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Standing Committee on Natural Resources

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● (1535)

[*English*]

The Chair (Mr. John Aldag (Cloverdale—Langley City, Lib.)): Welcome to meeting number 40 of the House of Commons Standing Committee on Natural Resources. Pursuant to Standing Order 108(2), the committee is meeting to hear from witnesses on the study of federal assistance for various natural resources industries.

Today's meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022.

Taking screenshots or photos now that we're in session is not allowed.

I have a few comments for witnesses and members because we have a number of departmental officials here today.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike, and please mute yourself when you are not speaking.

Regarding interpretation, those on Zoom have the choice, at the bottom of their screens, of floor, English or French. Those in the room can use.... We don't have anybody in the room other than members, so we're good there.

All comments should be addressed through the chair.

In accordance with our routine motion, I am informing the committee that all witnesses have completed the required connection tests in advance of our meeting today.

Charlie, I'll go to you. Then we'll go into the introduction of our witnesses and then to opening statements.

Is this a point of order?

Mr. Charlie Angus (Timmins—James Bay, NDP): Yes. Thank you so much, Mr. Chair.

I noticed on the witness list that was passed out that the Canada Energy Regulator is not participating. Is it because they were unable to come today? Are we able to have them rescheduled for one of the subsequent meetings?

The Chair: I was going to get to that when I introduced the witnesses. It's a good question. I did speak to Mr. Simard about it.

The issue is that the executive team for the Canada Energy Regulator are all sick, including some who are apparently in quite bad shape. We reached out and reserved a spot for a week from Thursday. They said they have found people who they hope will be able to participate on this Thursday's panel, but that will be confirmed when the notice for the Thursday meeting goes out, probably later today or tomorrow. They will be appearing. It was supposed to be today, but now we're hoping to get them with the agencies, so we should be hearing from them as early as this Thursday.

We do have appearing today representatives from the Department of Natural Resources, the Business Development Bank of Canada, the Canada Development Investment Corporation, the Department of Finance, the Department of the Environment, and Export Development Canada.

What we'll do now is go into five-minute opening statements from each of the departments. Then, once we're done the opening statements, we'll get into our rounds of questions, starting with six-minute rounds for each of the parties.

I believe Mr. Dufour from the Department of Natural Resources is going to speak first.

Mr. Dufour, I'll turn the floor over to you. You have five minutes.

[*Translation*]

Mr. Daniel Dufour (Director General, Innovation Branch, Department of Natural Resources): Good afternoon, Mr. Chair and dear members of the committee.

[*English*]

My name is Dan Dufour. I'm with Natural Resources Canada. It's a pleasure to be here this afternoon. I'm joined by two of my Natural Resources Canada colleagues, Nada Vrany and Monique Frison, as well as a number of other federal colleagues, to share our perspectives related to federal assistance for the natural resource industries.

I'm calling from Ottawa, located on the unceded territory of the Algonquin Anishinabe peoples.

I'll happily touch on, in my brief remarks, how we advance the sustainability and competitiveness of our natural resource industries as part of the global transition to net-zero emissions by 2050. To achieve this goal, Natural Resources Canada is investing in sustainable energy, mining and forestry initiatives. We're ensuring a just transition by moving forward with comprehensive action, including legislation, to support workers across the country. We're also advancing economic reconciliation in partnership with indigenous peoples, communities and businesses by ensuring their meaningful participation in Canada's net-zero future.

Through the regional energy and resource tables, we are working with provinces and territories to identify and accelerate key economic opportunities towards the low-carbon economy. The government's recent investments in natural resource sectors contain numerous key tools that will enable such a strategy. We are investing nearly $4 billion in critical minerals to develop Canada's value chain, from expanding mining and processing of strategic minerals to manufacturing such products as batteries, EVs and solar panels. Through initiatives like the smart renewables and electrification pathways program, we're continuing to invest in clean energy expansion to green our grid and enhance generation capacity.

We also recognize nuclear energy to be an important non-emitting and reliable source of electricity. That is why budget 2022 includes close to $70 million to support activities to minimize waste generated from small modular reactors, to strengthen international nuclear co-operation agreements and to enhance domestic safety and security policies and practices.

What's more, we see hydrogen as a clean energy source central to meeting Canada's climate commitments. Budgets 2021 and 2022 included several important hydrogen investments, including funding for projects under the clean fuels fund and under the Innovation, Science and Economic Development Canada net-zero accelerator. We also have a proposal to expand the Canada Infrastructure Bank's mandate to include hydrogen production, transportation and distribution. There are new incentives for zero-emission vehicle purchases, which will include hydrogen-powered vehicles, and new investor tax credits for CCUS and clean technologies.

Regarding the oil and gas sector, support has been designed to help the industry decarbonize. During the pandemic, the government introduced targeted funding and programs in this sector to keep Canadians working while addressing environmental objectives. This includes an investment of $1.7 billion to address inactive and orphan wells. Our support also includes a suite of initiatives to help Canada become the cleanest oil and gas producing country in the world. This includes an investment of $319 million in research, development and demonstration to advance CCUS technologies, as well as $1.5 billion to expand clean fuel production facilities.

The government also recognizes the challenges and growth opportunities in Canada's forest sector, which has received over $345 million since budget 2017 for innovation, market and product development, as well as economic development in indigenous communities across the country. Budget 2022 included an additional $380 million to address the increasing threat of wildland fires, and over $55 million to protect British Columbia's old-growth forests. Finally, the two billion trees program received a federal investment of $3.2 billion as part of the natural climate solutions fund.

Canada, as we know, operates in a global system. A number of the budget 2022 investments that I mentioned will support Canada's energy transition and climate initiatives, but we know that more is needed. NRCan continues to actively explore additional measures to maintain the competitiveness for Canada's natural resource industries on the global stage.

To conclude, transforming Canada's natural resource industries will take time, but the government is committed to positioning these sectors to advance our climate change commitments while building a cleaner, more inclusive and prosperous economy that works for everyone.

[*Translation*]

Thank you, Mr. Chair.

● (1540)

[*English*]

The Chair: Thank you for your opening statement.

Mr. Dufour, you didn't need this because you were just under the five minutes, but for those presenting, I use a handy card system. When I hold up the yellow card, it signifies that you have 30 seconds left. When the red card goes up, you're out of time. However, don't stop mid-sentence. Just wind up your thoughts.

We'll now go to the Business Development Bank of Canada for their five-minute opening statement.

Ms. Shannon Glenn (Assistant Vice-President, Government Relations, Business Development Bank of Canada): Thank you, Mr. Chair and committee members, for the opportunity to be here. My name is Shannon Glenn, and I'm the AVP of government relations for the BDC.

[*Translation*]

The Business Development Bank of Canada, in operation for 75 years, needs no lengthy introduction. Keep in mind, however, that it's the only bank dedicated exclusively to entrepreneurs.

We are a Crown corporation, reporting to Parliament through the Minister of International Trade, Export Promotion, Small Business and Economic Development.

We operate as a lender and investor at arm's length from the government. In this way, we complement private sector lenders, rather than competing with them. It means we take more risks than other financial institutions and, when the economy weakens, we intervene. During the pandemic, for example, we provided $2.8 billion in direct financial support, and $4.5 billion in indirect support, by working with financial institutions throughout the country.

We also offer venture capital and advisory services.

[*English*]

In relation to the committee's interest in our support for natural resources, let me make a few comments.

I would first highlight that our mandate is economy-wide and across Canada's geography. We offer solutions on commercial terms, meaning that we price for risk and do not undercut the private sector. We do not offer subsidies. The uptake for our offering is demand-driven rather than on an allocation basis.

Given our focus on entrepreneurs and debt, the uptake for our support in a given resource industry is typically not from the resource sector itself but from the SME ecosystem around the sector. A clear example of this is the mining industry, where our lending last year was limited to one loan of $75,000 and where our portfolio stands at $2.7 million. Our typical focus in this sector is quarrying. We do not have any coal mines in our portfolio. That said, we support the SME industry that serves the mining industry. We did a $7.3-million authorization last year, and the portfolio stands at $46 million as of the end of the last fiscal year.

Similarly, for oil and gas, BDC's lending to Canadian mid-sized oil and gas producers was about $500 million last year and represents about 1% of our portfolio, primarily through participating in syndicated transactions with Canadian banks in keeping with our complementary mandate. Of that, BDC provided $415 million in participations toward $5 billion in syndicated commitments from Canadian FIs, so a leverage ratio of close to 10:1. We also provide financing to oil and gas service providers. We had a strong year, with $244 million authorized in the last fiscal year, and the portfolio stands at $804 million.

As a responsible lender, BDC's ongoing involvement is a leading driver of ESG due diligence integration in oil and gas lending practices, influencing producers toward energy diversification and enhanced GHG transparency. As an existing lender, BDC is well positioned to provide additional support as producers progress their energy transition strategies, investing in emissions reduction and clean technology to deliver low-carbon energy solutions. This approach also favours energy safety and security, especially in light of recent geopolitical developments.

On softwood lumber, we authorized $168 million last year. The portfolio increased from $525 million in 2018 to $727 million in 2022, mainly driven by sawmills.

On clean tech, we launched a $600-million fund in 2018 to address the lack of risk capital in the commercialization and scale-up of Canada's clean-tech industry. Since that fund is now fully committed, we announced just last week our new $400-million climate tech fund II to continue to invest in Canadian clean-tech firms.

I would like to close by highlighting some key challenges across sectors that are also relevant to the resource sector. They are labour shortages and supply chain issues.

● (1545)

We recently released a labour shortage study that concluded that labour shortages are here to stay, especially in light of the expected demand for workers. BDC's solutions advisory, productivity tool and digital adoption can definitely help in that regard.

My last comment is on the supply chain. Supply chain delays and disruptions are impacting the operations of many companies, including in the resource sectors, though that is starting to normalize. We introduced a supply chain loan to help address current market gaps, and I'd be happy to answer questions on that offering as well.

Thank you very much for your attention. I hope this lays a frame for a fruitful discussion.

The Chair: Thank you for those opening comments.

I will move now to the representative for the Canada Development Investment Corporation.

Ms. Elizabeth Wademan (Chief Executive Officer, Canada Development Investment Corporation): Good afternoon. I'm pleased to be joining you today at the natural resources committee.

My name is Elizabeth Wademan, and I'm the CEO of the Canada Development Investment Corporation, or CDEV. I joined CDEV and became its president and CEO fairly recently, earlier this year in March 2022.

CDEV is a Crown corporation that reports to Parliament through the Minister of Finance. CDEV's primary mandate is to serve as a vehicle for government equity investment and to manage the commercial holdings of the government.

We carry out our activities and operate in a commercial manner. CDEV has a portfolio of subsidiaries that includes Trans Mountain Corporation, which was responsible for the Trans Mountain pipeline and for completing the Trans Mountain expansion project.

I would be pleased to answer your questions today. Thank you.

The Chair: Thank you.

Just so everybody knows, I believe the panel members have all decided the order here, so I'm going with the order I've been given.

The Department of Finance is next. I have three panellists, and I'm not sure who is doing the opening statement. Is it Mr. Millar?

Mr. Samuel Millar (Associate Assistant Deputy Minister, Economic Development Branch, Department of Finance): Thank you, Chair, and good afternoon. Yes, I will be providing the opening comments on behalf of my other colleagues from the department.

● (1550)

[*Translation*]

I'm pleased to join you as part of the committee study on federal support for different natural resources sectors.

My name is Samuel Millar, and I'm the Associate Assistant Deputy Minister of the Economic Development Branch in the Department of Finance Canada.

[*English*]

Before I share some information on our role within the economic development branch, I want to acknowledge that I'm joined by some colleagues: from the tax policy branch, Miodrag Jovanovic, and from the Crown investment and asset branch, Marie-Josée Lambert. Our three branches have an active role in providing budget advice to the Minister of Finance on matters related to fiscal and economic policy for a number of sectors across the economy, including the natural resources sector.

In the economic development branch, we support the Minister of Finance with advice on funding decisions for all domestic economic departments, including Natural Resources Canada, Environment and Climate Change Canada and the Department of National Defence. In this capacity, we play a challenge function role on funding proposals for ministers from those departments. However, since the Minister of Finance is really the lead on implementing such programs, we rarely administer funding and measures, with only a few exceptions. Other departments and agencies are the lead implementers, following government funding decisions and parliamentary approval.

I know we have some colleagues from those departments. You've already heard from Monsieur Dufour, and you will be hearing from Mr. Fleming. They represent a couple of the departments that regularly implement programs in those sectors.

That being said, environmental—

The Chair: I'm sorry, but I have to interrupt for a second, Mr. Millar. I've noticed that it looks like a vote has been called, so I'm going to stop the clock. You have three and a half minutes left.

For us to continue, I need unanimous consent from the committee. I'm hearing no, so we're going to have to suspend until after the vote.

Members, obviously if you want to go to the chamber to vote, you're welcome to do that. Once the vote results are called, you have 10 minutes to get back for us to resume. We have two hours of time today or up until six o'clock, so we'll try to get through as many rounds as we can. If we need to go to six o'clock because of this disruption and have the two hours, we'll be able to do that.

We'll get back to you, Mr. Millar, when we resume. I hope everybody can stay with us until the vote is completed.

For now, we are suspended.

● (1550)

(Pause)

● (1645)

The Chair: Welcome back, everyone.

We'll get right back into it with Mr. Millar, who has three and a half minutes left in his opening statement.

If you are ready to go, Mr. Millar, we'll start the clock as soon as you start speaking.

Mr. Samuel Millar: Very well, Chair, and thank you. I'll recommence right where I left off.

Environmental and climate change considerations are key ingredients in many of the government's decision-making processes, including in its funding decisions. Such considerations are taken into account by departments and agencies when they develop funding requests, such as in relation to the annual budget. Indeed, it is mandatory by cabinet directive for each funding request submitted to the Minister of Finance to be accompanied by a strategic environmental assessment prepared by the lead department or agency.

In addition, since last year, the government has been piloting a climate lens to support funding in other decisions. This additional tool integrates enhanced climate analyses into the consideration of budget and cabinet proposals. At present, the pilot applies to proposals from seven departments, including Natural Resources Canada.

The Department of Finance is also responsible for advising the Minister of Finance on tax policy matters. While the primary role of the tax system is to raise revenue to finance government services, programs and transfers, it may also be used directly as an instrument to achieve economic and social objectives.

With respect to natural resources, over recent years, the tax system has been used to develop and deliver certain government policies aimed at facilitating Canada's transition to a net-zero economy. This includes the introduction of a new investment tax credit for carbon capture, utilization and storage, and a reduction of 50% in the federal tax rate on income derived from the manufacturing of certain net-zero technologies and clean energy production, as well as a new enhanced mineral exploration tax credit for critical minerals. More recently, the government announced the introduction of a new refundable investment tax credit for clean technologies, as well as its intention to consult on a carbon intensity-based approach to support the production of clean hydrogen.

These measures play an important role in supporting the transition to a net-zero economy while ensuring Canada remains competitive in attracting investment in key areas such as clean technologies and renewable energy.

That concludes our comments from the Department of Finance. We'd be pleased to take the committee's questions.

The Chair: That's great. Thank you.

I want to apologize to all of our panellists for the disruption today. Thank you for staying with us.

We'll now move to our representative from Environment and Climate Change Canada.

If you're ready, I will start the clock for five minutes when you get started.

[*Translation*]

Mr. Jesse Fleming (Director General, Programs Directorate, Department of the Environment): Thank you for giving me the opportunity to be here today, Mr. Chair.

I also thank the members for your public service, including as part of your efforts on this committee.

My name is Jesse Fleming. I am the director general of the Programs Directorate in the Climate Change Branch of Environment and Climate Change Canada. My team and I are responsible for administering grant and contribution programming related to driving greenhouse gas emission reductions.

In that context, I would like to highlight two programs that may be of interest to this committee and for which natural resource industry stakeholders are potentially eligible for federal assistance.

[*English*]

The first program I'll highlight is the low-carbon economy fund, or LCEF, which was funded up to $2 billion as part of budget 2017. The low-carbon economy fund supports projects that help to reduce Canada's greenhouse gas emissions, generate clean growth, build resilient communities and create good jobs for Canadians. These projects are critical as Canada continues to build a sustainable net-zero emissions economy by 2050.

As announced in Canada's 2030 emissions reduction plan and budget 2022, the Government of Canada committed to expanding the low-carbon economy fund by investing an additional $2.2 billion over seven years, starting in 2022-23. The low-carbon economy fund invests in a wide range of recipients, including provinces and territories, businesses, municipalities, not-for-profits, and indigenous communities and organizations. Successful applicants leverage ingenuity across the country to reduce emissions in support of Canada's climate plans.

The second program I'd like to highlight is called the output-based pricing system, or OBPS, proceeds fund, which is funded from the proceeds of the federal output-based pricing system. The Government of Canada has committed to return proceeds collected from the output-based pricing system to the jurisdictions of origin as part of carbon pollution pricing efforts. Provinces and territories that have voluntarily adopted the output-based pricing system can opt for a direct transfer of proceeds collected.

Proceeds collected in other backstop jurisdictions, current or past, will be returned through two program streams. The decarbonization incentive program is a merit-based stream that incentivizes the long-term decarbonization of Canada's industrial sectors by supporting clean technology projects to reduce greenhouse gas emissions. Proceeds collected from most facilities regulated by the federal output-based pricing system will be returned via this stream. The second stream is called the future electricity fund, and it's designed to support clean electricity projects and/or programs. Proceeds collected from the output-based pricing system-covered electricity-generating facilities—utilities generally speaking—are expected to be returned through funding agreements with governments or third parties in relevant jurisdictions.

I'll end it there in the interest of leaving as much time as possible for questions and discussion.

Thank you again for the opportunity to be here today.

● (1650)

The Chair: That's great. Thank you for keeping your comments nice and tight. It's appreciated.

Last, we're going to hear from Export Development Canada.

When you're ready, I will start your five minutes. The floor is yours.

Mr. Todd Winterhalt (Senior Vice-President, Marketing, Communications and Corporate Strategy Officer, Export Development Canada): That's great. Thank you very much, Mr. Chair.

Good afternoon, honourable members, ladies and gentlemen. My name is Todd Winterhalt. I'm the senior vice-president and communications, marketing and corporate strategy officer at EDC. We're delighted to be here today to contribute to the committee's study of financial assistance for the natural resources sectors in Canada.

EDC is a Crown corporation and Canada's official credit agency. We're mandated to grow Canadian trade and develop global business opportunities. As a result, our focus is international. We have 21 offices around the world, including a full branch operating in Singapore. These offices, combined with an additional 21 locations across Canada, help to ensure that EDC meets its mandate of supporting Canadian companies seeking success in almost every market around the world, and that these companies come from every region across our country.

We also support Canadian companies of all sizes, from the very small to multi-billion dollar corporations, using financing, equity, credit insurance, contract bonding, trade knowledge, global connections, products and services. Last year, in 2021, EDC served nearly 30,000 Canadian companies doing business in over 180 countries around the world.

As committee members may be aware, like our sister Crown corporation BDC, EDC does its operating on commercial terms. The funds we use for our export financing are drawn from our revenues. Consistent with this model, EDC does not provide grants or subsidies. In fact, throughout our history, EDC has consistently been profitable, which is both a point of pride within the organization and a reality we embrace, driven by our commercial mandate and the need to move at the speed of business.

In our 78-plus years of operation, EDC has helped facilitate more than $1.5 trillion of Canadian exports and international investment. Since our founding in 1944, EDC's business has also tended to reflect the size and nature of the Canadian economy. For much of our history, as natural resources drove Canada's economy, they also made up the majority of our lending and insurance portfolios.

Today, though, as the economy grows and diversifies, so does EDC, such that our current portfolio and activity reflect sectors as wide-ranging as the economy itself. It's perhaps also useful to understand that EDC solutions are almost always provided in coordination and partnership with the many financial institutions that back Canada's exporters. They're banks, co-ops and credit unions.

Because so much of this work is complementary to what banks do, EDC's business activity has a tendency to be counter-cyclical. That is, during economic downturns, when private capital gets tight, the demand for EDC's risk mitigation and financing products increases. I can quickly touch on a few examples.

As part of the team Canada response to the COVID-19 pandemic, EDC augmented efforts to support Canadian companies in the oil and gas sector. This commercial support delivered liquidity to businesses in exploration and production, as well as midstream operations in oil field service companies, to help with the sudden and severe contraction in market conditions caused by lockdowns.

In addition, over the past six years alone, EDC has taken part in similar efforts that go beyond our core business offerings to provide support for industries in Canada's natural resources sectors when it's been needed. For example, we provided help for the Canadian canola industry in 2019 and for aluminum and steel producers in 2018. We also stepped in for softwood lumber producers in 2017 and provided support for oil and gas in 2016 and 2018.

Under more typical circumstances, EDC continues to play a role in supporting Canada's natural resources and related sectors. We are currently engaged with more than 1,000 Canadian exporters in the forestry, mining, agriculture and energy sectors.

It is noteworthy, though, to point out that of these sectors, oil and gas is one in which EDC's involvement has trended downward. This is particularly true in our financing of international companies and projects in the fossil fuel industry. More specifically, in 2018, for example, we provided approximately $2.7 billion in direct financing to foreign-based companies in the sector. However, by July of this year, that number had decreased by over 85% to $395 million.

As part of our commitment to the Government of Canada's carbon reduction plans and our own commitment to achieve net zero by 2050, effective January 1 next year, EDC will no longer finance new international oil and gas projects. That said, one area that we will continue to invest in is our support of Canadian companies that provide products, services or technologies that help reduce the GHG footprint of these international companies.

● (1655)

Domestically, EDC continues to work with hundreds of companies, large and small, across the energy sector. Their expectation is that Canada's transition to a lower-carbon economy must be orderly, and that companies engaged in the transition will require significant capital to make the green investments that are needed.

In the same way we are working with industries across the sector, EDC believes we can play a significant role in helping oil and gas to make the transition to a lower-carbon Canadian economy. Certainly, Canada's natural resource sector is complex and dynamic, and over the course of Canada's history, the sector has played a key role in the economic growth and global influence of Canada as a producer of precious raw materials, food and energy, all much in demand the world over. This certainly remains the case today and will continue to be the case for years to come.

Over this time, our goal at EDC has remained the same: to help Canadian resource companies find international opportunities to grow their businesses, diversify their markets and find success that meets the highest standard for sustainable business. EDC remains excited to support Canada's natural resource industries and to help them build towards a productive and sustainable future.

Thank you again for the invitation to appear today.

The Chair: Thank you.

As we get ready to go into our first round of questions, which will be six minutes each, I neglected to welcome Mr. Schmale and Mr. Garneau to our committee today. It's good to see you here filling in. Thanks so much.

First we have Mrs. Stubbs for her six minutes of questioning.

For those who haven't been at a committee before—it's been a while—we'll allow the person questioning to direct their questions. If you have something to weigh in on, you can put your hand up, but I'll leave it to the person doing their line of questioning to decide where they're going to direct their questions.

Mrs. Stubbs, we'll go over to you. You have six minutes.

Mrs. Shannon Stubbs (Lakeland, CPC): Thank you, Chair.

Thank you to all the witnesses for being here today. It's certainly a large, wide-ranging and esteemed panel. Thanks for lending us your time.

Maybe I'll start with the representatives from Finance, but if anybody else wants to throw in on this, feel free to do so.

I'm wondering, for the purpose of clarity of language, if you can define the word "subsidy" for this committee.

Mr. Miodrag Jovanovic (Assistant Deputy Minister, Tax Policy Branch, Department of Finance): I am Miodrag Jovanovic. I'm the assistant deputy minister, tax policy, at Finance.

One way to define that is to use the WTO definition of a subsidy, which generally means a financial assistance provided to a sector, or in the form of services.

I have a quote here. It "includes financial benefits provided to businesses or industries, including direct transfers, foregone revenue, transfer of risk, and provision of goods and services." That is one way to approach the notion of a subsidy.

• (1700)

Mrs. Shannon Stubbs: Can I just clarify that? Would the Department of Finance consider tax or fiscal measures, such as deductions, credits, accelerated capital cost allowances, flow-through share provisions and those kinds of measures, to be under what you would either formally or as a representative of the Department of Finance consider to be a subsidy?

Mr. Miodrag Jovanovic: The way you phrased the question is a bit broad. You've included different types of expenditures there. I think you really have to look at the nature of the expenditure or the spending.

When you look at tax measures, for instance, a number of measures are just there to properly measure the amount of income subject to tax. It's what we call the "benchmark tax system". Typically, a business is allowed to claim deductions for normal expenses, whether they're wages or depreciation of capital.

There are what we call "tax expenditure" provisions, which are really departures from the benchmark, and we tend to look at these differently because they are a departure from the benchmark. You mentioned flow-through shares, for instance. That is a departure. In this context, they would typically be seen more as a kind of subsidy or special assistance, if you will.

Just to go a bit beyond that on the flow-through shares, for instance, in the last budget we did announce the phase-out of the flow-through share for oil and gas and coal exploration.

Mrs. Shannon Stubbs: Yes, I think sometimes in this conversation different proponents are talking past each other based exactly on this lack of clarity around the definition of what we mean when we say the word "subsidy".

To Finance or Natural Resources—or both, whichever is appropriate—I am trying to get a sense, first of all, of the contribution to GDP and exports, broken down by sector, of oil, gas, quarrying, forestry, fishing, agriculture and hunting. If that's not possible right off the top of your heads, which seems eminently reasonable to me, could you please provide that to the committee in a written submission?

Mr. Samuel Millar: Actually, that's probably something the Department of Finance could undertake.

Mr. Chair, we could come back to the committee in writing on that.

Mr. Daniel Dufour: If I may, Chair, the Department of Finance actually has data that we can certainly follow up with in terms of unemployment, GDP and exports as they relate to the energy, forest, mineral and metal sectors. That data is available, absolutely, for 2021 and for earlier years as well.

Mrs. Shannon Stubbs: Thank you. We sure would appreciate that for the purposes of this study.

Now, what I'd like to get a sense of, according to the North American Industry Classification System, is the comparative value of taxes paid per year against the value of tax deductions and credits per year. What I'm hoping is that somebody from Finance or Natural Resources will be able to provide that for oil and gas extraction and support activities, agriculture, forestry, fishing, hunting, the manufacturing sector, the real estate sector, the construction sector and the finance and insurance sector.

I don't know if it's possible to outline that right now for the committee, but I hope that can also be provided in a written submission.

Mr. Miodrag Jovanovic: Maybe I can take this, Mr. Chair.

It is probably possible for us to have an assessment of the tax paid by these subsectors.

Your question about the relationship between.... I think you mentioned the total tax deduction compared with what they paid. I don't think we can really do that. There are limitations to being able to do that. The tax system is based on self-assessment.

Corporations do report their net taxable income. They also report some fields that are required to reconcile book income to taxable income, for instance, but they're not obligated to report all items and, in their financial statements, if you will, what led to taxable income. There are some limitations there.

• (1705)

The Chair: We're out of time.

Mr. Miodrag Jovanovic: Also, I'm not sure how to interpret this.

The Chair: Unfortunately, we're out of time. We may get back to another round and Mrs. Stubbs could clarify, or we could send the clarification to you through the clerk to see if you are able to provide any information.

Thanks.

We'll move now to Ms. Dabrusin, who will have six minutes.

Ms. Julie Dabrusin (Toronto—Danforth, Lib.): Thank you.

I'd like to begin by asking Natural Resources a question. One of the things I find really interesting is the piece about electrification. So much of the work we do when we're talking about zero-emission vehicles and other types of things is to move to a cleaner electrical grid as we reduce emissions.

We're pretty lucky in Canada. I believe that we have a very clean grid already, at about 83% non-emitting, but there's more work to do. I'm curious about how we're working to get to the point of cleaning up the remaining 17%.

Natural Resources has the smart renewables and electrification pathways program. I was hoping I could get more details about that program.

Mr. Daniel Dufour: Thank you for the good question.

With respect to electrification, there is certainly, as the member mentioned, more that needs to be done for the electrification of the entire grid. I think one way we're trying to get through this, as I mentioned in my introductory remarks, is with the launch of these regional energy and resource tables, whereby we sit down with our provincial and territorial counterparts and agree on the most critical pillars on which we want action in order to really achieve our goals for 2030 and 2050 in terms of GHG reduction.

Across the board, electricity is certainly coming up as a way to go about increasing power generation, so it is definitely an issue that we take very much to heart at NRCan. We're looking at it actively right now, in part through these tables that will result in action plans.

Ms. Julie Dabrusin: I'm sorry, but I'm just going to jump in, because I don't have much time.

I really appreciate that, and I'm happy to hear about it being an important part of the regional energy and resource tables.

I believe you mentioned a smart renewables and electrification pathways program. I was wondering if you could tell me a bit more about the types of projects that are being funded by that program.

Mr. Daniel Dufour: Absolutely, and we'd be happy to provide you with a list of projects that are being funded through that program.

Basically, the program is about advancing smart renewable energy and grid modernization projects to enable the future of the clean grid, so it's very key, to your point, in terms of electrification. The funding was initially about $964 million over four years, which was announced back in 2020. In budget 2022, this program was recapitalized with an additional $600 million over seven years, to 2029.

In terms of project solicitation, a very large number of applications were received in the first place, so now we're proceeding with the continuous intake process. The program at this point—because it has been solicited so much—is not accepting new applications.

I just wanted to provide a bit more detail on it, and I would be happy to follow up in written form with some of the projects.

● (1710)

Ms. Julie Dabrusin: I don't know if you'd be able to answer this today, but if you can't, I would still like to know. Has one province received more project support through that program than any other province?

Mr. Daniel Dufour: I'm not in a position to answer that today, but we will follow up with that information.

Ms. Julie Dabrusin: Thank you.

I'm going to share my time with Madame Lapointe.

The Chair: You have two minutes.

Ms. Viviane Lapointe (Sudbury, Lib.): Thank you.

My question is for the Department of Natural Resources.

The world wants critical minerals, and more specifically the world wants Canada's critical minerals. I'm curious to know what investments Natural Resources has made to develop the technologies and processes for sustainable mining.

Mr. Daniel Dufour: We certainly recognize the important role of the mining industry in driving our country's economic prosperity, while also ensuring environmental stewardship and protection. We have a strong and very robust regulatory system for mining through environmental impacts, but we recognize that investments in innovation are certainly very key.

One mechanism through which we seek to really support sustainable mining is NRCan's green mining innovation, which is specifically looking at improving the mineral sector's environmental performance and at creating green technology opportunities. This is done in partnership with provincial and territorial governments, industry, academia and government organizations such as the Canada Mining Innovation Council. That's a great way by which we try to foster innovation in that space.

With respect to the question on investments, there are programs. I can mention the challenge programs that were launched under the Impact Canada initiative back in 2017, with $75 million over six clean-tech challenges. One of them was on mining—the “Crush It!” challenge. About $5 million was also awarded under that initiative to the Canada Mining Innovation Council.

There has definitely been some investment and definitely a strong push from the department. We'd be happy to follow up with the committee to provide further details on this. Can we actually delineate specifically the level of funding that has been allocated towards sustainable mining? There is certainly some data that can be provided there.

The Chair: That's great. Thank you.

We'll now go to Monsieur Simard.

[*Translation*]

Mr. Simard, you have six minutes.

Mr. Mario Simard (Jonquière, BQ): Thank you, Mr. Chair.

Mr. Winterhalt, in your presentation, you mentioned different sectors of activity that you helped. I think you gave 2016 as a reference year for the mining sector.

Could you give us a breakdown of the assistance that Export and Development Canada provided to different natural resources sectors since 2016? I'm talking about the forestry, gas, oil and electricity sectors.

[*English*]

Mr. Todd Winterhalt: I will try to give a quick summary today, and I'll provide the clerk with some additional information dating back to 2016 as requested. I can state today that, for example, in the forestry sector, we currently service—

[*Translation*]

Mr. Mario Simard: Excuse me for interrupting you, but I have very little time. Could you provide us a document from your organization to relay that information?

[*English*]

Mr. Todd Winterhalt: You certainly can.

[*Translation*]

Mr. Mario Simard: Thank you.

Mr. Winterhalt, I often hear that support for Canada's oil and gas sector can reach $14 billion a year, and that you are one of the most significant contributors in this sector. I noted it while reading reports from Oil Change International.

I fully understand what you said earlier. Export and Development Canada does not provide subsidies and makes no payments to this sector. However, let's say that your organization helps it out.

In your opinion, is this $14 billion representative of the support that your organization offers to the oil and gas sector? Is it in that ballpark?

● (1715)

[*English*]

Mr. Todd Winterhalt: As of 2021, that number would not be accurate, from our perspective. In 2021, EDC provided approximately $4.3 billion in support to domestic and international companies in the oil and gas sector. It's interesting to note that was also the first year that our support to clean tech actually eclipsed the amount of support provided to oil and gas. That number has come down from approximately $12 billion about five years ago to roughly $4.3 billion in 2021.

[*Translation*]

Mr. Mario Simard: Thank you.

I was recently reading in Le Devoir that, in the first quarter of 2022, your organization provided $1.366 billion in assistance to the oil sector. Furthermore, I think you provided that number. If that is the case, in a sense, it surpasses all the assistance provided in 2021.

I would like you to tell me if this financial support, this current financial picture, is compatible with the government's commitment to eliminate fossil fuel subsidies by 2023. From my point of view, 2023 is tomorrow morning.

[*English*]

Mr. Todd Winterhalt: We would say that it is compatible with the government's intent as described under the COP26 agreements. As I mentioned earlier in my introductory comments, EDC will achieve zero new direct international financing support for oil and gas by January 1. That is on target. We have reduced the current amount from $2.7 billion in 2018 to $395 million this year. We can confirm that there will be no new direct international support for oil and gas from EDC effective January 1.

[*Translation*]

Mr. Mario Simard: I'd like a little clarification.

You know that the government committed to ending inefficient subsidies. I'm not saying that Export and Development Canada grants subsidies, because I know we're not going to agree on that.

Nonetheless, is your organization thinking about the notion of inefficient support? Does your organization have a definition of inefficient support for the oil and gas sector?

[*English*]

Mr. Todd Winterhalt: Perhaps I'll start by saying that we agree EDC does not provide subsidies. Our definition really derives from the World Trade Organization and the OECD in terms of how we operate on commercial principles.

We would say, as the first point, that we do not provide subsidies. Where we do see an opportunity to continue to aid Canadian companies in the transition to a lower-carbon future is through providing support to our clean-tech exporters as they seek to help reduce GHG levels with their counterparts, either domestically in Canada or internationally. We see ourselves working to mitigate and minimize the carbon footprint of companies across the sector.

[*Translation*]

Mr. Mario Simard: I have one last question for the representatives of the Department of Finance.

I have often heard the Deputy Prime Minister say that profits flowing from investment into the pipeline would serve to fund clean energy. However, as we know, the pipeline is generating nothing but deficits.

How can we reinvest these deficits into clean energy?

Ms. Marie-Josée Lambert (Acting Director General, Crown Investment and Asset Management, Department of Finance): Thank you for your question.

Acquisition of the Trans Mountain pipeline was a commercial transaction between the federal government and Kinder Morgan. It reflected the fair market value of the pipeline, confirmed in 2019 by the Office of the Parliamentary Budget Officer's asset valuation.

The Trans Mountain pipeline was operating and will continue to operate on a commercial basis. In February, the government announced it would not spend any more public money on the project—

Mr. Mario Simard: Thank you.

Ms. Marie-Josée Lambert: Thank you.

[*English*]

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

We'll now go to Mr. Angus, who will have six minutes for his round of questions.

Mr. Charlie Angus: Thank you so much.

Thanks, everyone, for coming. This is a lot of information. I wish we had hours to go through it.

I would like to start off with Mr. Winterhalt.

At COP26 Canada signed the Glasgow statement. It was a landmark commitment to stop providing public financing for fossil fuel projects abroad and to prioritize support for clean energy by the end of 2022. However, Canada remains the largest international financier of fossil fuels in the world—more than China, more than the United States and more than the U.K., France, Germany and Italy combined. The EDC is the main driver of this financing.

How are we going to respect the Glasgow statement through your work of continuing to provide financial support to the oil sector?

● (1720)

Mr. Todd Winterhalt: As we move towards a zero target for January of next year in terms of EDC's ability to provide additional financing to international fossil fuel companies, I believe we will be fully aligned with the government's view with respect to the language in the COP26 statement. I would also add that a lion's share of the remaining support for our domestic oil and gas industry is to aid in the transition to a lower-carbon economy and make sure that we are linking EDC support of clean technologies as a way to do that.

Mr. Charlie Angus: When I look at the report that recently came out from Oil Change International, I see that what's been given to oil and gas compared to clean tech seems hugely disproportionate.

When you talk of clean tech, are you talking about investments in the oil and gas sector to reduce the amount of carbon or are you talking about new, separate clean energy development projects?

Mr. Todd Winterhalt: From EDC's perspective, it would include both. For example, there's investment in renewable energy, wind, hydro and solar, as well as products, services and technologies that will reduce greenhouse gas emissions in any sector. It could also include oil and gas and other natural resources, such as mining, for example.

Mr. Charlie Angus: Could you provide us a breakdown of what is going to wind and geothermal as compared to money that's going to what I would think are very profitable oil companies to reduce their carbon footprint? That would be very helpful.

The Oil Change International report has different numbers from yours. They are saying that Canada was providing on average about $11.3 billion to $13 billion annually in government-backed support for international fossil fuel projects and for Canadian expansion. What they are showing from Export Development Canada in 2022 is a figure of $15.4 billion, and a lot of that is the $10-billion backstop for TMX. Would that be an accurate number?

Mr. Todd Winterhalt: I'll defer on the specifics with respect to the pipeline, which is the purview of the Department of Finance in this case. However, certainly the $5.5 billion is getting closer to our actual numbers. Again, last year—

Mr. Charlie Angus: I'm sorry, but I have to interrupt here because I'm running out of time.

That $5 billion is accurate, but are you going to confirm whether EDC was involved in the $10-billion loan that I asked you about?

Mr. Todd Winterhalt: I can for sure say that it was $4.3 billion last year, to be very specific, which is considerably down from where we were five years ago.

With respect to the Trans Mountain pipeline, I think my colleagues at the Department of Finance would probably be better positioned to answer that question.

Mr. Charlie Angus: All I'm asking about is EDC. Did you supply $10 billion for TMX? It's a simple question. That's what the reports say.

Mr. Todd Winterhalt: We act as an agent of Canada for all purposes with respect to the Canada Account, so that file is fully run by the Department of Finance.

Mr. Charlie Angus: Okay.

Ms. Marie-Josée Lambert: I'll take that. In—

Mr. Charlie Angus: I'm sorry, but I'm just finishing off. My time is running out.

I'd say, then, that the $15.4 billion was a pretty accurate number.

I find it really hard to believe that suddenly all the money taps are going to turn off and we're going to meet our international commitments when I'm looking at a $15-billion spending spree this year to backstop oil and gas. This is not in line with what the Prime Minister has promised the international community. I am concerned about that.

I want to change topics in the few minutes I have left.

We had the Canadian Association of Petroleum Producers come before us, and they said their vision for dealing with the climate crisis was to increase Canadian oil and gas exports. You hired Dave Collyer, the former president of CAPP, to your board. I believe he's on the environmental, social and governance advisory council.

Would you say that the views of CAPP and EDC are in line in terms of their vision that we need to vastly increase the export of Canadian oil and gas as a response to the climate crisis?

● (1725)

Mr. Todd Winterhalt: I think we value Mr. Collyer's perspective as part of a broad perspective from a variety of industry, civil society, government and private industry groups on our ESG advisory council. It is one voice among a number at the table.

To be very clear, EDC will no longer support international direct fossil fuel financing, as targeted in the COP26 statement, by January 1. We're on track to being there.

Mr. Charlie Angus: However, you are still subsidizing oil and gas to be able to market it as having lower carbon emissions than it has, so you are still giving money to oil and gas.

I'm interested in this because CAPP seems to think their solution to the climate crisis is vastly increasing exports. They're on your ESG advisory board. However, I also understand that this has to do with providing financing and connecting Canadian companies to international markets.

Is EDC very much in line with the CAPP vision of increasing oil and gas as a way of dealing with the climate crisis?

The Chair: Answer briefly, please, because we're approaching the end of the time here.

Mr. Todd Winterhalt: EDC's mandate is to serve all Canadian companies, regardless of sector. We do that very much in line with the government's instruction with respect to its COP26 commitments. We see a real opportunity to assist Canadian companies in the oil and gas sector to transition to a lower-carbon future as they go forward.

Mr. Charlie Angus: Thank you.

The Chair: Colleagues, we're just coming up on 5:30. The next round will take us 15 minutes. I think we have a substitute coming in, so that will give two five-minute and two two-and-a-half-minute rounds. Let's do that and see where it takes us.

Let's move right into the next five-minute round.

Mr. Patzer, you're up first.

Mr. Jeremy Patzer (Cypress Hills—Grasslands, CPC): Thank you very much, Mr. Chair.

Thanks, everyone, for being here.

To the Department of Finance, can you confirm the amount of total tax revenue from the oil and gas sector to the federal government in 2021?

Mr. Miodrag Jovanovic: I will have to get back to you on this. I don't have the number with me.

Mr. Jeremy Patzer: Maybe, then, you could add the five years prior to that as well. I just want the total revenue to the federal government. I would greatly appreciate that.

Can you tell us what effect the tax revenue from the oil and gas sector had on the federal budget and deficit over the last year? Do you know?

Mr. Miodrag Jovanovic: I'm sorry. I don't have a direct answer to that. Are you asking for...?

Mr. Jeremy Patzer: We're looking at how much revenue came in.

When you consider what the budget projections were, and then we see how much revenue came in from the oil and gas sector, what impact did that have on the projected deficits the government is running?

Mr. Miodrag Jovanovic: That's a question I would have to defer to my colleagues in the fiscal policy branch. They are not on this call, so I can take this with me and see what can be provided to the committee.

Mr. Jeremy Patzer: Okay. If you could get us a report on those numbers, that would be fantastic.

I have another quick question for you since you're a tax policy guy.

I've previously asked the finance department for the specific amount of tax that's collected on the carbon tax. Do you have a number for how much GST is collected on the carbon tax?

Mr. Miodrag Jovanovic: We don't have that number. The way the carbon tax works, along with the GST, is there's no separate tracking of the amount. Often it's buried in the final price, and GST will be charged on the final price of the product, so there's no accounting that allows us to even calculate that amount.

The other thing is that it's not clear what that amount would represent, because people would have spent that money elsewhere on goods and services on which GST would very likely have been charged anyway, so the differential is not clear either. That's why we don't have that number.

● (1730)

Mr. Jeremy Patzer: Okay. It is an individual line item when people are paying their energy bills and paying their power bills. They are individual lines, so I think it wouldn't be that hard to track, honestly, but maybe on your end it's not part of the program.

Anyway, thank you very much. I will move on.

I have a question for BDC. We were talking about environmental social governance. I'm curious about that. Do you look at the life-cycle emissions of a project before you finance it, rather than just...? For example, people say that wind and solar are these amazing green energy sources, but when you look at the life cycle, do you look at what the total footprint is, from the construction to the tear-down of these projects?

Ms. Shannon Glenn: The financial support we provide is aimed at improving the internal operations within each company. It can include funding for long-term initiatives to reduce emissions, invest in production equipment, lower diesel usage, minimize and remediate land disturbances, increase the use of recycled water and so on. These are all examples.

Producers are increasingly directing capital to these various projects intended to improve their operating efficiency and lower greenhouse gases. Those are inherently life-cycle considerations for their products.

Mr. Jeremy Patzer: Right. I'm just curious about that, because several yards and tonnages of concrete go into every wind turbine tower. The amount of steel that goes into them is massive. We know that concrete is one of the largest GHG emitters in the world. I was just curious to know whether you guys bothered to put that into your analysis. I guess not.

My last question is for Natural Resources.

There was a two-year delay in developing the just transition policy because of COVID, yet we're not seeing the timelines moved by two years for all of these towns, for all of these communities and for these sectors that are going to be obliterated by the just transition, especially in the coal industry. I'm just wondering how you can justify a two-year delay without actually giving a two-year reprieve to these communities.

The Chair: We're at the end of the five minutes, but I'll give you a bit of time to answer briefly. Then we'll move on to the next questioner.

Mr. Daniel Dufour: I'll just say that some measures have been announced around the just transition in terms of creating more sustainable jobs in a low-carbon economy. There are measures around the emissions reduction plan, some funding through budget 2021 and the recent creation, through the fall economic statement, of a sustainable jobs secretariat. I think they will look at some of the issues that have been mentioned, so I'm not entirely sure I'm able to answer that question.

The Chair: Thank you. We'll leave it at that.

I want to briefly welcome Ms. Gallant to our committee.

We will now go to Mr. Chahal for his five minutes of questioning.

Mr. George Chahal (Calgary Skyview, Lib.): Thank you, Chair.

Thank you to all the witnesses for joining us today.

I was excited to see the fall economic statement and I've been reading through it. I was pleasantly pleased with the whole document, but one section really caught my eye. When I think about my home province of Alberta, my city of Calgary and my constituency of Calgary Skyview, and when I think about workers and the opportunity for better wages for workers and sustainable jobs, I've never seen included, in my one year of time in office, an investment tax credit. On page 30, there's an investment tax credit for clean technologies and an investment tax credit for clean hydrogen.

I'm wondering if the member from the Department of Finance can talk about the inclusion of incentivizing companies through certain labour conditions. They will be eligible for an increased tax credit if they provide increased wages and ensure apprenticeship or training opportunities, increasing wages for workers and providing sustainable jobs.

● (1735)

Mr. Miodrag Jovanovic: You're right that there are two investment tax credits, and the labour conditions would apply to both.

Maybe I can take the investment tax credit for clean technologies as a starting point. The investment tax credit is being proposed at a 30% rate. In order to obtain that 30% rate, the taxpayer would have to demonstrate that it meets these requirements. As you mentioned, that would be about ensuring that workers are paid the prevailing wages. There would also be conditions around ensuring that a portion of hours worked are being performed by apprentices. That's one approach used in the United States. We will be consulting on that.

The final conditions will be spelled out in the budget, but as for now, as mentioned in the fall economic statement, these conditions are around these two criteria.

Mr. George Chahal: Has that been done before in Canada?

Mr. Miodrag Jovanovic: My understanding is that in Canada the concept of prevailing wages is being used in the context of the foreign worker program to make sure that when employers hire foreign workers, it's not done in a way that undercuts Canadian wages. It's a concept being used there.

I do not believe it has been used in another context, and I do not believe that the labour requirement around apprentices is used either.

Mr. George Chahal: I think it's a great initiative. Thank you. I commend you and your department for your work in supporting workers and better wages for workers, particularly in my region, which is going through an energy transition. We have seen the launch of the energy transition centre recently.

Mr. Chair, I would like to provide the rest of my time to my colleague Ms. Lapointe.

The Chair: You have one minute.

Ms. Viviane Lapointe: Thank you.

This is a quick question for Natural Resources.

We know that Natural Resources Canada's green mining innovation has a goal of helping Canada's mining sector towards decarbonization. I would like to hear how the ministry is realizing that goal.

Mr. Daniel Dufour: With respect to the green mining innovation, the work that's happening is really about working closely, as I mentioned earlier, with provincial and territorial governments, industry, academia, non-governmental organizations and any other interested stakeholders on ways we can improve the mineral sector around its environmental performance and create green tech opportunities. It's an effort that means sitting down with these groups and coming together with a joint project that can be launched.

A key partner in this work is the organization I mentioned before, the Canada Mining Innovation Council. It's looking at some of the innovations we need to see implemented in the mining sector to have better environmental performance. You're thinking of projects to address how we go about enhancing mine productivity, managing and minimizing water and mine waste in the mining cycle and improving energy efficiency in the mines. All of these initiatives go a certain distance in helping decarbonize the industry.

The Chair: Thank you. We're out of time on that one.

We'll go to Mr. Simard for the next two and a half minutes.

For any of our panellists taking questions, keep in mind that there's a very tight amount of time for our next two questioners.

Mr. Simard, we'll go over to you for two and a half minutes.

[*Translation*]

Mr. Mario Simard: Thank you.

Mr. Winterhalt, earlier, I heard you say that Export and Development Canada would no longer fund the oil and gas sector as of January.

I'll read a sentence from the Minister Guilbault's campaign: “The signal we are sending is very clear: the Canadian state will no longer support the production of oil and gas starting in 2023. Whether it be through direct or indirect mechanisms, or tax shelters [...]”

Does that mean your organization will no longer support the oil and gas sector directly, indirectly or through tax shelters, starting in January? Please answer me with a simple yes or no.

● (1740)

[*English*]

Mr. Todd Winterhalt: EDC will continue to support the oil and gas sector, but we will stop directly financing international fossil fuel projects, as agreed to in the COP26 statement.

[*Translation*]

Mr. Mario Simard: Very well.

That implies there will always be support; direct, indirect and through tax shelters. Have I understood correctly?

[*English*]

Mr. Todd Winterhalt: That's correct. We will continue to provide assistance to the oil and gas sector on commercial terms.

[*Translation*]

Mr. Mario Simard: Thank you.

I have a question for the representatives of the Department of Finance and the Department of Natural Resources.

You know that the Commissioner of the Environment and Sustainable Development, Mr. DeMarco, said your department had no clear definition as to what constitutes an inefficient fossil fuels subsidy.

However, I heard Minister Guilbeault say that, starting in mid-2023, there would no longer be any inefficient fossil fuels subsidies. That is in about eight months, which is very soon.

If you do not have the time to answer now, I invite you to provide an answer in writing to the following question: do you currently have a definition as to what constitutes an inefficient subsidy?

Mr. Miodrag Jovanovic: We're working on an official definition within the framework of our review of Argentina. Our goal is to finalize it all in 2023, and we're working very hard on it.

At the same time, this does not prevent the government from making decisions, such as eliminating flow-through shares, which are considered an inefficient subsidy. Since 2017, we have worked to eliminate nine of them from the tax system.

Mr. Mario Simard: If my time is not yet up, Mr. Chair, would be possible to hear the answer from the Department of Finance?

[*English*]

The Chair: If possible, you could get a brief response, or get it submitted in writing.

[*Translation*]

Mr. Mario Simard: The department can give us an answer in writing.

Mr. Miodrag Jovanovic: As I just said, we are working on an official definition within the framework of our review of Argentina.

Nothing has been made public yet because the work is being done internally. Our goal is to finalize the project in 2023.

Mr. Mario Simard: Thank you.

[*English*]

The Chair: Okay. Thank you for that clarification.

We'll go now to Mr. Angus for his two and a half minutes.

Mr. Charlie Angus: Thank you so much, Mr. Chair.

Ms. Wademan, I was very interested in your presentation on TMX, but I didn't hear much on it. I thought that was unfortunate. I read the PBO report on the projected cash flow for the Trans Mountain pipeline. They had contacted the CDIC, asking for more information. The Parliamentary Budget Officer was refused the information, with them saying that it was classified and commercially confidential.

Nonetheless, the PBO says that this project now has a net negative value of $600 million and that one of the issues that has emerged is that the cost overruns are so high that an agreement was made that the oil companies will not have to pay the commercial tolls: They will be subsidized. Would you confirm whether that's true or not?

Ms. Elizabeth Wademan: Thank you, honourable member, for your question.

Trans Mountain is a megaproject. This is actually the largest infrastructure project—

Mr. Charlie Angus: We know.

Ms. Elizabeth Wademan: —in Canada right now, and it's highly complex. I'm not intimately familiar with the report to which you referred—

Mr. Charlie Angus: I'm sorry. I have to stop you there.

You didn't bother to read the Parliamentary Budget Officer report...? It really worries me if you are taking $21 billion of taxpayers' money and you don't read the Parliamentary Budget Officer's report. I find that so—

● (1745)

Ms. Elizabeth Wademan: Yes—

Mr. Charlie Angus: I'll get to my question again. I want to know an answer.

Given that the cost overruns were so high, there wasn't an oil company on the planet that would use it unless it was heavily subsidized to the tune of 78% of the tolls, which would be paid by the taxpayer. Is that true, yes or no?

Ms. Elizabeth Wademan: The project is a very complex project—

Mr. Charlie Angus: I know—

Ms. Elizabeth Wademan: —and there are increases in costs and—

Mr. Charlie Angus: That $21 billion, it's about the tolls, because that's where you make your money back. That's how we taxpayers get our money back. If no oil company could use it without its being subsidized.... That is what we've been told. Are taxpayers subsidizing the use of this pipeline for oil companies to the tune of 78% of the cost of what the toll would be?

Ms. Elizabeth Wademan: Taxpayers are not subsidizing this project. This project is commercially viable and, as you're likely aware, the Government of Canada intends to sell this project.

Mr. Charlie Angus: Are the tolls at commercial rates or are they capped at 22%?

Ms. Elizabeth Wademan: The tolls are negotiated with the shippers at what are very reasonable rates. I'm happy to get back to you with more detail.

Mr. Charlie Angus: Can you get us the detail of what the actual percentage cost of shipping will be? What we've been told is that they have had it capped at 22% of the real cost, given the massive overruns. Can you provide us with documentation to confirm or deny that?

Ms. Elizabeth Wademan: I'd like to come back to you on that.

As you're probably aware, CDEV is the holding company that holds this asset as a subsidiary. The nature of your questions is more detailed, and I'd like the opportunity to revert back to you on that.

Mr. Charlie Angus: I'm officially requesting whether or not this is true, so I'm asking you to get that information to our committee.

Thank you.

The Chair: Thank you. We are out of time on that one.

To finish off this round, we have five minutes for the Conservatives and five minutes for the Liberals.

We'll start with Ms. Stubbs, who is going to share her time with Mr. Patzer.

Ms. Stubbs, it's over to you for the start of the five-minute round.

Mrs. Shannon Stubbs: Thank you, Chair.

Certainly, of course, the Conservatives supported the Trans Mountain expansion but also believed that it should be completely built, owned, operated and paid for by the private sector...if only the government had provided the legal and political certainty to allow that proponent to go ahead and build that project after they had also approved it.

This is for either the Department of Finance or for Elizabeth from the Canada Development Investment Corporation, whichever is appropriate—or maybe both.

I'm going to quickly ask if you can provide, as written submissions to this committee, the figures for the purchase cost of TMX from Kinder Morgan, just so it's on the record; the projected cost of TMX by the private sector proponent when it was originally proposed; the current projected cost of construction of the Trans Mountain expansion; what the projected completion date was when it was first announced by its private sector proponent; and what the projected completion date now is. Also, if there is any information that can be provided in written form about the status of the consideration of new ownership, I think we'd all appreciate that too.

Now I will pass my questions over to my colleague Jeremy.

Ms. Marie-Josée Lambert: We'd be pleased to provide that information in writing.

Mrs. Shannon Stubbs: Thank you.

Mr. Jeremy Patzer: I'm going to start with Natural Resources Canada.

Finance, you might want to jump in on this one as well. It kind of touches on both of your departments.

How much of the equalization formula payment from the provinces of Saskatchewan and Alberta has been based on natural resource revenues from oil and gas?

Mr. Daniel Dufour: I'll have to defer to my finance colleagues on this question.

Mr. Miodrag Jovanovic: We will have to take this and share with our colleagues in the federal-provincial relations branch to see if there's a way to provide you with something.

Mr. Jeremy Patzer: If you could get them to table a document for the committee with that information, it would be extremely helpful. Thank you.

This is more for the environment team. It touches on agriculture, but it comes through environment.

For the agricultural clean technology program, I understand the funding for the adoption stream has gone out. On the recipient list, 139 projects were approved. Only five of them were for Saskatchewan. This program was for grain dryers and basically for the agricultural sector to be able to transition, but from an environmental lens.

I'm just wondering if finance or environment have any insight as to how this program decided which projects to fund. Was the criteria based on environmental or economic impact?

● (1750)

Mr. Jesse Fleming: Thank you very much for the question.

The honourable member's quite right that this program would be administered by Agriculture and Agri-Food Canada. If the clerk would like to follow up with our colleagues in Agriculture and Agri-Food Canada, I'm sure they'd be happy to share some information.

I would say the premise of the question is quite right in that all sectors need to advance in terms of decarbonization. On the agricultural side, we need to continue to invest as we know that the farmers not only provide food to this table but are also wonderful stewards of our land. Efforts are required to try to further drive down greenhouse gas emissions.

Mr. Jeremy Patzer: Lastly, for environment, I represent a few communities that are definitely impacted by the just transition. There's an economic development group called South Saskatchewan Ready. They've come up with a very detailed plan and some feasibility studies for the entire south region of Saskatchewan and for what they're going to do after the government eliminates their sole and main driver of the local economy.

We've seen audits from the Auditor General talking about how the program's been an absolute failure so far. I'm just wondering what your department's going to do to make sure that these communities are not left behind, as it's being indicated they are.

Mr. Daniel Dufour: I'm happy to take this one for Natural Resources Canada on the just transition. Thank you for the question.

We certainly accept and are actioning the audit's recommendations. I think it was narrower in scope and limited in the time involved in terms of the audit itself, but we're certainly looking at.... We would argue that a lot has been accomplished over the past few years to support economic growth and job creation across the country. Over the past two years, we've seen significant investment made in terms of supporting economic recovery, climate action, and skills and training that will create sustainable jobs. Once again, this is across the board. Over a billion dollars has been invested in workforce training and support for workers, including in sectors undergoing these transitions. NRCan is heavily investing in energy, mining and forestry programs that will support regions across the country in terms of sustainable job creation.

The Chair: Thank you.

We're out of time on that one.

Now we're going to go to Mr. Sorbara for the last five minutes.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Chair.

I wish to first speak to the Canada Development Investment Corporation.

Good afternoon to you, Elizabeth.

The CDEV is going to be tasked with the initial set-up of the Canada growth fund. Can you speak to the broad strokes of that fund, Ms. Wademan?

Ms. Elizabeth Wademan: Thank you, honourable member, for the question.

I will turn that to my colleague in finance.

Ms. Marie-Josée Lambert: I'm happy to take that question.

As part of the FES update, an annex was dedicated to the Canada growth fund. It announced that the CGF will attract private sector investment to help meet important national, economic and climate policy goals, which include the following goals:

> Reduce emissions and achieve Canada's climate targets;
>
> Accelerate the deployment of key technologies, such as low-carbon hydrogen and carbon capture, utilization, and storage (CCUS);
>
> Scale up companies that will create jobs, drive productivity and clean growth...; and,
>
> Capitalize on Canada's abundance of natural resources and strengthen critical supply chains to secure Canada's future economic and environmental well-being.

It will be a new public investment vehicle that will operate at arm's length from the federal government. It will use a broad suite of financial instruments and will be capitalized with $15 billion over the next five years.

● (1755)

Mr. Francesco Sorbara: It will be a catalyst for private sector investment in the ongoing transition to a low-carbon economy and for what I would say is energy security and affordability as it continues, along with a response to the introduction of the Inflation Reduction Act in the United States with the tax credit for clean technologies.

Could I get an opinion on how powerful or how productive these tax credits—which are, for the most part, refundable tax credits, I believe—on clean technologies and clean hydrogen are in terms of being a catalyst for private sector investment? Do we have any idea what the multipliers are on that type of a mechanism?

I take it that would go to finance.

Mr. Miodrag Jovanovic: Thank you for your question.

We don't have a specific assessment in terms of, for instance, a multiplier. We know that these credits are, by any standard, relatively generous to the extent that not only is the rate at least at par with what the Inflation Reduction Act in the United States introduced, but they are fully refundable. This has a significant value in terms of creating certainty for taxpayers that they will actually get the money regardless of their financial position or tax position.

The fact that they are provided up front also has a significant value, particularly in that sector, which typically calls for relatively high discount rates. Overall, we are confident that these credits will have a positive effect on investment in these key sectors.

Mr. Francesco Sorbara: Thank you, Mr. Jovanovic.

The response, I believe, in the FES to the Inflation Reduction Act was appropriate and obviously quite timely.

Today in one of its analyses, Bloomberg noted that Canada is now a close second with regard to the battery supply chain and that "Canada's recent investment in its upstream clean [technology] supply and increasing demand in the US-Mexico-Canada Agreement...increases the country's competitiveness".

We know we've laid out $3.8 billion in our critical minerals strategy. A lot of that funding will flow to companies that I know are in my colleague MP Lapointe's area of Ontario. The tax credits that we've introduced will certainly assist that.

How quickly can we get the funds flowing from the $3.8 billion critical mineral strategy?

I take it that question would be for finance, natural resources or even environment, because it overlaps on all three. Whoever wants to jump in, that would be great.

Mr. Daniel Dufour: Thank you for the question.

I'm for Natural Resources Canada here.

Again, budget 2022 announced the $3.8 billion to implement Canada's first-ever critical minerals strategy. Obviously, there will be significant engagement in the development of that strategy. It's looking at providing funding on a range of industrial activities, from geoscience to exploration to mineral processing, manufacturing and recycling applications. It includes some funding that will go toward research, development and technology deployments. There are multiple ramifications to this.

I will just say that right now the consultation process is closed. The public consultation period lasted until mid-September. Right now, the Department of Natural Resources is reviewing all the feedback that has been received following the consultations. The hope is to publish the strategy by the end of this calendar year, 2022.

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

[*Translation*]

Mr. Mario Simard: Mr. Chair, since it is not yet 6 p.m., would there be enough time left for a quick question that could be answered in writing?

● (1800)

[*English*]

The Chair: That's the end of the second round. I said we'd try to get through the second round. That's what we've done.

I'd like to conclude at this point, because we are going to be bumping up against 6 o'clock, which is a hard stop time.

I want to thank all of the guests, the officials, for being here today. Thank you for your insights and your patience while we had the vote. It's greatly appreciated. Through our clerk, we will be following up with many of you for items that were requested in writing, so expect to hear from the clerk on that.

I want to mention that on Thursday, we will be back to hear from the regional development agencies on the study, and we have two representatives from the Canada Energy Regulator who have confirmed they'll be attending on Thursday. That's great news from them.

I have one final, quick thing. There has been a public statement made by one of our members, Ms. Yvonne Jones, that she is battling breast cancer. I want to know if the committee would be supportive of my sending a card of well wishes from the committee on the committee's behalf.

An hon. member: Absolutely.

Some hon. members: Agreed.

Everybody is in agreement. Thanks very much.

Folks, with that, it was a great meeting. We are adjourned.