recently in Ontario, for example, around an oil product, an oil pipeline moving through a jurisdiction. If you look at it from a long-term perspective, that does create and should create opportunities for the petrochemical sector. Certainly, if you just take the refineries in eastern Canada, I think there's a pretty significant volume of oil that's brought in from outside of Canada from jurisdictions that, I'll be honest, have pretty significantly lower environmental and social standards than we have in Canada and that guide our activities here. We think there's an opportunity to replace this with a Canadian product.

That's just on the refineries in eastern Canada, but a longer-term vision might be to look at more oil flowing in and through a jurisdiction for the long term, with some stable supply pricing, which should trigger some thinking around what that might do to growth for a petrochemical sector. Samia row occurred for a specific reason. The oil was there. It didn't come after the petrochemical sector was there.

I think there's a lot of opportunity to do longer-range thinking on that and figure out if there's an optimal pathway to create the investment environment that would promote more value-added production on some of our core natural resources, oil and natural gas.

•(1610)

[Translation]

Mr. Denis Lemieux: Mr. Ferguson, in March, in response to a question from Senator McCoy on market access to Canadian oil, you said something before the Senate committee that really got my attention. For the sake of the members of the committee, allow me to quote you:

I make the comment several times that this is not just an oil issue. It is a natural gas issue. It is a lumber issue. Probably, if you talk to the mining people, it is a mining issue. If we believe that our natural resources in this country are and will continue to be an important part of our economy, we believe that there's a need to have a focused effort to find what it takes to get maximum flexibility for all of our natural resources to the right markets at the right time all the time.

In your view, how can the Canadian government help have a focused effort to find what it takes to get maximum flexibility for all of our natural resources to the right markets at the right time all the time?

[English]

Mr. Alex Ferguson: Thank you very much for a great comment and a great question.

For a long time—forever—our economy has been reliant on our natural resources. That is the strength we have in this country. You are right—it's not just oil or natural gas, but lumber, mining, etc. It's a foundation, and it always will be. If we honestly believe that, then I think the role of the federal government might be to focus on.... We

have done a lot of work on the Canada energy strategy. I have been to several of those meetings, which are great, but what is our natural gas market access strategy? We have advocated for a very specific, focused effort on how to maximize the value of our natural resources. Having a focused strategy, having a federal government that will work with our provinces and, certainly, with our sectors, is an important part of that.

There are things we see that we can do, as an industry, as part of that. We can certainly facilitate and collaborate on the services with the value chain that we have. For example, I was just told today that building a couple of LNG plants in Canada would, just from that activity, require approximately half the production of the steel plant in Sault Ste. Marie. That's a pretty significant opportunity for the Canadian steel industry as a result of looking at market access for a natural gas product.

I think those kinds of alliances, as we build those out and come forward to our governments to explain the integrated nature of the value opportunity, are something we can do. I do believe we have a strong role to play in supporting governments, federal and provincial, and addressing the indigenous peoples' opportunities that we have in this country. We have a long history of doing that in our sector. I know other sectors have as well. We believe that's a fundamental aspect of the issues that are stopping us from getting on with the market access opportunities that we have for our natural resources, and we are committed to be quite supportive of governments as we seek to address those.

Those are two that I think we can fundamentally help change the dial on moving forward, and there are probably many others.

•(1615)

The Chair: Thank you very much.

Mr. Barlow, go ahead.

Mr. John Barlow (Foothills, CPC): Thank you very much, Mr. Chair.

I want to thank all of you for coming. You are giving us some phenomenal information, and I appreciate your taking the time to be here.

Alex, good to see you here as well. You talked about your report that came out last week regarding the decrease in investment in Alberta's oil sands. We are talking \$60 billion over the last two years, a 62% decrease from 2014. Just to put that in perspective, that would be like losing half of our automotive industry. I don't think people understand that. If this were happening in southern Ontario, we might have a much different reaction Canada-wide.

We have seen oil go up past \$40 here in the last couple of weeks, but that hasn't stemmed the loss of investment. Our job here in this study is to.... What can we do as parliamentarians to try to stem that tide? What would be your advice, as CAPP, for us? What can you see us do, and ask the minister to do, to start to rebuild that confidence and have these producers start investing in Alberta again?

Mr. Alex Ferguson: I think the first thing we talk about at our boardroom table with all the companies is that there is no one simple answer to this. There are probably hundreds and hundreds of things we collectively need to do, and I can give you some examples.

We're pleased to see some of the instruments in the federal budget that came out, and we're quite supportive of many of the elements in there. One of the things, a granular example I can give you, is that we've looked at this industry. I come from the forest sector, so I know the forestry world quite well. This industry has a fiscal treatment of the capital it expends that is different from many other sectors, certainly different than forestry.

You saw the shift I just suggested that some of our members are seeing around the shift from big projects to these resource-play unconventional opportunities they are supporting in terms of the standards, development, and processes. Yet our understanding...our tax rules, for example, on the way we treat capital expenses in this industry were developed long before the existing technologies led to the growth and the opportunities in the unconventional resource sector.

We have suggested to the Minister of Finance that we're not supposing we have the magic answer, but we believe—given the fundamental, dramatic changes in the technology that have unlocked this resource opportunity—that we should probably modernize and give a view to our tax treatment rules around that as a result of those changes. That's a granular thing, but if thought through carefully would have amazing impacts on the amount of investment that goes into the ground to employ people in Canada.

That's one and that's a very small, very granular, but a very profound way of looking at the changing world we're in, and there are many others.

Mr. John Barlow: We can talk more on that. I only have a limited amount of time and I appreciate that, but I wanted to speak to Kevin and Jeffrey.

I was happy to see that you talked about Canada as a leader in the standards in terms of innovation and technology. I had an opportunity a couple of times last year to meet with representatives from the Chinese Petroleum Corporation and talk about the Canadians that are going over to Taiwan. I think, Kevin, you might have touched on it as well, to talk to them about how to build pipelines.

We are a global leader in terms of our standards, and we've heard the government talking about how we want to have a new review process and new ways of talking about standards and evaluating energies. We're talking about a new review process there—I'm not saying we can't always be better—but if we're already a global leader, and our standards are among the best in the world, what are we missing? What are we having to add in terms of another layer? Is this unnecessary, or are we to be the best? Why are we adding additional layers of review and consultation when we already seem to be the best in the world at this?

•(1620)

Mr. Kevin MacDougall: I'll provide some insight into that. Our standards are the best in the world in our mind. Yes, I was in Taiwan to meet with the officials from CPC, the Chinese Petroleum

Corporation. We're going back in July. They do want to adopt the standards for their oil and gas operations. It starts with the pipeline, and it'll carry on from there.

What else do we have to do? Why do we have to go through all of these review processes to advance projects for pipelines? A month ago, I sat on—

Mr. John Barlow: Sorry, Kevin, I'll word this better. What can we do differently, I guess, than we're doing now that may help us get that confidence of Canadians in government that we can be building these pipelines or should be building these pipelines? Does that give you—

Mr. Kevin MacDougall: Yes.

I participated in the hearing in Quebec recently as part of their review process. I took away from that public hearing in Quebec the obvious lack of understanding and information in the public and outside of the industry sectors.

Members of the public, and especially the first nations indigenous peoples, don't understand what scrutiny is applied to these types of projects and to these pipelines. It takes a lot of effort to move forward and advance these projects. Our focus at CSA is to try to engage these people on our technical committees, make them part of the technical steering committees, and bring them to the table. As well we're trying to bring the public to the table so they get some information early on in the game so they understand what it is we're trying to do as an industry and what we're trying to do as a country. That will make our life a whole lot easier from my perspective.

The Chair: That's right on the seven minutes, so thank you. You guys work well together.

Mr. Cannings, it's over to you.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you, and again, thank you, all, for coming here this afternoon.

I'd like to ask Mr. Ferguson a couple of questions.

In November 2015, you were quoted in a Vice News story about Canada's ability to market its oil internationally, and this is the quote, "I think it should add impetus for our governments—plural—to get on with our reputational piece".

I just wanted you to comment on what you feel about the oil and gas sector. We've heard from COSIA and the wonderful things they're doing in making our oil and gas sector cleaner and all that. I just wondered if you could comment on how important you thought that was for marketing our oil, and perhaps on other ways or issues that we could tackle, other than what COSIA is doing, to get there.

Mr. Alex Ferguson: Absolutely. Thank you.

COSIA is a globally unique and globally significant example of collaboration on the technology innovation space. You have to pause for a minute and realize that nowhere on this planet do we have that kind of breadth and depth of collaboration around managing and reducing our footprint on the planet, from this sector or any sector.

But I do want to point out that outside of the oil sands there is a lot of work that has been going on. There's collaboration with universities. Of course, it's not brought together the same way COSIA is. It's unique because it's an oil sands-focused area. I think there's a lot of work that our non-oil sands members are doing with SDTC federally around building some road maps for technology and innovation on oil sands, specifically around methane emissions, as we heard here as well.

I think that technology innovation story is quite broad. You're right, I don't think we have messaged it as well as we could in our marketplace, and there is a distinction between market access and market acceptance.

I think it's more important to build confidence in Canada because, as we see around the world, people will buy oil from just about anybody, regardless of the standards. But as the world changes and advances, one of the things that we have promoted with the provinces that we work with, for example, is the notion that if we are doing such an excellent job decoupling our economic growth from this sector or any sector and the impact, whether it's GHG emissions or other, the parallel growth that you usually get, why wouldn't we be the global jurisdiction of choice for investment for carbon?

People should want to come and invest in carbon development here because we regulate it, manage it, and do it better than any other jurisdiction in the world. It's quite a visionary thing and a little pie in the sky, but it certainly is an opportunity. I don't know if COSIA, when they were here, talked to you about the Xprize. If you're not aware of it, the Xprize—it has been named different things over its time—Lindbergh's flight across the ocean was one of the original Xprizes.

Funding that groundbreaking moon shot, if you're talking in the U.S. context.... Our members through COSIA have developed the largest ever Xprize and the uptake is phenomenal from innovation teams from around the planet. I think several hundred applications have come in, and the prize question is carbon-related. If we're producing carbon, can we not create some value out of this carbon that we're producing? What's the value piece? If we extract carbon from our flows of energy production, what can we get for that? It's a \$20-million prize that will create some innovation spark that will lead to the aha moment for our sector.

We're looking forward to that.

• (1625)

Mr. Richard Cannings: I notice in your deck you have one graph that shows world energy demand increasing over the coming decades and I notice it was produced in 2015. I just wonder if you could comment on how that might have changed or be changing, considering the commitments that the world's countries made in Paris last fall.

Mr. Alex Ferguson: We take our queue from outside agencies like the International Energy Agency. I think we understand clearly that global oil demand will continue to increase for a significant amount of time, and based on energy demand, it will always grow for our global economies.

The other thing that is particular about that graph in terms of oil demand over time is that it's not just demand from increased use,

with more people coming out of the lower class into the middle class and wanting more clothes, cell phones, transportation, and those kinds of things. It's also a depleting resource in all jurisdictions, so we also have to replace what is used. There is a significant opportunity for feeding that global demand situation, and it will increase over time.

Nobody sees oil demand going down for the next 50 years. It depends on how optimistic or pessimistic you are in your view. The question for Canada, as a natural resource-rich jurisdiction in that product, is how can we find a position to generate wealth for Canadians for as long as we can?

• (1630)

Mr. Richard Cannings: I have a very quick question on the price of oil that was mentioned today. At what price for oil would the new oil sands projects that are being considered become viable?

Mr. Alex Ferguson: I think you're seeing messaging that new projects are probably less liable to go forward in the near term. I think you're looking at some of the new projects, the latest technologies, and it depends on the reservoir, but probably nothing below \$50 a barrel. It's very project specific, so I couldn't give you a really good answer, but at \$50, \$60, or \$70, I think you'll start seeing some new projects come online, perhaps.

The Chair: Thank you.

Mr. Serré, we're going to you.

Mr. Marc Serré (Nickel Belt, Lib.): Thank you, Mr. Chair.

First I'd like to acknowledge Vic Pakalnis from Laurentian Mining Innovation and Technology in the audience. Thank you, Vic, for coming.

Also, thank you to all the guests here today making presentations. I know you've done a lot of hard work, so thank you for your time to come and present to us today.

My question for Mr. Ferguson is related to the global oil supply and demand. Is it true that the global supply reserves are at record highs and that the supply problem isn't an issue solely based in Canada and Alberta? Could you expand?

Mr. Alex Ferguson: It's a fairly complex scenario. We should take comfort in the opportunities we believe we have in reserves. We're betting on the technology piece to do a lot of things for us. We have, historically in our society, counted on technology to do everything for us, innovations to help us move forward. You're seeing that phenomenon and have seen that phenomenon taking place with regard to finding and getting access to oil reservoirs that, 15 or 20 years ago, were unattainable. You are seeing a growth in reserves.

The reality is—and I can tell you as a former regulator of this industry—the way that you build reserves is by drilling and proving that you have something. The more you drill, the more reserves you can find and document. We see some parts of the world that are still seeing investment growth and production growth. There's a lot more drilling, and that's developing better estimates of reserves around the planet.

Where does Canada fit within that opportunity? We know we have world-class size and quality of reserves. I think the issue is more about where the demand growth is. One of the things that I like to comment on is this commodity price drop that we've had. A lot of people like to blame the Middle East and some of those jurisdictions for flooding the market. If you look at it over the last several years, the Middle East has not grown their production. The commodity price drop, as a result of supply increase over demand, has been fundamentally a Canadian and U.S. problem. We have increased the market supply, and we can't get access to anywhere outside of North America right now, so we have been, for the most part, the product of our own problems.

Mr. Marc Serré: Then a follow-up to that and to Mr. Lemieux's question, can you just clarify for us if the energy east pipeline would displace the foreign oil imports? Is the oil transported to New Brunswick going to be exported, therefore not for domestic consumption?

Mr. Alex Ferguson: I might have to get back to you on that specific. I don't know what the offloading opportunity is. It's a very project-specific thing that Trans Canada would know better. If I said something today, I may not give you the right information.

We do look at it, broadly, as an opportunity to put more oil into that eastern market and there are always opportunities to move some of that product into the refinery operations in eastern Canada.

I couldn't be exact right now, but I can get you information on that.

•(1635)

Mr. Marc Serré: Thank you.

[*Translation*]

Mr. Ferguson, the federal government and the provinces have recently met in Vancouver. What benefits came out of that for the industry? What follow-up do you think is needed?

[*English*]

Mr. Alex Ferguson: I guess the solution always starts with a good conversation. We were pleased to see that the federal government was working with the provinces on some of these issues. They're all related to our sector: energy use, climate issues, indigenous peoples. There's a nexus there that we see as a good starting point.

We've done a lot of good work with the provinces. The regulatory regimes in those western provinces are outstanding in North America. I can say as a former regulator in one of those provinces, it's a well-regulated industry. I think you heard that here as well.

Our perspective was of some anxiety. Having the federal government come in and tell the provinces that they haven't been doing good work and now they have to do something different, that kind of takes a lot of the effort that we've put in away. We were pleased to see the collaboration effort that is there and will continue to be there. There's a lot of work still to be done. Having the federal government facilitate those discussions between the provinces sometimes is very helpful, given some of the political challenges that occur across jurisdictions. We're looking forward to that.

Mr. Marc Serré: I also had a question for Mr. Walker. When you mentioned innovation, the international aspect, innovation robotics,

and standards in the mining industry, are you aware of a project that was submitted to the Canada first research fund for \$65 million called metal earth? It's a project that Laurentian University, UBC, and a few other universities across Canada put together. It's the only mining innovation research project submitted to the Canada first research fund.

Does that fit into what you're working on?

Mr. Jeffrey Walker: It absolutely does, yes. When you're looking at standards, in a lot of cases standards are initiated by industry and for specific purposes. It might be to open new markets, it might be to bring in new innovations, or it could be to comply with regulations more easily. There are many different reasons why you would bring in standards. Innovation is one of the areas that we're seeing much more of a standards perspective.

There really are some new areas like nanotechnology, genomics, and electric vehicle charging stations. These are all areas that are now part of standards. It's because there's a reason. It's not just about rules; it's about helping to facilitate what we're trying to do with advancing our economy and society.

That one, I'm not specifically knowledgeable about it, but we deal a lot with those academic institutions. That's often from where the information comes to us. If we have an opportunity, that's the way we want to go.

The Chair: Thank you.

Ms. Stubbs, we'll move over to you.

Mrs. Shannon Stubbs (Lakeland, CPC): Thanks, Mr. Chair.

Thank you all for being here. I appreciate very much your affirming the world-class and socially and environmentally responsible history of oil and gas development in Canada. Of course this is timely, given the downturn in the industry.

You can imagine, I represent a riding that stretches from Bruderheim to Lloydminster. It includes places like Bonnyville, Elk Point, St. Paul, and Vermilion, and I have a little background in the Alberta government, working on oil sands and heavy-oil related issues. I am thankful for your being here and explaining all the reasons and all the ways in which we should be very proud of our history and ongoing development of our natural resources, which set us apart globally.

I might have a bit of a wonky question, but I am interested in your getting into specifics if you can on any measures or actions the federal government could take to assist in the recovery of the industry and then in its long-term viability and prosperity. To emphasize the context of the downturn, I just saw numbers that said two years ago the active rig count in Canada was 212, I think, and now it's 41. I'm mindful too of the way in which the federal accelerated capital cost allowances for oil sands projects in combination with the 1997 generic oil sands royalty regime in Alberta unlocked the development of in situ projects in oil sands, which will be the future of development there.

You're speaking a little about tax changes, and I wonder, Alex, if you could get into some more specifics on what could be done to help support this industry that does so much for all of Canada.

•(1640)

Mr. Alex Ferguson: Sure. We did provide a pre-budget submission to Finance that had some more ideas and we looked at innovations in that space. I can make it available.

Broadly speaking, I mentioned the one around the capital cost treatment for the sector, which we believe will free up some capital, and given that we spend it back into the ground pretty quickly, that will create some opportunities immediately.

What government can do I think in the short term is to provide some support to the service sector. I would encourage you to talk to some of the representatives from the service sector specifically. One of the things we have talked about with them recently and have talked to the Alberta government about is finding a way to help the service sector look at treatment in the orphan well program that you're probably familiar with. These are not assets that are owned by our current producing members. We're not asking for anything other than if government wants to discharge some of those problems they have in what's called the orphan program, that would immediately keep a pretty significant number of people employed in the service sector.

Clearly as an employment opportunity, we've been very careful to suggest that we don't need any of that support for our current assets that we have under care and custody and are responsible for. But the orphan program looks like a pretty good opportunity. It would be easy for governments to work with the service sector and get some people back to work immediately. That would be another specific example.

Broadly speaking in some of our dialogue and language, we look at how we find underutilized pools of capital and get them to work. One of the things you'll see in our submission was around a request to maybe relook, review, and perhaps change—although that's not ours to change—some of the large corporation tax rules in CRA. It's not a today issue because given the environment today, not a lot of corporations are paying a lot of tax because of that, but it is a mechanism that seems, when we get into recovery mode, to have been tying up a lot of capital or underutilizing some capital instead of getting it to work, so we've asked for some review of that as well. Those are a couple of more specifics.

I'm thinking off the top of my head if I can think of a few others.

Mrs. Shannon Stubbs: That gives us a good idea. Then, yes, if you would like to provide anything further, that would be great, too.

Just on this issue of standards and our existing regulatory process, it was pointed out that both the industry and the crown have a long history of consultation with first nations. Of course we know upstream greenhouse gas emissions are captured and regularly monitored at the provincial level.

My concerns are that the length of time of a process and layers and layers don't necessarily equate to due diligence, and what we really want to achieve is due diligence, so measures that will be changed or the gaps that were pre-existing that these efforts are trying to fix.... I'm a little bit concerned that, if this is really just a matter of explaining to both Canadians and the world what we have historically and what we do responsibly, then that's really where

the focus should be, instead of layering regulatory burdens on developers.

•(1645)

Mr. Alex Ferguson: We've scratched our heads a little bit—I'll be honest—around some of the interim measures for GHG on big projects, but as we've worked through it with our members, I think we've come to the conclusion that we can get through this. It does provide an opportunity to highlight, and in that interim measures piece we've asked to make sure that there is recognition for the leading climate policies in jurisdictions like Alberta, British Columbia, and Saskatchewan.

It's not just about every project increasing GHGs. We know that. Almost anything you do will increase GHG emissions, but it's really about how we use that mechanism in that environmental assessment process to highlight those pretty significant climate policy commitments made by governments like Alberta and British Columbia, for example. We think there is an opportunity in that space.

But we also have a steady eye looking forward to what we're hearing, that there is going to be some broader work done on looking at Canada's environmental assessment process broadly speaking and where we can backstop or increase the robust nature of the socio-economic analysis elements of that because that's a fundamental part of the story when you're deciding on a project and having—

The Chair: Mr. Ferguson, I'm sorry. We've gone over time here, but we'll go back.

It's over to you, Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you.

Thank you to both organizations for making your presentations today. The CAPP presentation I'm somewhat familiar with. I've met with representatives over the years.

To the CSA group, thank you for coming. Some of this is new to me.

I'm from the Northwest Territories and I've been watching as the economy has not been doing very well in the last while, and it's amazing what effect the price of oil and gas has on other sectors. The mining industry has seen the prices drop on their products there, and we're seeing other areas that have challenges.

I watch with interest as the rest of Canada talks about, if they had a pipeline, or if they had this piece of infrastructure, it would help them get the economy going. In the Northwest Territories we have a different challenge, and as I talk to the diamond mines they tell me that because there are lower prices, they need to produce more but they also need a better quality of diamond. The tourism industry is saying that, if they had a road, it would lower their costs and they would attract more tourists. That's what the mining industry is saying also.

We've just gone through a permitting process for a pipeline in the Northwest Territories, which took several years and a lot of money, only to see it sitting for I'm not sure how long, but that pipeline will probably never be built unless we see a road.

I'm really curious if you could talk, Mr. Ferguson, on how this government could invest in transportation infrastructure and how it could help all the sectors, but more specifically the oil and gas, because even if we do have a big find in the north, we can't get it out.

Mr. Alex Ferguson: For a while at CAPP I looked after our members who were focused on the north, in the territories in particular, and what an amazing opportunity that is for Canada. Bluntly, it's something that's waiting to enrich all Canadians.

But it's a frontier jurisdiction in terms of the exploration and the infrastructure that's required to really ramp up some of the unconventional resource play model that you have up there. Yes, you're right, in that it's about roads, but it's not just about the hard infrastructure. You're going to need a lot more workers there, so you need schools because they have kids. It's a growth opportunity. There's a need for infrastructure and not just for a road or a pipeline.

We need that, absolutely, but unfortunately, just when things were getting a little more interesting in some of the exploration from some of the companies up there on the oil and gas side—the tight oil stuff was a great opportunity—the oil price dropped. It was bad timing. I think there's a low because that exploration piece is no different. Whether it's mining, oil, or gas, it's really the high-risk frontier piece. Once you can prove up or de-risk the resource, then you'll start seeing more investment and you'll see that kind of leapfrog effect on investment.

How government can participate in that is to continue to look at, as you have in the Northwest Territories, some of the regulatory processes and the transition between the federal and the province and how that's going. We are paying attention to a lot of those legislative instruments that are going on there. I think the industry would be reacting positively. There's simply something that's not in the government's control and not in our control right now, which is the commodity price.

• (1650)

Mr. Michael McLeod: I was waiting for you to say, “Build the Mackenzie Valley Highway and that will solve all your problems.”

Voices: Oh, oh!

Mr. Alex Ferguson: Yes.

Mr. Michael McLeod: I think we'd both agree to it.

Of interest is that both of your presentations included consultation with aboriginal people.

I find it very interesting, especially with the CSA group. I wasn't aware that it was something you did as part of your responsibilities.

In the Northwest Territories, you mentioned, Mr. Ferguson, the regulatory process and how it's a co-management style, where we have aboriginal people who are part of the process. I think that is the solution. That is the answer for the long term as we go forward, that we involve people, that we involve the aboriginal people, and that we don't just talk to them. We don't come in and tell them what we're going to do, but we ask how they're going to be involved.

I've been shaking my head for the longest time about why we don't have aboriginal people sitting on the National Energy Board or those types of agencies that make decisions. How many people

involved in setting the CSA standards are aboriginal and know about aboriginal people?

Maybe you could explain a bit about what both your organizations do in the area of working with aboriginal people and in doing more than just coming to a committee and saying, “This is what we're going to do.”

Mr. Kevin MacDougall: We had lots of discussion around this topic when we were here a month or so ago, and all of our CSA senior staff spent a day or two on the Hill and had meetings with various members of the government specifically about what CSA could do to support these initiatives.

To your point, I sat in on discussions about water management, purifying water, waste water, waste management, and engaging these people. It was not just throwing a solution on the table and then driving back to Toronto, but staying with them and actually teaching them and showing them how to manage these aspects of life. One topic that came up was with regard to home inspections, and how home inspectors would go in and do a home inspection and come back and provide a report to somebody. You haven't done any good because you haven't sat down with the people and explained why things need to be the way they are, and why the electrical systems and the sewage systems and the water systems need to be maintained. It's a process of education and inclusion.

For us to be able to bring in indigenous people and people from the Northwest Territories and include them in the committees and make them part of the solution is hard because we're a nonprofit and we need funds. If we want to all try to get these people to participate, we're going to actually have to bring them down here. You're going to have to pay their expenses, and allow them to come down and participate in these meetings. The meetings do not happen in the far north; most of them happen in central or regional areas. Unfortunately, that's just the way it is. I think if we work on inclusion, make it workable so they can come and participate.... I asked the same question in Alberta. I'm from Calgary and worked in the energy industry for many years, and I said the same thing. Why don't we have more first nations, indigenous people on committees, either with industry or with CAPP, or with CSA? They just don't have the money. They don't make a lot of money and they can't afford to travel.

The other piece of it is providing information in their native tongue. You can't produce something that they don't understand or can't read. You have to work with them and provide that information so that they're capable of actually absorbing the information and providing a response and feeling like they're listened to.

• (1655)

The Chair: We're going to have to move on here as we're running a bit over again.

Mr. Albas, We'll go over to you.

Mr. Dan Albas: Thank you, Mr. Chair.

Thank you to all of our witnesses for your testimony today.

I'd like to focus on a couple different areas, so I guess we'll start with Mr. Ferguson.

Mr. Ferguson, about four pages in on your first deck it talks about the investment projections for new overall capital investments. Obviously, there's a big drop, \$31 billion versus at one point just over \$75 billion. That's a big drop.

For the capital works that will be done in 2016, how much of that would be maintenance versus new oil sands development?

Mr. Alex Ferguson: Very little would be brand new projects.

I think the important number that we've highlighted in a few conversations is the capital that is being deployed. It's not so much maintenance versus new, but it's how much of that is going into merger and acquisition activity as opposed to developing our resources. If you follow any of that, you'll see there's a healthy amount waiting in the wings right now for activities in acquisitions. Just moving capital around doesn't develop Canada's resources. It doesn't necessarily get people employed. We're concerned about that number.

Mr. Dan Albas: Well, I'm very concerned as well, because I think one of the common themes I've heard here today is that it's not just our prosperity as a country. I've heard \$1,600 per Canadian, per capita, is what we've lost in the last year because of oil price drops.

I don't like the figure per se for a number of different reasons, but I think it accurately points out that, as a country, we know we are in a much different state. One of the concerns I have is that oftentimes the prosperity that these projects, these investments, lead to is, on the flip side, what allows the funding for the Canadian Standards Association.

I've spoken about your organization a few times in the House of Commons in regard to the incorporation by reference. The work you do is internationally respected, and we don't talk about what you do enough, particularly on innovation, because innovation not only makes the industry more safe for workers and for communities but also causes the efficiency gains and productivity gains that are so important to creating real wealth on an ongoing basis.

When I hear that the Canadian Standards Association is seeing a drop in participation, that concerns me. When you're seeing a drop in funding, that very much concerns me. What solutions do you have? Obviously you must reach out to stakeholders. How do you deal with these kinds of drops, because again, if we don't have the investment that funds the kind of research that we see, in terms of commercialization and standardization.... How do you deal with that?

Mr. Kevin MacDougall: Let me first explain a piece of funding that we are not really concerned about at this point in time, and that is on the nuclear side. For that program, the funding is in excess of \$2 million a year and it's all funded by the Canadian Nuclear Safety Commission, which is a federal organization. All the funding to develop, sustain, and manage that program comes from the federal government.

The funding on the other side, on the oil and gas program side, comes from industry or the NEB or the provincial regulatory bodies. As that funding starts to deplete, we can't grow the program. As I mentioned early on when I was providing information, the ask here is that the federal government provide funding through its agencies—the NEB or any other supportive agencies—to provide program

growth and sustain the programs, and then we can continue to do what we do and be excellent at what we do.

● (1700)

Mr. Dan Albas: It's somewhat shocking to me, because we talk about the need for businesses to innovate, but when it comes time sometimes for government to actually say let's, especially when the economy is cooling in this particular area.... How can we find ways? Again, there might be efficiency gains that allow some of these projects to go forward. Innovation doesn't just happen because there's government funding. But I find it interesting that in some areas there is support and in other areas there's not, particularly with regard to the economy.

What were you going to say, Mr. Walker?

Mr. Jeffrey Walker: I was just going to highlight a couple of things. Funding for standards doesn't really fit in normal buckets. There's often money for research and for commercialization, but to build some of those building blocks, when you go and ask people for funding, whether it's industry or government, they say they don't have a program for standards. That's one of the issues we're dealing with, which is a little bit different from the fact that we are having those issues with industry not being able to fund, like our offshore oil and gas program.

Mr. Dan Albas: Thank you very much.

The Chair: Thank you.

Go ahead, Mr. Harvey.

Mr. T.J. Harvey (Tobique—Mactaquac, Lib.): I want to follow on my honourable colleague's comments. I'm going to ask some poignant questions. We don't have a lot of time.

You mentioned earlier that the Middle East had not saturated the market, but that it's been a North American saturation of the market globally. With that in mind, if we talk about supply and demand and investment in the sector and new and ongoing projects, do you feel that the biggest challenges the sector faces within Canada right now are based on global supply and demand issues or pipeline access?

Mr. Alex Ferguson: It's pipeline access.

Mr. T.J. Harvey: With that in mind, are you saying that, if we were to see a pipeline built, either to the west coast or the east coast, today, that we would not have seen.... If we had the pipeline in place today to tidewater, would we see a measurable difference on the job losses in Alberta versus what we see today?

Mr. Alex Ferguson: We believe you would see a difference in activity. Although the differential has shrunk significantly, almost to disappear, you have to remember that the gross returns have also shrunk. So that differential means a lot more today to some of these companies than it did when we had \$100 oil.

Mr. T.J. Harvey: If a pipeline was approved and built today, do you believe we would see renewed investment in new projects in the oil sands, or do you think we would see a return to the existing projects going on?

Mr. Alex Ferguson: As I said earlier, the investment community is a little anxious, so just getting a pipeline approved today—

Mr. T.J. Harvey: I'm saying if it were approved today.

Mr. Alex Ferguson: Yes, if it were approved today—but it wouldn't be built today.

Mr. T.J. Harvey: Okay. If a pipeline were approved and built today, do you believe we would see a return to the amount of new project investment in the oil sands that we saw pre-oil drop?

Mr. Alex Ferguson: Probably not to the same levels.

Mr. T.J. Harvey: What level?

Mr. Alex Ferguson: Well, that I couldn't tell you. I would query the investment community. Broadly speaking, there is a lack of confidence right now in investing in Canada. A lot of our members will tell you today that for the last few years, where they've been going out on the road trying to attract investment, it's been a significant change from maybe 10 or 15 years ago. They spend a lot of their time now selling the merits of Canada, not just selling the merits of their project.

Mr. T.J. Harvey: I have one other question. I think everybody agrees that no matter whether it's North American refineries, refineries in South America, or wherever, they all use a mix, combinations of different types of crude oil, to make that crude oil flow through their plant as efficiently as possible to reduce their costs.

I know they do that. I know that within the industry there's definitely been all kinds of talk about ways that Canadian crude could be refined to maximize the use within refineries everywhere. With that in mind, what do you think the measurable difference would be in refineries in North America on the east coast if a pipeline were built to the east coast?

•(1705)

Mr. Alex Ferguson: Nothing overnight. It would rely on the investment confidence in—

Mr. T.J. Harvey: I'm talking about if it were there.

Mr. Alex Ferguson: Yes. If those refineries are willing to invest money, and if they see a long steady, stable supply of oil that would incent them to make any investments they need in the refinery, to use more of the heavy oil product that we would provide from western Canada, you would see a measurable impact on the uptake of Canadian oil use in eastern Canada.

Mr. T.J. Harvey: That being said, what kind of time frame—10 years, five years, three years, two years?

Mr. Alex Ferguson: Well, to be realistic—

Mr. T.J. Harvey: Would we see a measurable impact?

Mr. Alex Ferguson: —probably five to 10 years.

Mr. T.J. Harvey: Okay.

I'd like to give the rest of my time to Mr. Tan, please.

Mr. Geng Tan (Don Valley North, Lib.): Thank you.

My question is for Mr. Ferguson.

I have no doubt that Canada is a world global leader in oil and gas production and innovation. In addition to selling our oil and gas products, are there also policies in place for the industry to

encourage seeking global markets for our technology and innovation, as CSA is doing?

Mr. Alex Ferguson: The oil and gas industry around the planet is fairly integrated in terms of knowledge base, whether it's around the understanding in geology, the big data management of geological information, or drilling techniques. In the service sector, the Schlumbergers, those large service-sector companies, operate in all those jurisdictions. If we have a particular instrument for a challenge that we have here—for example, in really deep drilling, the high temperature requires different kinds of tools and more sophisticated sensing technologies—that will be employed through the service sector quickly in another jurisdiction that would have the same challenges.

I think those kinds of things happen organically more so than a structural thing. Certainly the COSIA story is one that brings a significant opportunity, and it has been taken, through some of the global companies that operate in the COSIA world, to their operations in other jurisdictions.

The Chair: Thank you. We're out of time; sorry.

Mr. Cannings, over to you. You have three minutes.

Mr. Richard Cannings: I'll be brief then.

I wanted to get a comment from you, Alex, on how a price on carbon, especially a predictably rising price on carbon, would affect innovation. Would it increase innovation?

Mr. Alex Ferguson: Certainly, and I think the economists have long quoted that it's the most effective and efficient way to incent behavioural changes on carbon emissions, on GHG emissions. We obviously see that.

Our focus has been to make sure that a lot of the revenue that comes from a carbon pricing mechanism is focused and directs innovation back into the technologies that will drive those changes today and tomorrow for our industry, and other industries as well. We think that link to technology and innovation in a directed manner is the critical part of it, not so much the mechanism. Whether it's a carbon price or it's a regulatory mechanism, as long as you direct it at technology and innovation, you will get some success.

Mr. Richard Cannings: I think most of my other questions have been answered, so maybe I'll just ask what you feel about a strategic oil reserve for Canada. Other countries have one.

Mr. Alex Ferguson: I think most of our strategic oil reserve is in the ground, and that's similar to other jurisdictions. However, it requires us to invest to get that strategic reserve implemented when we want to. I think our ability to turn that strategic oil reserve on and off needs to be increased in expediency and responsiveness, which we would encourage through regulatory instruments. Canada has an incredible wealth of natural resources in this industry as well as others, and our ability to get benefit out of that for all Canadians is the real challenge in front of us.

•(1710)

The Chair: Thank you.

Thank you all for your excellent questions.

Gentlemen, thank you all very much for coming today and your excellent presentations.

Mr. Ferguson, you bore the brunt of the questions today, so we're grateful to you for that. But we really do appreciate all of you taking the time to be here today and preparing the material for us to look at. Thanks again.

We're going to suspend for a couple of minutes, and then we'll come back and deal with some other business.

[Proceedings continue in camera]

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