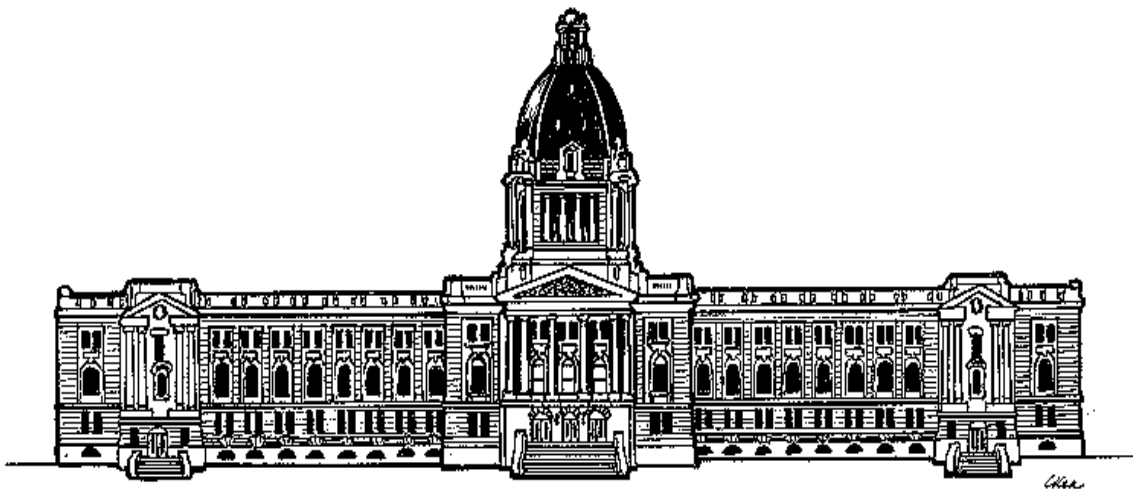




STANDING COMMITTEE ON THE ECONOMY

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STANDING COMMITTEE ON THE ECONOMY

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[The committee met at 19:00.]

The Chair: — Being now 7 p.m., I will call the committee meeting to order. I'd like to welcome the committee members and Minister of Energy and Resources and his staff who have joined us tonight. Tonight we will be looking at estimates and supplementary estimates for the Ministry of Energy and Resources. We'll follow that with consideration of Bill 34, *The Saskatchewan Crop Insurance Corporation Act*, and later in the evening consideration of estimates for Saskatchewan Research Council.

**General Revenue Fund
Energy and Resources
Vote 23**

Subvote (ER01)

The Chair: — At this time we have Minister of Energy and Resources, Mr. Boyd, Minister Boyd with us. And I would invite the minister to introduce his officials. First of all, let me just as a reminder, whenever any official is speaking to the committee, if you'd just state your name for the sake of Hansard. So, Minister Boyd, if you'd introduce your officials and then feel free to give your opening remarks.

Hon. Mr. Boyd: — Thank you, Mr. Chair. Committee members, it's a pleasure to be here this evening to speak about the estimates for the Ministry of Energy and Resources. I'm pleased to introduce the members of our staff that are here this evening. Sitting to my left is Kent Campbell, deputy minister of Energy and Resources. To my right is Hal Sanders, assistant deputy minister of minerals and lands and policy. Behind us are Ed Dancok — perhaps you can just raise your hands, please — assistant deputy minister of petroleum and natural gas; Twyla MacDougall, assistant deputy minister of corporate and financial services; Bob Ellis, director of public affairs for the ministry; Shane Vermette, executive director of forestry development.

Mr. Chairman, as everyone in this room knows, the theme of the 2012-13 budget is *Keeping the Saskatchewan Advantage*. The budget helps citizens, communities, and businesses seize the opportunities that our province affords going forward. It is a balanced budget, a great accomplishment when other jurisdictions are awash in red ink.

Here in Saskatchewan we are both enhancing public services and living within our means. We are able to do so, able to deliver the Saskatchewan advantage in large part because of the diversity and richness of the resources that we have within our province. We are an energy and mineral powerhouse, and we've been aggressive in promoting our resource strengths to investors, both here at home and beyond our borders. Our oil industry had a great year in 2011, celebrating its second-best year for drilling of oil wells and setting a new record for drilling of horizontal oil wells, despite having several months of flooding in a large part of the oil sector in the southeast part of Saskatchewan.

Statistics just in show that we had the second-best year for oil production in 2011, coming in at 157.8 million barrels for that

year. Again a remarkable achievement, considering the flooding that we had.

More than 5,000 oil well licences were issued last year, a clear sign of a busy year ahead for this year, 2012. The industry realized an estimated \$12.2 billion of sales of oil and gas products in 2011. It provides direct and indirect employment to more than 33,000 people here in our province, and it accounts for over 20 per cent of our GDP [gross domestic product].

Our mining industry continues to perform strongly with value of mineral sales estimated to be around \$8.2 billion and mineral exploration expenditures in the order of \$280 million. Our potash resources continue to generate national and international headlines, with people around the world gaining a greater appreciation of how critical potash is to the fertilizer industry and the extension of global food production. Our current potash producers are expected to invest \$13.2 billion in expansions of their existing mines by 2020, and other major international companies are looking to bring new mine projects to fruition.

Mr. Chairman, the 2012-13 budget for the Ministry of Energy and Resources once again provides us with the tools we need to help our resource sectors continue to grow. Our total appropriation for this year is just over \$48 million, a decrease of 1.8 per cent from the previous year. Our expense budget is up by just under 6 million, and our capital budget has decreased by just over that amount. That basically reflects a move from capital to operating funding this year for our major project, PRIME [process renewal and infrastructure management enhancement], as well as lower capital expenditures being required to complete the expansion of a Regina-based subsurface geological laboratory.

I should note that we continue to exercise fiscal prudence and continue to reduce the size of the ministry staff levels through attrition, vacancy management, and effectiveness. On that score, we're showing a reduction of 3.3 FTEs [full-time equivalent] from our complement last year, fully meeting the workforce adjustment strategies and targets for our ministry.

We also continue to apply lean management principles across the ministry's various processes in order to ensure that we will keep providing timely and responsive service to our clients. Our regulatory and revenue collection services remain essentially unchanged as we do well, regarding royalty and tax regimes that we implement.

The major development of our ministry's oil and gas business process and computer systems is into its fourth year, the PRIME project. That redevelopment is very important. The acronym is process renewal and infrastructure management enhancements. PRIME is recasting how the oil and gas industry electronically interacts and shares information with the ministry, and it will provide a big boost to our ministry's overall efficiency and service in the future.

A key milestone of the PRIME project was reached earlier last month on April 2nd when the oil and gas companies were able to enter important business information online with the petroleum registry, an organization that supports Canada's upstream oil and gas industry. Saskatchewan is now a full

partner with Alberta in the registry. In 2012-13 PRIME will receive \$12.8 million in capital and expense funding.

We continue to make progress on an equally significant project on the mineral side of our ministry, namely the mineral administration registry Saskatchewan, or the MARS project. MARS will be going live this fiscal year, enabling online allocation and administration of mineral tenure. This initiative will assist in the improved management and land dispositions and also contribute to better front-line service to the industry.

Forestry is also a key part of our ministry's mandate, and we continue to work with various projects that are helping revitalize the industry here in Saskatchewan. In that regard, we are very pleased over the last year to have played a facilitation role in Paper Excellence assuming ownership of the Prince Albert pulp mill and in Carrier Forest Products re-establishing a saw mill complex near Big River.

Other highlights from our ministry's budget include \$1 million in continued base funding for the Petroleum Technology Research Centre over at the U of R [University of Regina], 1.5 million in annual education and business development support to First Nations that are accessing new resource development opportunities, and \$700,000 to complete the lab expansion that I mentioned earlier.

Mr. Chair, that concludes my opening remarks. We believe that through the measures in our ministry's budget and the provincial budget overall, we're helping our resource industries build on our province's economic momentum, helping of course to keep the Saskatchewan advantage. Thank you. And I look forward to questions from committee members.

The Chair: — Thank you, Mr. Minister. The floor is now open for questions. I recognize the member from Saskatoon Nutana, Ms. Cathy Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. And thank you, Mr. Minister, and all the officials for coming in tonight. And I look forward to hearing from you. This is my first time in estimates, so I'm the rookie here, and I'm looking forward to learning from your expertise. My approach as a new MLA [Member of the Legislative Assembly] has just been simply to ask questions as they occur to me about the programs that I'm critic for. And so I may meander somewhat, a little bit, but we'll try and stay on track here. And I'm going to start with mining first and oil and gas, and then I'll move into forestry. I'll try to do it that way and see how I make out.

At any rate I think to start with, I have a number of documents I want to go through. I think the first one I would like to go through a little bit is to go back a bit here and the most recent annual report, which is your annual report from '10-11. And that's maybe where we could start. I'll just get into the parts that I've marked here.

So I'll be starting around page 9, I think, is where I've started making comments. I'm skipping page 8 right now, and that's PRIME. I do want to talk about PRIME a fair bit, but at this point I'll just start on key actions that were identified on page 9 of your '10-11 report. And the first one I'd like to ask you about is the action item where you were going to work . . . further

development in the uranium industry by working with the federal government to secure removal of the non-resident ownership policy. I'm just wondering, has that taken place yet?

Hon. Mr. Boyd: — Mr. Chair, committee members, we're dealing with the estimates for 2012-13, but I'll be happy to, absolutely, I'll provide you some context with respect to that. The non-resident ownership policy is a policy that was put in place — I don't know when — a long, long time ago. It deals with the uranium industry. It essentially restricts ownership in the area of producing companies, uranium-producing companies, which there's only three of in Saskatchewan — Cameco, Areva, and Denison.

So essentially what the policy is, is that no one can own more than 49 per cent of an operating company, a producing company. However, in the area of exploration, companies can own more than that. So in some cases they own up to 100 per cent of a project in the exploration area. In the producing area, essentially what would have to happen is companies would partner with one of the three producing companies in a joint venture-type of application in order to buy up to the 49 per cent. Now I don't know, I don't think we have anyone that's quite at that level, but that's essentially the policy. We believe that it is restrictive, in terms of the type of investment that we could see here in Saskatchewan, by essentially eliminating non-resident owners to that 49 per cent.

We certainly have seen in our travels when we're visiting with people in China or in Japan or in other places, that there's interest in this area — Korea, certainly India, a number of countries. There would be a lot of investment, I think, potentially could flow to Saskatchewan if that non-resident ownership policy was no longer in place. We have lobbied the federal government pretty extensively with respect to this — both myself, our ministry, the Premier, and the industry frankly, with respect to that. At this point, we see no change in the policy.

I think, and when I say I think, it's my sense is that perhaps we're moving a little bit more positively with respect to that, but yet we see no direct change in that policy. I think earlier this year when the Prime Minister was in China, as an example, opening up the opportunity for sales from, direct sales from Cameco to Chinese consumers of uranium, consuming companies of uranium, I think that we took that as I guess a positive signal that we may see something in the future. I have nothing to base that on other than just a sense that that's hopefully what the federal government is thinking.

A couple of years ago, I believe it was, the federal government signalled in their Throne Speech that they were looking at this. However in recent months they've kind of backed away from that. But I hope that gives you some context as to the non-resident ownership policy.

Ms. Sproule: — Thank you for that. The next thing I'd like to ask a little bit about is the mineral exploration tax credit. I believe that's been extended again this year. And just maybe tell me the policy thinking behind it and how that tax credit operates.

[19:15]

Hon. Mr. Boyd: — Well I'll perhaps ask for some help from Hal Sanders on this. But I'll make some general comments first of all. That tax credit has been in place for a long time — a very, very long time. It predates our administration by quite a margin of years. It is a policy that was put in place to encourage development of the mining industry. It's similar to what we would see in many jurisdictions across Canada. It has been I think effective in terms of creating investment into the mining sector. We kind of jostle with Quebec and Ontario for first place in terms of mineral exploration in Canada.

A couple of years ago when potash sales were very, very strong, Saskatchewan was the largest mining industry in Canada. Saskatchewan was the home to that. We're a little bit, backed off a little bit, and I think Ontario now has moved ahead of us a little bit. But nevertheless, it has I think been an effective policy of various governments of various stripes that has been in place for a long time to encourage mineral development. Perhaps Hal can provide us with a little more, you know, technical information about the policy.

Mr. Sanders: — It's Hal Sanders, for the record. I'd only add that it does piggyback on the federal tax credit system. So when the federal tax credit was extended, then the province followed suit. And the criteria for deductions under that program and qualified companies is essentially the federal regulations around that particular tax credit system.

Ms. Sproule: — Thank you. I know that we've talked a lot about — in the House in the last couple of months — about another form of tax credit with the film industry where they also get, you know, a tax credit to encourage film development I guess. So I guess my question for you, Mr. Minister, is how do you see this tax credit as different from the one that's afforded to film companies?

Hon. Mr. Boyd: — Well I guess that's an interesting question. When you look at the industries, I think you have to look at the potential growth opportunities that there are and the real employment that's associated with it and as well, is that tax credit actually going to companies that are paying tax here in Saskatchewan? In the area of the film tax credit, it's 2 per cent, very, very small — very, very small by any measure. In other areas it would be much greater, much, much greater, employing many, many more people, creating much, much more in terms of economic development opportunities for the people of Saskatchewan.

I guess I would add, Mr. Chair, that these are always I guess sort of value decisions when you make those kinds of choices. Governments of the past have chosen to go in that direction. We have looked at it and taken a very hard look at it and came to the conclusion that it was not in the best interests of the taxpayers of Saskatchewan to continue with that. That will be debated for I'm sure a long time into the future. There are various views on that, of course. Our view is, it was relatively ineffective in terms of creating opportunity here in the province.

Ms. Sproule: — Okay. So in terms of how this credit is afforded then, let's say I'm a mineral developer from Saskatchewan, and I want to put some money into . . . How does the mechanics of the credit work? Do you have to put the money in first, and then you get a rebate?

Mr. Sanders: — Hal Sanders. The company itself actually has to apply to qualify as a company eligible to be able to have tax credits applied to it, and then it is individuals who invest in that company that then benefit from the tax credit itself. So it's an opportunity for individuals to get a tax credit on their individual tax returns for investing in a company that's been qualified under the federal program.

Ms. Sproule: — And what percentage of those individuals would be from Saskatchewan? Do you have any idea?

Mr. Sanders: — 100 per cent.

Ms. Sproule: — So it's not eligible to somebody if they're not from Saskatchewan.

Mr. Sanders: — That's correct.

Ms. Sproule: — And in terms of the budget, where does that tax rebate show up in your vote? Or does it show up somewhere else, in tax rebates?

Mr. Sanders: — The tax credit is actually, because it's a deduction against an individual tax return, it's within the income tax system. So it would be part of the process whereby Finance would then receive the benefits from individual taxes from the federal government. So it's collected or not collected from the federal system.

Ms. Sproule: — Do you have an amount for that? Do you know how much the value of the rebate is?

Mr. Sanders: — I do not. It would have to be a question for Finance, and in fact they may not have that specific information because it is individual taxpayer information that would be the purview of the federal *Income Tax Act* and the confidentiality provisions around that.

Ms. Sproule: — Interesting to know that. But it must be valuable. I mean I assume . . . Can you estimate at all, ballpark? Is it millions of dollar that we're rebating? I know that's not . . .

Mr. Campbell: — Kent Campbell. Yes, if you look in the budget summary document under tax expenditures, so we're on page 52 of the budget summary, 2012 Government of Saskatchewan tax expenditure accounts. They have the value estimated in millions of dollars. And under other Saskatchewan tax measures, it's listed, as I remember, (3) mineral exploration tax credit, for a value of, looks like half a million dollars. Yes.

Ms. Sproule: — Thank you. I didn't bring the whole document with me, so we'll get that down here. All right. Thank you very much for that. Now the next question I had is about the Saskatchewan petroleum research incentive program. And I guess just to start with a general question, maybe you could just tell me more about that program.

Hon. Mr. Boyd: — Have we concluded our discussions on mining?

Ms. Sproule: — It'll be going back and forth, I think.

Hon. Mr. Boyd: — Sorry?

Ms. Sproule: — I might be going back and forth. I'm sorry.

Hon. Mr. Boyd: — All right. I think Hal can provide us with some information on that.

Mr. Sanders: — Hal Sanders, for the record. The Saskatchewan petroleum research incentive is a system whereby, if you're doing bench or field research in enhanced oil recovery activities, you would qualify for a deduction against your Crown royalties on a monthly basis, when you make your monthly payments. And essentially, depending on whether or not it is bench-scale research or field research, would determine what percentage you would get in terms of a rebate based on your actual expenditures in the field or at the bench.

Ms. Sproule: — And when you say bench, is that like lab research?

Mr. Sanders: — It would be lab research. For instance, the work being done at the Petroleum Technology Research Centre might qualify under that program

Ms. Sproule: — Again is there any sense of the value of that incentive for this fiscal year? Is that in the . . . It's not through Finance now, would it be? It'd be a royalty writeoff.

Mr. Sanders: — It is a royalty writeoff. The program itself is actually defined in that what you would do is cap it on total expenditures of up to \$30 million. That's the current cap. Of that 30 million, I believe we've only spent just over 2 million to date. And the program will expire in a few years before it will have to be reviewed again. So there is not a lot of uptake on research that would qualify under that particular program.

Ms. Sproule: — When you say up to 2 million, is that this point in this fiscal year or from January 1st?

Mr. Sanders: — It would be over the last two years, I believe.

Ms. Sproule: — Okay. So why do you think there isn't an uptake for that?

Mr. Sanders: — There is a considerable amount of research going on, and field work. But a lot of the information then becomes public knowledge. And where you are doing proprietary work as a company, you may choose not to employ a government-funded tax credit to take advantage of.

Mr. Campbell: — Kent Campbell. Just to add to that. It also has to . . . You have to, to be eligible for the funding, you have to demonstrate that it's either a new technology or a technology that's new to application in Saskatchewan. So I think what a lot of the companies have done is employed some of the technologies like horizontal drilling that wouldn't qualify for the program because they're not really seen as being that innovative. Yet they're innovative in a way because we're seeing really good recovery from those types of programs. So it's more trying to encourage the, really the development of the new technologies that haven't been applied yet. So that could be part of the reason as well.

Ms. Sproule: — Can you give me an example of some of the new technologies that have been looked at with the \$2 million?

Hon. Mr. Boyd: — We will undertake to get you that specific information on it. We can't think of a specific example of something of that nature. I guess I would just want to add that Hal was indeed correct that the companies, typically when they are looking at new technologies, are pretty guarded about that information. It's a very competitive marketplace out there with respect to these types of things. There's lots of opportunity for competitive advantage or sale of the technologies, so they are pretty guarded about it. And I think that's why we're not seeing the kind of uptake that you might ordinarily expect. The companies are doing the research and they're funding it themselves and not asking the taxpayer to step in on this, simply based on the fact that they want to capture the technology and the potential opportunities associated with that technology.

We do have some examples now that Kent has been able to come up with.

Mr. Campbell: — Yes, I was able to find the list of some examples. So the two most recent projects, which have been since March of 2011, one was an enhanced oil recovery project, microbial enhanced oil recovery project using microbes. And one was a heavy oil hot water vapour process. And those are the two most recent ones.

We also had that . . . You'll recall there was the PetroBakken project using toe to heel air injection. That qualified and was funded under this program as well.

So it tends to be things beyond straight water floods, as an example, or straight CO₂ floods. But it can be a technology that has been deployed elsewhere in a different field. But if it's new here and we see it as being innovative, then it will qualify.

Ms. Sproule: — And just one more small question on that one: if they spend up to \$30 million, is it a dollar-for-dollar rebate on the royalties?

Hon. Mr. Boyd: — It is a small percentage. We'll get you that number. It's not a dollar-for-dollar.

Ms. Sproule: — Thank you. All right.

Hon. Mr. Boyd: — We've been able to . . . Looks like the companies would have to spend between 4 and \$5 for every dollar that they would be eligible for.

Ms. Sproule: — It's 20 to 25 per cent?

Hon. Mr. Boyd: — Right. Something in that neighbourhood, yes.

Ms. Sproule: — Okay. Thank you. Just to try and stay on . . . Well I guess, going back to . . . I'll stay on oil and gas for the moment and I just want to ask about the orphan well program. What is the status of that right now? I see that . . . I think it's quite healthy.

Hon. Mr. Boyd: — It's an interesting program. In Saskatchewan we have a lot of wells — some 30,000 producing wells and a lot of wells that have been abandoned that governments over the past have not essentially forced

companies to deal with. We felt it was very important to move forward with a program of this nature to ensure that the industry . . . When I say the industry, broadly the industry is participating in a program for cleaning up wells. They are required to provide levies based on the number of wells they have and also I think production as well, and determine a structure that they pay. And then that is used to fund the industry program going forward.

I think it's very, very important, given the fact that we have literally thousands of wells across Saskatchewan that would fall into that category that need to be addressed and haven't been addressed in the past. We're moving pretty aggressively. We've got very good buy-in from the industry with respect to this. I think there may only be a couple of companies left that haven't contributed to this, and we are, I would say, moving fairly aggressively to ensure that we have full compliance with respect to this. We are, you know, looking to clean these sites up as, I guess I would say, as quickly as we can and with the available dollars that are there.

[19:30]

Ms. Sproule: — And where does it show up in your vote, the revenues that you have collected?

Hon. Mr. Boyd: — It wouldn't be part of ours. It's a stand-alone program.

Ms. Sproule: — And I know I had I think the 2011 one, but can you tell me sort of what the bank balance is in that right now approximately?

Hon. Mr. Boyd: — It's in the neighbourhood of \$28 million would be in that particular fund currently.

Ms. Sproule: — And are there plans for using those levies for any other purpose, or are you just holding on to them until there's a demand for them to reclaim more from wells?

Hon. Mr. Boyd: — We are developing capacity within the industry, I would say, for cleaning up well sites, and as that capacity increases, we are essentially awarding those contracts, I guess you would call them for lack of a better word, to start work in this area.

Ms. Sproule: — So there's been no work done yet? Is that . . . Okay.

Hon. Mr. Boyd: — There have been . . . According to my notes here, since 2009 there has been 10 orphan well abandonments and associated site reclamation and three orphan spill site cleanups under the program for a total cost of \$706,000.

As I say, this program has taken a little bit of time to develop. But we're certainly in a position now I think to move forward fairly straight forward.

Ms. Sproule: — Did you say it cost \$706,000? Was that what you said?

Hon. Mr. Boyd: — Correct.

Ms. Sproule: — Okay. And in terms of the inventory for work to be done, how many reclamations do you have in the hopper?

Hon. Mr. Boyd: — This year we have in queue probably six or eight wells that will be looked at. But there are literally thousands from the past.

Ms. Sproule: — And not all of those would require significant cleanup, would they? Or are those ones all contaminated?

Hon. Mr. Boyd: — Various stages, I would say, from, you know, more significant through to ones that would be pretty minor in nature.

Ms. Sproule: — Do you have a time frame where you're hoping to have this caught up or is it ongoing?

Hon. Mr. Boyd: — There is an industry advisory group that is a part of this. They advise in terms of the projects and sort of looking at the inventory of ones that would need work and then sort of going from there. There's really no time frame. It is an ongoing project that will take, well I would say a long time.

Sometimes the ownership of these are difficult to track down. It's companies that are no longer in existence, have long since pulled up stakes and moved on. So there's some issues around that kind of thing, the legalities of it. And so it does . . . There's a considerable amount of sort of upfront work that would be necessary before you can proceed to ensure that you're not obviously encroaching on somebody's property, but being done in a proper way. I would just say that we think that this will be an ongoing project for a long time into the future. We have got I think very, very good buy-in from the industry with respect to this, as I indicated, and I think we've got good buy-in from the landowners out there as well as to the certainly the necessity of the program and . . . But this is not something that we can put our finger on in terms of saying that this is, we expect it to be completed in this time frame, in any particular time frame, given the magnitude of the situation that's out there.

Ms. Sproule: — Thank you. I'm sorry, I'm going to be going back and forth from oil and gas to mining. It's just difficult to sort of streamline this. I guess the next question I would like to look at is MARS, the mineral administration registry of Saskatchewan. So I understand it's an e-tenure system now for mineral dispositions, and I understand there's a fair bit of work that's been put in place. But if you could just describe in essence what the registry does and how it's accessed and sort of what status it's at, I guess. You said earlier it's going to be operational later this year. Is that the goal?

Hon. Mr. Boyd: — Yes, it is. It is I think an important advancement with respect to the mining industry here in Saskatchewan. It will provide for an electronic registry which I think is very important, certainly make projects move forward in a more timely way. It'll allow companies to apply for dispositions over the Internet any time of the day or night including weekends, eliminate the cost to industry associated with the physical ground staking of claims in the unsurveyed portion of Saskatchewan.

Ms. Sproule: — Could you repeat that last statement?

Hon. Mr. Boyd: — It will eliminate the cost to industry associated with the physical ground staking of claims in the unsurveyed portion of Saskatchewan. It'll simplify the process for administering mineral deposits. It'll allow for timely issuance of dispositions by eliminating manual land checks, and it will reduce the long-term cost to Energy and Resources of administering mineral dispositions. So it's a project that's been initiated back in 2007. There's been a great deal of consultation with the industry around this. They are very, very supportive of it. It is clearly what the industry standard is now, and we believe that it provides for a very, very timely way of projects potentially going forward.

Ms. Sproule: — So if I wanted to stake a claim, once it's operational I could go on to the Internet. I would presumably be registered as a licensed person that can do that kind of activity. And then I could just scan . . . Could you scan the map of Saskatchewan and just find a place that isn't staked yet and delineate it and say, this is my claim? Is that how you'd do it? Sorry, I'm making you guys change.

Hon. Mr. Boyd: — Well it's not quite that simple, but in essence I think you have the general drift of what . . . Yes.

Ms. Sproule: — And how would the description of the area be made? Is it through GPS [Global Positioning System] locations?

Hon. Mr. Boyd: — Hal can help us with that.

Mr. Sanders: — Hal Sanders. We're actually working with Information Services Corp and using their projected grid system. So just like in the South where you're using down to a quarter section, in the North you'll be able to project that. So there is a process that will honour legacy dispositions that are a bit willy-nilly. They can be any kind of direction because of the way ground is staked in the North today. Over time what will happen is they will be more uniform, essentially conforming to the township system that's used in the South.

So in fact you do not have to scan a map of Saskatchewan. You can go onto the site. You can find an area and essentially create a circle. It will tell you whether or not that land is already under disposition and whether or not it is available for a claim or not.

Ms. Sproule: — Do you anticipate a huge rash of staking because this will be so easy?

Mr. Sanders: — We, in our testing, anticipate any level of activity. But to be honest, you can only stake if you are registered with the ministry as a qualified person in Saskatchewan. And we have that finite number of companies that do that kind of work. So we do not believe that it will be a massive amount of claims that you would see being staked as soon as it comes live.

Ms. Sproule: — Okay. And I guess the costs, you're saying there'll be some savings here. And I assume there'll be some sort of similar fee for registering a claim under this system as there would be under the previous. Are the prices going up?

Mr. Sanders: — Prices are not going up. There is a realignment of prices based on the type of activity that's going

on. Regulations are currently in development that would consider things like the fee structure that would be applicable to that. But of course the activity requires less manual intervention and therefore we expect that certain types of transactions will in fact go down under the new system.

Ms. Sproule: — And is there legislation associated with this, that are even passed?

Mr. Sanders: — Yes. I believe, and I would have to check on this specifically but we did introduce in *The Crown Minerals Act* provisions to allow for e-tenure because it is a system that's being employed as well eventually through our oil and gas system. So at the same time we were preparing for the PRIME project, which was mentioned earlier, we anticipated the future that MARS would bring to the ministry as well. So it is regulatory changes that we are currently working on.

Ms. Sproule: — I guess we could move in to PRIME while we're talking about it. I just want to find my notes on that. Okay. So PRIME has been under way for a number of years now, I understand, and it looks like it's coming along very close to being actual or operational. I know you mentioned earlier, Mr. Minister, on April 2nd there was the system. Did it go live on April 2nd? Is that exactly what happened?

Hon. Mr. Boyd: — Yes, the project went live on April 2nd. So now we are getting information from companies with respect to their activities.

Ms. Sproule: — And if you just walk me through that process, is it similar to MARS where a registered company who has a disposition is wanting to . . . Or do you even use it for land sales? Is it . . .

Hon. Mr. Boyd: — Yes.

Ms. Sproule: — Okay. So maybe if you could just start me from the beginning.

Mr. Campbell: — Kent Campbell. It does have a little bit of a broader scope than MARS. MARS is just related to the disposition of mineral titles whereas PRIME is a multi-year project that will run us through to 2015. And essentially what it's doing is replacing our three legacy oil and gas systems and processes. We had three basic IT [information technology] systems that supported our oil and gas systems that were developed in the '80s, and they were just struggling with the complexity and the volume of work.

So we've made an assessment when starting with PRIME about whether we should develop our own system in-house, whether we should buy something off the shelf, or incorporate the system that Alberta had just developed, which was the petroleum registry. So we've done that as a first step of PRIME, and that was what went live as of April 2nd. And that will provide us with about 30 per cent of the total system functionality. And so what that portion will allow companies to do or require companies to do is provide their volumetric production and royalty information onto that system. So it's basically the same user interface that companies will see in Alberta, so they only have to train their people once. And rather than sending in paper forms or different types of formats,

there's the one user interface that they can now interact with 24 hours a day, 7 days a week, and there's a lot less paper processing on our side.

So the first two elements that have gone live is the petroleum registry portion, which is the submission of the production and volume information, production, and then the second one is the revenue and royalty information which is now functional as well. And then moving into the future, it will also include items like wells and facilities and other types of infrastructure.

Ms. Sproule: — And what kind of infrastructure?

Mr. Campbell: — Other types of infrastructure like oil facilities, batteries, that type of stuff.

Ms. Sproule: — So is it geographic as well though? If I wanted to go and look in that system, is it publicly accessed?

[19:45]

Mr. Campbell: — The land sale process is still separate from PRIME. It may well get incorporated as part of that, but it's really at this point just the production volume and royalty information that's functional at this point.

Ms. Sproule: — So to enter that information, they would enter in the number of the lease. Is that how they would get into the system? I don't understand enough about royalties.

Mr. Campbell: — It's a well-by-well accounting system, yes.

Ms. Sproule: — And so this 30 per cent of the total system is now operational. How are things going?

Mr. Campbell: — Things are going well so far, yes. So we're going to, we'll be running some of our legacy systems throughout the summer but we've had pretty low error rates, so things are going along quite well. We've done pretty extensive change management internally with our staff for the new system but also pretty extensive consultation with industry. And we actually had an industry-led team that provided training to other industry members because of course one of our concerns was, you know, companies that are operating in both provinces are going to be familiar with this, but some of the smaller ones are perhaps only operating in Saskatchewan. This is going to be new to them. So it was very beneficial from our perspective to have industry do the lead in terms of the education on that front. And so we've only heard positive things so far, so we're quite pleased with the progress to date.

Ms. Sproule: — I just want to turn to some of the comments the Provincial Auditor made about PRIME. I have to find that document, if you'll just hang on.

So there was some recommendations that came out of the Provincial Auditor's report of 2011 and I guess I can just go into those now. The first comment . . . I guess a recommendation they made was in relation to the procedures for user access and the concern of the auditor was that there was — and this was in relation to . . . Sorry, this isn't PRIME. That's later in her comments. So I could go straight to those and I can come back to user access in a minute.

Let's go to PRIME. I think there were three recommendations that were made based on a six-month period at the end of September where there was concerns expressed about adequate project management processes. I guess overall she felt that it was adequate, but there was three issues that she had asked you to address: documenting plans for measuring and reporting unexpected benefits, information to senior management on the projects costs incurred to date and the percentage of completion, and then they were looking for an analysis on the merits of conducting an independent risk assessment. Could you bring me up to date on those three recommendations?

Hon. Mr. Boyd: — Thank you. Yes, I'm pleased to be able to report that we are moving in a positive way. All three of them are being addressed within the ministry's performance management system. Within this fiscal year, a review of the benefits metrics will be done with the business projects that have been implemented. As well, future projects will identify key metrics for tracking progress on benefit realization.

So essentially I think the three areas that were identified are all being addressed and, I would believe, to the auditor's approval.

Ms. Sproule: — Okay, thank you. We'll look forward to her comments in the next report, 2012 I guess. One question I did have was there was indication the original cost expectations for the PRIME — and I'm not sure if it was in the auditor's report or elsewhere — I believe it was 40-some million and then the latest I . . . In the area of 40 million and it's now at 68 million. Is that correct? I don't have the document in front of me.

Mr. Campbell: — Yes. Before the project was, when the project was initially scoped, the cost estimate was around \$50 million, plus or minus 50 per cent. And so now as we've . . . It was a very early, early stage estimate. So it's now in the, a number closer to, let's see here, 68. Yes. So we're certainly, you know, closer to that upper end of that estimate, but I think as we've . . . We're pretty comfortable with where we're at in terms of management around the project. And I think a lot of the recommendations and points that the auditor made were quite favourable towards our management of the project. And certainly the auditor didn't raise the cost as an issue.

Ms. Sproule: — I know it's a significant project and I appreciate the immensity and variability, particularly when you started out. So now the 30 per cent, I understand the 30 per cent you've accomplished is online. What's the other 70 per cent of the work that's left to be done?

Mr. Sanders: — Hal Sanders. The remaining work will focus on internal systems largely. It'll be essentially our tombstone data that's necessary for us to be able to calculate royalties. As well there are some land components.

Over the last number of years, we've been working with the Information Services Corporation to be able to get a mineral cadastral map which essentially allows us to look at not only the surface, but subsurface ownership. And with that in place, we believe we can then move forward to automating our mineral disposition system on oil and gas, just as we are doing on the MARS system. The other component would be well licensing and the activities around that.

So over the next number of months, our concentration will be again focused on client service activities and well licensing; following that, updating our internal systems.

Ms. Sproule: — So what are you going to do with your old mineral land books where you have handwritten notations?

Mr. Sanders: — We are hoping to be able to give them to archives as a testament to how long they could survive.

Ms. Sproule: — They certainly did have their years of service. In terms of the mineral cadastral map, is this something that's going to be available to freehold mineral owners as well? Could they get their lands in there?

Mr. Sanders: — It is an Information Services product that is available to anyone that wants to log-in and access that. Yes.

Ms. Sproule: — I didn't ask the question correctly. Once you have the land components in PRIME, or I guess even now, what if a private mineral rights owner wanted to use PRIME for his royalty collection on his minerals? Would he be able to use the system, or is it only for Crown land?

Mr. Sanders: — If I understand your question correctly, it applies to both Crown royalties and freehold production tax. So where we are collecting taxes on land that is privately owned, that well would be just treated essentially the same as a Crown well on Crown land. The royalties and taxes are different, but essentially the process would be the same.

Ms. Sproule: — I'm not sure there'd be an application for an individual mineral rights owner if he only had one well. It probably wouldn't be useful anyways.

Mr. Sanders: — If you're asking whether or not an individual could use this system to be able to collect their freehold royalty from a company, the answer would be no.

Ms. Sproule: — That's the question I was asking. Okay. And there's no view to doing that in the future?

Mr. Sanders: — No.

Ms. Sproule: — Okay. And in terms of the mineral cadastral map, what percentage of that is now mapped out? Where are you guys at?

Mr. Sanders: — It's my understanding that the percentage of mineral ownership in the province is approaching 100 per cent. It's in the high 90's.

Ms. Sproule: — Is that exclusive of urban areas or inclusive?

Mr. Sanders: — It would be excluding urban areas, unless there were consolidations of mineral titles in those urban areas that allowed easy consolidation of the mineral cadastral.

Ms. Sproule: — All right. While I have the auditor's report out, I just wanted to ask that other question about the recommendation, the first recommendation that was made, and I guess the concern there was that they were hoping you would follow your procedures, ensuring only authorized staff have

access to the data. How is that recommendation being implemented? Do you want me to read it out?

Mr. Campbell: — Kent Campbell. Yes, that was a recommendation around how quickly we take people's user IDs [identification] off our IT system. So when somebody leaves the employment of the ministry, they turn in their security badge and all that stuff, and then it's a question of how quickly did the transaction take place to take their access to the system, IT system, once they're in the building, off of the network. And so ideally you do that exactly at the same time as they're turning in the rest of their materials. And I think there was some occurrences where it didn't happen immediately, so we're working to do that with the ITO [Information Technology Office].

Ms. Sproule: — Thank you. Yes, overall I agree her recommendations are quite positive. So those seem quite insignificant compared to the volume that you work on.

Another question I had about business processes, in terms of your annual report highlights from 2010-11, was a reference to kaizen and lean. Now I think I understand lean because I've sat in on enough estimates now, but maybe you could tell me a little bit about your continuing lean efforts and whether or not you're still using kaizen. And what is kaizen?

Mr. Campbell: — Kent Campbell. Yes, so we're actually doing a lot on lean. We've done a few things. One is we've provided one-day lean training to all of our staff because it's really a process where you look at individual work processes and try and simplify them and provide a better product, more improved product to the customer of that process, whether it be an internal customer or somebody external. Because what we find is that there's a lot of people who've been, you know, working in systems for years that have all sorts of great ideas about how systems can be improved and, for whatever reason, they may not have felt the opportunity to put some of those ideas forward. So when you actually get people in a room and task them with mapping out these processes, you come up with some pretty remarkable things.

So that's what we refer to as the kaizen events. It's a Japanese term that really refers to that mapping out and simplifying a process. So we're doing a minimum of three per year in the ministry. We've done at least 10 to date. We've done a couple of follow-up events. I think our total might be closer to 12. And we've had some pretty good success. One that I'm particularly proud of is around our approvals for horizontal well applications.

So when you want to drill an oil well in Saskatchewan, you need to get approval from us, a licence to be able to do that. And as things have changed, we've had a move more towards horizontal wells. And of course, horizontal wells are more technically complicated. There's all sorts of issues of, you know, where is that horizontal leg going, and does it interfere with other people's rights, or are there other risk factors. So unlike a vertical well, we have to have an engineer review and approve each individual plan.

So one of the things we found through our lean process was that we posted guidelines for industry to submit information, and

industry would put in a variety of information. So some wouldn't put in sufficient information; others would put in too much information. So our engineers were either reading through too much information, more than they needed to make a decision, or they were having to call the companies back. And so this put delays into the process.

So one of the things that the staff came up with was why don't we have a specific template, the specific information that we require, nothing more, nothing less. And if it's not filled out properly, rather than phoning them back, it gets rejected and saying you have to fill in this information. Then they can reapply. And there's a whole number of these types of instances. But that's just an example that I particularly liked because it was something that's seemingly fairly, fairly simple, but it's made people's lives quite a bit easier.

So when we ran that process, we had a backlog of well over 500 applications. And turnaround times were, you know, approaching beyond six weeks to get your approvals. That's now down to more like 160 in the backlog and three weeks approval time, which is much more consistent, for one thing, from the industry's perspective. And so it was an important issue for industry because having a drilling rig on standby can cost you 30 or \$40,000 a day. So the industry is very supporting of us streamlining this process and getting more predictable process in place.

So that's just one example. We've run other processes as well. So we're very big on lean and think it would really be a good way for us to continue to provide good regulatory oversight while at the same time not growing the size of our ministry while industry continues to grow.

Ms. Sproule: — Less engineers, maybe. No. They say that about lawyers so I'm just . . .

I'm just looking now at another . . . I'm moving on from lean to . . . Oh, one more question under lean. Sort of what have you paid in terms of consultants in the last fiscal year? And what's budgeted this year for consultants for lean and I guess other costs associated with the lean program?

[20:00]

Mr. Campbell: — Okay. So for, to date, beginning in the summer and fall of 2010 up until current, we've had 222 staff trained at a total cost of \$75,750.

Ms. Sproule: — Is there a budget for this year?

Mr. Campbell: — Well there isn't. So we've sort of . . . We did have some cost-matched funding from the Public Service Commission's productivity fund. So for example in 2011-12, our total spent on the consulting, assistants, and training was \$37,000. So over time, we're hoping to reduce that. And there's a couple of reasons for that. One, we now have everybody trained. But as new staff come on, we'll want to make sure they have the one-day training.

But when we initially started out, we wanted to have somebody who really understood the lean process in the sessions. And so now we have four people trained in the ministry to be what we

call lean leaders, so they're able to facilitate groups ourselves. And one of the nice things about lean is it's not really technically complex despite terms like kaizen. It's actually quite simple, but you still require sort of the basic methodology. So we now have four people trained internally. So I'm certainly not saying that we're going to stop the training and the use of consultants, but it's going to go down over time below the 37,000.

Ms. Sproule: — Just give me a moment to go through my notes. I think I could probably ask questions for a lot longer on a lot of these things, so I know I'll run out of time tonight, but I'll do what I can — fascinating work and fascinating programs.

I guess I'll look now at the plan for 2012-13 that the ministry's released and just a general question on page 2 where you identify your core businesses to advance resource development, regulate resource development, and generate resource revenue. And I guess one of the things that's always sort of occurred to me with this ministry is that you're kind of in a dual function. You have a regulatory function, but you're also generating revenue. So how do you deal with that in a policy level to ensure that the left hand and the right hand don't necessarily know what each other's doing because there's different, very different objectives for those two sides of the ministry?

Hon. Mr. Boyd: — I guess I would say that indeed you're correct. There is an investment attraction component to the ministry that we are very, very regular basis speaking with companies in all areas — forestry, mining, and oil and gas — about opportunities that there are in Saskatchewan. We do a lot of outreach to companies in Canada, in the United States, and around the world with respect to that. It has been, I think, very successful. It's certainly nothing new. Governments now and in the past have done exactly the same thing with respect to that. And I think largely it's been very, very successful in attracting more and more capital to Saskatchewan all of the time.

Then when it comes to the regulatory functions, frankly we stay out of the way I guess is how we ensure that there is some impartiality there. It's something that again that the ministry takes very, very seriously — the dual role in terms of being the regulator and also looking to attract investment. A practical example I guess would be the ministry certainly awards, through the land auctions process, a very open, accountable process. We have no role in that other than to report what the sales are at the end of the day, as well as in the permitting portions, all of that. I don't see any of . . . None of those kinds of things cross my desk. It's all managed internally within the ministry, a function that I believe they do very well.

Ms. Sproule: — Thank you. One of the key actions you've identified — and I've seen this in a number of documents — is the pursuit of resource-based, value-added development opportunities. Can you identify some of the value-added development opportunities you're pursuing, I guess by the different sectors, like forestry, mining, oil and gas?

Hon. Mr. Boyd: — Well when it comes to, just working off the top of my head here, when it comes forestry, we worked very, very hard to see the restart of the Prince Albert pulp mill, facilitating discussions between the various players, essentially trying to help facilitate the opportunity. We were very, very

pleased to see that it was successful in terms of the restart of that — very similar in Big River, a very similar type of a situation where we helped facilitate those types of discussions in the forestry sector.

In the mining sector, I guess I would say that there's always a lot of work done in terms of attraction of business opportunities to Saskatchewan. I'm struggling to think of a specific example of . . . Yes, we've been able to . . . In the potash industry, I guess, there's a good example of that where now there is a rail car servicing operation out at Lanigan that has been attracted to Saskatchewan that again there was a lot of, I guess I would say, lobbying efforts of the companies to locate that here in Saskatchewan, add value or add additional capacity here in Saskatchewan and jobs to it.

In the oil and gas sector, I guess the most, you know, one of the better examples would be in terms of CO₂, carbon capture and sequestration and storage — the THAI [toe to heel air injection] project, Petrobank's unit up in the Kerrobert area, examples of that nature.

Ms. Sproule: — So in terms of value added for forestry, you mention mills. Is there any other sort of pursuit of other opportunities there or any goals?

Hon. Mr. Boyd: — I would say in the area, certainly there . . . If you look a green energy, biomass was a part of that Prince Albert pulp mill. It was something that we had suggested would be a good opportunity, matching up essentially their capacity as well as facilitating discussions with SaskPower for that type of development.

As well, we just this afternoon had a good meeting with FPInnovations who does a lot of work with the companies in the forestry sector to look at value-added opportunities in terms of the products that they produce for essentially higher end uses, different than dimensional lumber that would normally be associated with these types of opportunities.

The other one again would be, a good example would be the Prince Albert pulp mill itself. And looking at . . . I'm struggling with the . . . dissolving pulp which is moving to the use of pulp for much higher end product, the production of rayon, which is a very significant and sought-after fabric particularly in climates around the world that are high humidity, hot-type climates. That fabric is in great demand. It's somewhere in the neighbourhood of two or three times the value of normal pulp.

Ms. Sproule: — I want to get back to forestry in particular, but I'm just going to keep going through this document, the 2012 plan I think it was called.

In the competitive business climate strategy on page 3, you identify some key actions. And one of them is to examine royalty structures for mineral commodities that have yet to be developed. I'm just curious what commodities those are.

Hon. Mr. Boyd: — I guess we would be looking at, as an example of that, we can probably come up with more, but would the rare earths minerals. That is something that's not in production here in Saskatchewan currently, but there is certainly potential for that in the future, and so we would

obviously have to develop around that. There's been another recent one. I think it was in the . . . Was there not a sand one?

A Member: — Silica sand.

Hon. Mr. Boyd: — Silica sand is the other one up in the northeast part of the province. Again a deposit that is used for frac sand. That is, you know, a new development that has come along that certainly wasn't there before. So as, you know, mineral developments move forward, we have to, on a regular basis, take a look at whether we have structures in place to deal with these types of things.

Ms. Sproule: — The next item there is the market-based forestry dues and fee structure. Could you talk a little about what that would like that, as opposed to what's the . . .

Hon. Mr. Boyd: — I'm sorry. Were you looking at the forestry one, did you say?

Ms. Sproule: — Yes, the market-based forestry dues and fee structure. How would that be different than what's there now?

Hon. Mr. Boyd: — We are looking at that one right now and speaking with the industry with respect to this, of course recognizing that this is a competitive industry. We are essentially . . . our companies are in competition with other provinces. We're, as a province, in competition with other provinces as well to continue to have to a viable forestry industry here in Saskatchewan. It's something that we look at on a regular basis, particularly when you look at our commodities, that there is opportunity in other places, recognizing that we're further to export markets than other places are, recognizing that our forest, for example, is in a more remote area in some regard, greater shipping distances — all of those kinds of things. So as a result of that, we have to have a, I believe, a royalty structure that takes that into account to some degree but also provides a level of royalties to the people of Saskatchewan that we believe is at an acceptable level for the resource that's there obviously. But we, at the very least, we want to remain competitive, encouraging development, a sustainable development going forward.

Ms. Sproule: — So that's just something that's under consideration right now. There hasn't been a lot of development around a new structure?

Hon. Mr. Boyd: — Well as I said, there is a lot of discussion going on with respect to that in consultation with the industry right now. No announcements are being planned at this point in time. There may be in the sort of near future. This is done always in a recognition of being competitive, but also in recognition of, as I said, ensuring that the people of Saskatchewan get a good return on the resources that we have within our province. There's always a delicate balance in those areas that has to be recognized between attracting or essentially chasing away industry. And I'm pretty certain I can come up with lots of examples of that.

Ms. Sproule: — I won't ask. I guess before I forget, I do want to talk a little bit about the company that is now operating the P.A. [Prince Albert] mill. And I understand they started in the province in Meadow Lake — right? — as Paper Excellence. Is

that correct?

Hon. Mr. Boyd: — Their operation there is Meadow Lake Mechanical Pulp. They are a company that I believe is headquartered out of Indonesia. They have a very, very good track record here in Saskatchewan of employment. I don't think they've ever had any kind of layoffs or pullback in any respect.

In an industry that typically is very, very cyclical and is kind of in the trough of a down cycle right now, I think if you were to ask the people of Meadow Lake, I think they would be very, very happy about their operations there. And I think we will see exactly the same situation in Prince Albert. A very reputable company, a company that's investing literally hundreds of millions of dollars into a facility that was shuttered previously.

[20:15]

Ms. Sproule: — I'm sure you're aware of some of the concerns about the Indonesian parent company, Sinar Mas, and their performance globally. And I just have a quote here. I just wanted to find out what your thoughts were. It's an environmental organization, and they made a statement saying that there's been protest against Sinar Mas taking over mills in British Columbia particularly. And the quote is this: "We have a global responsibility and should not be inviting companies who apply 'worst practices' in other parts of the world into Canada."

What's your view on that statement?

Hon. Mr. Boyd: — I believe it was your administration that invited them into Saskatchewan in the first place. And I guess I would say that their track record here in Saskatchewan has been very, very good. I think those comments that you make are some time ago. When I met with them, they were quite proudly pointing out the achievements in terms of environmental standards that they have been able to achieve since that. I don't think it's unusual at all, frankly, for companies in that industry to have had some problems in the past. I think now what you're seeing though is companies around the world raising their standards in terms of that to meet the very significant concerns that people have about sustainable development and meeting environmental standards that are set out in the jurisdiction that they operate within.

I think you can always find — always, always find — people who are critical of industry in every shape, way, and fashion. Frankly I think that there are occasions when those concerns are valid; however, I think there are many occasions when those concerns are either dated or incorrect. The record of the company in question here in Saskatchewan has been very good and I would just again want to point that they were invited here, I believe, under your administration previously.

Ms. Sproule: — Is the mill operating right now, the P.A. pulp mill? Is it running?

Hon. Mr. Boyd: — No. They are still in the start-up phases of it, literally marching through a significant amount of investment into our province — millions and millions of dollars that are being invested into that. I think the biomass part of it is moving along fairly positively and I think we're looking at a start-up of the fall of 2013 for the dissolving pulp part of it, keeping in

mind of course that these are very, very, very large projects. These are not something like, you know, starting up, you know, a small enterprise. These are something that this is the first one of this type in I believe in North America. There is a lot of very specialized equipment associated with this that there's very long lead times to acquire, and a very large enterprise as well. It is a \$300 million investment here in Saskatchewan and, well I guess I would say, Mr. Chair, members, it takes a little while to spend that kind of money.

Ms. Sproule: — True enough. And the biomass, when do you expect that to be operational?

Hon. Mr. Boyd: — I believe it's this spring that we are hoping still. That may be slightly tentative but I would say it's measured in months, not in years. May is what I'm told.

Ms. Sproule: — That's very close. So this, a couple of technical questions for a lay person here. In terms of the biomass, what form does it come out? Is it pulp as well at the end of the day, or is it pelletized? Or what sort of product will be the end result of the biomass?

Hon. Mr. Boyd: — Well initially there is a very large pile of waste product there from the past. So they'll be working their way through that, probably blending it with new product, essentially the waste product from the mill.

As well as, there's . . . Looks like there's going to be a very good opportunity for whole tree harvesting in the forest itself, bundling the waste product and bringing it in as well. It's something that there's a lot of new technology around. And I think Paper Excellence is certainly looking at that to again provide essentially another revenue stream and further use of what formerly would be considered waste product.

Ms. Sproule: — But again, when they're done working with it, what does it look like when it comes out the other end of the mill? Is it liquefied, or are they just burning it for energy?

Hon. Mr. Boyd: — I'm sorry, the dissolving pulp or the waste?

Ms. Sproule: — No, the biomass.

Hon. Mr. Boyd: — Well it will be a product that is used in the creation of power, yes.

Ms. Sproule: — Okay. Okay. Right at the mill itself, they'll generate their own power, and that's the project basically?

Hon. Mr. Boyd: — Generate their own power and also excess power to put into the grid.

Ms. Sproule: — Okay. Okay. That's good. Okay. Just let me organize my notes a bit again.

I guess I would like to start now on just a few questions about the Prince Albert Forest Management Agreement. And I've heard it said Sakâw Askiy. I don't know how other people say it. How do you pronounce it?

Hon. Mr. Boyd: — Well . . .

Ms. Sproule: — I know it's a Cree word.

Hon. Mr. Boyd: — I'm not real good at it, to be quite honest with you. It is a First Nations term. And I'm going to leave it to my deputy to properly pronounce it, because some of the First Nations have taken great joy in the way I've done it.

Mr. Campbell: — Well I pronounce it Sakâw Askiy.

Ms. Sproule: — Sakâw Askiy?

Mr. Campbell: — Yes.

Ms. Sproule: — Okay.

Mr. Campbell: — I'm not sure if that's right, but that's . . .

Ms. Sproule: — We've been arguing about it all day, so anyways, if I understand it correctly, it's made up of eight individual shareholders. Now I think four had allocations previously, and the other four are new. And I'm just going to sort of lay it out here, and you can correct me where I'm wrong.

Two of the new allocation holders are First Nations organizations, one being Montreal Lake and the other being Agency Chiefs Tribal Council, and then the other six are forestry companies that either I guess were operating in the area or are now taking on new responsibilities.

I'm interested first of all in the corporate structure of Sakâw Askiy, which I understand means deep forest or something like that in Cree. But anyways, how is the corporation structured at this point in time?

Hon. Mr. Boyd: — Well it is a unique partnership of six forest companies with Saskatchewan operations, one of which is First Nations owned, two First Nations partners, all with allocation within the Prince Albert Forest Management Agreement. The entity was formed with the intention of the assuming the FMA [forest management agreement] and management responsibilities for the area through a signed agreement. Frankly it is something that I think our government is very, very proud of.

Formerly the Prince Albert Forest Management Agreement was one place holder, and so it put governments in the past I think in a very, very difficult position. And it's probably why, at least one of the reasons . . . I think the other reasons were very, very political by the Calvert administration, very, very political, to essentially on the eve of an election come to an agreement that would have put at risk \$100 million of taxpayers' money into a restart that was, I would say, tenuous at best. It was I think overwhelmingly rejected by the people of Saskatchewan to spend that kind of money into an industry that was still headed in a downward spiral.

So it was felt that, based on that experience, having one place holder, having that FMA probably wasn't a very advisable thing, frankly. We had long conversations with the industry about how we could do this different. We looked at different models from Western Canada and around in other areas as well to come up with a different way of doing this so that we weren't held essentially in a position where one place holder had

essentially control over the forest. Not a very good thing, I don't think.

And that's why we came up with this model. We wanted to ensure that forestry companies had opportunity. We also, very, very importantly, wanted to ensure that First Nations and Métis people had opportunity for the first time. I think there was some small agreements in the past, but meaningful, in terms of a meaningful place, for the first time that First Nations and Métis people had direct input and involvement into the forestry sector here in Saskatchewan. It is working along I think pretty well, I am happy to report.

I think that there has been a number of agreements that have been put in place and there's a lot more agreements that are being worked on between the First Nations and Métis people with forestry companies for either . . . or a number different types of engagements that they are looking at. I think it will certainly create a lot of opportunity for First Nations and Métis people into the future. And I can only say that the evidence is clear. The First Nations and Métis were very, very glowing in their response to this when the agreement was set out. You know, and I think we can come up with the quotes if you like, but the First Nations and Métis leaders were very, very appreciative of the steps that the government took to put that in place, and the forestry companies as well. I think it is being used as a model, frankly, in other jurisdictions.

Ms. Sproule: — So in terms of corporate structure, I was at a presentation with David Knight where he explained it, but I didn't quite capture it. But he was describing it as a non-profit corporation. But there are shareholders so I don't know how it could be both. And maybe I just misunderstood how he described the corporate structure.

Mr. Campbell: — So the company itself is a non-profit and so the individual mill owners are for-profit companies. But in order to make things rational, the province of course wants one forest management plan for the whole area, one forest management plan. Right. So we didn't want each individual company going off and doing their own thing. We needed one plan to approve for our harvesting each year. Well it's actually the Minister of Environment that does that but . . . So it was up to the companies to come up with a model on how they could coordinate that, so that's why they created this company.

So it is a non-profit. They each pay their membership dues. I think it's based upon their size of production but that's . . . I'm not 100 per cent sure on that. It was essentially they came up with the model on how they're going to coordinate that. So the Sakâw itself is a non-profit that comes up with and coordinates the forest management activities on behalf of the individual for-profit companies and the First Nations entities.

Ms. Sproule: — Okay. So they're not shareholders then. They are members of a non-profit corporation.

Mr. Campbell: — You know, I'm not exactly sure, but I guess if you're a non-profit, you would be a member rather than a shareholder.

Ms. Sproule: — Yes, I think he misdescribed it because shareholders are usually for-profit corporations. Okay. So it's a

membership fee based on the size of production, and then all those fees then would go to working with Environment to produce the plan and do all the coordination of the various individual allocations. Is that sort of the function and role of the corporation?

Mr. Campbell: — Yes.

Ms. Sproule: — I think there were a number of outstanding agreements at the time when this was all negotiated, and then those are still unfolding. And from what I understand, there's some confusion about that within the communities and certainly within the companies themselves. Because the presentation I was at, there were foresters there that said there's allocations from this agreement and that agreement. And I think the idea was that, once that settled, if the 10 . . . Is there going to be a 10-year agreement signed? Or is the one that's in place right now a long-term agreement or is it a short-term agreement?

Mr. Campbell: — So the FMA has been assigned to the company. It's a 20-year agreement that's renewable every five. A lot of the companies, individual facilities may need to access fibre from outside of the FMA for their facilities. So depending on your particular company situation, you may need to access fibre from other areas.

In addition, the companies are under negotiations with the First Nations agencies in terms of supply agreements. And the intent there was that they would come to commercial arrangements in terms of the utilization of that fibre. So some of those things are still, still under way.

[20:30]

Ms. Sproule: — There's been some concerns expressed, and certainly this may be more a Ministry of the Environment issue, about some of the methods that are being used right now for harvesting. And certainly there's been people saying they could document this, and some of the concerns they have is that the Ministry of Environment is just simply understaffed and can't monitor and ensure compliance and enforcement. And so I guess the question is, you know, how can that be considered sustainable if we're not able to, as a province and a government, ensure that the rules are being followed?

Hon. Mr. Boyd: — I guess that I would just say that the Ministry of Environment deals with those particular areas. You might want to ask them that. I think there's some very good answers around that. I think that many people would recognize that there's a very good, I'll call it a project — whatever you want to call it — a very good model that's working quite well. Again though I would hasten to add that there's always people that are not 100 per cent happy with the way things are done. They may not be aware of all of what is taking place or they may not have all the correct information. And so they're basing sometimes their assessment or arguments on incomplete information or erroneous information.

I think if you ask the forestry companies themselves and the Agency Chiefs and other First Nations leaders, they're very, very happy with the operations. And I think it was heralded as a historic agreement by everyone involved, certainly in the early stages, and I believe continues to be.

Ms. Sproule: — I think the converse can also be said though that there are people that are very, very experienced in forestry living in those areas that are seeing issues that they've never seen before, and there are concerns being expressed. So you know . . .

Hon. Mr. Boyd: — Well if there are, if there are, they haven't brought it to my attention.

Ms. Sproule: — They've been working with the Ministry of Environment and the forestry folks in P.A., and there's some very knowledgeable, experienced people that are extremely concerned about some of the things they're seeing. So I think there's both sides of that. And certainly your point's well taken; there are people who probably don't know everything and have concerns based on lack of knowledge. But I think there are others that certainly have some valid concerns.

Hon. Mr. Boyd: — It would be always the government's intention to have the forestry sector working in a sustainable fashion. That is not something that is taken lightly here. Again as I said, there will always be people that have concerns, but first and foremost it would be the goal of the government to ensure that harvesting is done in a sustainable fashion.

Does it meet with the approval of every single person? Probably not. But does it meet the goals of the government in terms of sustainable development? I think I would say yes.

Ms. Sproule: — I guess the only comment I would have there, and maybe get a response from you, is the definition of sustainable. And that was something that was discussed with the foresters at the meeting I was at. And certainly sustainable from a forestry perspective may not be the same as one from an outfitter perspective or tourism perspective. So it's a qualified term.

Hon. Mr. Boyd: — Well it certainly is a qualified term. There would be some, and probably at meetings like that, that would not want to see one tree cut down, and not recognizing the significant economic benefits to the province of Saskatchewan, the jobs associated with it, the \$300 million of investment that one company is making.

I think it's a pretty well-established fact that there are people that don't want to see development of any shape or form in the forestry sector. I don't think that's . . . shouldn't be a surprise to anyone at all. I think though governments throughout the ages have looked at these and said, we have to look at how harvesting can be done in a sustainable fashion, maybe not meeting with the approval of every single person, but done in a sustainable fashion to ensure that we have a forest that goes forward, is renewed through reforestation efforts and natural methods. And yet we see a viable industry evolve and continue to evolve in Saskatchewan to take advantage, I guess, of the, I would say, the God-given resources that we have here.

Ms. Sproule: — Just to sort of set the record straight a little bit, the people that were at the meeting were all involved in the forestry industry, and they're very anxious to see it in their neighbourhood. I mean, there was no one there that said, don't cut a tree down because they understand that. They've been living in the area and they understand that.

Hon. Mr. Boyd: — Well I've met lots of them that would be on the other side of that argument, that would say that we don't want to see harvesting in any way, shape, or form. They go out and they look at it and they say, this is a mess; I don't like this.

Ms. Sproule: — That's not who I'm talking about.

Hon. Mr. Boyd: — May not be the people you had at that particular meeting, but there's certainly lots of them that would be of that view. However I would again want to add that the government's goal is to ensure that the forest is managed in a sustainable fashion for today and well into the future for the benefit of the people of Saskatchewan, both in terms of the, I would say, the beauty of the forest itself, but also in terms of the economic advantages that it can provide for the people of our province.

Ms. Sproule: — One of the concerns expressed by a number of the forest companies that were there, or a couple of them at least, was that they felt that the model, the Sakâw Askiy model, was not one that they're really thrilled with. They would much rather deal directly with government. Would there be any move ever to go to that model where you would just deal directly with the forestry companies?

Hon. Mr. Boyd: — Well, I guess I would say that it would be interesting to know who those folks are because I was at the announcement of the forest management agreement, and again I'd be happy to provide you with the quotes from the person after person, company after company, First Nations leader after First Nations leader that felt it was a very, very good project.

Now you may again . . . I would say I wouldn't be a bit surprised if you will find people who are without the benefit of the full knowledge of it would simply say that they don't agree with it necessarily. But in large measure, the management of the companies and the people who are in charge of the First Nations allocations that have been given have been very, very supportive of it.

Ms. Sproule: — This may very well have been the level of people that were at the meeting. These were foresters. They weren't managers so that may be their perspective. But it was expressed on behalf of the company, so I just thought I'd ask.

Hon. Mr. Boyd: — I doubt that they were expressing it on behalf of the official view of the company; maybe a personal thought on it.

Ms. Sproule: — That may very well be what was going on there. Just let me think for a minute; there were other questions around forestry. Right. One of the things I did want to ask about was the biomass that's just waiting to be used in the North with the big storms that happened last year. I'm just wondering if there's any view from your ministry in terms of capitalizing on that resource that will go to waste soon.

Hon. Mr. Boyd: — Again I guess I would say that that is not something that falls under the purview of Energy and Resources. That would be a Ministry of Environment area. I guess I would just add to that by saying that this is something that was very, very large blowdown, is what they are using as the term, of a large, pretty large, event that created a lot of

damage to the forest area. I think again it would be the view of the government that we would want to see efforts being made to address that, and there are. I am aware of ongoing discussions with respect to that. But it would be more appropriately asked of the Ministry of Environment who would have more detailed knowledge of it than we would.

Ms. Sproule: — And as far as a fire hazard concern, is that Environment as well or is that your ministry?

Hon. Mr. Boyd: — Yes.

Ms. Sproule: — Okay.

Hon. Mr. Boyd: — There's a significant forestry hazard in the entire forest, not just in that area.

Ms. Sproule: — For blowdowns you mean, or in general?

Hon. Mr. Boyd: — No, for the possibility of fires. I mean, you'll always have fires.

Ms. Sproule: — Oh, of course. Yes, this is just an added concern. I'm going to move away from forestry for a moment because I just discovered another area I wanted to ask you about and that is the Petroleum Technology Research Centre. And in particular in your press release on March 21st, you identified green initiatives, 1.7 million to maintain funding for green initiatives to provide for projects that address climate change and energy conservation related projects. So what is that \$1.7 million going to be used for?

Mr. Campbell: — Kent Campbell. So this year, we are planning to provide a total of 2.25 million to the Petroleum Technology Research Centre. And that involves, part of that is core funding, and part of it is to run various programs.

So a lot of that funding will be allocated towards the next phase of the Weyburn project, which is the Weyburn-Midale CO₂ storage project. So they're finishing up that phase of the research around that work on carbon capture and storage, and then also the initiation of the Aquistore project, which is going to take a stream of CO₂ from the Boundary dam power plant and store it in a saline aquifer. And so the PTRC [Petroleum Technology Research Centre] will be monitoring that to demonstrate how CO₂ can be stored in saline aquifers. So we're going to have two demonstration sites there: one on enhanced oil recovery, putting the CO₂ in a depleted oil reservoir; and then also in saline aquifers.

And certainly we think that a big part of combatting climate change is going to be post-combustion capture of CO₂. There's still a lot of coal power production around the world, and so if we can demonstrate here in a couple of situations how CO₂ can be safely stored, that will just demonstrate the benefits. So that's really what that funding covers.

Ms. Sproule: — Is that being done anywhere at this point or is it unique to Saskatchewan, that kind of research?

Mr. Campbell: — That kind of research is unique to Saskatchewan. So there are of course situations around the world where CO₂ is being used for enhanced oil recovery. But

this is certainly . . . The Weyburn-Midale project is unique in that we've been studying how the CO₂ is sequestered for over 10 years now, and that is unique as a research project. And certainly it is, by and large, the most CO₂ that is being stored around the world. So it's unique from a research perspective.

And Aquistore would also be unique from a research perspective.

Ms. Sproule: — Interesting. The PTRC, is that here in Regina?

Hon. Mr. Boyd: — Yes. It's at the U of R.

Ms. Sproule: — Right next to ISC [Information Services Corporation of Saskatchewan], across the road from ISC. Is that where it's located?

Hon. Mr. Boyd: — Beside it.

Ms. Sproule: — Okay. In terms of the research that's being done, is there any extended research being done on long-term effects of fracking in Saskatchewan? We see there is now the concerns about fracking being . . .

Hon. Mr. Boyd: — Not by the PTRC. With respect to fracking, it's an interesting discussion, and we'd be happy to enter into that. There's a lot of work that's been done over the years. Fracking has been taking place for some 40 years, perhaps even longer in Saskatchewan. It is something that has been very beneficial in terms of recovering of oil here in Saskatchewan. We don't have any documented cases — none — documented cases of any problems associated with it, but it's something that we're keeping a very close eye on it because there has been problems in other areas, different geological formations, much, much different, much different depths, and all of those kinds of things. But nevertheless it's something that we are watching very, very closely to ensure that there isn't any problems. And there hasn't been any here in Saskatchewan.

Ms. Sproule: — I know it's been around a long time. I lived in Medicine Hat in 1979, and there was all kinds of fracking going on then. And that was just the way they were doing it. So I understand with the Bakken play, is it a different type of fracking with a horizontal . . .

Hon. Mr. Boyd: — Well not to get into too technical of a discussion about fracking because I'm not 100 per cent acquainted with it myself. There's various methods of fracking, depending on the type of well that's being drilled and the type of application that's being used. But again I think we would want to reassure the people of Saskatchewan that there has been thousands and thousands of wells in Saskatchewan over the years that have been fracked without any evidence whatsoever of any problems associated with groundwater or any other sort of media-driven kind of scares that are happening around the world.

[20:45]

Ms. Sproule: — Thank you. Just check my time here. We have about 15 minutes. Maybe at this point, I just wanted to go back to some comments from last year's estimates — if you could hang on a second — just to see how things have gone in the

past year. Maybe I won't ask if I can't find it. No. We've already covered it, so I don't have to.

I guess I'll just go into a few questions now about the budget estimates themselves, getting to this year. Oh, the Surface Rights Arbitration Board, I did want to ask a couple questions about that. And basically I understand there was a long-term Chair who was let go or replaced, and I'm just wondering what sort of policy you have for selecting membership on the board, or is it individual . . .

Hon. Mr. Boyd: — Well I guess I would say it's not as easy as you think. It is a pretty demanding job frankly for very, very low compensation. In fact a few of the people that we have appointed to it, well, you know, if I happen to see them around it's something they'll say: boy I'm not so sure I would have taken this on if I'd have known the level of engagement that there was here and the amount of time that it would take and the very, very miniscule amount of compensation that I receive for this.

But we look for, I guess I would say in general terms, people that we believe have some understanding of the industry but also would be very impartial in terms of either dealing with the landowners or with the companies, the oil companies, gas companies. This is a process that's sort of quasi-judicial. It's important that they have a level of impartiality to assure both sides that they can look at it from an unbiased standpoint and come up with a, you know, an appropriate decision with respect to whatever concern that there might be.

Again this is something that they hear a number of cases on a regular basis. We have encouraged the board to move around the province for hearings. That's not always possible or always easy either because these people have other lives. They're not full-time employees in this program so they, you know, to pick up and move, pick up and travel from an appointee in the Lloydminster area to a hearing in Estevan or something of that nature has a pretty significant travel time associated with it.

So I guess I would just want to, you know, sort of close my comments with respect to this is that we try and ensure that the impartiality is first and foremost in appointing people to this, hopefully with some degree of knowledge of the industry but as well as some degree of knowledge of the pressures that landholders would be faced with.

Ms. Sproule: — No, I agree. Impartiality is an important quality. If I understand correctly though, the people that were currently or most recently selected for the board did not have a very . . . an understanding of the industry at all, that they had no experience in the industry.

Hon. Mr. Boyd: — Prior to being asked by the Premier of Saskatchewan to be the Minister of Energy and Resources, I think I would say that my knowledge in the industry was relatively limited. However I think that one hopes that you can learn over time, and the important thing here is that I guess some of those judgments that you just made would be pretty subjective, frankly. I'm not sure why you would base the knowledge of these individuals, whether they have knowledge or not knowledge in this area. I guess I would just say that the impartiality is very, very important — hearing the arguments

that are made by both a landowner or the oil company and then judging accordingly as to whether or not there's a case to be made or not.

Ms. Sproule: — Fair enough. I understand the best judgments are when both parties come away unhappy. So if that's the result, then it's apparently good judgment.

Moving on to your budget for next year, in accommodation services I see that you've allocated \$3.7 million for accommodations as opposed to 3.2 million in the previous year. Can you tell me why the increase of half a million dollars and exactly what types of accommodations you occupy right now?

Hon. Mr. Boyd: — It would be for the lab expansion. That's not for renting hotel rooms or something of that nature. It's for the lab expansion.

Ms. Sproule: — The extra half a million dollars is for the lab expansion?

Hon. Mr. Boyd: — Yes.

Ms. Sproule: — And what about the rest of accommodations? Like what would the other \$3.2 million go for?

Hon. Mr. Boyd: — That would be for rent associated with the buildings that we occupy as well.

Ms. Sproule: — What buildings are those?

Hon. Mr. Boyd: — Kent can help you with that.

Mr. Campbell: — So in terms of our presence, most of our positions are in Regina, so we have the subsurface geological lab in Regina, and we occupy three buildings in downtown Regina. One of the things we'd like to do is ultimately consolidate that, but we're . . . So we occupy three different buildings in downtown Regina. And then we also have field offices in Lloydminster, Kindersley, Swift Current, and Estevan, as well as we have some space in La Ronge as well. And in Prince Albert, sorry, we have a small place in Prince Albert as well, in the forestry centre.

Ms. Sproule: — And what buildings in Regina are you currently renting from?

Mr. Campbell: — So we're in the Bank of Montreal Building. We are in the Financial Building, which is the Page Credit Union building which is south of SaskPower, and then the Palliser Building which is right next door to it. So that's where the bulk of our staff are, between those two buildings.

Ms. Sproule: — And can you tell me how long those leases are for?

Hon. Mr. Boyd: — I guess we'd undertake to get back to you on that. Off the top of our heads, no one . . . Some of the buildings have been occupied since 1999.

I suspect to have an idea where you're going here. But the important point is that their leases are coming up and expiring at different times always in government. You'll see that there's

an ebb and flow to the marketplace. Rates go up; they may go down. Largely they go up. And often if you have a long enough term of an agreement, particularly when you see a hot market like you're seeing in Regina right now where there's very, very low vacancy rates, it shouldn't be of any surprise that if you were going to lease property right now, given the very strong marketplace that there are, there's a pretty high likelihood that you're going to be paying more than you paid previously in any agreement that you may have had. Now that may, you know, change in the future. But right now we are seeing very, very low vacancy rates and rates going up.

Ms. Sproule: — That was certainly the case for my constituency office, so I know full well of what you speak. I guess my question is, are any of your leases coming up soon? And are you looking at relocating? Particularly the deputy minister indicated you are looking for a consolidated space.

Hon. Mr. Boyd: — We will undertake to provide you with the time frames when leases would be coming up. No, we don't have that information right before us here.

Ms. Sproule: — Thank you, Mr. Minister.

Hon. Mr. Boyd: — I guess I would add to that that Government Services typically manages those agreements. But you know, we'll undertake to let you know the lease terms.

Ms. Sproule: — Thank you for that. Thanks very much. You know what, Mr. Chair? I think that's probably good enough for now. So I think I would like to thank the minister and all your people for coming out tonight and putting up with my questions. Thanks for your frankness and all the work that you do. So on that basis, I think I'll turn it back to you, Mr. Chair.

The Chair: — Thank you, Ms. Sproule. To the minister and to your officials, thank you so much for appearing before the committee tonight. Mr. Minister.

Hon. Mr. Boyd: — Mr. Chair, committee members, thank you very much for your questions this evening. I think we've had a very good discussion about the Ministry of Energy and Resources, and we're happy to follow up with the information as promised. And hopefully the questions that you had were answered to your satisfaction.

The Chair: — Thank you, Mr. Minister. Committee members, the committee will recess for a few short minutes as we transition from Minister of Energy and Resources to Minister of Agriculture and debate on Bill 34.

[The committee recessed for a period of time.]

Bill No. 34 — *The Saskatchewan Crop Insurance Corporation Act*

Clause 1

The Chair: — I'll call the committee back to order. And we have with us tonight the Minister of Agriculture to discuss Bill No. 34, *The Saskatchewan Crop Insurance Corporation Act*. I would invite the minister to introduce his officials and make his opening comments, and then we'll open the floor for questions.

Hon. Mr. Bjornerud: — Mr. Chair, to my left is Alanna Koch, deputy minister, I think everyone knows. To my right is Shawn Jaques, general manager of Saskatchewan Crop Insurance. Behind me on my right is Keith Hayward, senior analyst with Saskatchewan Crop Insurance and Tim Highmoor, my chief of staff.

Shall I go right into it, Mr. Chair? Thank you for that. *The Saskatchewan Crop Insurance Corporation Act*, Bill 34 is what we're dealing with tonight. And I'll just give you an overview of it. It's not a real deep piece of legislation, but it's a very important one. It'll replace *The Crop Insurance Act* and allow for provincial delivery of the AgriStability program. It will also include the authority for delivering crop insurance. So they will be combined together in one Act.

Crop Insurance Corporation right now delivers AgriStability, and we have done since 2010. Previously though under the authority of *The Agriculture Safety Net Act*, and that was a temporary Act that we utilized to be able to deliver AgriStability. The new Act we believe, is a long-term solution simply bringing legislation up to date.

Also you may have noticed in the new Act that it does allow for the administration of future programs. The old Act mainly was for the crop side, the grain side, and now the new Act will include the opportunity that if we ever have a program for the livestock side through crop insurance, that it would be capable of handling that without having to open up the legislation again. And I think that's timely because we don't know into the future whether it would be this government or a future governments that may want to do something on the livestock side. The legislation would allow for it. So there's not a whole lot more to the legislation that I can see here, so certainly we'll try and answer any questions that members have.

The Chair: — Thank you, Mr. Minister. And just a reminder again to the officials, if called upon to respond to any questions, to give us your name for the sake of Hansard. The floor is open for questions. Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair, and thank you to the minister and his officials for coming out tonight. I don't have a lot of questions on this Bill. We think it's a very good Bill and certainly support it. Just have a couple of questions about it. And I guess before I get into them, before I forget, any time you want to invite me out to Melville and have a look at your facilities, just let me know because I'd like to come out and visit. So if that's possible, I'd appreciate it.

You touched on this, and the only real question I'm interested in is the definitions of agricultural product and agricultural product insurance because that seems to be the major change. And so I understand it will be prescribed so that's something that we'll look for in regulation. Is that how that . . . And so what is the scope that you would be looking at in terms of an agricultural product? How wide a range is that going to be?

Hon. Mr. Bjornerud: — Shawn, do you want to maybe answer that?

Mr. Jaques: — Yes. Shawn Jaques, SCIC [Saskatchewan Crop Insurance Corporation]. And what that definition does is that if

we were, as the minister indicated in his opening remarks, to deliver a program for another commodity such as livestock that it gives us that ability. Because in the old Act it just spoke mainly to grains and oilseeds, so agricultural product gives us that broader perspective of covering for insurance.

Ms. Sproule: — What about berry crops? Would they be, is that something included in crop right now, or would that be an agricultural product?

Mr. Jaques: — Yes, berry crops are currently included under our crop insurance program.

Ms. Sproule: — I'm just looking for the definition of crop insurance. Where's that located in the Act? Or is it in the new Act? Is it just . . .

Mr. Jaques: — So berries would be prescribed in under the regulations, not under the Act.

Ms. Sproule: — Under the new regulations that are forthcoming. Okay. When do you expect the regulations to be in place?

Hon. Mr. Bjornerud: — I think right after the Bill is proclaimed. So as we go through the process.

Ms. Sproule: — Okay. Just one other question about the agricultural income stabilization program. I know we talked about a little bit in previous estimates, or in the estimates. So just the thinking behind having the Crop Insurance Corporation manage that program, why is that the suitable place for that program to be managed?

Mr. Jaques: — Yes, the thinking was that because we have a network of offices around the province, that we were a good fit. We have staff members located across the province who have a good knowledge of agriculture, and so it made that it was a good fit for us to deliver AgriStability

Hon. Mr. Bjornerud: — I think too maybe I'll just add a little bit to that too. I think we talked about this a little bit the other night, but I think it brings some efficiencies to the programming when you combine the two programs together. Crop insurance certainly has the expertise with the officials and staff we have out there and then when you bring the AgriStability program in, it was a good fit. And I think it's made improvements to that program.

Ms. Sproule: — And I suppose it's foreseeable, seeing other agricultural products come into the list, would you be also dealing with other safety net programs, say for livestock, at some point? Would that be conceivable?

Hon. Mr. Bjornerud: — That's partly why the legislation is the way it is here, as Shawn said. It opens it up for more things that we've got right now, but even new crops too. There's crops all the time coming on that we possibly don't have in the program or something. So that would be a possible.

So on the livestock side, there never was a part of the legislation that was there for that. And, you know, we don't know down the road, maybe price insurance, there could be a number of

variables that may come into play. And now we won't have to wait for legislation to be opened up and passed again or amended. It will be part of this; you can just add it to it for crop insurance.

So you know, we don't know that there'll be a need for that, but there may be. And you know, it may not be our government. It may be a different government down the road, but that possibility will be there.

Ms. Sproule: — And I'm just thinking agricultural product, would that be extended or could it be extended then to something where there's already been value added, for example, livestock that's already been manufactured into, you know, some sort of further-down-the-chain product?

Hon. Mr. Bjornerud: — Well I guess it could be. It's not something that we look at right now, but you know, it may be into the future. If there was some type of a part of a program set up, I guess that might be, but not really what it's designed for at this point.

Ms. Sproule: — Right. I'm just thinking out loud. The final question then I guess on the Bill actually is, any thoughts to changing the name of it? It's becoming more than just crop insurance.

Hon. Mr. Bjornerud: — I think it's fitting to call it that because the whole program now falls under our crop insurance program. I guess federally it would be the AgriInsurance program and most farmers would wonder what we're talking about. When you say crop insurance, everybody knows what we're talking about. So I think for simplicity . . .

One other thing that you had mentioned when you started that you'd like to tour the building. You're certainly welcome, I think, at any time to go out and get someone to take you through the building. The new part of the building is just tremendous there, and then there's remodelling in the old parts. So I think a vast improvement from where the building, you know, what it was like a few years ago.

Ms. Sproule: — So I can just call directly then to the office?

Hon. Mr. Bjornerud: — Sure. Call Shawn and he can set it up for you. Sure.

Ms. Sproule: — Okay. And you're located in Melville, right?

Hon. Mr. Bjornerud: — Right.

Ms. Sproule: — Yes, okay. At that point, Mr. Chair, those are my questions for this Bill. It's a good Bill.

The Chair: — Thank you, Ms. Sproule. Any further questions of the minister on this Bill 34 before us?

Seeing none, we will begin voting. I'm going to vote the first two clause by clause and then I'm going to ask for leave to move by part.

Clause 1, short title, agreed? Are we agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried.

[Clause 1 agreed to.]

The Chair: — Clause 2, interpretation, are we agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried.

[Clause 2 agreed to.]

The Chair: — I would now request leave of the committee to move by part through the remaining clauses rather than calling the clause by clause. Are we agreed?

Some Hon. Members: — Agreed.

[Clauses 3 to 38 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: Bill 34, *The Saskatchewan Crop Insurance Corporation Act*. Are we agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried.

That completes debate on the Bill. Pardon me. I do have to do one more thing. I also need to ask a member to move that we report Bill No. 34, *The Saskatchewan Crop Insurance Corporation Act* without amendment.

Mr. Bradshaw: — I will so move.

The Chair: — Mr. Bradshaw, thank you. We're agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Thank you. That completes debate on the Bill 34 before us. Thank you, Mr. Minister, and your officials for joining us tonight for discussion on the Bill. Mr. Minister.

Hon. Mr. Bjornerud: — Thank you, Mr. Chair.

The Chair: — The committee will recess and, in a few minutes, as soon as the minister is back, we will enter into debate on Saskatchewan Research Council.

[The committee recessed for a period of time.]

**General Revenue Fund
Saskatchewan Research Council
Vote 35**

Subvote (SR01)

The Chair: — Seeing everyone's with us, I'll call the committee back to order, and we'll resume debate in committee.

We have with us at this time the Minister Responsible for Advanced Education, Employment and Immigration. We'll be discussing the Saskatchewan Research Council.

And before we begin, I would invite the minister to introduce us to his officials. And a reminder to the officials, if you're responding at any time to any question, please state your name for the sake of Hansard. That would be appreciated. Thank you. Mr. Minister, you can introduce your officials and give your opening remarks.

Hon. Mr. Norris: — Great. Thanks, Mr. Chair. And to all members of the committee, we appreciate the opportunity to appear before the committee tonight. It's obviously a pleasure to be here tonight to discuss the estimates.

I do have a few brief comments. But before that I would like to introduce Dr. Laurie Schramm, president and CEO [chief executive officer] of the Saskatchewan Research Council — and many of you will be familiar with Laurie and his fine work — as well as Ms. Crystal Nett. And Crystal is the chief financial officer and vice-president of finance, safety, and risk. And I'd like to thank them both for joining us.

The Saskatchewan Research Council, or SRC, is Saskatchewan's premier provider of applied research, development, innovation, and technology commercialization. It's a market-driven corporation that has recently been referred to as the MIT [Massachusetts Institute of Technology] of the North, especially in key areas that we're doing some important work on. And we can touch on that.

SRC's 2010-11 economic impact assessment shows just how valuable the role the SRC plays in Saskatchewan's growing innovation sector. During that year, the SRC provided more than \$527 million in direct economic benefit to the province, and about 1,200 jobs created or maintained in the province due to the good work of the SRC. This means that for every dollar invested in SRC by the provincial government, a 32-times return was achieved. As well we saw significant contributions to the provincial GDP.

I'd like to draw the attention of the committee members to a few key highlights. In 2010-11, more than \$31 million of SRC's project work was . . . these were aimed at creating positive environmental and societal impacts. SRC's work contributed to energy savings of more than 23 million kilowatts per year and to the reduction or prevention of nearly 9000 tonnes of greenhouse gas emissions.

A good example of this kind of project is the combined heat and power pilot project at Inland Metal here in Regina. And I can remember the day that we announced that, and to see the kind of stakeholder engagement and endorsement was very encouraging. In conventional power plants, heat from electricity generation is released into the atmosphere in the combustion exhaust. Rather than letting this heat go to waste, combined heat and power systems capture this heat and use it to warm spaces or provide hot water into a building. While these technologies have been around for years, they've been predominately used in large industrial plants.

SRC is now testing equipment for small-scale business and

residential uses. The goal is to monitor each unit for one year to establish the technology's costs, benefits, and barriers to better understand the value proposition right here in Saskatchewan. I should add, Mr. Chair, that this pilot project is being recognized by the Association of Professional Engineers and Geoscientists of Saskatchewan with an Environmental Excellence Award. And I think that's a little later this week, actually.

This project is only the beginning as SRC plans to grow the project to pilot such systems in other small- to mid-sized commercial facilities. In fact SRC is conducting a request for expressions of interest to identify two commercial host sites in Saskatoon or Regina to test larger systems — one 10-kilowatt system and one 25-kilowatt system.

SRC has critical expertise in a number of other significant areas as well. For instance SRC's advanced microanalysis centre is the only facility licensed by the Canadian Nuclear Safety Commission that can safely prepare thin sections of radioactive materials. SRC's biofuels test centre is a fully qualified and accredited independent testing facility that allows the biofuels industry to validate the quality of their products. SRC's pipe flow technology centre is an internationally acclaimed facility that helps the resource sector conduct commercial scale studies for safe, cost-effective extraction transport processing and waste disposal of mineral and oil resources. SRC's geoanalytical laboratories now operate three of the world's largest and best geo assay labs for uranium, potash, and diamonds. These facilities have become the external labs of choice for the largest mining and mineral companies in the world.

If I may, I would like to now offer a few highlights of this year's budget for the SRC. First the budget has seen an increase by the province of \$850,000, or a 4.7 per cent increase over the previous year. This will enable the SRC to increase its research capacity. SRC's provincial investment was approximately 23 per cent of its total revenue last year. This year it is estimated to be at about 28 per cent. These provincial dollars are leveraged with external client revenue targeted to strengthen the Saskatchewan economy through growth, quality jobs, and an increasingly secure environment.

Mr. Chair, this is just a quick encapsulation of some of the work that we undertake through the Saskatchewan Research Council. And I'd be pleased to address any questions or comments that committee members may now have.

The Chair: — Thank you, Mr. Minister. The floor is now open for any questions. I recognize Ms. Sproule, the member for Nutana.

Ms. Sproule: — Thank you very much, Mr. Chair. And thank you, Mr. Minister, and officials for coming out tonight. Certainly I'm a big fan of the Saskatchewan Research Council and, you know, the record that you've had over the last, I think I read somewhere, 68 years that you've been serving Saskatchewan well. So that's a — 64 years — phenomenal accomplishment, and it looks like you're still going great guns.

Just have some questions tonight about some of the projects that you're working on and certainly how the allocation of the approximately \$19 million that you're receiving from the Government of Saskatchewan to conduct the work that you do.

So most of my questions I'm going to be pulling from some material I found. It's here, 2010-11 annual report. And I wasn't able to get your next one. I understand that's not ready until July at this point, and so this is the latest information that's available on the council.

So I guess the first question I have, and it's a funny little question, but I noticed you trademark a lot of things. Like smart science solutions is trademarked. So why is that trademarked?

Hon. Mr. Norris: — Great. Thanks very much. I'm actually going to get Dr. Schramm to answer this because I think we have a few examples that'll be instructive as well.

Ms. Sproule: — Okay.

Mr. Schramm: — Thanks, Minister. Laurier Schramm, Mr. Chair. There are a couple of reasons, and, as you've probably noticed, there's a growing list of names or phrases that we've trademarked. Part of the reason is marketing and trying to build presence and visibility in the markets that we serve, as I'm sure you've gathered from looking at the annual reports.

In a typical year, about three-quarters of our revenue comes to us in the form of contracts for specific work that we undertake for clients, and that is obtained in the real marketplace. And sometimes some of our work comes from referrals, from clients that have been happy working for us in the past, and others as new companies, growing companies, companies interested in Saskatchewan for the first time that aren't necessarily familiar with us. And so we do market ourselves to try and raise visibility and profile to encourage people to realize that we exist and that we exist to serve and perhaps they should give us a call.

Some of these things have worked fairly well for us in terms of building and maintaining presence. In the minister's opening remarks, he referred to the pipe flow technology centre which is now world-renowned. Some marketing went along with the development of that centre, and it helps us keep its name in currency in the global marketplace. The biofuels test centre that the minister mentioned in his opening remarks is another example of a growing one that's emerging at the pace that industry itself grows in Saskatchewan.

We sometimes have trademarked specific processes for the same reason: to try and build awareness in the marketplace that we have something to offer. So we have a fairly lengthy list, but that's sort of a starting point introduction into the reason why.

Ms. Sproule: — Okay. Thank you. I guess mainly in the short hour that we have together, I will be looking to get some explanations of some of the programs that you're working on and how the provincial dollars are being spent in each one of those programs.

So I see on page 5 of your most recent annual report you've listed the areas that you do most of your research in, and maybe I could just focus on them by area if that would be all right. I'm looking at page 5, if you have that document with you, and the first area is agriculture and biotechnology. So one of . . . I guess you have a trademark there, genseve laboratories.

I'm interested in the work that that unit is doing and particular in the biodiesel. I know there's an explanation later on in the report, and we heard about some of the investments with Enterprise Saskatchewan in that area as well and I think Energy and Resources. So it seems a number of ministries are focusing on biodiesel, or biofuels anyways. So maybe you could just tell me a little bit about some of the work in the agricultural and biotechnology areas.

Hon. Mr. Norris: — Well thanks very much for the question. You know certainly what we see is a broad continuum of various of innovations. So when you speak about different governmental entities complemented by the private sector, obviously because the private sector is playing a key role, it's about making sure that we're covering that continuum of innovation. And there are some obvious examples, and certainly the biodiesel piece is one.

On the specifics of the science, I'll get Dr. Schramm to actually drill down a little bit and talk about what our niche is, but it's about making sure that there's complementarity with other governmental entities. Obviously the Research Council is not a ministry proper. It's a Treasury Board Crown and is seen as importantly to play that role. So Dr. Schramm, why don't you kick it off, and I might come back and have a few more comments.

[21:30]

Mr. Schramm: — Okay, thank you minister. So there are a number of things we've been involved in in the biofuels area, and you'll hear this a lot if you go through the different sectors we work in. Some of these activities come and go as need presents itself in the form of clients in the marketplace. So I'll just try and skate across and see how that does for a beginning.

So the specific, one of the specific things referred in the annual report that you mention relates to where we have worked for various clients over the years that have an interest in producing biodiesel by fermentation processes, which is not the only way to make biodiesel, but it's one of them.

We operate a level 2 fermentation pilot plant as well as associated process development labs, and we have the ability to engage in the design of processes and the scale-up and the engineering of pilot plants and demonstration plans, and the capacity to help with commercialization of the processes.

So building on what the minister just said, once someone has proof of concept of a new technology — which is usually invented by somebody else, not us — where we often come to play is with the infrastructure and the expertise to be able to help design a process that will work using the same principles on a larger scale, test that to make sure it still makes sense or fix it if it doesn't, and help clients get demonstrations at the pilot scale.

And then if that's successful at the demonstration scale, and then if that's successful and if they still need our help in the actual commercialization and implementation of the technology, so we have helped . . . We often can't speak about particular clients because of client confidentiality but a few have been nice enough to mention us in the news, so a few of

the stories have gotten out. And basically we've been able to help with different stages of that development process if it's based on fermentation, which is what was, I believe, referred to in this particular piece in the annual report.

There are other routes to biodiesel. And because we have a lot of process development design and development capability, we have from time to time worked for other clients on other routes to biodiesel. So as you may be aware, we've had a long-standing interest in helping clients develop waste biomass resources into value-added products for Saskatchewan. A lot of the media focus has been on creating syngas and from there to ethanol. But in fact there are other products that could be made from biosyngas, one of which is biodiesel. So we've worked on that from time to time as there's market need. And I keep saying, as there's market need, because this is an area that's characterized by small, usually small and medium companies, and they often can only advance at the pace they can raise capital in the capital markets, which is a little slow right now as you know.

And I'll just add one more piece. The minister mentioned the biofuels test centre, which we established a few years ago once industry started to grow and show interest in this general area in Saskatchewan so that the testing capability would exist. So we operate a facility that provides independent, unbiased, accredited testing and validation. And we can even do a quality assurance for clients so they have a place they can go. Very often fuel producers of any kind need to have an independent laboratory that can provide analysis and verification of specifications for their products. So we play that role as well.

And on the use of public money, that's also an example of a may offer, of where we've used public money to build something in advance of the market need, without which that wouldn't exist in Saskatchewan at the moment. And so that would offer that as one example of where we've used the public and the provincial investment in SRC to establish a facility that can help a growing industry to grow.

Ms. Sproule: — Is that the centre in Foam Lake? Is that where the biofuel test centre is?

Mr. Schramm: — No, that is where one of the biofuel producers is that we have supported, Milligan Bio-Tech. And as I say, they've been kind enough to mention in the news, so that enables me to say we've worked for them. The biofuel centre we launched and opened here in Regina, and we provide some additional support services through our facilities in Saskatoon, but the gateway, if you like, is here in Regina.

Ms. Sproule: — The other area in agriculture that's mentioned in the report is with animal and plant genomics testing services and DNA-based [deoxyribonucleic acid] testing and certification of crop varieties. Again we did hear from, I think it was Enterprise as well about some of the work they're doing in plant genomics, and certainly from Agriculture in terms of food security. So what's your role in that type of research?

Hon. Mr. Norris: — Great, thanks very much for that important question. You know, when we think about some key areas of the work that's under way, we really go back many decades obviously. And we can think about the significance of

the creation of the College of Agriculture at the University of Saskatchewan and how significant that decision was for many of these discussions.

I guess in a more contemporary context we can see the evolution of what was the Veterinary Infectious Disease Organization grows out of the Western College of Veterinary Medicine, which itself grew out of the College of Agriculture and Bioresources, as it's called today, at the U of S [University of Saskatchewan]. When we think about that organization, essentially kind of 30-plus years ago taking shape in a couple of Acco trailers and big dreams but modest resources, and we look today to see what has now been rebranded as the Vaccine and Infectious Disease Organization.

We see more than 170 scientists working there. We see the opening of the level 3-plus containment facility that the Prime Minister and the Premier and the mayor being there, as well as President Peter MacKinnon. We get a sense of how significant the partnership piece is here, and so we can think specifically about the relationship. It's not the only relationship between SRC and InterVac [international vaccine centre] VIDO [Vaccine and Infectious Disease Organization] in some of these key areas of genomics and related research.

So again I'll get Dr. Schramm to talk about some of the specifics, but we're also happy to talk about the significance of this cluster and how, you know, a remote corner of that campus is now seen within the global setting and is doing very, very well on areas of commercialization, of the attraction of external dollars, as well as the support that's garnered here within the province. But on the specific relationship, why don't we drill down a little bit, and then we can talk more about the broader relationships within the cluster.

Mr. Schramm: — Thanks, Minister. So if I may draw an analogy to the issue we just discussed previous to this, again this is a good example of where others frequently do the basic research and development, sometimes in universities far away, sometimes close at home, as the minister's just said. Again this is an example where sometimes we'll get called in once something is kind of the proof-of-concept stage in the research lab, if I can put it that way. And this happens at VIDO, for example. And again we'll engage on things like process development and scale-up, and then demonstrations at various scales. And in this case we will, because we have the capabilities, we can sometimes go further into limited production, which can be the mechanism to provide enough material to go to clinical or field trials in the case of vaccines, which is a little different from the biofuel.

And so using the VIDO-InterVac example we have, as the minister said, a fairly long-standing relationship with them, and project work sometimes goes back and forth between our two organizations. They're strong on the basic research end, which is what they were created to be strong at, and we're stronger on the process development and application side. And sometimes projects will actually go back and forth because things aren't always linear in research and development.

And then as I say — and this is an example where sometimes we get involved in limited production of materials, especially for clinical or field trials — we're able to do that because of the

fermentation pilot plant I mentioned earlier, is the only contract manufacturing facility with a CFIA [Canadian Food Inspection Agency] licence to produce veterinary biologics at commercial scale. And so we have a unique facility in Canada. Again one of the key uses of public money was to give us the ability to put that into place, the sort of thing that industry normally isn't willing to pay for. But if we have built the right capacity, they will come and pay to take advantage of and use the facility, and then at commercial rates.

And in this case, if I can bring an industrial flavour into this, some years ago a Quebec-based company called Prevtex Microbia had been working as a university spin-out on a vaccine that potentially could be used for the swine industry. They have worked with both VIDO and with us in the development of that technology that originated originally in Quebec. We helped them get all through the process I just described to the clinical field test stage. Those tests were successful. That's led to a commercial product being launched. That's led to them creating an operation based here in Saskatchewan.

We are still helping them with manufacturing support, and we're now working with them on a second vaccine product that they hope will be just as successful, and from time to time they're engaging in help with VIDO-InterVac as well. And so this collaborative relationship that the minister described is stretching out into industry.

And again Prevtex Microbia has been nice enough to say things about us in the news, so we're able to speak about them by name, and so that it provides an example of how it can work and how one product can then lead to another. In effect our cluster in Saskatchewan is providing them with a research and development facility that they wouldn't have had the capacity or the desire to build on their own because they're not a massive company yet.

Hon. Mr. Norris: — If I could, I would simply say that that connection and linkage to industry is ongoing. It's very robust. In fact this past Friday I had the opportunity to drop into a meeting. Again for proprietary reasons I won't go too far into details. I'll just simply say that major Canadian players were on-site and on the ground and gathered in the new boardroom over at InterVac and so that is now part of an ongoing dialogue that I've been at least aware of and contributing to in modest ways. This is a really important dialogue. And the reason that North American players were on the ground in Saskatoon on Friday is because of the trust that's there with industry, the capacity to have protection for intellectual property for these corporate players. And candidly it's also based in part on the track record of the bipartisan track record of the build-up of infrastructure over the course of decades that is now seen in a very, very unique light.

So there's just one snapshot. There would be others. We could talk about wheat DNA. We could talk about GMOs [genetically modified organisms]. There are a number of areas we could get into, but we just thought as a kind of initial discussion of it, it probably hopefully would suffice to kind of get the conversation going if we focused on InterVac VIDO.

Ms. Sproule: — Thank you. That's a great overview. And I'm

afraid there's a number of other areas that you are also doing work in, so maybe I'll come back if we have time. But I'm afraid that there's just so much to cover here. So I'll continue on and just start asking you about some of the alternative energy work that you're doing. And as the minister knows, that's something that I'm very interested in and certainly look forward to seeing progress made in this production of energy in these ways.

And so maybe again if you could just give me a snapshot or a high-level overview of the type of work that you're doing in the area of alternative energy, and then we can take it from there. Okay?

[21:45]

Hon. Mr. Norris: — Again thanks very much for the question. It's vitally important actually, as we see the context not simply of what's going on in Saskatchewan but across North America and around the world, we see kind of two or three key variables. And certainly they are very present here in Saskatchewan.

First and foremost within the Saskatchewan context, there is not surprisingly with growing communities and a robust economy, we have increased demand for electricity, for power, quite candidly. The second variable is one on infrastructure reinvestment and development. And that comes from a variety of factors, one of which is the infrastructure that we inherited as we came in, through SaskPower. In the first two years, we increased our investment in infrastructure by 88 per cent. And we can get into more of those details along the way. Then the third component — if what we see is increased demand, secondly the need to renew infrastructure — and third is the need to focus on clean energy. And we see, again, that within the broader context.

Some of this we obviously do through SaskPower. And we can think about the Boundary dam 3 initiative, the first of its kind in the world, where we'll be able to move forward with a commercial scale of clean coal and carbon sequestration. That's coming along nicely.

We can see it in a number of other initiatives. Last fall, we signed an agreement with Meadow Lake on biomass, and we know how important that is. And we're exploring a range of options with others on hydro and a variety of other options.

Really what this looks like is, demand is on the rise, and we're focusing on cleaning and greening of energy. I think what it's safe to say is, across jurisdictions, we're seeing more diverse energy mixes. And so the role that the SRC's playing, in partnership with others, in partnership with SaskPower — and Dr. Schramm will talk about this — but not only SaskPower, we see that there are some key areas of small-scale energy generation especially on the technology side, whether we're talking about some increased interest in solar, in wind, in waste heat, in biomass, in geothermal, as well as some enabling technologies. And we can get into some bioconversion processes and intelligent systems and grid energy storage.

But I think at least for the first part of the question, Dr. Schramm, why don't we get you to talk about some of the specific projects, and maybe you can even touch on Cowessess,

that partnership with First Nations that again isn't distinctive any more. We're seeing that increasingly across a broad array of endeavours. But I'll turn it over to you on some of the specifics.

Mr. Schramm: — Thank you, Minister. So I'll try and start back at the beginning and work forward then. We touched in our earlier discussion on biomass. So one of the routes to renewable energy is through biomass, both crops and what's often called waste biomass in the crop area, in other words, converting seeds, crop seeds into ethanol and other potential fuels. We've been supporting all of the Saskatchewan companies that are currently commercially producing and some of the ones that are trying to enter into that field.

We've been doing much more work in recent years on what was euphemistically referred to as waste biomass, meaning the biomass that's not desired by anyone for any other commercial purpose, so there isn't the food-fuel debate for example about the waste biomass. And that can be anything from flax straw that isn't needed for summerfallow and feed all the way up to slough grasses and bark and branches from forestry operations and so on and so forth.

And as I've mentioned earlier, we've been working on process development for processes that could convert those materials into renewable fuels. We've estimated for example that there's enough waste biomass in Saskatchewan to potentially replace our entire petroleum production on an annual basis, renewably in green. So the potential is massive. The industry is fledgling, and we're trying to do our best to help, mostly working with small- and medium-sized companies at the rate they can raise money in the capital markets to invest in their projects.

Another one is wind, which the minister had just mentioned. We've been involved in efforts to map winds in Saskatchewan to try and assess where the potential might be. We have some reason to believe there might be unusually high potential at very high altitudes in Saskatchewan which have not been well mapped, and so we're trying, to the extent we can, to see to what extent that may be true.

We've been working with a range of client partners from giants like SaskPower, as the minister said, to again very small companies and in this case communities as partners and clients. And Cowessess First Nation is only one of a number of examples where we've been involved in wind assessments and technology assessments and helping with tests, as so many of our First Nations communities try to evaluate their opportunities for going to independent and green, renewable power among other things.

One of the most recent examples is Cowessess which has been in the news over the last 12 months or so as they have been endeavouring to raise enough support, both partners and financial support, to be able to advance a commercial-scale wind power demonstration project that has coupled with it the ability to store the power with battery systems that work. So that if successful, this I think would be the first commercial scale demonstration we would be aware of, of a commercial wind turbine with the storage capacity to store power to get over the problem that so many jurisdictions have, that it's one thing to consider going to wind power, but if the wind isn't

always blowing when you need it, there's a bit of a mismatch between load demand and accessibility of power. At a large scale that can be dealt with, and so at the utility scale, here in Saskatchewan as well as other areas, organizations have looked to wind sites at different parts so that if the wind isn't blowing well in one area, perhaps it is somewhere else. And through the grid you can move the power around.

A community doesn't have that luxury, and a community in the North or an industrial operation in the North doesn't have that luxury. So even though this particular project will be demonstrated in southern Saskatchewan, it has potential in our North, in Canada's North, everywhere else for that matter. And so we're helping Cowessess First Nation advance in a relationship that is all of client, partner, supplier, collaborator, almost all at the same time. So we're wearing a few hats on this one and so are they. And the project is still moving along. We're quite excited about it. So that's an example of a different . . .

Ms. Sproule: — Can I just ask quickly what type of storage they're proposing with that project?

Mr. Schramm: — I don't think I have the number here, but we can absolutely get it for you.

Ms. Sproule: — Or just how the storage . . . Is it battery storage or is it . . .

Mr. Schramm: — I'm sorry, yes. Yes, yes, it's battery storage. Absolutely. Yes. Sorry, I misunderstood.

Ms. Sproule: — Okay.

Mr. Schramm: — And then I think the minister mentioned that we have been involved in collaborations and as a service provider to companies and communities that are interested in solar, both passive solar and photovoltaic solar because we have so much daylight sunshine here in Saskatchewan, as well as geothermal for which there's some reasonable potential in and around the Regina area. We talked about combined heat and power earlier. So we have been working with partners and clients in just about every alternative energy area I can think of, except tidal power.

Hon. Mr. Norris: — If I could, Mr. Chair, I'd also like to add, in addition to looking at those that have been discussed, the SRC is doing some important work with conventional oil producers, that is, looking at ways to enhance productivity. We're also working with some partners on improving extraction on the oil sands, and we know how important that is within the context of Western Canada. And we're also looking at ways of greening some of the water initiatives that are associated with the extraction and some of the techniques. And so it's not simply one or the other. This is about making sure that we're enhancing productivity of some key sources of fuel and energy right now and also again with an eye on that diversified mix that's under way.

Ms. Sproule: — Just a couple more questions about combined heat and power. And I understand there's even some small-scale using burning wood to create energy, gasifier-type projects. Are you involved in gasification at all? That's one area

I'm kind of interested in.

Hon. Mr. Norris: — Yes, there are a few examples here. Obviously here in Regina, Inland Metal is a key partner for us through both SRC and SaskPower, and we're very pleased with the progress we're making there. What again I'll do is get Dr. Schramm to drill down a little bit, then talk about maybe the initiative that we're looking at in La Ronge, and that's an interesting one, and then maybe just, I think one is a little further along on the horizon than that. So, Dr. Schramm.

Mr. Schramm: — Okay, Mr. Chair. So building on the minister's remarks earlier about small-scale combined heat and power which we're working with clients to demonstrate just outside of Regina here, recently there was some news that we've been looking for new partners that would be potentially willing to serve as test beds for larger scale combined heat and power operations in the 10-kilowatt and 25-kilowatt variety. And so that's under way right now. We've put out a solicitation for interest, companies that would be willing to serve as test sites, and we'd help them with the rest. So that is scaling up as we speak.

There are a couple of other ways to . . . [inaudible] . . . combined heat and power, one of which leads to gasification that you had asked about, one that's not quite there yet but is another variant on all of this. There have been a number of attempts to look at a kind of combined heat and power such as has been talked about in the media for a few years in the La Ronge area with the Zelinsky Brothers saw mill. So I can talk about that because it's been public as well. And what their interest has been, and in fact the community has also been interest, they have a large amount of waste biomass. It's actually a hazard as it stands. It's just searching for a practical, value-added application that could make some sense in the marketplace as well as in the environment.

And so we've been looking for several years with them at the possibility of developing a plant that would burn sawdust to create power which would help a northern community that's at some distance from the generating parts of the grid. So that has some benefits for the power utility as well as the local community, while using waste biomass that's already there and isn't doing anything constructive.

The combined heat and power aspect is that can be done in the way that the heat gets captured, which would otherwise be waste heat in their case because the Zelinsky Brothers operation is a lumber mill. We have been looking with them at the possibility of using the waste heat, once captured, to operate a kiln to help produce a value-added product and make that work. So that's combined heat and power done the other way around from Inland Metal here in Regina.

[22:00]

And then in your question, you had mentioned gasification. That's another long-standing interest of another number of companies that would like to use gasification to convert biomass of a variety of kinds either into biofuel or energy or some other kind of value-added product. And where we have been involved is not in the gasification technology itself because there are so many commercial technologies already

available in the marketplace that are available to be licensed. And what our clients keep telling us is, the state of the art in that area of technology is actually in pretty good shape, if clients can source gasification technology, come up with an appropriate licensing deal, and go ahead.

Where the R & D [research and development] needs have been has been in doing something with the syngas that's produced by the gasification. So we've been involved with a number of clients in a number of areas to look at the possibility of turning syngas, which could be produced from any kind of biomass, into whatever kind of product a given client is interested in developing.

A few years ago everyone was interested in ethanol. Since then there's been interest in developing biomethanol, biobutanol, fuel additives, biodiesel, as we mentioned earlier. And in fact you could make almost . . . anything you can make out of petroleum you can make out of biomass. So we can make the fibres for the jacket I'm wearing or the chair that you're sitting on if we wanted to.

And so depending on client needs and their intended market niche and where they're geographically located, we've been looking at all kinds of variations on how to develop processes that can turn syngas into any of those products that have resulted from the original gasification.

Ms. Sproule: — What is syngas? How do you spell that?

Mr. Schramm: — S-y-n . . . I'm sorry, the microphone wasn't on. S-y-n-g-a-s. And it is a combination of methane — and I'd be doing a lot better this if I wasn't on the microphone and on camera — but I believe it's carbon monoxide, if memory serves.

Ms. Sproule: — I was just thinking it was s-i-n, and I was thinking, is this bad gas that, you know, somehow shouldn't be getting emitted? But anyways, no, that's good. Thank you.

Mr. Schramm: — It's s-y-n. It's a contraction for synthesis gas.

Ms. Sproule: — Synthesis gas. Thank you. There's lots of technical terms here.

A Member: — I was right with him.

Ms. Sproule: — Pardon me? You were right with him. I'm glad my colleague on the other side here is awake because it's getting late. We won't have time to cover all these areas. That's for sure.

I do want to ask a couple questions on forestry and in particular the work you are doing with the Conservation Learning Centre in the Prince Albert model forest. And one of the reasons I ask is that I understand that they've had a significant cut to their funding now. So what kind of impact is that going to have on the work you're doing, and is there any way for the province to fill that void and continue to work at the model forest? I understand it's in the national park, but they certainly do work for the forests, the northern boreal forest as a whole. So if you could tell me what kind of projects you're doing with them and

will they continue now that this cut has occurred.

Hon. Mr. Norris: — Thanks very much for the question. We'll actually begin with the Conservation Learning Centre and some of the things that SRC is doing with the centre. And then I'll speak a little bit about the model forest and the former part of your question.

Mr. Schramm: — Thank you, Minister. So we became engaged with the Conservation Learning Centre just a few short years ago. This came to us as a result of acquiring, at cabinet's direction, responsibility for some of the programs that were formerly the responsibility of the ForestFirst organization in Prince Albert.

Several things ForestFirst had been involved in was tree plantations, for lack of a better word, where they were running field research and demonstration projects looking to test how different tree species, among other things, would fare in northern Saskatchewan climate, with a view to the possibility of helping farmers or agroforesters look at different species that could be either replanted in former forest areas or planted in new areas as intentional crops. One example of which is searching for tree species that can be very fast growing and very suitable for biomass conversion processes into other products, as opposed to growing trees like in the old days for the conventional forestry industry.

So we have been maintaining some of those programs and, along the way, learned about what they had started doing with the Conservation Learning Centre. And we engaged in a partnership with the Conservation Learning Centre in which we have now invested additional funds to help them get a little closer to critical mass in their operations. And so that helps with these tree plantation operations, research, and demonstration plots as I just mentioned. That brings an educational component in because part of their mission is to help with outreach and education.

And just in the last year, we have opened a brand new northern climate reference station on the Conservation Learning Centre grounds. So they're helping us manage it, which will provide Saskatchewan's second long-term climate monitoring reference station to supplement the one we operate just east of Saskatoon and have for many decades. So we've just started that. Ideally we'd have more such climate reference stations around the province but now we have two. And it just opened, and it's come out of this relationship with the Conservation Learning Centre, providing climate monitoring and climate reference data of all kinds to industry and environmental organizations and meteorologists and the like. So there are a number of those things that are going at modest scale.

And then as you mentioned in your question, we have been working with the Prince Albert model forest and with a few other model forest organizations with outreach to similar model forest organizations overseas, not just in Canada.

Hon. Mr. Norris: — I think, you know, I'll speak to that. Obviously the, you know, the Prince Albert model forest is, it's one out of about 11 or 12 forests across the country. And I think there are over 30 around the world in five different continents. And obviously we have some very unique features in ours

especially regarding our Aboriginal population or First Nations being involved in our model forest. Our researchers have been instrumental in the work here especially looking at the eco systems and just some of the variables or factors that can have an impact on eco systems.

The questions you ask are ones that we've also been asking over the course of the last week or so regarding what are some of the implications for, the funding implications for decisions taken by the federal government. To date I don't have any answers, and I'm happy to come back to this committee with those as we hear more specifically from the federal government, which I anticipate we will in more detail here in the coming days and weeks.

Ms. Sproule: — Thank you. Certainly it's not urgent, so we can just wait and see at this point and then go from there. I don't have a lot of time left, Mr. Chair. What time did we start? Did you note the time?

The Chair: — 9:18.

Ms. Sproule: — 9:18. So there's just about eight minutes left then, is that about right? I just would like to turn to your consolidated statement, your financial position that was provided for last year's, and that's the best information I have in terms of your operations. And I guess the one question I had, there was on your revenue side for last year, it looked like you received about \$46 million in contracts. And then the grant from the General Revenue Fund was 16 million. So if I understand it correctly, I'm not sure, this year it looks like it's going to be closer to 19 million. Am I reading that right?

So this figure of 16 million, it wouldn't have been in the estimates for '11-12, but it would have been in the estimates for '10-11 then I presume. Okay. So it's gone up even more in the two years that it represents. All right. I note you spent about \$12 million on consultants in 2011. What are you anticipating spending on consultants in 2013, or '12-13? Do you have any estimates on that?

Hon. Mr. Norris: — Sure. Can we just clarify — part of the issue here is on fiscal years for the organization — can we just clarify which fiscal year you're looking at? Sorry about that.

Ms. Sproule: — The latest I have is from March. This is the real numbers from March 2011. I don't have any figures for 2012, like your fiscal year ending 2012. That's the end of March 2012. So I don't have those numbers, so I can't use them. But I'm just asking what your budget would be for consultants for the upcoming fiscal year.

Mr. Schramm: — For '12-13?

Ms. Sproule: — '12-13, yes. So your budget basically, not your ...

Hon. Mr. Norris: — Dr. Schramm will actually jump in and just talk a little bit about some of the challenges here on the overlap of the fiscal years and where we are on that. And then we'll get the specifics.

Mr. Schramm: — The reason we want to be a little careful, but

we'll cover them anyway just to make sure you don't lose the context, is we've had some unusual things going on in this area in the last couple of years. In any year we spend some money on outside consultants of various kinds to help us with projects, or it can be a whole variety of things.

What's unusual and what is making those numbers increase significantly from any year prior, any prior year in our history, which you've just noticed the beginning of in the year's annual report that you have, is that was the first year that what we refer to as project CLEANS [cleanup of abandoned northern sites], our major project where on behalf of the province — which in turn is on behalf of a federal-provincial partnership — we have been tasked with managing the cleanup of the 38 abandoned, orphaned uranium mine and mill sites in northern Saskatchewan that were leftover as a legacy of the Cold War era, which I can expand on if you would like me to.

But in the sense of this question, after early years of planning and so forth and getting guidance from the various regulators that are involved, in the year 2010-11 we started a significantly larger than usual amount of field work in the Uranium City area. And a lot of that work was done through subcontractors, and so we were managing the project. We'd been doing some technical work where we have the capacity, but we're not experts in things like demolition and so forth. And so we were starting to contract out some of those works in that year.

In the next fiscal year — the one that's just closing as we speak, 2011-12 — that work ramped up massively. And so we did even much more work on that. We don't have the year closed nor the audits done for that year yet, so we haven't seen those numbers. But that was much more work. And again, it'll show up looking like, listed as consultants, but that's where the vast majority of those monies are being spent, on things like demolition companies for example.

And then in the year 2012-13, we expect kind of a modest amount of expenditure, probably something like 10 to \$11 million, that will be spent on contracting firms to continue some of the demolition work and some of the other work that's required by the regulators prior to having environmental impact statements filed that would allow us to go through the final stages of remediation, especially on the large sites like the Gunnar mine and mill site.

[22:15]

Ms. Sproule: — So does that have anything to do with *The Reclaimed Industrial Sites Act*? Are you doing that work . . . Because I'm just looking at, there's a report here on the work that's been done under that Act, and it's the same locations as far as I understand, cleaning up Uranium City, basically. Maybe it's a different process. But I know the purpose of that Act was to get those sites reclaimed.

Mr. Schramm: — I think that may be work that's independently going on concurrently. That's not part of our project or our work, but as you say in the same region of the province.

Ms. Sproule: — Right. Definitely Beaverlodge and Uranium City are listed in here as some of the monitoring, inspection,

and it looks like decommissioning as well. So similar types of work, and that's over a five-year period. I'm just trying to tie up all this in my head.

Mr. Schramm: — The work that I was referring to that we are managing are the orphan sites that are legacy sites that have reverted back to governments to deal with just because of the way history has unfolded. Beaverlodge is in a different category, where it has been operated by our largest uranium company, and they have been dealing with the remediation. So we're aware of it, but that's not part of the work we have been doing. And I'm not familiar with the specific work in Uranium City, but I would imagine that that is probably something that's going on concurrently but not involving us.

Ms. Sproule: — Yes, there's still industry involved there. I guess my question, in terms of the increase in consultants then and the large amount of dollars that are going there, does that come straight out of the grant from the General Revenue Fund?

Hon. Mr. Norris: — No, the answer is, no. Essentially the dollars from the General Revenue Fund provide a foundation for the SRC, and then from there I think what you see, and we take it as a sign of success, by having corporate partners, by working with contractors and consultants on behalf of any number of entities — sometimes governmental, sometimes private sector — we take this as one of the signs of success. We think that helps to reflect and reinforce that there's value here and that partners from the private sector are more than willing to partner with the SRC.

Ms. Sproule: — Thank you very much for all your answers. I think this will be an ongoing conversation as we go through this from year to year. And there's certainly many more questions I would like to be able to ask, but will do my best to inform myself over the year and maybe have better questions next year for you.

So with that, Mr. Chair, I'd like to thank the minister and the people from the Research Council for coming out tonight. It's a late hour and I'm sure we're all tired, but certainly I really appreciate the comments and the information that you provided.

The Chair: — Mr. Minister.

Hon. Mr. Norris: — Thank you very much, Mr. Chair. To you and to the committee members, I'd like to say thank you very much.

Again, to our officials from SRC, not simply for their work tonight, but for their ongoing efforts again recognized globally. I think what's important is SRC has more than 2,000 partners that it works with on an annual basis. And I think that's testimony alone to the type of local focus but also global reach that this organization has. So a special thanks.

And I would add my thanks to those that help with this committee right within the legislature to help facilitate and foster the success of the committee operating, especially at this time. We know everyone's away from family and other obligations. Thank you, Mr. Chair.

The Chair: — And thank you, Mr. Minister, and your officials

for coming and joining us. Being the last ones on the list for the day, we appreciate your officials and your staff coming and spending the time with us and discussing the Saskatchewan Research Council. I will now entertain a motion of adjournment. I recognize Mr. Bradshaw.

Mr. Bradshaw: — So moved.

The Chair: — We're all agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee stands adjourned until the call of the Chair. Thank you.

[The committee adjourned at 22:20.]