



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

44th PARLIAMENT, 1st SESSION

Standing Committee on Natural Resources

EVIDENCE

NUMBER 103

Monday, September 16, 2024

Chair: Mr. George Chalal



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• (1100)

[English]

The Chair (Mr. George Chahal (Calgary Skyview, Lib.)): I call this meeting to order.

Welcome to meeting number 103 of the House of Commons Standing Committee on Natural Resources.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, June 6, 2024, the committee is commencing its study of the Trans Mountain pipeline expansion.

Before we begin, I would ask all in-person participants to read the guidelines written on the updated cards on the table. These measures are in place to help prevent audio and feedback incidents and to protect the health and safety of all participants, including the interpreters. You will also notice the QR code on the card, which links to a short awareness video.

Today's meeting is taking place in a hybrid format. All witnesses have completed the required connection tests in advance of the meeting.

I would like to remind participants of the following points.

Please wait until I recognize you by name before speaking. All comments should be addressed through the chair.

Members, please raise your hand if you wish to speak, whether participating in person or via Zoom. The clerk and I will manage the speaking order as best we can.

I would also like to welcome Aimée Belmore, our analyst, who is replacing Sarah Dodsworth.

Welcome.

I also will be using these two cards: The yellow is a 30-second warning, and a red one means the time is up. I'll try not to interrupt you mid-sentence.

Now I would like to welcome our witnesses who are with us for the first hour today. From Environmental Defence Canada, we have Julia Levin, senior climate and energy program manager, by video conference, and from the Office of the Parliamentary Budget Officer, Yves Giroux, Parliamentary Budget Officer, and Jason Stanton, adviser and analyst.

Up to five minutes will be given for opening remarks, after which we will proceed with rounds of questions.

Mr. Charlie Angus (Timmins—James Bay, NDP): I have a point of order. It's a two-parter.

Part A is that it's really great to see you back in your chair.

Part B is that my understanding from our agreement was that we were going to have Pathways Alliance and CAPP at our first meeting, and they aren't here. Is there a reason they are not here?

The Chair: My understanding, speaking with the clerk, is that both those organizations have been invited and they could not attend today. I can ask the clerk to provide further guidance if you wish.

Mr. Charlie Angus: There's a difference between not being able to make this meeting and not coming. If you could clarify, are they not interested or are they just busy? I don't have a problem if they can't make the meeting, but if they're not wanting to come, that's a different scenario.

The Chair: Thank you, Mr. Angus. We'll address your point of order once Mrs. Stubbs is done with hers.

Go ahead, Mrs. Stubbs.

• (1105)

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

I just want to support MP Angus's request for clarification, certainly given that they're among the five most profitable producers and foreign-based multinational oil and gas companies asking for a significant taxpayer investment in a proposal in northeast Alberta, it seems. Given the challenges in the local communities and perspectives there, and the impact it will have on the region and the area, and also, of course, its implications for the entire country, it seems totally reasonable to me that MP Angus is asking for this clarification. I support his request.

The Chair: Thank you.

Mr. Clerk, can you provide some additional guidance on your correspondence with the organizations?

The Clerk of the Committee (Mr. Alexandre Vassiliev): In my last exchange with CAPP, it wasn't clear whether they're declining the invitation for the whole study. I'm awaiting confirmation. As for Pathways Alliance, they have declined to appear for the study.

The Chair: Go ahead, Mr. Angus.

Mr. Charlie Angus: I think we work on the principle of reasonableness here, so perhaps you could request they reconsider that before we have to bring a motion instructing them to appear. I think it would not look good if they were brought forward as reluctant witnesses, so maybe you could advise them that it would be very helpful to participate in the public interest.

The Chair: Thank you, Mr. Angus, for that.

I think the clerk has acknowledged what you've just stated, and we will endeavour to connect with them to let them know that we hope they can appear. We will provide any updates at future meetings.

Ms. Dabrusin, go ahead.

Ms. Julie Dabrusin (Toronto—Danforth, Lib.): I think it would be important to get clarity from CAPP as to whether it's a refusal to attend at all or it was just this meeting. I agree with MP Angus on that point. There's a real difference between being available on a specific date and a refusal to participate in the study. I would also suggest that we should circle back with Pathways to confirm that they are actually refusing to participate in the study at all, so we can consider our next steps.

The Chair: Thank you, Ms. Dabrusin.

We will provide further feedback to committee members as soon as possible.

We'll now begin with opening remarks. First up is Julia Levin from Environmental Defence Canada.

Ms. Levin, the floor is yours for five minutes.

Ms. Julia Levin (Senior Climate and Energy Program Manager, Environmental Defence Canada): Thank you, Mr. Chair.

Thank you to the entire committee for the invitation to appear before you as part of this study on the Trans Mountain expansion project.

I've worked at Environmental Defence for the last five years and have been tracking the TMX project over this time. My comments will touch on the climate and environmental impacts of the project; the amount of public financial support that has already been wasted, with more at stake; the importance of not off-loading this project and all of its financial risks onto indigenous communities; and the connection to petrochemical and plastic production in China.

The expanded Trans Mountain pipeline has the potential to deliver an additional 590,000 barrels of oil per day. Each barrel of oil we export through TMX results in additional carbon in the atmosphere, which is contributing to the unnatural wildfires, floods and droughts being experienced by so many across Canada, including the fire that burned down much of Jasper.

Producing and burning 600,000 barrels of oil would result in 84 million tonnes of carbon dioxide each year. That's the equivalent of driving around 20 million cars or running 22 coal plants. It's more than the yearly emissions of Quebec.

According to the Government of Canada's own social cost of carbon calculations, which calculates all of the costs of carbon pollu-

tion such as costs on health care, property damage and decreased agricultural productivity, the cost of that much carbon pollution would be over \$20 billion a year.

The TMX expansion has already led to an increase in oil production in Alberta. The Intergovernmental Panel on Climate Change has been very clear that even existing levels of fossil fuel production will cause us to exceed 1.5°C of warming, beyond which we know the impacts of the climate crisis will become catastrophic and irreversible. Growing production of fossil fuels in a climate crisis is irresponsible to present and future generations.

That increased production also comes with environmental and social impacts, including the clearing of the boreal forest, the infringement of indigenous treaty and inherent rights and the increased health risks to first nations downstream of that production, something the federal government has recently recognized with its new study into those health impacts.

On the west coast, Vancouver tanker traffic has risen tenfold since exports started, putting endangered orca whales at risk of extinction and impacting salmon levels, which first nations communities in the area rely on. Spills, which are all too often occurrences with current pipelines, would endanger local sources of drinking water along the route and waters along the coast.

I'd like to note the link between the pipeline and plastic production in China, which contributes to global overproduction of this dangerous pollutant, which is filling our oceans, air, water, food sources and human bodies. In fact, a substantial amount of the oil exported to date has been bought by Rongsheng Petrochemical for plastics production.

Then, of course, there are the financial implications. This project has involved a huge amount of public money, an enormous fossil fuel subsidy. The federal government has provided over \$35 billion in financing for TMX. That's money that taxpayers are on the hook for. The government could end up writing off most of the debt to make the pipeline appear commercially viable, which means taxpayers will have paid for the lion's share of the pipeline.

In fact, according to an analysis by TD Securities in 2018, the expansion project ceased to be viable when the project's costs exceeded \$11 billion, and now they're three times that. Even if the Canadian government finds a buyer for the pipeline, it will not receive a price that covers the project costs. Current estimates are that the government would need to write off around \$17 billion to \$20 billion.

An eventual sale rests, in part, on the decisions around tolls—the amount the shippers are paying to use the pipeline—which are currently set at a rate below the marketplace costs of transporting the oil, given that they were based on earlier and much lower construction estimates.

Given how much the cost of building and operating the pipeline has ballooned, the tolls need to rise significantly to cover the project's full operating and capital costs. However, oil and gas companies are fighting tooth and nail against increased tolls. They don't want to pay more. They want taxpayers to pay. A decision will be made in 2025, with massive impacts on the financials of the project.

Oil companies, not taxpayers, should be paying for the pipeline of which they will be the only beneficiaries. This means the toll rate should be roughly doubled to \$22 a barrel. Every penny that oil and gas companies reduce the tolls by will be paid for by the Canadian public.

The reason that this boondoggle has gone ahead is for fossil fuel companies to get a higher price for their product; it's to line the pockets of already incredibly wealthy oil executives. CNRL, Cenovus, Imperial, Suncor and MEG Energy are the only winners, while the rest of us pay the price.

● (1110)

Many of these companies are members of the Pathways Alliance and CAPP, which underlines the necessity of having both of these associations testify before this committee.

On a final note, it's very important that this project is not downloaded onto indigenous communities in the name of so-called economic reconciliation. TMX has massive environmental and financial liabilities, as we've explored. Furthermore, given the accelerating pace of the energy transition, this project is likely to become a stranded asset well before the end of its life. Shifting these liabilities from the public or private sectors to indigenous communities is just another form of colonial exploitation.

I'm done. I look forward to any questions.

The Chair: Thank you for your opening remarks.

I will now move to Mr. Giroux, the Parliamentary Budget Officer, for five minutes.

[*Translation*]

Mr. Yves Giroux (Parliamentary Budget Officer, Office of the Parliamentary Budget Officer): Good morning, Mr. Chair, vice-chairs and members of the committee.

Thank you for the invitation to appear before you today. We are pleased to be here as part of your study on the Trans Mountain pipeline expansion, specifically to discuss our reports published on this topic.

With me today I have Jason Stanton, advisor and analyst at my office.

Consistent with the Parliamentary Budget Officer's mandate to provide independent, non-partisan analysis to Parliament, my office has released three reports assessing the Government of Canada's

2018 decision to acquire, expand, operate and eventually divest of the Trans Mountain pipeline system. The most recent report was published on June 22, 2022. It provided an updated financial valuation of the purchased assets and estimates to the valuation's sensitivity to several key factors.

At the time of the last report, in 2022, the construction budget for the Trans Mountain expansion project was \$21.4 billion, with an anticipated completion date in late 2023. Our assessment was limited to examining the direct financial cost of the pipeline expansion; any other economic costs or benefits associated with the pipeline were not included.

● (1115)

[*English*]

Based on our assumptions at that time, we found that the government's 2018 decision to acquire, expand, operate and eventually divest of the Trans Mountain assets would result in a negative net present value of \$0.6 billion. We also conducted a sensitivity analysis to illustrate how the value of the Trans Mountain pipeline system would be impacted by changes to certain key assumptions, including the in-service date, construction costs, pipeline utilization, future service and tolling frameworks, and discount rates.

Since we published our last report, there have been significant developments to the Trans Mountain pipeline system. Notably, there's the completion of the Trans Mountain expansion pipeline, with a commercial commencement date of May 1, 2024, and the total costs for the expansion project having increased to over \$34 billion.

At a request of this committee, we have undertaken work to update our analysis. In June, we sent an information request to the Minister of Finance to obtain the most recent comprehensive data available for the Trans Mountain pipeline system. We received all of the requested information, although it is confidential for commercial reasons. We are currently working on the analysis and plan to release our report late next month.

Jason and I would be pleased to respond to any questions you may have regarding our analysis of the Trans Mountain pipeline system or other PBO work.

Thank you, Mr. Chair.

The Chair: Thank you for your opening remarks.

We will now proceed to our first round of questions.

We will begin with Mrs. Stubbs for six minutes.

Mrs. Shannon Stubbs: Thanks, Chair.

Thank you to all the witnesses for being here today.

It is a pleasure to be back with you as we start this session. I look forward to asking the House of Commons to vote for non-confidence in this government so that Canadians can rescue our country and bring home affordable power and fuel home heating for Canadians and safe communities, after a carbon tax election.

Thank you, Monsieur Giroux and Mr. Stanton, for your presence here today. It's a bit like *Groundhog Day*, as a person who has been elected since 2015 and has worked in many ways on this particular issue.

To be clear, Conservatives always opposed the government's purchase of the Trans Mountain expansion. Our view was that the federal government had to give legal and political certainty in order for the private sector proponent to be able to complete its federally approved project in federal jurisdiction on budget and on time. As you know, it would have been 340% less and in service by 2019.

This is yet another example, and perhaps the most important, of the destruction and damage to the Canadian economy and confidence in Canada as a place to get big projects built after nine years of the anti-energy NDP-Liberal government. Of course, you probably couldn't comment on that.

Given the extensive work that you aim to do, could I ask you right off the bat if you'd be willing to come back to this committee after you table your next report?

Mr. Yves Giroux: It would be a pleasure if the committee wishes to hear from us again.

Mrs. Shannon Stubbs: Thank you. It's just to get a sense of your comprehensive analysis.

Can you outline what your estimates were as to the causes of the drastic, unconscionable and outrageous increases in costs that ballooned to over six times the government's initial estimate?

Mr. Yves Giroux: I'll ask Jason if he has more specific information on the causes of the construction cost increases.

Mr. Jason Stanton (Advisor and Analyst, Office of the Parliamentary Budget Officer): In terms of the specific breakdown and the reasons, as well as the dollar values associated with those increases, this would be best placed with the Crown corporation. Based on some of the public statements, I know that the pandemic was cited. There were other reasons, such as extreme weather events during the construction time. However, in terms of the specific breakdown of why the construction costs have increased along with the dollar values associated with those, it would be better to ask them. We take the construction costs that are provided and don't necessarily factor in why those have increased in our analysis.

• (1120)

Mrs. Shannon Stubbs: Thank you. We'll follow up with a proponent to try to get some accountability to Canadian taxpayers for this boondoggle caused by Prime Minister Trudeau and these Liberals, because, of course, they put at risk the already-approved Trans Mountain expansion when they delayed that review and dithered and forced them to go through a review again, and then green-lighted it. Then a court decision gave basically the same analysis on their failure on indigenous consultation, as was given in the northern gateway pipeline that the Prime Minister unilaterally vetoed himself.

Would it be safe to say the costs would have been lower, given government-caused inflation and the escalating costs of essentials like energy and the components of construction? Would it be safe to say that the private sector proponent likely would have committed to this project with much less expense to taxpayers because the private sector was making that investment and that risk?

Mr. Yves Giroux: It's hard to say the extent to which that would have happened in the absence of a counterfactual scenario and in the absence of clear and thorough explanations as to why the costs increased by that factor. One can presume that a private sector entity would have proceeded differently, but it's very hard to determine with certainty.

Mrs. Shannon Stubbs: Is it the case that the Trans Mountain expansion Crown corporation has given your office the details to make that comprehensive analysis, but you just can't disclose them and it's our duty to get that from the Crown corporation?

Mr. Yves Giroux: We have the financial data that allows us to determine whether it will be...the net present value of future cash flows, taking into account construction costs so far. We have that. Some of it is commercially sensitive, so we can't disclose the details.

What we don't have is the detailed breakdown of the construction costs and the reasons for the change in construction costs versus the 2018 estimates, the 2020 estimates and the 2022 estimates.

Mrs. Shannon Stubbs: Okay. Is it fair to say that it will be very unlikely that the government does finally keep its commitment to Canada and divest of this pipeline, which, by the way, at least a minimum of three indigenous-led groups are interested in purchasing, despite the testimony earlier?

Would it be fair to say that it is very unlikely that the government is actually going to be able to recoup the costs it has wasted to get a pipeline constructed that's now full and actually won't fully capture the value of Canadian energy exports for our economy and for every community in this country?

Is it fair to say that the government is not going to be able to make taxpayers whole with the divestiture, if that ever actually happens?

Mr. Yves Giroux: Based on our 2022 analysis, we found that the net present value of the pipeline was negative, and that was when construction costs were at \$20 billion or slightly more than that. With construction costs having increased to \$34 billion, we still have to complete the analysis, but it suggests that, as Ms. Levin indicated in her opening remarks, tolls will have to increase or the sale value will have to be less than the construction costs and the net present value of future revenues.

The Chair: Thank you, Mr. Giroux.

Thank you, Ms. Stubbs. Your time is up.

We will now proceed to Mr. Jowhari for six minutes.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair.

Mr. Giroux, welcome to our committee. It's good to see you, and it's good to start this session with you as a witness, getting some insight into the TMX.

First of all, thank you very much for the report that you did in 2022. It established a good mid-baseline before we get the final report, where all the information will be available. I'm personally looking forward to reading your report. I believe it will be very comprehensive.

I want to go back to the 2022 report. You qualified that in your opening remarks. A number of times you talked about assumptions. My understanding is that you used five key assumptions to measure the value of the pipeline project. Can you kindly elaborate on those five key assumptions?

• (1125)

Mr. Yves Giroux: Sure. First, we have a reference scenario. The other assumptions are an increase or decrease in construction costs. We also have assumptions regarding lower or higher utilization rates. We also have a discount rate that varies, lower or higher. We have the service and tolling framework after the 10-year contracts expire.

These are the main assumptions that we use to determine how the value of the pipeline could vary according to variations in these various parameters.

Mr. Majid Jowhari: On those specific...I do acknowledge that you've said that, after the completion, there are more variables that you're going to look at, and I'll come to that. Going back to those five assumptions, how many of them have proven to be aligned with the project as you know it now, and how many of them have changed, aside from the cost. We know the cost went from \$7.5 billion to \$35 billion.

Aside from those, the other four—

Ms. Shannon Stubbs: It's the exact opposite of funny.

Mr. Yves Giroux: The in-service date has been postponed by several months. The construction costs, as you've alluded to, have increased significantly. I don't think the rest have changed significantly. The discount rate has gone down, as you would expect with a construction project that has some uncertainties. We get rid of these uncertainties as the construction is finalized, and the discount rate goes down. I don't think the pipeline utilization rates and the service and tolling frameworks after the 20-year contracts expire have changed significantly at this stage, yet.

Mr. Majid Jowhari: It's not too bad. Three seem to be.... You're doing a good job on coming up with the assumptions for your calculations.

Would you consider the same assumptions, or would you expand your assumption base when you look at the new valuation as well as the divestment, which I'll get to, in your upcoming report? Will you keep the assumptions to five, or will you increase them?

If you're going to increase them, what assumptions would you add?

Mr. Yves Giroux: We will certainly remove the in-service date, because the pipeline is currently in service. There is no need to vary the in-service date. We are still in the process of determining which other factors we will be using. Construction costs are also probably a given, unless there are changes. Jason is not kicking me under the table, so that seems to be okay. The rest are probably going to remain as the assumptions could change.

Mr. Majid Jowhari: Will you look into, for example, the economic benefits from this revenue, the jobs created, the downstream jobs created, the increased factor and other expert testimonies regarding your assessment? Are we going to go from...? We're dropping two of the five, so three are going to remain. You're adding how many more, five more, six more, one more?

Mr. Yves Giroux: We have looked, in the past, at the economic impacts of the construction phase, so the thousands of jobs that have been created and their impact on the GDP during the construction phase. We have also indicated potential benefits with respect to a narrowing of the gap between Western Canada Select and WTI. We mentioned that every five dollars of narrowing the gap between Canadian oil and oil on the world markets at that time was \$6 billion.

We will—

Mr. Majid Jowhari: I'm sorry, but that's exactly where I wanted to go.

What was the gap before? I understand that the gap was about \$15.

Mr. Yves Giroux: The gap varies significantly based on world market conditions.

Mr. Majid Jowhari: Yes.

Mr. Yves Giroux: However, we indicated, for illustrative purposes, that if the gap between WCS and WTI goes down by five dollars, it was, at the time, from 2019 to 2023, a \$6-billion annual benefit to the Canadian economy. If Canadian oil producers can sell their oil less cheaply or at a significantly lower discount so that they can get a better price for their commodity, then there is a benefit of about \$6 billion per year.

• (1130)

Mr. Majid Jowhari: If we're selling it down south—because we couldn't sell our oil internationally—we're hit with a \$15-per-barrel discount, which we had to do with this. Now, not only have we maximized, but we have also recovered \$15 billion. That's a three-factor...times \$6 billion. Now we are talking about \$18 billion. Is that correct?

Mr. Yves Giroux: It depends on your assumption.

We didn't imply that the completion of the pipeline would necessarily reduce that discount by five dollars. It was just for illustrative purposes because other factors—

Mr. Majid Jowhari: I'm over my six minutes.

Thank you very much for your indulgence, sir.

Mr. Yves Giroux: Thank you.

The Chair: Thank you.

We'll now proceed to Monsieur Simard for six minutes.

Monsieur Simard, the floor is yours.

[*Translation*]

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

Thank you for being here, Mr. Giroux.

I want to start by putting things in perspective.

In 2018, the government bought the pipeline for \$4.5 billion. According to Kinder Morgan's analysis of the pipeline expansion, it would cost \$7.4 billion. In 2020, the value of the expansion was already estimated at \$12.6 billion. In 2022, it was estimated at \$21.4 billion, in 2023, at \$30 billion, and in 2024, the final cost is estimated at \$34 billion.

You have already appeared before this committee to say that we should probably dismiss the government's scenario where profits from the pipeline would be invested in clean energy projects.

I would like to draw your attention to something quite simple. In its 2023 budget, the government presented what it calls “a bold grand plan for the energy transition”, worth \$40 billion, which would extend to 2035. That \$40 billion would be used not only for clean electricity, but also for carbon capture and storage projects, which must benefit the oil and gas sector.

I see that you've put a price on the analysis you've done on carbon. If I look at all of this from the outside, I have to come to the conclusion that the government has spent a lot of resources on oil and gas projects and that, conversely, we are going to miss the target when it comes to clean energy projects.

Would you say my analysis is coherent?

Mr. Yves Giroux: Your analysis seems quite coherent.

On the one hand, a pipeline was purchased and the adventure continued with an expansion of that pipeline being built, with the total cost likely to exceed \$34 billion.

On the other hand, the various tax credits that have been announced in recent budgets will amount to tens of billions of dollars.

I don't have the exact figures, but we seem to be getting close to the same amounts.

The only caveat I would put to that analysis is that the government could decide to sell the Trans Mountain pipeline and its expansion and presumably reap the benefits of that sale. Will those benefits be more or less than the cost of acquisition and expansion? We think they're probably going to be less, so we would suffer a loss. However, the purchase and expansion costs must also be considered in relation to the profit from the sale, if there is a sale, at some point.

Mr. Mario Simard: Okay. I find what you are saying very interesting.

If we look at the possible scenarios, you are telling me that there is the sale scenario, and there is one that we can rule out right off the bat—you can tell me if you agree with me—and that is that there will never be any reinvestment related to operation Trans Mountain to support clean energy projects.

In your opinion, can we dismiss this scenario and assume that it won't happen?

Mr. Yves Giroux: I wouldn't draw that conclusion so quickly, as annual profits are quite likely given that the rates for the use of the pipeline are regulated in such a way as to provide a certain return to shareholders. As Ms. Levin mentioned in her opening remarks, the rates are regulated and must be reviewed over the next few years to ensure a certain minimum performance. So it is very likely that pipeline operations will generate profits on an annual basis. It is said that the sale value will not cover what the government will have paid for the original purchase and the expansion. However, in the meantime, there may be profits on an annual basis.

• (1135)

Mr. Mario Simard: I want to follow up on that quickly.

If I remember correctly, in your 2022 update, I think you came up with something negative in terms of profits that would be reinvested in clean energy projects, that is to say that there would be no profits that would be reinvested. At that time, the cost was at \$21.4 billion. Right now, it is at \$34 billion. I don't know how the pricing will be done, but, in my opinion, the possibility of profits being reinvested in clean projects seems quite low.

Mr. Yves Giroux: You and I are discussing the difference between the profits over the life of the project as a whole and the annual profits that could be generated. Once you take into account the purchase and construction price of the expansion and the present value of all those future cash flows, it's unlikely to generate profits over the life of the project.

Mr. Mario Simard: That's great, thank you. That's what I wanted to hear.

It is unlikely to generate profits, so it is unlikely that those profits will be reinvested in clean energy projects.

Let's quickly skip over the operation.

With regard to the sale of the pipeline, we are hearing the scenario of possible partnerships with first nations. Otherwise, at the cost of the value of the project as a whole, do you think anyone could buy it?

Mr. Yves Giroux: It is difficult to determine with certainty whether the answer is yes or no. Is it possible? Yes. Is it probable? I don't think so.

Mr. Mario Simard: Okay.

Based on your analysis, the scenario of profitability may also be eliminated. We'll see.

Thank you, Mr. Giroux.

[*English*]

The Chair: Thank you, Mr. Simard.

We'll now proceed to Mr. Angus for six minutes.

Mr. Charlie Angus: Thank you very much.

When you did your first report, I think the cost to taxpayers was under \$21 billion. It's over \$34 billion now. Have you started to model out the kinds of scenarios that would be required for us to get that money back?

Mr. Yves Giroux: We have not modelled that because that could happen under various scenarios. Greater utilization of the pipeline would probably be difficult. Higher tolling for—

Mr. Charlie Angus: Higher tolls...?

Mr. Yves Giroux: Yes, higher tolls. We are undertaking that analysis, so it's something that we will be looking at.

Mr. Charlie Angus: Excellent. Thank you.

I'm trying to get a sense of the finances here because the Liberal government has really done a great job of hiding from the public and lying about what they are giving to the oil industry. In TMC's published financial quarterly reports, they're profitable, but then there's the other TMP financial corporation that's kind of a black box.

Are you aware of the finances of TMP Finance and what their debt holdings are?

Mr. Jason Stanton: I know that initially, before 2022, how TMP Finance would work is that it would receive the loan through the government via the Canada account at 100% debt, and then that was financed to TMC at a debt-to-equity ratio. Since 2022, TMC itself is now able to, I guess, borrow from the syndicate of banks that are now providing the loans.

I don't have all the information in terms of what is currently on TMP's balance sheet. They were used initially to finance TMC, but now TMC is able to get the loans.

Mr. Charlie Angus: There's a 2018 report to Parliament that says TMP Finance is a wholly owned subsidiary of the Canada Development Investment Corporation and has no employees. The day-to-day operations are administered by CDEV employees in Toron-

to, Ontario, and it says that their finances, their corporate structure, is debt—100% debt.

Will you ask TMP Finance to turn over the debt so that we have a sense of what they're holding or keeping from the public?

• (1140)

Mr. Yves Giroux: I'm not sure there is that much that's being kept secret, in a sense, because the structure is a bit layered, but from my understanding, we got all of the information we needed.

Mr. Charlie Angus: Okay, good, because, under subsection 23(6) of the Export Development Act, all or part of the debt obligations owed by TMP Finance to the Canada account can be forgiven through ministerial direction. It seems like they set up this shell company to hide the costs, and then they can just write it off. I'm feeling like I'm in Kazakhstan or Venezuela or something when dealing with Chrystia Freeland's commitment to the tar sands.

Mr. Yves Giroux: I agree with you that the structure seems to be, as I said—I used this adjective—layered.

There seem to be a lot of corporate structures under CDEV, whereas CDEV probably could have done that directly rather than set up different subsidiaries.

Mr. Charlie Angus: What would be the advantage of setting up a shell corporation that has no employees and whose only role is to hold all your debt and to keep it off the books of the Trans Mountain Corporation? Doesn't that seem kind of shady and shifty?

Again, is this petrostate economics 101 with Chrystia Freeland?

Mr. Yves Giroux: I have no idea why it was established that way, because CDEV is non-taxable and its subsidiaries are probably non-taxable. I don't see the benefit of establishing additional corporations just for the purpose of holding one asset. Maybe it's to facilitate the eventual sale of the asset, but that's not something that we were told or that was made obvious to us. That would be a good question for the minister.

Mr. Charlie Angus: Will you look into that when you do your modelling? That's a real question.

Mr. Yves Giroux: We can ask.

Mr. Charlie Angus: Okay. Thank you.

I have another question in terms of this issue. We heard from our Liberal friends this morning about the economic benefits of the Canadian people spending \$34 billion to vastly increase oil production at this time. We have the International Energy Agency saying that we're hitting peak oil, we're facing a climate crisis and we're going to deal with shifting assets. We see the UN panel saying that we have to seriously diminish and change and transform, yet the Liberal government has committed to a massive increase. We're seeing 500,000 to 800,000 barrels a day. We're seeing record oil production now, at a time when the market is soft.

When you do your factoring in on cost-benefit analysis, would you be looking at the economics that are out there in terms of climate catastrophe from how many new emissions will be coming on stream in the next few years?

Mr. Yves Giroux: We don't do that directly, but in our financial analysis of Trans Mountain, the project and the expansion, we also have sensitivity analysis that shows what the impact will be of the viability of the pipeline if the use of the pipeline, its utilization rate, goes down, which is something that could very well happen in attaining or reaching Canada's commitment to get to net zero, or in a scenario where oil demand decreases significantly.

Mr. Charlie Angus: If there was an emissions cap, certainly...but what we've seen is a massive increase. Imperial says it's the biggest amount of production ever. Cenovus is looking to massively increase. Husky is increasing. This is all due to the subsidy that was given to them by the Trudeau government. It looks like they're going all in on increasing.

Will you factor in the potential environmental impacts of their going all in?

The Chair: Thank you, Mr. Angus, for your question. The time is up. Maybe you can get to that in the next round.

Mr. Charlie Angus: Thank you.

The Chair: We will now go to Mrs. Stubbs for the next round of five minutes.

I believe you're sharing with Mr. Falk.

Mrs. Shannon Stubbs: I am.

The Chair: I'll begin with you.

Mrs. Shannon Stubbs: Thanks, Chair. I have just a quick question before I cede to my colleague. I also want to mention that I found the line of questioning posed by MP Angus to be extremely important. We'll do our work to get accountability for these answers too.

Mr. Giroux and Mr. Stanton, three months ago the Auditor General, as you probably saw, said that the government "issued a non-competitive contract in October 2022 without a justification clearly linked to one of the exceptions to competitive procurements". That contract was worth nearly \$33 million. It was related to the Trans Mountain expansion. It was given to, as these Liberals love to do, their insider cronies and buddies at McKinsey & Company.

Are you familiar with that information? Would you be willing to also review and analyze and pursue that information that the Auditor General has highlighted, given the yeoman's work in your office

to support Parliament by exactly, as you always emphasize, promoting greater budget transparency and accountability?

• (1145)

Mr. Yves Giroux: It's not something that we have looked at. We take the construction costs as a given and, in our past reports at least, we adjusted for future potential increases or decreases to construction costs. We're not typically mandated to do audits of the costs that have been incurred or whether each and every one of them was justified. We take them as granted, and I think—

Mrs. Shannon Stubbs: Mr. Giroux, what I'm talking about is this \$33-million contract that the Auditor General highlighted that was non-competitive and is somehow linked to TMX. This government hasn't given any answers to taxpayers who now, because of it, are on the hook for TMX and also on the hook for this \$33-million uncompetitive contract given to McKinsey & Company for this mysterious work that was done for TMX. It looks like the Auditor General's office did the work that they could.

I would love to be able to figure out ways to work with you and your office to get you to do a deep dive on whatever the heck that issue is to get these needed answers for Canadians.

Mr. Yves Giroux: That would be work that would typically be done by the Auditor General, but if the committee were to pass a motion asking me to look specifically into this issue, it's something I could do in conjunction with the Auditor General.

Mrs. Shannon Stubbs: Thank you very much.

I'll cede to my colleague Ted.

Mr. Ted Falk (Provencher, CPC): Thank you, Mr. Chair.

Thank you, Mr. Giroux and Mr. Stanton, for your presence here today.

You said that you reviewed this project at several stages—at the time of purchase, in 2022, and now again—and that you looked at project costs, budgets and estimates. Can you provide this committee with a detailed construction breakdown from the initial costs as compared to what the actual costs were at the time of completion?

Mr. Yves Giroux: We have the construction costs in aggregate when the project was in its early phases, the estimates. As these estimates evolved upwards, we have the overall amount, but we did not request the amount of detail that would allow us to determine whether each and every one of them was justified or the reason each and every one was—

Mr. Ted Falk: I'm not looking for reasons or justifications, sir. What I'm asking for is actual amounts. You will have had a detailed construction breakdown given to you at the beginning of the project. I'd like a comparison on a completed project as to what those costs ended up being and any additional costs associated with the project. Those you would have had. I'm not asking for justification or explanation; I just want numbers.

You did mention that the government was going to divest some of the assets it purchased with TMX. Has the government divested of any of the assets associated with that project?

Mr. Yves Giroux: To my knowledge...no.

Mr. Ted Falk: Okay.

When you do an evaluation of the project, if you were to look at that project on an income basis, based on the revenues or the tolls that the project is currently generating at today's interest rates, if one were to finance the entire project with a 1.1% debt service ratio, what would the value of the project be today?

Mr. Yves Giroux: We haven't done that analysis. We would have to run these specific numbers to be able to answer that specific question.

Mr. Ted Falk: Okay.

You say you have done an evaluation of the project. What basis or rationale have you used to determine that value?

Mr. Jason Stanton: I'm sorry. Can you repeat the question?

Mr. Ted Falk: You've indicated that you—

The Chair: Mr. Falk, unfortunately, the time's up, so we'll have to hold that.

Mr. Ted Falk: He's asking for clarification to answer the question.

The Chair: Time is up, so we're going to—

Mr. Ted Falk: I think Mr. Jowhari—

The Chair: Maybe somebody else can pick up with that line of questioning. Thank you.

We'll now go to Ms. Jones for five minutes.

Ms. Yvonne Jones (Labrador, Lib.): Thank you, Mr. Chair.

I would like to thank our witnesses who are here today.

I have a couple of questions for Ms. Levin. I'll start there and then go to Mr. Giroux if I have time.

First of all, Ms. Levin, obviously we have been using a carbon price as a tool to fight climate change. I'd like to know what your position is on carbon pricing.

• (1150)

Ms. Julia Levin: Yes, sure.

Canada has two carbon prices, the industrial carbon price and the retail carbon price. The support behind this policy is that economists around the world agree that this is the most cost-effective way to reduce emissions. A recent report from the Canadian Climate Institute found that the industrial carbon price is really doing the lion's share of emissions reductions in Canada across a suite of policies and that retail carbon pricing is also playing a smaller

but significant role in reducing emissions. I'd say that we're in a climate crisis and that we should be using every tool in our tool kit to fight the climate crisis while also ensuring affordability for Canadians.

Ms. Yvonne Jones: You're probably aware that the NDP recently sided with the Conservatives to announce that they would end carbon pricing.

Do you think this is a responsible thing to do in Canada when we know the situation that exists with climate change today?

Ms. Julia Levin: I can't comment on the details of the NDP's climate plan. I didn't actually listen to the press conference in detail, so I don't know exactly what was said. I only know what was reported on.

I think every political party in Canada has to be using everything in their tool kit to fight the climate crisis.

Ms. Yvonne Jones: I don't think there is a plan. I'm not aware of it either.

My next question is for Mr. Giroux.

Our cap on emissions in the oil and gas sector and the carbon price have been critical to us in reducing the country's emissions. When will the PBO table its report on carbon pricing? I know you've been working on it.

Mr. Yves Giroux: We have said that we plan on releasing that by the end of this calendar year, but I think we can be a bit more precise now. By early November, it should be out.

I'm hoping it will be before that, but with what we have on our work plan, I can optimistically say it's going to be before the end of the calendar year and, hopefully, by early November.

Ms. Yvonne Jones: Can you speak to your analysis on low-income and middle-income Canadians? For us, we're seeing that they're mostly benefiting from the carbon price and the carbon price rebates.

Can you also tell us if your study is actually finding that eight out of 10 Canadians are getting more money back than they're paying out in carbon pricing?

Mr. Jeremy Patzer (Cypress Hills—Grasslands, CPC): I have a point of order, Chair.

I want to remind members which study we're on here. We're studying the Trans Mountain expansion project. Maybe we could stick to that topic. That would be helpful.

The Chair: Thank you, Mr. Patzer, for the point of order.

I'll go back to Ms. Jones.

Ms. Jones, go ahead.

Ms. Yvonne Jones: Thank you, Mr. Chair.

I'd like to ask Mr. Giroux to answer that question, please.

Mr. Yves Giroux: When we released our initial reports—the multiple reports—looking at the carbon tax paid versus the Canada carbon rebate paid to individuals, we found that for the lower and second quintiles, generally speaking, these indeed receive more in terms of rebate than what they pay directly and indirectly in carbon tax. That will not change with our revised report.

The numbers that could change—and we have not finished the analysis yet—are the ones where we also include the economic impact of the fuel charge on the incomes of these different income quintiles.

Ms. Yvonne Jones: My next question is on the value of the Trans Mountain pipeline.

In your analysis of cost and what the government is investing and has invested to complete the project, are you also looking at the outcomes of that project, what the value of it is to Canadians, the jobs that have been created and the return on investment—where real value is attached to this?

Will we be seeing that in the analysis you're working on right now?

Mr. Yves Giroux: We haven't done a cost-benefit analysis overall. However, we mentioned in previous reports and testimonies to House and Senate committees that there are factors beyond just the numbers and the value of the Trans Mountain pipeline that justify or could be used to justify the decision to purchase such an asset.

An example could be a better price for the commodity on world markets by the producer through additional means of getting their products to tidewater, as is often said.

• (1155)

The Chair: Thank you, Mr. Giroux.

Thank you, Ms. Jones, for your line of questioning.

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

[*Translation*]

Mr. Mario Simard: Thank you, Mr. Chair.

Mr. Giroux, I would like to hear your thoughts, as I am wondering how to frame the government's action when it comes to the pipeline. You'll understand what I'm saying.

The federal government provides the oil and gas sector with a huge amount of support. It's even hard to distinguish between efficient and inefficient subsidies. I think even the government doesn't want to define what it means by an inefficient subsidy to the oil sector.

When I see the purchase of the pipeline and the staggering costs associated with it, the infamous \$34 billion, I can't help but think that Kinder Morgan didn't want to make that investment in this infrastructure, which is essential for the oil and gas sector, because it probably didn't think it was profitable.

If we put all that together, can we not conclude that this \$34 billion ultimately supports the oil and gas sector? Would you agree with that?

Mr. Yves Giroux: The government has indicated that this is indeed a way for it to support the oil industry. So it would be difficult to say otherwise.

Mr. Mario Simard: Do you think it would be possible, if it is not too complex, to add a table in your report that would provide an overview of all the financial support provided to the oil and gas sector?

Mr. Yves Giroux: Several months or even years ago, we conducted an analysis on the value of certain tax incentives provided mainly, or even exclusively, to the oil and gas sector.

However, I would be a little reluctant to add these elements to a report intended to enlighten parliamentarians on a specific topic. We could do a parallel read, but with reference to our previous analyses. I don't want to mix apples and oranges. However, I am always willing to listen to parliamentarians' preferences or recommendations.

Mr. Mario Simard: Thank you very much.

I have a quick question for Ms.—

[*English*]

The Chair: You are over time. Thank you.

Now, we will go to Mr. Angus for the last two and a half minutes.

Mr. Charlie Angus: Thank you.

I'd like to get a response from Ms. Levin. It seems that the Liberal government's climate plan is kind of like the “drinking your way to sobriety” school. They invested \$34 billion in massively increasing oil production, while saying that somehow they were going to magically lower emissions.

The Canada Energy Regulator report showed that, with the way the Liberal government plan was, we'll basically be producing the same amount of oil in 2050 as we are today. Then Minister Wilkinson got upset and made them rewrite it. Then, they came in with a lower number, with the so-called unicorn and rainbow scenario, which included a several-thousandfold increase in direct air carbon capture. I had to look up “direct air carbon capture”. It was first identified 25 years ago and it's never been used, but, oh, there's a several-thousandfold increase.

What we have in the real world are massive increases now, thanks to TMX, in the Alberta tar sands.

Ms. Levin, what are the impacts of that massive increase—

Mrs. Shannon Stubbs: I have a point of order, Mr. Chair.

Mr. Charlie Angus: —and what will it mean for the—

The Chair: Mr. Angus, could I ask you to hold on for one second? We have a point of order from Mrs. Stubbs.

Mrs. Stubbs, go ahead on a point of order.

Mrs. Shannon Stubbs: I have just a quick point of science and facts. There is no tar in the oil sands.

The Chair: Okay. I'm going to go back to you, Mr. Angus, because that's debate.

Mr. Charlie Angus: Well, there never was a sabre-toothed tiger that got stuck and was found in oil sands, but we'll continue.

Ms. Levin, could you explain what you think the impact of this massive increase in emissions, from 500,000 to 800,000 barrels a day, will mean not just for the environment but also for the credibility of an emissions cap?

Ms. Julia Levin: Thank you for that question.

The entire life-cycle emissions from that many barrels of oil, if they're all combusted, is 84 million tonnes each year. Again, that is an enormous amount of emissions. It's more than the yearly emissions of Quebec from one project. Those are the emissions from the oil that's exported when it's burned.

However, the upstream emissions from producing that, from the expanded oil production, will also be significant. I don't have the exact numbers here, but certainly, if Canada's emissions cap is to have rigour, there is no room for expanded production.

We know that the technologies that companies are often toting, including direct air capture and carbon capture and storage, are proven to be ineffective. It's expensive failure after expensive failure. They're dangerous for communities. There was a leak of an injection well in the United States, in the first permanent storage injection well, just last week, which threatened drinking water. That is the reality of carbon-capture projects.

• (1200)

Mr. Charlie Angus: Thank you.

The Chair: Thank you, Mr. Angus.

Thank you to our witnesses today for attending.

Colleagues, we'll now suspend for a few minutes as we set up our next panel.

We're suspended.

• (1200)

(Pause)

• (1205)

The Chair: I call this meeting back to order.

We are resuming meeting number 103 of the House of Commons Standing Committee on Natural Resources. Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, June 6, 2024, the committee is commencing its study of the Trans Mountain pipeline expansion.

I would now like to welcome our witnesses for the second hour. From the Canada Energy Regulator, we have Tracy Sletto, chief executive officer; Geneviève Carr, executive vice-president, transparency and strategic engagement; and Chris Loewen, executive vice-president, regulatory.

Welcome. You have five minutes for your opening statement.

[*Translation*]

Ms. Tracy Sletto (Chief Executive Officer, Canada Energy Regulator): Thank you very much.

Good morning. My name is Tracy Sletto, and I am the president and CEO of the Canada Energy Regulator, the CER.

I am joined by Genevieve Carr, a doctor of biology and executive vice-president of transparency and strategic engagement, as well as Chris Loewen, executive vice-president of regulatory.

[*English*]

I want to begin by acknowledging that I am on the unceded ancestral and traditional territory of the Algonquin Anishinabe nation, who have lived on and cared for the land now known as Ottawa since time immemorial.

[*Translation*]

Thank you for the opportunity to speak to you about the CER's work as part of your study on the Trans Mountain expansion project.

[*English*]

I will provide a brief overview of the CER's mandate, how we assess energy infrastructure projects like TMX, the project's current regulatory status and our continued role alongside the indigenous advisory and monitoring committee.

The CER's mandate is clear: Regulate energy infrastructure in a way that prevents harm and ensures the safe, reliable, competitive and environmentally sustainable delivery of energy to Canada and the world. We oversee approximately 71,000 kilometres of federally regulated pipelines and 1,500 kilometres of power lines.

[*Translation*]

We play an important economic role with respect to pipeline duties and tariffs, as well as energy exports.

The CER also has a mandate to provide energy information. So we provide data and analysis that informs energy-related decision-making and dialogue in Canada. Our suite of energy futures reports explores various scenarios that Canadians could face in the long term in a net-zero world.

• (1210)

[English]

When the commission of the CER makes a recommendation as to whether a certificate for a pipeline should be issued by the Governor in Council, it must consider several factors: safety, economic, environmental and social. This was true in the case of TMX.

TMX is a particularly large and complex project, and the CER strived at all times to ensure that it demonstrated a commitment to strong, responsive and inclusive regulatory practices and processes. The Governor in Council approved the project in June 2019, subject to 156 legally binding conditions in addition to the regulatory requirements that apply to all companies regulated by the CER. Since then, we have been focused on ensuring that the project was constructed safely and verifying company compliance with regulatory requirements.

The commission of the CER issued the final authorization for TMX to operate on April 30, 2024. This enabled the company to begin transporting product in the new line from its Edmonton terminal to its Westridge marine terminal.

[Translation]

Our role does not stop now that the construction has been completed. Because we will act as a regulator throughout the life cycle of the facility, we will continue to ensure that the company complies with the conditions, the regulations, the codes and the standards that are set.

[English]

The CER is also an economic regulator that oversees pipeline tolls. Tolls are the fees a pipeline company charges its customers to ship products such as oil on its pipeline. A company can only charge tolls that have been filed with the CER.

The commission approved preliminary interim tolls for the expanded Trans Mountain pipeline system in November 2023. The next step for the commission is the final interim tolls hearing, which will continue throughout 2024 into 2025 and include a detailed cost review of the project.

[Translation]

I would like to take this opportunity to highlight another key element of regulatory oversight for the Trans Mountain project. When the Government of Canada approved the project in 2016, it also committed to establishing an indigenous advisory and monitoring committee for the project.

[English]

The IAMC includes indigenous representatives selected from among the 129 communities impacted by the project. Alongside the CER and five other federal government departments, the IAMC developed innovative approaches to indigenous monitoring, project notification, the protection of sites of indigenous significance, and the new emergency management processes and protocols. Several of these improvements have since been incorporated into CER practices and regulatory requirements that apply to all companies. The CER will continue working with the IAMC throughout the pipeline's life cycle.

Looking forward, the CER is committed to continual improvement as a national energy regulator, with an eye to building and maintaining trust and confidence in its work, advancing reconciliation, implementing the United Nations Declaration on the Rights of Indigenous Peoples, enhancing Canada's global competitiveness through leadership in regulatory innovation and best practices, and preparing for the energy future.

[Translation]

I want to thank you again for the opportunity to speak to you about our work at the Canada Energy Regulator and our role with respect to the Trans Mountain project.

I look forward to your questions.

Thank you.

[English]

The Chair: Thank you for your opening statements.

As a reminder, I use these cards. This is a 30-second warning. Red means that time is up, but I'll try not to interrupt you mid-sentence as we proceed. Thank you.

We'll now go to Mrs. Stubbs for six minutes.

Go ahead, Mrs. Stubbs.

Mrs. Shannon Stubbs: Thanks, Mr. Chair.

Thank you to our witnesses for being here today.

Just in general, would you agree with the economic reality that natural resource development and oil and gas as the single leading private sector investor in the Canadian economy underpin affordability and the economy in every single community in this country?

Ms. Tracy Sletto: I can certainly speak to.... Our role is one of a safety and an economic—

Mrs. Shannon Stubbs: As the head of the Canada Energy Regulator, do you agree that natural resources—and oil and gas in particular—underpin the Canadian economy?

Ms. Tracy Sletto: I think our role, in terms of our regulatory mandate role—

Mrs. Shannon Stubbs: Okay. All facts and stats show, of course, that it's the driving factor behind economic development in Canada and closing the gap between the wealthy and the poor. As a representative of many indigenous communities and people who rely on responsible resource development, I will say that it is the leading factor in indigenous employment and pursuit of economic opportunities.

I just have some general questions.

How many people work at the Canada Energy Regulator?

Ms. Tracy Sletto: We have approximately 600 staff.

Mrs. Shannon Stubbs: That's great. Thank you.

Since 2015, how many projects have you recommended for approval or denial?

Ms. Tracy Sletto: How many projects since 2015?

Mrs. Shannon Stubbs: Yes.

Ms. Tracy Sletto: I don't have that number at my fingertips at the moment, but we certainly can endeavour to get that back to you.

• (1215)

Mrs. Shannon Stubbs: Thank you. We will follow up on that request.

There are currently 53 projects stuck in some way in federal review. Ms. Sletto, you were vice-president for five years at the Canada Energy Regulator—thank you for your service—and you have been the CEO since December 2023. Of course, the Canada Energy Regulator is fundamental and critical to every single Canadian, given the scope of its work.

There are 53 projects stuck in approval on which there have been no decisions. Six hundred people work for the Canada Energy Regulator, as you have just confirmed. What's happened is a \$5-trillion net outflow of investment from Canada into the United States every single year since 2015 and since the changes—and because of this government. It's a direct reversal. It's related to natural resources projects' being abandoned or killed in Canada because the private sector can't see its way through the regulatory process and doesn't have a government that will back it on the back end. I mean, TMX was originally approved in 2016, and the court decision was that the Liberals failed in their indigenous consultation on TMX. Therefore, I'm glad to hear that you have the indigenous advisory group.

I guess I'm just asking if you think that sounds like a rate of success for the performance of the regulator.

Ms. Tracy Sletto: Thank you for the questions and the observations. I certainly would observe that the 600 people who work at the Canada Energy Regulator are dedicated to their job of regulatory oversight. There are several decisions that would be undertaken in the context of that work.

Mrs. Shannon Stubbs: That's right, and I'm asking you, as the head of the organization, if you would consider 600 people working for, I would argue, the most important regulatory body in this country for our community, for our country and for the affordable lives of all Canadians.... After nine years, the costs have skyrocketed because of the inflationary spending and the policy agenda that drive up the costs of energy and essentials for every single Canadian, particularly those in rural and remote areas. I just have a hard time rationalizing how, if you were to report to somebody as the boss of the organization, it could be conceived that 53 projects that are stuck in nowhere land with 600 people is productive.

Ms. Tracy Sletto: When we look at the role of our regulator and the role of the work of the 600 people at the CER, I think we see that there are actually several aspects to our mandate, including an adjudicative mandate and the role of the commission in its decision-making processes.

Mrs. Shannon Stubbs: Okay, that's great, and on that note, I have some questions. When you first denied the pipeline variance for the proponent, what changed to make you later approve it since that was one of the delays that drove up costs?

Second, you made 16 recommendations on TMX that fell outside of the scope of the CER's regulatory mandate. Your organization said that itself. We have a body of 600 people with 53 projects on hold in the most important sector of the Canadian economy. Those 600 people can't get through the processes, but somehow you made 16 recommendations on TMX that added to the delay and were outside of the regulatory scope. That's an additional question.

My other question is this: Since the Supreme Court indicted this government's failures on Bill C-69—which, by the way, the Conservative opposition warned of for every single issue the Supreme Court ruled on, and then the government just stuck some of its tweaking legislation into its budget implementation bill—how has that impacted your work at the Canada Energy Regulator, the clear vacuum for your regulatory parameters since the Supreme Court of Canada decision?

What kind of guidance or insight has the government given you about your organization's scope and mandate as a result of its legislative changes to its mistakes in Bill C-69, which the Supreme Court of Canada and all 10 provincial and territorial leaders have indicted and which is the cornerstone of regulatory assessment for the most important sector in the Canadian economy for affordable lives for all Canadians in every community?

Ms. Tracy Sletto: Thank you for those questions. There were several there.

I wonder if I might just be able to clarify and confirm with you how you'd like me to address them. I heard a question around the reconsideration, a question specifically around those recommendations that were outside of the CER's mandate and then one around Bill C-69. Would that be the three?

Mrs. Shannon Stubbs: Thank you, and because we're all stuck in the constraints of this ridiculous time, I do want to tell you to please follow up with anything and all additional information afterwards if we run out the clock.

The Chair: We have run out the clock. Thank you, Mrs. Stubbs.

We'll now go to Mr. Schiefke for six minutes.

[*Translation*]

Mr. Peter Schiefke (Vaudreuil—Soulanges, Lib.): Thank you, Mr. Chair.

[*English*]

Thank you for being here and for taking the time to answer our questions.

My line of questioning is going to revolve around what's important for my community of Vaudreuil—Soulanges. There are others in this room who will speak to the economic benefits, particularly for Alberta and British Columbia, from the construction of the pipeline or the expansion. There will be those who will speak to indigenous partnerships and the share of the roughly \$30 billion that was provided to indigenous communities and the indigenous-led businesses that have benefited from it.

My line of questioning is more so around the environment and the protection of the environment, as well as security.

I'll start off with the environment. We know that, if you're going to transport oil, the most efficient way to do it is by pipeline as opposed to rail. The stats show it's two times safer, which I'll get to in a second, but also, over long distances, much more efficient. Therefore, we're going to see some significant savings there with regard to GHG emissions.

In addition to that, all of the emissions that are projected to be created by this pipeline are going to be and have already been captured in Canada's climate plan, so these aren't a kind of external... These are already factored in. That's the good news, and I've shared that with my constituents.

The question I have for you is this: Above and beyond the fact that we're doing it in the most environmentally sustainable way in terms of GHGs and the fact that it's already factored into Canada's emissions target and plan, what other key tools have been put in place to ensure this protects the environment in the best way possible?

• (1220)

Ms. Tracy Sletto: Thank you very much for that question.

There are several aspects that I might highlight, but there is one in particular that I might want to shine a light on in the context of both this project and the recent projects that have been regulated by the CER. Certainly, the considerations around social, economic and environmental factors are a key part of any review that the CER will undertake in its project reviews. With its focus on life-cycle oversight, those same considerations remain true in our entire regulatory framework.

One element of the Trans Mountain project that I will highlight specifically—and I mentioned it in my opening remarks—is a quite innovative approach in the context of working with indigenous peoples in a different way. I mentioned the IAMC and, in the context of Trans Mountain, working in partnership with those impacted communities along the route.

I mention this because it actually has benefited our regulatory framework across Canada and is really with an eye to having those partnerships able to identify and take action on areas of concern that would have impacts not only on the environment but also in terms of cultural impacts, heritage resources and real implications in the long term of how these natural resources and infrastructure projects operate. I would say that's an innovative feature, but it's something that we've continued to employ—not only in the Trans Mountain context. We have adopted those best practices and are now incorporating them into our regulatory framework, which would apply to the companies that we regulate across the country.

Mr. Peter Schiefke: Thank you for that.

The second issue I want to address, obviously, is security. As you know, July 6, 2013, was a day that we in Quebec won't forget. Forty-seven of our citizens—Quebeckers, mothers and fathers—lost their lives, and half of the downtown core of Lac-Mégantic was destroyed.

From a safety perspective, can you comment on how this is the safest way of doing it and what the ratios are with regard to protection via rail versus pipeline? Can you expand on that a bit?

Ms. Tracy Sletto: Certainly, and I appreciate both that sentiment and the question.

I may turn to my colleague Mr. Loewen in a minute to expand on this, but one of the things that I will mention is that we talked a bit about 600 people working at the regulator. I can tell you that each and every one of them goes to work every day thinking about that safety mandate.

The job of the regulator is to identify and prevent harm associated with the regulated activities we work on, and we do have a dedicated staff focused on exactly that. Thinking through how to identify in the first instance those causes of harm and how to prevent them is really key.

Perhaps I might turn to my colleague, who is responsible for our regulatory activities and, specifically, emergencies.

Mr. Loewen.

Mr. Chris Loewen (Executive Vice-President, Regulatory, Canada Energy Regulator): Thank you very much.

Thank you very much for the question, Mr. Schiefke.

The degree of regulatory oversight is proportional to a project's complexity and scale, and this is a very complex and very large project. It's perhaps the largest in Canadian history, but it's definitely the largest for the CER.

The larger and more multi-faceted projects are, the more monitoring and guidance we provide in order to make sure that the conditions for the project are followed. We also use a series of enforcement tools to ensure that companies are following the regulations and standards set by the CER. These include everything from administrative monetary penalties to condition compliance and inspection officer orders.

Safety is always our top priority, and it includes all workers and contractors on job sites. There were somewhere in the neighbourhood of 30,000 workers on this project over its lifespan, which is quite a huge achievement. The safety record, from the CER's perspective was one that.... We always think we can do better, but we think in this case it was very good.

Also, we confidently enforce some of the strictest safety and environmental standards in the world.

I'll leave it at that.

• (1225)

Mr. Peter Schiefke: I have just one last question, because I think I have about 20 seconds left.

Based on the expertise you have, if you had to choose between transporting oil by train or by pipeline, is it a question? Is it even close?

Ms. Tracy Sletto: I certainly appreciate the question. I think you'll appreciate my response, which is that our role is to stay focused on that safety record in terms of the oversight of our regulated infrastructure, so it might be for others to comment on that choice.

However, we're certainly confident in the role we have and the job we do with respect to that oversight of pipelines.

Mr. Peter Schiefke: Thank you.

The Chair: Thank you, Mr. Schiefke.

Monsieur Garon, welcome to the committee. You have six minutes.

[*Translation*]

Mr. Jean-Denis Garon (Mirabel, BQ): Thank you, Mr. Chair.

It's a pleasure to be here. We need to come to the Standing Committee on Natural Resources from time to time to see to what extent, from an energy and environmental perspective, a Liberal is a Conservative.

What my Liberal colleague just said is absolutely scandalous, in that the Liberals' objective is not to meet their greenhouse gas emissions targets, but rather to do as the Conservatives did and export as much oil as possible. The argument we are hearing is that pipelines will be built because it is a safer way to transport oil than a train. That is the argument my colleague just used when he asked the people from the Canada Energy Regulator whether the pipeline is less dangerous than a train to transport tonnes of oil. That is a completely dishonest question from my colleague, who is an honest person.

So I'm going to ask you this: Wouldn't it be safer, if we had energy security, to transport and export less oil?

Ms. Tracy Sletto: Thank you for your question. It is somewhat related to the market and our mandate.

[*English*]

The question around our role in overseeing that activity is not one of a policy leadership role in making those larger choices. There are certainly market forces at play that are quite crucial. Part

of our role, though, as the Canada Energy Regulator has to do with our energy information mandate and the work we do on the forecasting and modelling of various scenarios into the future.

With respect to potential exports or—

[*Translation*]

Mr. Jean-Denis Garon: I'm going to interrupt you, if I may. It's a bad habit of mine.

So I understand that the mandate of the Energy Regulator is, among other things, to ensure the safety of facilities, but that you are unable to tell me whether, by transporting less oil, there is less risk of accidents. I have my answer: I understand that you are not allowed to give me the answer. It's obvious. What I wanted to show was the dishonesty of my Liberal colleague's question, which put you in an impossible situation. You shouldn't do that to your guests.

I understand that your role is to ensure that, once a facility is built, the energy is transported safely. Transportation includes aspects that are interprovincial in nature, and that concern safety and the national interest.

Would it be fair to say that you could have a mandate to ensure that the dirtiest oil in the world is transported in an environmentally responsible a manner as possible? Is it possible that this is your mandate?

Ms. Tracy Sletto: Is—

Mr. Jean-Denis Garon: I will clarify my question.

Scientific data show that oil sands production is an extremely polluting process. It comes with processing stages, it is appalling from an environmental point of view and it is not Ottawa's responsibility. So you are right to say it and I am not criticizing you, but when the representatives of the Canada Energy Regulator come and tell us, in committee, that their work, essentially—

[*English*]

Mrs. Shannon Stubbs: I have a point of order, Chair.

The Chair: Mr. Garon, we have a point of order, so I'll ask you to hold on one second.

Go ahead, Mrs. Stubbs.

Mrs. Shannon Stubbs: Chair, this is a federal committee dealing with federal issues in federal jurisdiction and dealing with crucial economic infrastructure regulated by these folks. They're actually not here to comment on the development of resources that are provincial in jurisdiction, which is what the member is now talking about—

[*Translation*]

Mr. Jean-Denis Garon: It's a point of debate, Mr. Chair.

[*English*]

Mrs. Shannon Stubbs: —and just like him, we Conservatives believe very strongly—

[Translation]

Mr. Jean-Denis Garon: It's a point of debate. It's not a point of—

[English]

Mrs. Shannon Stubbs: —in respecting provincial jurisdiction, and I suggest that Quebeckers share that view too.

The Chair: Thank you, Mrs. Stubbs. That's not a point of order. Monsieur Garon does have the right to ask his questions with the time allotted to him.

Monsieur Garon, I know you know what the study is, so continue on with your questions. Thank you.

• (1230)

[Translation]

Mr. Jean-Denis Garon: When it comes to threatening municipalities with the elimination of funding for housing, the Conservatives do not mind provincial jurisdictions, but when I ask relevant questions, they do. Try to make sense of it, Mr. Chair. I gave up a long time ago.

Basically, what I was saying is that Alberta's oil from the oil sands is the dirtiest—

[English]

Mrs. Shannon Stubbs: You just said you are going to support the Liberals.

[Translation]

Mr. Jean-Denis Garon: Mr. Chair, is everything okay? Are we done?

Alberta oil is the dirtiest oil in the world, and that's not Ottawa's responsibility.

I want to clarify the mandate.

When we invite you to testify before the committee to ask you questions about the safety and environmental aspects of energy transportation, is it possible, within your mandate and for federal regulators, to ensure that one of the dirtiest oils in the world is transported in the greenest and safest way possible?

Ms. Tracy Sletto: Thank you for your question.

[English]

For me, as the chief executive officer of the Canada Energy Regulator, I really am here to speak about our mandate and role. With respect to how we conduct that activity and our focus on that safety and regulatory mandate, I'm certainly able to speak about how we do that and what motivates us and our priorities in that respect, but I think you're asking a question that is much more policy-related and that is, for us, one you might ask others to speak to.

[Translation]

Mr. Jean-Denis Garon: It's not a matter of public policy. It's really a transportation issue. That's why my colleagues here don't like it.

Some government members are telling us that we have to transport products safely and in an environmentally friendly manner. All

of this obscures two central points in the Trans Mountain pipeline issue, which go beyond the cost and make absolutely no sense, which we don't have time to look at.

The first is that this pipeline safely transports the dirtiest petroleum product to be produced in the world. The second is that, if we want to improve the issue of transportation safety, transporting less of this product will be the first solution to consider once we have energy security.

On that, I want to point out that neither a government member nor a Conservative member ever makes the effort to properly inform the public on this point.

[English]

The Chair: Monsieur Garon, thank you.

Mr. Angus, we'll now proceed to you for six minutes. Go ahead. The floor is yours.

Mr. Charlie Angus: Thank you, Chair.

Thank you to our witnesses.

The reason we're studying TMX is twofold. One is that this massive increase that's going to come from the pipeline represents a major carbon bomb, which will make a mockery of the Liberals' promise to the global community on an emissions cap, and the other is the \$34 billion the Canadian taxpayers got stuck with. I will focus on how we're going to get that money back.

You say that interim toll rates have been established. What are those interim toll rates now?

Ms. Tracy Sletto: I'm happy to answer some of those specific questions, but partly what I will observe—and I do thank you for the question—is that this is a matter before our commission right now.

With respect to our role—

Mr. Charlie Angus: I get that. That's why I was just asking what the rates are now, not what's going to be renegotiated.

Ms. Tracy Sletto: All right. I will turn to my colleague Mr. Loewen. He may have some of that information at his fingertips to provide to you.

Mr. Chris Loewen: There are fixed tolls and there are variable tolls right now. The variable toll is a component of a benchmark toll, which is about 58¢ per barrel, and the total benchmark toll is about \$11.46 a barrel, which represents \$10.88 plus 58¢. I'm not sure if that's exactly what you're trying to get at.

Mr. Charlie Angus: I'm trying to figure out how much the public is on the hook for, because we were told, first off, that the cap on what the oil companies would be paid would be 22%, meaning 78% was out there. Was that on the taxpayers?

I'm looking at the Tsleil-Waututh Nation's report on the pipeline running through their area. They say that 48% of the costs are recoverable in tolls, which is less than half of the cost. That would mean, I guess, that unless unicorns come down and cover the rest of the costs, they would go to Canadian taxpayers. Are they correct that right now only 48% of those costs per barrel are recoverable?

• (1235)

Mr. Chris Loewen: At this time, as Ms. Sletto had already mentioned, this is an issue in front of our commission. Our role in financial regulatory oversight includes evaluating the economic feasibility of a proposed pipeline and then ensuring that tolls and tariffs are just and reasonable and that the costs were necessarily and reasonably incurred by the company.

Mr. Charlie Angus: Thank you.

Because we know our oil company friends, who are refusing to come to our committee, have been saying that they think it's unfair they're having to pay 48% of the costs, while the public gets stiffed with 52%. They want a better deal. Hopefully, they'll come. We'll be asking them to come.

When I look at the Tsleil-Waututh Nation's report...and you talked about your great indigenous partnerships. They say this pipeline is in the heart of their territory. It states:

Tolls that cover less than half of a project's costs cannot be found to be just nor reasonable, nor in the public interest. Approving this interim toll application would set a dangerous precedent by conflicting with the CER Act, and with guidelines from the NEB and CER. More importantly, the applied for tolls violate well established principles of rate design, including cost-of-service recovery; fair return; revenue sufficiency; efficiency; and transparency.

Do you think that's a fair analysis of us being stiffed as taxpayers for the other 52% of Imperial Oil's costs to run bitumen?

Ms. Tracy Sletto: If I could answer...and thank you for that observation and question. You are right to observe the community you mentioned is an impacted community by the project and is certainly involved in the indigenous advisory and monitoring committee work that we do. We're very proud of that work.

I will mention that the matter before the commission right now is to establish those tolls. Right now, there is evidence on the record, including those of participants and interveners. For us, it's very important that we do respect that adjudicative process. The matters that are before the commission are with respect to tolls.

Mr. Charlie Angus: I agree.

Do you have an idea when those tolls will made public? Would we be able to hear from you on that, so we have a sense of whether or not we're getting ripped off as Joe Q. Public?

Ms. Tracy Sletto: The timing of the tolling matter is currently active before the commission. We expect the process to be occurring over the coming months and into 2025. There will be procedures and processes that would allow for that very public exchange. A considerable amount of information has been filed on the record as part of that hearing process right now and is publicly available.

Mr. Charlie Angus: Thank you.

It was fascinating this morning. We learned that if we had had the TMX pipeline maybe that horrific tragedy in Lac-Mégantic might not have occurred. The Lac-Mégantic disaster was oil from Dakota. It had nothing to do with what's coming out of Alberta, yet the Liberals would pretend, when we set up this pipeline, that it's taking oil off—

Mrs. Shannon Stubbs: That's the whole point; it wasn't Canadian oil.

Mr. Charlie Angus: —the railway, as opposed to increasing it.

I just want to ask you, because I read the TD financial report. I get up in the morning, go to the washroom and read my TD financial report. It says:

After a relatively weak year for Canada's oil producers, output growth in 2024 could amount to a significant 300 to 500k/barrels per day, putting [Canada] in the running to be the largest source of global oil supply growth.

The Justin Trudeau government is leading the way.

Would you say this massive increase that's happening because of TMX means it's not simply that we're shifting from railway to pipeline, but we're adding capacity? Is that a fair analysis?

Ms. Tracy Sletto: The commission, in the context of the deliberations on this project, considered... We mentioned the social, economic and environmental impacts of the project. Certainly, an increase in capacity would have been part of what would have been considered by the commission at that time, but the decision at that time was to proceed.

The context around what you're describing, in terms of global market impacts, is also something that needs to be considered in the context of supply and demand and pricing. There's a complex market in place.

Mr. Charlie Angus: That's a significant 300,000 to 500,000 barrels per day. It says that Trans Mountain is the biggest factor. That's not Charlie Angus saying that, that's the TD financial report.

Thank you.

The Chair: Thank you, Mr. Angus.

We'll now proceed to our next speaker.

We'll start with Mrs. Stubbs and then go to Mr. Patzer.

You have five minutes.

Mrs. Shannon Stubbs: Thanks, Chair.

Just to our Bloc colleague, certainly, I would assure him that we, Conservatives, support the expanded production and exports of Canadian oil and gas to help lower global emissions—

[Translation]

Mr. Jean-Denis Garon: I have a point of order, Mr. Chair.

[English]

Mrs. Shannon Stubbs: —and to bring powerful paycheques for our people virtually in this country.

We look forward to testing—

[Translation]

Mr. Jean-Denis Garon: Mr. Chair, I have a point of order.

[English]

Mrs. Shannon Stubbs: —his comments against the Bloc leader who pledged to support the Liberals.

The Chair: Hold on, Mrs. Stubbs.

We have a point of order from Mr. Garon.

• (1240)

[*Translation*]

Mr. Jean-Denis Garon: Mr. Chair, I want to say to my Conservative colleague—

[*English*]

Mrs. Shannon Stubbs: I just wanted to make a comment.

[*Translation*]

Mr. Jean-Denis Garon: —that saying things about an area of provincial jurisdiction is absolutely unacceptable.

[*English*]

Mrs. Shannon Stubbs: I'm sorry. What did he say?

The Chair: Colleagues—

Mrs. Shannon Stubbs: It's not provincial. I'm actually talking about the federal—

The Chair: Mrs. Stubbs, I would ask you to hold for a second.

Thank you, Mr. Garon, for your point of order.

Colleagues, if we could focus our time on asking questions and not get into debates with each other and with folks around the table, it would be greatly appreciated.

I'm going to go back to you, Mrs. Stubbs. Go ahead.

Mrs. Shannon Stubbs: Perfect. Thank you, Chair.

This is all, of course, part of the tangled web we weave when the Liberals first deceive, as they have on TMX and on energy. They've been speaking out of both sides of their mouths. They've been eating the NDP and the Green voters for lunch. That's why you've seen this change.

Of course, they've implemented the world's first oil and gas emissions cap, which is designed to stop production and to keep Canadian resources in the ground. Make no mistake, Conservatives support expanding the production and export of Canadian natural resources for powerful paycheques for our people and to help lower emissions globally.

To get back to these topics that we were touching on earlier, it turns out that we found out that less than a third of the projects proposed since November 2015 have been approved by the Canada Energy Regulator. We should probably have follow-up conversations about whether or not that can reasonably be conceived of by Canadians as a successful track record. It's important to every single Canadian and every single community—especially indigenous people who are most impacted by employment provided by natural resources, and oil and gas development in particular.

If we could just get back to the pipeline variance decision that was part of my other question, you know, of course, that a year ago the CER denied that application. That would have sped up completion of the project by two months and brought approximately \$400 billion in additional revenue. Then the request was approved in January 2024.

This sort of uncertainty is, of course, a death knell for getting big projects built and sends negative signals to private sector investors. The mess we're in is, of course, that the government didn't take action when it should have and then unnecessarily bought this thing.

Can you explain what changed in terms of your ultimate decision since last year—your denial that further delayed the project?

Ms. Tracy Sletto: Thank you very much for that question.

To confirm, you're speaking about one of the specific variance requests that would have come in last year in the context of Trans Mountain.

Mrs. Shannon Stubbs: It would have sped up completion.

Ms. Tracy Sletto: There were several adjudicative decisions that would have been taken by the commission in the context of overseeing the construction of that project. There were several decisions that would have been around leave to open, variances or various types of condition requirements that would have been met throughout not only the construction but ongoing into the operation of that pipeline. I might need a little more information into the specifics of the decision that you're speaking about.

In general, I believe what you're speaking about is the necessity for the regulator to be thinking about timely reviews and to ensure that those decisions are made transparently and openly.

I can assure you that the commission turns its attention to make those adjudicative decisions within its mandate. There were several that would have been associated with the oversight of construction on this project, as there are with the oversight of construction on any project. It's not just a matter of one. I would say that several decisions would have been taken. They would have all been made with a focus and a commitment to making them in a timely, accessible and transparent manner, as is our mandate.

Mrs. Shannon Stubbs: Without a doubt, clarity, consistency and competitiveness in requirements for private sector proponents and the scope of the regulator and its duties...but most important is speeding up—not compromising diligence of review, but speeding up the timelines for final decisions.

Can you comment then on what the impact has been of the massive vacuum created by the Liberals for regulatory reviews of these most important projects in this most important sector in the Canadian economy since the Supreme Court indicted the legislation that governs the scope of your work? Then they went back to the drawing board and threw in a couple of amendments in the budget implementation act.

Has it delayed your work to wait for the government while it delayed and dithered on actually taking action on legislative clarity to remedy the problems in Bill C-69, which they were warned about by the Conservative official opposition during the entire debate on Bill C-69 and were confirmed by the Supreme Court of Canada?

• (1245)

Ms. Tracy Sletto: Thank you for that question.

In part, what I can confirm is that we haven't had a change to our legislative mandate. The Canadian Energy Regulator Act and the factors that we consider in the context of our work remain firm. That work and our focus have been consistently applied in the context of both this project and what we oversee.

Mrs. Shannon Stubbs: How can that make sense when the amendments the government put into the budget act deal specifically with the scope, mandate and work of the regulator as they relate to Bill C-69—your governing legislation—which was given royal assent only last summer?

How could it actually be true that all of the government's dithering, delaying, mistakes and failures in the legislative and policy framework that literally provide the mandate for all of your work have not impacted your organization's ability to do its job?

The Chair: Thank you, Mrs. Stubbs. Time is up. Maybe we'll have an opportunity to get to that question later.

We'll now go to Ms. Lapointe for five minutes.

[*Translation*]

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

[*English*]

The Canada Energy Regulator's market snapshot report that was published in August shows a major increase in capacity due to the expanded Trans Mountain system, and that seems to be very specific to the west coast.

Can you describe for us what economic opportunities exist for Alberta and Canada from having that increased capacity to the west coast in terms of diversifying exports beyond the United States?

Ms. Tracy Sletto: Thank you very much for that question.

First, in the context of the decision that was made on this project specifically, those economic considerations would certainly have factored into the public interest decision that was made by the Governor in Council with respect to this project. You're also speaking to that broader market analysis and economic information.

There are two aspects to that question that I might highlight.

One would be more of a policy mandate question, I think, in terms of the government's economic approach.

The other I'll mention in terms of our Canada Energy Regulator mandate around energy information and market supply. You speak about our snapshots, which are a key part of our energy information mandate. We produce not only flagship reports like the energy futures report but also things like snapshots or those provincial and territorial profiles, some of which were released just last week. On that broader economic front, and certainly with an eye to forecasting and a net-zero lens, we released our first-ever net-zero modelling in the energy futures 2023 report last year, and it speaks to some of those broad economic impacts I think you're speaking about.

I wouldn't be in a position to speak specifically about the kinds of things you're referencing in the context of the direct lines of this project, but certainly we have plenty of information available around those broad economic forecasting and market impacts that we expect to occur, and specifically in the context of a net-zero future. We'd be pleased to provide that information as a follow-up.

Ms. Viviane Lapointe: Taking into consideration the current global energy market disruptions, can you tell us how the TMX will contribute to enhancing Canada's domestic energy supply?

Ms. Tracy Sletto: Thank you very much.

I think that likely in such a context, we would rely on the information in those market snapshots, which are publicly available, including some of the work around the association between the outputs and the broader energy market in Canada and certainly in the context of economic opportunities.

Again I might speak to our role. With an energy information mandate, our role is to provide that analysis and that modelling, but we don't have a policy leadership role. As a regulator, we have a clear role in terms of that safety mandate and that economic regulatory mandate.

I might look to colleagues at Natural Resources Canada to speak more about the broader economic policy you're speaking about.

Ms. Viviane Lapointe: Okay.

In your opinion, how does the pipeline support future infrastructure developments aimed at improving energy storage, distribution and grid reliability within Canada?

Ms. Tracy Sletto: Thank you.

Within our mandate and our oversight role for this project, there are the economic considerations you've just mentioned. In our work on this project, one of the most complex projects and certainly one of the largest the Canada Energy Regulator has overseen in terms of construction and operation, the learnings we've applied in terms of the improvements in our regulatory framework, as well as best practices and indigenous engagement, have certainly helped to improve the transparency and the accessibility and predictability of the regulatory oversight system in Canada. I think those learnings would certainly benefit other projects in Canada that are being proposed and developed.

• (1250)

Ms. Viviane Lapointe: When you speak about the intensive and complex work you've done around this project, can you tell us how the pipeline expansion, in your opinion, will influence job creation opportunities across the oil production industries?

I'm also very interested in learning about the opportunities along the value chain.

Ms. Tracy Sletto: Thank you.

Some of those matters would have been considered in the context of, again, those economic considerations that the commission would have turned its mind to in the adjudication of the project. There is certainly information available, in terms of the direct economic benefits that indigenous communities have experienced in the context of some of the conditions that were associated with the project, and there would be not only reporting around those conditions but also transparency in terms of the regulatory compliance requirements that the company would have filed. Again, I think those broader questions around economic policy are likely better handled elsewhere.

Ms. Viviane Lapointe: Thank you.

The Chair: Thank you, Ms. Lapointe.

We'll now go to Mr. Morrice, if that's correct, Mr. Garon. Thank you for sharing your time with Mr. Morrice.

Mr. Morrice, you have two and a half minutes.

Colleagues, I think we can get a two and a half minute round in for all parties.

[*Translation*]

Mr. Mike Morrice (Kitchener Centre, GP): First, I would like to thank Mr. Garon for sharing his time with me. That's kind of you.

[*English*]

Chair, just to summarize, back in 2016, the National Energy Board somehow found that this 1,150-kilometre pipeline was in Canada's public interest, despite a long history, with 85 spills, leading up to that point. This was appealed 17 times, including by many first nations.

Since then, the government decided to buy the pipeline days after admitting that we were in a climate emergency. The project has been referred to, by many environmental groups, as a "climate bomb" for good reasons. Climate scientists tell us that it's now or never if we want to limit warming below 1.5°C. Instead, we just heard that this pipeline will send nearly 900,000 barrels of diluted bitumen, every day, which is an additional 84 million tonnes of carbon pollution every year. Now here's a bit of a carbon accounting magic trick. It doesn't show up in our emissions profile. It hangs out in other countries.

At the same time, there are major health risks. The Canadian Association of Physicians for the Environment tells us that, if a tanker carrying 600,000 barrels spills even two-thirds and only 0.5% of that reaches shore, then 25,000 people would need immediate evacuation or 105,000 if it's ignited.

It's a financial disaster. The federal government, we've learned, is doing everything possible to create shell companies to hide how much money we've wasted, but the fact is that we've collectively wasted \$34 billion, about \$2,000 for every Canadian household—

Mrs. Shannon Stubbs: On a point of order, Chair, we haven't collectively wasted that number. The official opposition has always opposed the government spending that money on TMX.

The Chair: I'm sorry, Mr. Morrice.

Colleagues, I would just remind everybody not to use a—

Mrs. Shannon Stubbs: It's just a point of the royal "we", to apply it accurately.

The Chair: —point of order for their own debate. You can use that during your own time, ask questions and provide your comments at that point.

Mr. Morrice, I'm going to turn the clock back to you.

Mr. Mike Morrice: Thank you, Chair.

As I was saying, the federal government bought the pipeline. Every Canadian across the country owns the pipeline. It's about a \$2,000 cost to every Canadian household.

With all this, turning to the CEO of the Canada Energy Regulator, would you now say yes or no? Is this project in the public interest?

Ms. Tracy Sletto: Thank you for the question.

The determination of the public interest, with respect to this project, was a determination made by the Governor in Council, based on the recommendation of the commission, and our role is to oversee that project in the context of our mandate.

Mr. Mike Morrice: Thank you, Ms. Sletto. I understand that. That was in 2016.

Today, with the information we have now, is your view still that the Trans Mountain pipeline expansion project is in the public interest, yes or no?

Ms. Tracy Sletto: That's not a determination that, in my capacity as CEO, is appropriate for me to make. That is a decision that was made by the Governor in Council, and that is certainly not a matter before the commission right now nor would it be mine to make.

Mr. Mike Morrice: Okay. Thank you.

As the regulator, you're making clear, then, that you made the decision in 2016, but it's not your job to reassess that at any point and to say, based on new information you've received, money wasted, potential for spills, emissions and the climate crisis.... The regulator will never go back and ask if this was this still a good choice.

The Chair: Be very quick, please, because time is up.

Ms. Tracy Sletto: Our role is to ensure that the pipeline is constructed and operated safely and that the regulatory requirements are met and applied in the context of that role. We have both that safety and economic regulatory mandate. Specifically, that role with respect to tolls and tariffs adjudication is, right now, a matter before the commission.

• (1255)

The Chair: Thank you.

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

Mr. Charlie Angus: Thank you.

We're very pleased to have you here today.

This has been a good opening session for our Parliament. We're finally getting the true picture from my friends in the Liberal Party. They have been talking, this morning, about the great economic investments and opportunities in massively increasing bitumen production and exporting it around the world.

When we had Minister Wilkinson here, I asked him about your energy scenario for 2050, in which you basically said we'd have pretty much close to the same amount of production in 2050 as we have today—maybe a little less. I said to Minister Wilkinson that it doesn't say much for their plan if energy stays the same, and Minister Wilkinson said that wasn't right and that he was going to make the CER do a new scenario.

I looked at that unicorns and rainbows scenario. I loved it—a multiple thousandfold increase in direct air carbon capture and all the possible things. Now we have TMX and massive increases in bitumen production per day and per barrel. I think Mr. Wilkinson was unfair in making you do all of that extra work.

Would you say that, in your first scenario, oil production was going to continue because Canada is a petrostate that got \$34 billion from the taxpayer to make it happen? Your first scenario showed that oil production in Canada doesn't really decrease even as the International Energy Agency says major drops...and even as the UN's climate panel and others say we need to seriously drop. Canada is now leading the way in increasing global oil growth.

Does your unicorns and rainbows scenario get blown out now by the fact that we finally got TMX up and running?

Ms. Tracy Sletto: Thank you for the opportunity to speak about our energy futures work and those scenarios.

You're certainly right to observe that there are more than one. Our work in "Canada's Energy Future 2023" provides a variety of scenarios with different assumptions so that we can provide fact-based and neutral information to decision-makers with respect to net zero.

Mr. Charlie Angus: I'm not questioning your great work. However, that was also before TMX. We saw increases of 300,000 to 500,000 barrels per day come on stream.

Would you reassess?

Ms. Tracy Sletto: In part.... Again, thank you for the clarification.

I might turn to my colleague Dr. Carr if you're interested in receiving a little more information about the assumptions that went into the assessments. I'm—

Mr. Charlie Angus: I'm wondering if it's time we tossed the unicorns and rainbows promise to Minister Wilkinson and other people out the window and just go back to reality, as we're hearing from our Liberal friends today.

The Chair: Mr. Angus, your time is up. Maybe somebody else can ask that question with their time.

Mr. Charlie Angus: Take that question, please.

The Chair: Mr. Dreeshen, you have a couple of minutes. Then we'll finish off with our colleague. Go ahead.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): Thank you. I don't think I'll continue along that line.

What I would like to say is that, back in 1951, when the original Trans Mountain was put together, it took 30 months to complete. When the approval took place for this project in 2017, it was also going to take 30 months. Had there not been as many delays, it would have been completed prior to the onset of COVID-19, which, again, is one of the reasons why cost increases have been part of this.

There has been discussion about the fact that you're going to have to deal with tolls and about the management of tolls. A lot of those added costs have come because of regulatory issues that have slowed down production.

I'm curious. When companies come to you to speak about tolls, are they going to discuss that as being part of and will you consider that as part of your adjudication? How much of it is costs they should have dealt with versus costs that have been put on their side because of the regulatory system we have?

Ms. Tracy Sletto: Thank you for that question.

There are two elements that I'll highlight.

One, our conversations with regulated industry continually focus on ways we can improve our regulatory oversight. We have various forums where we have an opportunity to do that, including a twice-annual meeting with our regulated industry to speak about how to continually improve our timeliness and the competitiveness of our approach to decision-making. The advice and feedback we receive have been implemented in very practical ways, including in an initiative that, right now, is at the forefront of some of the work the regulator is doing.

When you speak about how matters are considered in the context of tolling, specifically, for Trans Mountain, I might again focus on the important role of the commission in considering the decisions before them at present.

On your question about our commitment to ensuring there is regulatory efficiency and effectiveness, I can assure you it is one of our priorities as a regulator. We want to demonstrate that regulatory excellence and a commitment to competitiveness, and do so without a compromise to those other key objectives around reconciliation: meaningfully advancing the United Nations Declaration on the Rights of Indigenous Peoples and maintaining trust and confidence in the context of our work—all of this in a time when the energy sector is transitioning in a significant way.

As a regulator, we need to be ready to do that, as well: ensure we are ready to regulate in that new environment. It's a focus for us.

• (1300)

The Chair: Ms. Sletto, our time is up for that round.

We're going to finish off with Ms. Dabrusin for the final few minutes here, and then we'll conclude our meeting.

Go ahead, Ms. Dabrusin.

Ms. Julie Dabrusin: Thank you. I only have a couple of minutes here, so I'm not going to be able to go very deep on these, but I did want to set up three things on which I would love if you could provide more information to us.

One is that there has been a lot of conversation about the tolls and how you set an appropriate toll rate. If you could provide us with more details as to the process, that would be helpful, because I keep hearing it come up in different ways.

Another piece is that I believe you mentioned the indigenous advisory committee. I would like more information, if you could provide it, on the role of the indigenous advisory committee to give us a better sense of what work is done.

The other question that has come up is about safety, which you've talked a lot about. Can you help direct us on spill safety and what the CER does? I know there were a number of conditions specifically attached to TMX, so what do you do to actually make sure that those conditions are enforced?

Maybe, because we have literally 30 seconds left, you could just give me a quick synopsis on that last point. What do you do to actually enforce the conditions that were attached to TMX?

Ms. Tracy Sletto: Those are excellent themes. We'd be pleased to provide the committee with more information on those matters.

When you speak about condition compliance, it is a major focus for us as a regulator, of course, to ensure that not only the specific

conditions—there were 156 of them associated with this project—but all of those requirements that are part of our regulatory framework are adhered to. Our compliance verification activities are not limited to those conditions but to the entire regulatory framework, and it's quite robust.

In terms of safety and conditions related to economic conditions or other indigenous advisory and monitoring conditions, for example, our team works very closely with our IAMC partners to ensure those conditions are all met and satisfied in terms of their adjudicative role.

Ms. Julie Dabrusin: To date, have you actually found that they're in compliance?

Ms. Tracy Sletto: We require compliance, and yes, we work very closely to ensure that's the case. The various conditions are at various stages of compliance because of their time frames, and again, our oversight is for the life cycle of the project, not just for construction.

The Chair: Thank you, Ms. Dabrusin.

Thank you to the witnesses for joining us today and providing testimony.

Mrs. Shannon Stubbs: I have a point of order, Chair. I know you constantly have to school me on the rules and regulations around here, but I hope I'm doing my job on behalf of the people of Lakeland and Canadians.

Thanks for your testimony today. Would you be willing to come back, if we asked you to, after the adjudication around tolls to talk about some of these issues a little bit more, just for the importance of transparency to all Canadians?

Ms. Tracy Sletto: We are happy to support the committee in whatever way would be best.

The Chair: That's not a point of order, but thank you, colleagues. We'll see you on Thursday. Have a great—

Mr. Charlie Angus: I have a point of order. They did agree.

The Chair: Thank you, Mr. Angus, as well.

Colleagues, we'll see you on Thursday. Have a great next few days and a great start to the.... I'm sorry. Wednesday at 4:30 is the next meeting.

Thank you once again to the witnesses for joining us.

The meeting is adjourned.

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