



STANDING COMMITTEE ON THE ECONOMY

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STANDING COMMITTEE ON THE ECONOMY

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Ms. Laura Ross
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[The committee met at 15:00.]

The Chair: — Good afternoon, committee members. This is the Economy Committee, as we all know, and this afternoon we're considering three bills. Before I do that I'll note it is 3 p.m. on the dot. We're starting right on time. And we have one substitution: Ms. Sproule is here once again for Mr. Belanger. So welcome to the witnesses and committee members back for more work here this afternoon.

And we'll be considering, as I mentioned, Bill 43, *The Pipelines Amendment Act*; Bill 55, miscellaneous statutes amendment Act; Bill 56, *The Oil and Gas Conservation Amendment Act*. And then we are back here at 7 p.m. after we break when we're done with these three bills under consideration today.

So we will begin with the minister. He can have some opening comments and explain maybe briefly what these three bills are about, and also introduce your officials, please.

Bill No. 55 — *The Miscellaneous Statutes (Economy — Audit Assessments) Amendment Act, 2017*

Clause 1

Hon. Mr. Duncan: — Great, thank you, Mr. Chair, and members of the committee. Good afternoon. We're pleased to be here to discuss three bills that are before the committee this afternoon and that have been before the legislature. Mr. Chair, I'm not sure if you have a specific order that you would like to proceed through deliberation of the bills. I'll perhaps proceed by introducing my officials. To my left is Laurie Pushor, the deputy minister of Economy. To my right is Doug MacKnight, assistant deputy minister, petroleum and natural gas division. And seated behind us is Denise Haas, the chief financial officer, revenue and corporate services.

I'll begin with the miscellaneous statutes, the audit assessment amendment Act, 2017. The Act comprises amendments to *The Crown Minerals Act*, *The Freehold Oil and Gas Production Tax Act, 2010*, and *The Mineral Taxation Act, 1983*.

The proposed amendments would set out identical terms and conditions under which penalty and interest on audit findings will be calculated and paid. This would be with respect to crude oil, natural gas, and minerals produced and delivered in Saskatchewan. Interest on audit findings on the remaining regulations is being updated to a rate of prime plus 3 per cent. This would include potash, coal, sodium chloride Crown royalties, and coal and sodium chloride production tax. As well, interest on refunds is being updated to prime.

This amendment will also include an application of a penalty of 10 per cent of amounts found owing. Mr. Chair, this penalty will be consistent with penalties associated with audit findings pursuant to other provincial statutes. It will also promote compliance with the royalty and tax laws intended to protect the revenue base of the Government of Saskatchewan. This would generate estimated incremental General Revenue Fund revenue of about \$4.5 million annually.

Our proposed amendments reinforce a policy and regulatory

environment in Saskatchewan that is regarded by the oil and gas and mineral resource industry as among one of the best in the world. The evolution of our regulatory environment is undertaken with a mind to sustaining that reputation for clarity and consistency, and sustaining it at the highest standard possible. Ensuring that a consistent interest rate is applied on all audit assessments and refunds is a positive step and one that promotes increased integrity of our approach to regulation.

So those are my comments on *The Miscellaneous Statutes (Economy — Audit Assessments) Amendment Act*. I don't know if the committee wants to proceed bill by bill, or if you'd like me to introduce comments on the other two Acts as well at this time.

The Chair: — We will go one at a time. So we will begin with . . . You started with No. 55, I believe, Minister Duncan.

Hon. Mr. Duncan: — Yes, that's correct.

The Chair: — Okay. So we will continue on, go bill by bill. And we'll start with Bill No. 55, *The Miscellaneous Statutes (Economy — Audit Assessments) Amendment Act, 2017*. Clause 1, short title. And you introduced those already, so I will turn it over to the committee if they have any questions about this bill. I recognize Ms. Sproule.

Ms. Sproule: — Thanks very much, Mr. Chair. And thank you, Minister Duncan, and officials. I'll have a few questions for this bill, and I just want to get myself organized here. I was ready for Bill 43 first, so I'm just getting rejiggered here a little bit. But I just want to go back to the bill itself first.

My first question is on section 2 of the bill, where you are adding some clauses prescribing the rate of penalties and rate of interests and how they're going to be paid. Where are those penalties currently located? Or are there none at all in the current Crown minerals Act?

Hon. Mr. Duncan: — There were no penalties in *The Crown Minerals Act*.

Ms. Sproule: — So this is a brand new penalty then?

Hon. Mr. Duncan: — That's correct.

Ms. Sproule: — Okay. So on section 24, there's a new clause being added, section 24.1. And basically that's setting out, I think, the meat of the Act. And maybe if you could just explain to the committee what the intention of that section is.

Hon. Mr. Duncan: — So this just, this section 24, this just allows for a penalty to be put in place in the event that an audit discovers that there is a miscalculation in terms of what is owed by the company to the government. In the past, the ministry would . . . In the event that an audit found an error, the ministry would apply interest on the amount that was outstanding to be owed. This just sets out clearly in the legislation that now a penalty can also . . . will be levied.

Ms. Sproule: — Can you share with the committee your procedures that you have in place currently for auditing, how

many payments you actually audit, and whether . . . Well let's start there.

Hon. Mr. Duncan: — I'll have Denise answer the question.

Ms. Haas: — Sure. We audit all the major returns so, you know, potash, uranium, enhanced oil recovery and stuff. All the big ones, we audit every year. For the smaller ones we do, basically we do a risk analysis to determine which of those we may choose to audit.

Ms. Sproule: — So can you share with the committee how many major returns you receive in a year and how many less-major returns that you receive?

Ms. Haas: — Well when I say major, I mean those like potash, uranium, the large oil and gas returns, etc. The smaller ones are more like, you know, sodium chloride, some of those minerals, diamonds, precious minerals, things like that that are a much smaller amount. When I say major, I mean any of the major companies operating in the province that have substantial money that they would put in either royalties or production taxes.

Ms. Sproule: — Thank you. I'm just wondering how many — how many potash companies, how many uranium returns, how many large oil corporation returns. What's the volume?

Ms. Haas: — Well we have 20 oil companies, as a minimum, and then we have . . . Sure.

Mr. Pushor: — So there's 20 major oil companies that produce about 75 to 80 per cent of our oil in any given year, and we would want to audit to the best of our ability all of those on an annual basis. And then we do the risk assessment on the smaller producers to determine whether we should or shouldn't deploy resources.

Currently there's three potash-producing companies in the province and a fourth just coming online as we speak. And then of course we have in Saskatchewan two primary producers of uranium and one gold producer. Having said that about uranium, there are a number of joint venture partners and from time to time we may be examining their records as well.

Ms. Sproule: — Can you just walk us through the audit process? And just for the layperson, like what is the procedure that you follow?

Ms. Haas: — Essentially, they file — the companies, whichever mineral, or oil and gas — they file a return, and then we would gather the information and request from them the information that they used to make that return. And then we would audit that from their records to make sure that they have calculated and reported their taxes or royalties correctly.

Ms. Sproule: — So in the average year, what sort of findings do you make? Would you say that 90 per cent are done properly? Or is it 50 per cent?

Ms. Haas: — Well we average, in the last few years, like we took the revenue of four and a half million that we could get on a 10 per cent penalty. What we did is we took the average audit

assessments that we would've had in the five years before that. So in other words it would have been 45 million average per year that we would get on an audit assessment, on all the audit assessments totalled, on an average.

Ms. Sproule: — Forty-five million of miscalculations?

Ms. Haas: — Sometimes it's miscalculations; sometimes it's misinterpretation. It can vary.

Ms. Sproule: — And can you share with the committee how you came to determine that 10 per cent was the appropriate figure for a penalty?

Ms. Haas: — It's equal to the penalty that is assessed on all of the other consumption taxes and that in Saskatchewan under *The Revenue and Financial Services Act*. We also did a comparison to our neighbouring jurisdictions of Manitoba and Alberta as well.

Ms. Sproule: — Now in Alberta and in Manitoba, is it the same formula that you're using here?

Ms. Haas: — That percentage of the audit assessment? Yes. In Alberta they have a sliding scale though, so theirs actually can go up to 50 per cent. We went with just 10 per cent across the board.

Ms. Sproule: — Minister Duncan, you had indicated that Manitoba has legislation that allows for a 10 per cent penalty in interest at a rate of prime plus 6 per cent. That's not the interest rate that's being applied here, is it? Or is it the same as Manitoba? Is it less?

Ms. Haas: — We are using prime plus 3 per cent.

Ms. Sproule: — So can you share with the committee why you chose to go lower than Manitoba?

Hon. Mr. Duncan: — My understanding is that it would be consistent with other audit penalties that are assessed by the Ministry of Finance.

Ms. Sproule: — So it's equal to other areas in Saskatchewan. Do you know, in Alberta, when they would use the 50 per cent as opposed to the 10 per cent? Like when did they choose a higher rate?

Mr. Pushor: — I'm sorry, I don't have that with us.

Ms. Sproule: — All right. So basically, although Alberta can go up to 50 per cent, and there they have prime plus one, the decision was made here to reflect what other penalties are in other areas through the Ministry of Finance.

All right. Now I notice there's three . . . oh yes. The 25 per cent of oil companies that are not the large companies, I'm just wondering. They may not be a large part of the revenues that come into the ministry, but it would certainly be maybe people that are less able to file their returns, as well as maybe they don't have the resources that the larger company has to properly do their returns. What sort of audits do you do on the 25 per cent of the smaller companies?

Ms. Haas: — As I say, we do a risk assessment on the ones that we don't audit every year, and then we will audit a certain number of them every year. On every return that's filed, it's obviously looked at, right, when they file their return. There's that initial assessment, and then there's another risk assessment done to determine if, in fact, there should be a detailed audit done on them.

Ms. Sproule: — Can you walk us through the risk assessment that you do?

Ms. Haas: — Maybe if they've entered into a new area, maybe if they've expanded greatly, you know, historically, what they've reported — it's an examination of their operations, basically.

Ms. Sproule: — Do your employees have a rubric or a checklist or a framework that they use to conduct those risk assessments? And how many staff do you have that are doing those risk assessments?

Ms. Haas: — Well all the auditors will do risk assessments, and currently we have seven.

Ms. Sproule: — So you have seven auditors. And does that include the large companies as well, like they do all of that work?

Ms. Haas: — Yes.

Ms. Sproule: — At what point, after the risk assessment, would you determine a full-scale audit would be required?

Ms. Haas: — Once we finish the risk assessment, they're weighted, and then we would audit the top few of them.

[15:15]

Ms. Sproule: — Oh, so you do risk assessments on everyone?

Ms. Haas: — Yes.

Ms. Sproule: — The ones that flag the highest?

Ms. Haas: — Yes.

Ms. Sproule: — So how many audits did you do on those companies last year?

Ms. Haas: — I'm sorry, I don't have that with me.

Ms. Sproule: — Maybe an estimation. I don't need precision, just sort of ballpark.

Ms. Haas: — I'm going to guess . . . Well I'm going to estimate about six.

Ms. Sproule: — And out of how many would have been, had a risk assessment done? How many risk assessments do you do?

Ms. Haas: — Well we assess risk on all of them. We do a risk assessment on them, and then we would have audited about six last year.

Ms. Sproule: — I understand you do all of them. I'm just wondering how many that is.

Ms. Haas: — I don't have that number with me either, sorry. Because it's all of the oil, gas, and mineral companies.

Mr. Pushor: — So we were talking about up to 300 oil and gas companies in the province and then, and I don't want to trivialize this, but a much smaller number of mining companies who are producing in the province. So if you look at about 320 companies broadly, we would audit the large companies — all of them.

So if you take roughly 20 oil companies and about 8 or 10 mineral-producing companies in the province, you would get into the 40-audit ranges on those major companies. And then we do maybe something in the range of 5 to 10 per cent of all other companies on an annual basis.

Ms. Sproule: — Between 15 and 30 would be 5 to 10, if it's around 300. Okay. But you thought maybe six, so it's probably a little bit lower than . . .

Mr. Pushor: — No, I probably overstated it.

Ms. Sproule: — Yes, okay. All right. So around 300 companies then would be captured within the 25 per cent of the oil companies that are not large, basically, and 300 or so smaller oil companies. All right.

I notice that some of these changes also apply to *The Freehold Oil and Gas Production Tax Act*. Now those are individuals who own the mineral rights, not the Crown. Are there — this is just a question — are there producers out there that are not an oil company? They're just doing it themselves as a freehold owner?

Mr. Pushor: — For our purposes, they're all oil producers and would be treated the same under our rules. Generally speaking, we're assessing the company that is producing the oil. From time to time, you may find a freeholder who is contracting someone to produce the oil for them and paying themselves, but by and large the vast majority contract with a producing company.

Ms. Sproule: — And what percentage of minerals and . . . Well I guess that's just oil and gas. What percentage of oil and gas is currently held in a freeholder disposition?

Mr. Pushor: — So it's going to vary depending on the region of the province you're in. For example, with our uranium in the North there's little or no freehold mineral rights there. But in the South, in either the oil or the potash space, a good average number is about 15 per cent is held by freeholders.

Ms. Sproule: — I won't ask you how much is under production right now, but that's helpful.

Mr. Pushor: — I can answer that one.

Ms. Sproule: — You can?

Mr. Pushor: — We produce about 460,000 barrels of oil a day.

The budget for gas is about 163 million barrels of production this year.

Ms. Sproule: — Oh, I meant by the freeholders.

Mr. Pushor: — About 15 per cent of that.

Ms. Sproule: — Fifteen per cent of that. Oh, okay, Do the math, that's what you're telling me. All right. Thank you very much.

The only other question I have on this particular bill is why you would have chose to prescribe the rates of penalty and the rates of interest rather than placing them directly in the statutes, the three statutes that are affected. So why did you choose to . . . Many, many bills have the penalty right in, or the rate of penalty is built into the legislation. So why would you have chosen to move that over to the regulation side?

Mr. Pushor: — So in this instance, we've moved along in consultation with our colleagues in other parts of the government towards allowing or creating legislation that permits us to do certain things, and then the regulations are changed from time to time as may be required. It's an effort to try and ensure that we're able to respond to changing dynamics on an effective way in the event that circumstances were ever changing in a rapid-paced environment.

Ms. Sproule: — All right. Just one final question. In terms of resources, if this is going to create further work for your auditors that you have currently hired, are you planning changing in staffing on this? Or will you continue to maintain the staff that you have?

Mr. Pushor: — Currently we're maintaining staffing levels. We believe it's just another part of their process at any given time.

Ms. Sproule: — All right. Mr. Chair, that's the extent of my questions on this bill.

The Chair: — Thank you very much for your questions. Committee members, any other questions or comments? Seeing none, we'll move on to vote on the clauses. There are five of them, and we will begin with clause 1, short title. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 5 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Miscellaneous Statutes (Economy — Audit Assessments) Amendment Act, 2017*. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. I would now ask a member that we

report Bill No. 55, *The Miscellaneous Statutes (Economy — Audit Assessments) Amendment Act, 2017* without amendment. I recognize Ms. Ross. She has moved that. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Thank you for that.

Bill No. 43 — *The Pipelines Amendment Act, 2016*

Clause 1

The Chair: — We will move on now, if that's okay, Minister, to Bill No. 43. Can we move on to 43 if that's agreed upon by the committee? Second one we'll look at today, *The Pipelines Amendment Act, 2016*, clause 1, short title. And again, Minister Duncan, you can have a few seconds to talk about this bill, and you've already, obviously . . . I believe it's the same officials that are here this afternoon for this bill, so I turn the floor over to you.

Hon. Mr. Duncan: — Thank you, Mr. Chair, and yes I have the same officials with me. So I just have a few opening comments about *The Pipelines Amendment Act, 2016*. The bill was introduced in the 2016 fall session and addresses various areas of Saskatchewan's existing pipeline legislation, *The Pipelines Act, 1998*. It will serve to meet the Provincial Auditor's previous recommendations with respect to our work with this industry. It will also address relevant public concerns regarding Saskatchewan's pipeline system by updating current requirements.

Some of the components of the new legislation include: the creation of a legal framework for phased-in licensing of more than 80,000 flowlines which are exempt in the current licensing under the Act; building an online pipeline licensing system using the integrated resource information system, or the IRIS system; establishing new inspection, investigation, and compliance audit powers for ministry staff; updating and modernizing penalty provisions; improvements regarding pipeline licensing, construction, operation, and abandonment; and providing requirements for financial assurance from operators for pipelines that are in high-risk locations like water crossings; and setting up new obligations associated with environmental issues that might occur following pipeline abandonment.

Mr. Chair, additionally there are three House amendments that will be introduced to the committee as a result of continued consultation on the bill. These amendments are: the amendment of clause 3(c) to remove the proposed change to the definition of pipeline subject to the Act; amendment of section 19 to limit the ability of an inspector to remove, for examination, computer software and hardware as part of an investigation; an amendment of section 23 to introduce a two-tier penalty system for offences committed under the Act.

The proposed changes will ensure that the legislature of Saskatchewan retains full authority over pipelines subject to the proposed Act. It will ensure that inspection and audit powers in the Act will protect proprietary business information of pipeline operators that is unrelated to the matters under investigation. Additionally they'll provide proportionality in the assessment of

penalties for offences committed under the Act for individuals and corporations.

With that, we would be pleased to take questions on Bill 43, *The Pipelines Amendment Act, 2016*.

The Chair: — Thank you, Minister Duncan. This is the time for the committee to ask any questions. I recognize Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. A few questions. I don't know where to start, but maybe with the amendments first. I've had a chance to look at them. I guess the first question I had was the change, the amending section 19 of Bill 43 to limit the ability of an inspector to remove, for examination, computer software and hardware. Now you've indicated that it's modelled after section 17(5) of *The Oil and Gas Conservation Act*, but in that Act, it allows the ability to remove the hardware and software. So I'm just wondering why you wouldn't amend that section as well. Is there a reason to leave the ability to remove software and hardware in *The Oil and Gas Conservation Act*? Is there a different reason to retain that and only change it for this bill?

Hon. Mr. Duncan: — Thank you for the question, Ms. Sproule. In part, in consultation with the industry after the Act was introduced, but I think also through some of the learnings and the findings of the investigation into the Husky incident, there were a number of reasons why we're proposing, and I'm proposing, a House amendment to take this section out.

First, what the ministry really needs is the data, the information that's on the system. So that's really the important piece. Less important, so would be to actually take possession of the hardware and the software of a system that's operating a pipeline. There also are proprietary information of the company that may not relate to specifically what the ministry, the regulator, is looking for as a part of their investigation that just might not be pertinent information for the ministry to take possession of.

In some cases, the hardware and/or software is integral to operating other parts of their system. And so whether it's an application to restart a pipeline or for a company to continue on with their operation, not having the hardware and software could be in some cases detrimental to the continued operation of other aspects of their system not related to a pipeline that may be under investigation. And so, I think, for a number of reasons, so long as the ministry has access to the data that is on the system, the ministry felt that taking possession of the hardware and software was not an important matter.

[15:30]

Ms. Sproule: — Yes, I basically understood that from the information you provided. My question is that on section 17.05(3) of *The Oil and Gas Conservation Act*, you are still asking for them to provide hardware and software and data storage systems. And my question was, why wouldn't you amend *The Oil and Gas Conservation Act* at the same time that you are changing this clause in this bill? Because we have it before us here today anyways under Bill 56.

Hon. Mr. Duncan: — I would say that it certainly would be our intention at some point to make amendments to 17.05. We're focused on some other issues at this point, but we would certainly entertain a friendly amendment if the committee's interested. But it is something that, on that side of the regulatory system, we wouldn't need to take possession of that information as well in terms . . . or take possession of the software and/or hardware. So at some point we would be proposing to remove it.

Ms. Sproule: — Okay. Thank you. There's a second amendment proposed today to the bill that would change the penalty levied for individuals under the offences provision from 500,000 to 50,000, an explanation there that that's a severe penalty for individual people and that's what, I believe, the industry brought forward as a concern. It was just too high. I guess my question there again is the same. Under *The Oil and Gas Conservation Act*, for an individual it is still \$500,000. Would there be consideration given to reduce it there as well, or is that something you're going to leave at \$500,000? I'll just give you the section. It's section 59(2).

Hon. Mr. Duncan: — I think the previous answer on the previous question, I think, would apply to this one. The concern was very specific to the amendments with respect to *The Pipelines Amendment Act*. That's why I put forward this amendment. I think, you know, it would be something that we would consider in terms of having a two-tiered penalty under the other Act. But it's, you know, something we might consider in the future.

Ms. Sproule: — All right, thank you. I may as well deal with the third amendment that's being proposed today, I believe is being brought forward. And you had proposed a clause to change the definition of "pipelines" by striking out some things and adding "any other prescribed substance." If I understand correctly, the mining association was worried that that might affect them as well and bring them into *The Pipelines Act* in some unusual way. So what was the intent originally, when you put "any other prescribed substance" in the bill?

Hon. Mr. Duncan: — So it was in the past, as an example, when pipelines began to move carbon dioxide for enhanced oil recovery. That was a time where the Act would have needed to be amended to provide for the authority for that type of substance to be transported and then regulated. So the intent initially was in the event that there is something in the future that we may not be contemplating at this point, it would allow us flexibility to be able to prescribe that.

But you're right, the mining association did bring concerns forward that the unintended consequence of this, the wording of the particular amendment or section, may draw the mining sector into pipeline regulation, and that certainly wasn't the intent of this. So we wanted to be clear on that, that our intent isn't to add pipelines that may be associated with the mining industry.

Ms. Sproule: — So I'm sorry, what were you hoping to capture by adding it then? Was there a new type of substance or . . .

Mr. MacKnight: — There's always new innovative things going on in the oil and gas sector. We were of course initially

concerned about potential of having to do something in relation to helium or some other products, but ultimately you don't move helium through a pipeline or it's gone.

But ultimately, you know, the bottom line, we were just concerned there could be some other products produced that weren't captured by those other clauses and that we felt it would give us some flexibility so we weren't scrambling if something came along. In the end, however, we think that the definitions are broad enough that to come back and get the amendment if something suddenly shows up.

Ms. Sproule: — Okay. Thank you very much. All right. Just looking at the bill itself then, first question I have is on section 3 of the bill where you're changing the definition of "approved", and I'm just wondering why you felt it was necessary to add "by the minister" to the definition. Actually it's a new definition altogether, so why did you feel that was necessary?

Mr. MacKnight: — Yes, that definition appears in a variety of our legislation and regulation. It just is a drafting convenience, so we don't have to say whenever we use the word "approved" who it's approved by. So this brings it in line with some of our other legislation where that term is defined. It means that we can shorten text in other provisions that just use the word "approved." Conversely if there is a word "approved" by someone else, then we would qualify that in this section. But here, when it's stand-alone "approved" in the provision, it means "approved by the minister."

Ms. Sproule: — All right. You've changed the definition or added a definition, I guess, of "document" which will mean:

... a notice, record, report or other document and includes a notice, record, report or other document in electronic form.

Now would that capture emails and texts, or does it just refer to attachments that you would find in an email or a text?

Mr. MacKnight: — We'd take the view that it would capture both. We get a lot of correspondence from the client these days via email, and we deliver information via email, so this definition was intended to be broadly interpreted. And again the full suite of words there is to avoid having to repeat those terms throughout the legislation. And of course the convenience too is, once you get down into regulations, you can rely on the definitions in the legislation.

Ms. Sproule: — Okay. Thank you. The new section 5, so section 6 of the bill is repealing the existing section 5 and adding a new one. And I think this is where we get into bringing flowlines in, and in particular it's about getting who is required to get a licence. And I guess my question is around section 5(3):

On and after a prescribed date, all previously exempt pipelines must be the subject of a licence issued in accordance with this Act.

So maybe you want to talk about that a little bit, but I guess my biggest question is when do you anticipate that date will be

prescribed?

Mr. MacKnight: — Much of this depends on the pace of system development in our integrated resource information system where we can get the online system up and running and get the historical data into the system. Optimistically, we'd hope to get 'er done in two years, but realistically we're probably looking at a three-year development time frame. Much of that period though, is we have to get the legacy data, go out and collect information on these previously exempt lines. A lot of that work will involve the client having to do that research themselves. These are things you can't get done overnight. It takes time.

Ms. Sproule: — So who's going to pay for the collection of that legacy data?

Mr. MacKnight: — To the extent that we're collecting the information, the well levy or administrative levy depending, is intended to offset 90 per cent of the costs related to that activity. But most of ... Based on our experience where we did retroactive licensing of facilities, we set up some records, tombstone records, and the client confirmed that information as the way we got around, you know, a slowed process. The other aspect that we expect is that we will likely do an initial licensing sweep to get everything in the system and then provide time for data to be perfected as data gaps or information needs to be cleaned up.

Ms. Sproule: — Couple questions. First of all, when you talk about legacy data, is that older pipelines?

Mr. MacKnight: — Legacy meaning the stuff that's already in the ground. So you know, we have flowlines being built all the time, so I guess they're new lines of which we don't have a record. So that's the kind of thing. I will mention that we are doing some cleanup work already. There was a 10-mile rule under the old Act where companies didn't need a licence for what we would consider a licensed pipeline if it was less than 10 miles. That work, cleanup work, has been ongoing now for the last few years and we're getting close to having that all cleaned up.

Ms. Sproule: — Are there historical flowlines that you are concerned nobody knows are there?

Mr. MacKnight: — Yes. The challenge is that the records on those flowlines are generally held by the operators, so absolutely we are concerned about flowlines. But if they're an abandoned line, and they were abandoned through the well and facility abandonment process, they're flushed and capped and those things. It's the active flowlines, and of course that's why there's some focus in our work in trying to get this done as quick as we can. There is some spatial data that's out there that we're hoping to leverage to get this done quickly, but we're still at the early phase of that work.

Ms. Sproule: — I'm just wondering how ... I know there are private companies that have their own sort of geoSCOUT — or I forget the name of it — who would have records. Are you able to access those through purchase, or is that something you're intending to do?

Mr. MacKnight: — Yes. There's one company in Calgary who's got a pretty good data set. We are able to use it right now in our internal purposes. They built it themselves, and we're in discussions with them of potentially leveraging or using that data into our system.

The key thing, the key test for the ministry is whether, in the end, that's public data. If it comes with strings attached in terms of intellectual property or being able to use it and share it, that's a challenge for us. We would want to make sure that the data we use is public data in the end.

Ms. Sproule: — And in terms . . .

Mr. Pushor: — Perhaps I could just . . .

Ms. Sproule: — Sorry.

Mr. Pushor: — I just have a comment. By and large, the larger companies in the province have pretty good records of their flowlines, and we've worked very closely with them over time to ensure that. And as you've indicated, we've laid that against some of the third-party information that we can provide, so we have a reasonable handle on what's out there. But there is more work to do to ensure that it's a robust and fulsome set of data.

Ms. Sproule: — In terms of staffing this and conducting the work, what sort of additional costs will it bring to the ministry, and is there additional staff that will be brought on in order to bring this online?

Hon. Mr. Duncan: — So largely based on these changes, it'll be about \$600,000 for the implementation of the new pipeline regulatory enhancement program, and 460,000 is capital to help with the initial requirements for gathering for the online licensing system in IRIS. And then again, 90 per cent of this is offset by an increase in the administrative levy.

Ms. Sproule: — Okay, thank you. Section 6 in the existing pipelines Act talks about a person who intends to construct or operate a pipeline other than a flowline, and who desires to have the authority to appropriate interests in land may apply for a licence. Now this is basically being deleted, or repealed, I guess is the right word. Can you share with the committee why that section is being repealed?

[15:45]

Mr. MacKnight: — Sorry, which provision was that?

Ms. Sproule: — In the existing Act, it's section 7 of the bill.

Mr. MacKnight: — Yes, that section's being repealed because we don't intend to have unlicensed pipelines, except for ones where there's a clear prescribed exclusion. And right now there are none and none anticipated. So that section is considered redundant because the concept that we're licensing things.

Ms. Sproule: — Does it mean . . . Currently people who aren't required could still apply, is that what it means right now?

Mr. MacKnight: — Yes, it's an unusual clause, and the primary reason for that clause is then they can exercise the right

of entry by way of — I've got to use the term "expropriation" — that provision. And again that's another reason that it's not appropriate. You either have a licensed pipeline, or if it's a flowline, you go through the surface rights legislation.

Ms. Sproule: — I know there have been concerns raised about companies getting easements in situations where perhaps they only were entitled to a right of, well a right of entry, I guess, to place the flowline there. How can you ensure, I guess, that surface owners aren't being asked to provide easements where they shouldn't be provided?

Mr. MacKnight: — I think the specific issue you've got that you're referring to is a situation where a licensed pipeline company, say a TransGas, will take an easement on a parcel of land. Flowline operators — so these are not licensed pipelines — in some cases are applying to land titles and getting an easement. Historically, easements were granted and in fact the pipeline interests should be restricted to just licensed pipelines. It's not something we see in the pipeline legislation as being the vehicle that it's surface, I'm sorry, land titles legislation and regulations where this restriction should be applied.

Ms. Sproule: — Yes, I think there's concerns from surface owners that sometimes those flowlines for which there were easements provided are changing the nature of the flowline, and there were concerns raised that there wasn't sufficient expropriation paid at the initial outset, or compensation for damage, I guess.

So I know you've indicated that this is something that ISC [Information Services Corporation of Saskatchewan] would look after in terms of, I guess, monitoring when these things come in and requiring some sort of demonstration that . . . I think it's section 15 is the expropriation section under *The Pipelines Act*. The question is whether people are being taken advantage of. And I'm not sure ISC would be able to make those determinations.

Mr. MacKnight: — When you frame it like that, I would mention that one is the registration of the interests in the land, whether it goes on as an easement or it goes on as an interest less than 10 years, or whatever the term is.

The specific issue about whether a person who has a right-of-way on a landowner's land for a flowline can go back in and re-enter the land, that's covered in surface rights legislation. And the answer is, it's a one-pass activity, other than to go in and repair the line. There's rights to do that. But if they're going in to construct another flowline on the same right-of-way, the surface rights legislation kicks in and the compensation provisions as well. That hasn't changed. That's still there.

Ms. Sproule: — All right. Thank you. Just maybe a little bit of explanation for the committee about the changes to section 10 of the Act, and this is the transferability of licences. There was a one-line clause before, and now it's a fairly extensive clause. And I'm just wondering if you could share with the committee, sort of what you are attempting to achieve with the extended version, new and improved version, I guess.

Mr. MacKnight: — The improved version, if you will, the

proposed version is consistent with the way we handle wells and facilities, and in essence, it allows the minister to take a look at the proposed transfer and make sure all the regulatory standards are in place. The old provision was simply a right of transfer. In this case, it now injects the minister and our process into that decision. And a good example, if a transferee or a transferor has an outstanding order, where we've ordered them to do a thing and they've neglected to do it or they haven't paid fees or things like that.

But over time though, it's very important for us to be in the role of making sure that both sides of the transaction are in compliance with the regulation before the transaction is registered or recorded in our system. We don't offer a registry. It's a recorded system.

Ms. Sproule: — Thank you. So very clearly, just to point out, on the expropriation changes that there will be no expropriation for flowlines, correct?

Mr. MacKnight: — Correct. It's firewall. You need a right of entry for a flowline, you proceed through the surface rights legislation.

Ms. Sproule: — I'm looking now at the new clause 24.1, which I believe is in section 19 of the bill. Again this is a fairly new and fairly extensive clause in terms of inspections and audits, and keeping in mind that section (g) is going to be amended here later today, I'm just wondering about the immunity section which is being added; 24.2 is the new immunity section. And is that something that is currently in *The Oil and Gas Conservation Act*?

Mr. MacKnight: — Yes, it's in *The Crown Minerals Act*. It's in *The Oil and Gas Conservation Act*. I think there's an equivalent one in *The Environmental Management and Protection Act*. And the key thing of the provision is to protect the minister, officials, and others working on our behalf from being exposed to litigation if they act in good faith. So you suddenly have a concern related to a pipeline. You order it shut in. It turns out that concern was unfounded. This protects the Crown from potential claims related to that. If we acted in bad faith, it's no good. But if we're acting based on some reasonable concern, it gives us protection.

Ms. Sproule: — Okay. I found it in *The Oil and Gas Conservation Act*. It's section 53.1. Now the next new clause you're adding is something called continuing liability. Does that exist in *The Oil and Gas Conservation Act*?

Mr. MacKnight: — Yes, there is an equivalent clause, and I can't tell you off the top of my head, but the principle is that there is an ongoing liability for wells after abandonment. So if we certify an abandonment and it looks good on the last day and we use third party consultants to evaluate and we check it ourselves, if it comes back to life a decade on, the continuing liability says we can go back to the person last seized of the property. So we want to do that with pipelines just to ensure that when a pipeline's abandoned, we find a contaminated site that wasn't recognized at the time of the abandonment, we can find someone to clean it up.

Ms. Sproule: — Okay, thank you. So going back a little bit

now to section 13, which amends section 13 of the Act, in your explanatory notes it indicates that it's being amended “. . . to exclude applicants for flowline licences from using this section to gain an entry to lands for purposes of determining the location of a pipeline right of way.” So just for the committee, if you could explain if they're excluded from entry under section 13, how would an individual go about gaining entry to land? Is that still under . . . I guess it says, under *The Surface Rights Acquisition and Compensation Act*.

Mr. MacKnight: — Yes, indeed. That legislation covers that.

Ms. Sproule: — Okay. Thank you. So we've talked about the amendments to the fines already.

So section 25 of the bill makes some fairly significant changes, and I think administrative penalties are now being introduced and then an ability to appeal an administrative penalty. Perhaps you could just share with the committee what you're hoping to achieve with the introduction of the admin penalty, and why you would have decided to allow an appeal to the Court of Queen's Bench. Were there any other considerations in terms of Surface Rights Board or other administrative tribunals to hear those appeals?

Mr. MacKnight: — The issue on the administrative penalties, administrative penalties are a relatively new instrument for regulators in Saskatchewan as well as elsewhere. An administrative penalty is a penalty assessed by, in our case, the minister as opposed to a court.

So the offences provision that we've discussed . . . I'm trying to remember which amendment that is. Oh yes, in 27, the offences provision, that's adjudicated by a court. A Crown prosecutor would be engaged in bringing it forward. It's a full on consideration by a court, based on the evidence and facts and testimony, whereas an administrative penalty is assessed by the minister based on the circumstances. Those penalties tend to be much smaller than what could be awarded by a court. In fact that's a very important point. Once you get into the big dollars, it's probably best to have a judge make a determination.

So why did we go to . . . Why is the provision set this way? Well it mirrors what's in *The Oil and Gas Conservation Act* and also *The Environmental Management and Protection Act*. In all of those cases where a minister determines an administrative penalty, the person assessed that penalty can appeal it to Court of Queen's Bench. At Queen's Bench, the facts, the full facts can be argued as opposed to sending it, say, to Court of Appeal where it's just a question of law. So the Queen's Bench is considered the fairest way to provide a full avenue for a person to appeal an administrative penalty assessed by the minister.

In terms of where we're at on it, again I emphasize that these penalties tend to be in the smaller range. They're mostly related to a non-compliance of a regulation. But if it's a major breach of the regulations, that's where you would turn to the offences provision.

Ms. Sproule: — Do you have any estimates in your budget for revenues that you will derive from these administrative penalties?

Mr. MacKnight: — No, not right now. We are still looking at what type of administrative penalty framework would be appropriate, but just to emphasize that this . . . If we brought in an administrative penalty regime, its intent is to encourage compliance and never collect. So it's not intended to be a revenue-generation program.

So a good example, if somebody went in and started building a pipeline without getting their licence, no harm in terms of the environment or the public, we might levy that penalty as opposed to going the full bore route of a prosecution before a court. The likelihood of someone appealing that to Queen's Bench, based on the facts they started building a pipeline without a licence is probably small.

Ms. Sproule: — I'm just wondering if you could give us — that was my next question — some examples of types of administrative penalties that might be applied. Are there any others that come to mind?

[16:00]

Mr. MacKnight: — Yes, some jurisdictions have a really complicated formula, like the National Energy Board, and it runs to pages and it's all formula driven. Texas has a 30 page . . . We're not looking in that order. I'm trying to remember. EMPA [*The Environmental Management and Protection Act*], I think, has an up to 10,000 or — it's off the top of my head — for any offence or any admin penalty under EMPA.

We would likely be looking at customizing it to the nature of the breach. Clearly building a pipeline without a licence might attract more attention than failing to report within a timely fashion.

Ms. Sproule: — Right. You mean a spill.

Mr. MacKnight: — Yes, and again it will depend on the nature of the spill. But overall, I think, you'll find most . . . We're still at the early stage of developing it, and even under *The Oil and Gas Conservation Act*, we only have one administrative penalty right now, and that's related to filings under our enhanced production audit program. And even that one I don't think is particularly workable right now. It says up to a quarter of a million, and we don't have any formula to figure out where you would apply it.

So we're doing some work now. Actually we've got a project ongoing to try and rightsize the administrative penalties to the kinds of risks we're talking about. And that's really what it boils down to, is some infractions are not major health, safety risks. Others might be, and so you need to rightsize your penalty for the offence.

Ms. Sproule: — So in terms of the nature of the spill, you mentioned that earlier, would there be some minor spills that would be caught under the administrative penalty then?

Mr. MacKnight: — Yes, I would suggest to you that that's a good candidate. Where there was oversight in terms of how they were managing their site, it doesn't warrant a full prosecution, but it certainly warrants a penalty to remind folks of the significance of the activity.

Ms. Sproule: — How many prosecutions do you do in the average year?

Mr. MacKnight: — To my knowledge, we haven't pursued a prosecution under *The Pipelines Act*. The only matter that's now with the Crown prosecutor is the Husky incident, and that's one of the reasons we're looking at administrative penalties. The cost, time, and effort to pursue full offences, prosecution is considerable, and it's a disincentive for using it. And for good reason, those are serious penalties. Anyway so that's the short answer for pipeline Acts, is we've never pursued a prosecution to my knowledge and to the knowledge of my staff, under that . . . [inaudible].

Ms. Sproule: — Thank you. Did you want to add to that, Mr. Pushor? . . . [inaudible interjection] . . . Okay, just a few more questions then. In terms of the interplay with *The Oil and Gas Conservation Act*, it seems that these two pieces of legislation are very intricately involved and yet they have a very different flow and feel as far as legislation goes. Is that something that's concerning to you? Have you looked at making further changes to make them more side-by-side types of legislation, especially now that flowlines are being added in?

Hon. Mr. Duncan: — Thank you for the question, Ms. Sproule. So I think it's fair to say that, you know, the ministry will be looking at updating a number of Acts over the next number of years, just in terms of the kind of regular cycle of ensuring that legislation is up to date. We wanted though to get the pipeline Act before the House as quickly as possible, so that's our priority at this point. So I think there would be an opportunity in the future to look at other Acts, including *The Oil and Gas Conservation Act*, and trying to maybe mirror them as much as possible where it's appropriate.

Ms. Sproule: — Thank you. I know when we were in committee when the auditor released her report about pipelines and the need for changes, there was considerable discussion. I didn't bring a copy of the committee *Hansard* with me today, but I recall there being some discussion around enforceability and prosecution or, at least, protection when it comes to a spill.

And I'm just doing this from memory so bear with me, but I recall the former deputy minister, Mr. Campbell, talking about the fact that *The Oil and Gas Conservation Act* actually covered pipelines when it came to spills. And I'm just wondering if that is still your opinion, or maybe I've mischaracterized that. I think he felt that *The Oil and Gas Conservation Act* was complete in terms of everything related to a well. But if I recall correctly, even under *The Environmental Management and Protection Act*, pipelines were exempted. They're exempted from the regulations for enforcement under EMPA. So if you could just maybe share with the committee how that regulatory regime fully protects pipeline spills, that would be helpful.

Mr. MacKnight: — Just by way of comment, deputy minister Campbell was certainly correct, if I recall the *Hansard* provision, with respect to any incident related to a flowline. *The Oil and Gas Conservation Act* clearly covers flowlines. In terms of *The Pipelines Act*, and the . . . I'm sorry, *The Oil and Gas Conservation Act* and regulations, in tandem, clearly cover flowlines.

In terms of *The Pipelines Act*, the licensee is responsible to protect the environment and protect public safety, and they are legally obligated to deal with the consequence of not doing that. There is a provision that says they have to not only clean it up but also pay for the cost.

So from a regulatory standpoint, both: licensed pipelines clearly covered under *The Pipelines Act*, in terms of the responsibility of cleanup after a spill; in terms of flowlines, it's clearly covered in our view under *The Oil and Gas Conservation Act*. So in fact that the two regimes do support each other in that important respect.

In 2015 when we launched our IRIS system we also introduced a directive called Directive PNG014 [petroleum and natural gas 014], related to instant reporting on spills. That directive explicitly covers pipelines, flowlines, wells, and facilities under one document, including the reclamation.

Right now the pipeline industry is following that directive in terms of reporting. And with the proposed amendments here related to adoption of directives, we would bring forward an order in council soon after this bill goes through, just to reiterate and confirm in law that that directive applies to pipelines.

So overall it is complicated in terms of how the two regimes work. We have sat down with the Provincial Auditor to explain that, and the auditor seemed reasonably satisfied with the explanation.

Ms. Sproule: — I guess that brings into discussion then some questions we've had in the House, Mr. Minister, and that's really around whether it would be more appropriate for the Ministry of the Environment to have responsibility for, you know, contamination issues as opposed to your ministry. Is there any discussion that you can share with the committee regarding, you know, your view, I guess, on why your ministry still has that responsibility and, you know, whether it might be more appropriate for a ministry like Environment to have that responsibility?

Hon. Mr. Duncan: — I can say that I've certainly canvassed with officials, different regulatory regimes that do exist in Canada and across North America. You know, I'm not sure . . . There's a number of ways to do this. I'm certainly comfortable that these are our Acts that we're responsible for, that the ministry's responsible for, and we don't have any plans at this point to make any changes to that.

Ms. Sproule: — Thank you. When the Husky spill occurred last summer, I made an effort to find the location of that spill, and I think I might be using the database you referenced, the incident reporting of the spills. And it was very, very difficult. Now I have a little bit of familiarity with searching land descriptions and things like that, and I just couldn't find it. And so I think as far as the public goes, I'm not sure whether this is something that is easily understandable or whether the public has enough information to be able to search those.

Have other people raised concerns about the searchability of that? And is it something the public could maybe get better access to?

Mr. Pushor: — This is all part and parcel of what we're doing by building the new information system. It was an extensive project to get to a place where we are today, which is fairly robust in terms of the amount of data we can collect. What's an important next step is to say how do we properly share it.

So you're right in pointing out that some of the access to the information is a little bit cumbersome as it currently exists, but we have intent to do a series of activities over the next few months to make that more readily available and make it something you can find in a more straightforward manner.

Ms. Sproule: — Will you be using ISC services for any of their mapping application? Like it would be nice if the lines would just show up in ISC, for example.

Mr. Pushor: — Well perhaps we will take it one step at a time. To move to large scale geospatial information systems can become very complex, very fast. So we would want to take at least a first step to make it more readily available before we got into the more robust project.

Ms. Sproule: — All right. In terms of the Husky pipeline, as you know, Mr. Minister, we've called often for the report. I think it's been out for a few, couple months now, or is it March, two months? And as you know, the Privacy Commissioner has also indicated that it should be released. And I think it's important for the public to understand that this poses a very significant spill and certainly one that people are aware of and are looking for information. And I think the Privacy Commissioner also indicated that even if it does go to prosecution, there's still no reason for the report to not be released. Is that something that you can explain to the committee today, why you've chosen not to follow the Privacy Commissioner's recommendation?

Mr. Pushor: — So under *The Freedom of Information and Privacy Protection Act*, the individual who is unsatisfied with a decision made around what is released can appeal and the Privacy Commissioner will make a ruling. That ruling becomes a recommendation to a deputy minister.

In this instance, the ruling was that some parts of information could be made available. And that ruling, to my recollection, occurred prior to the release of the, prior to the completion of the final report. As such, in consultation with colleagues in Justice, it was determined that it would be in the best interests of any consideration of a prosecution that all of that information be held until such time as a decision has been made relative to prosecution. It is still our intent that at some time, under the guidance of our colleagues in Justice, to release all of that information at some point in the future.

[16:15]

Ms. Sproule: — Do you have any idea when Justice will make their decisions?

Mr. Pushor: — You might have more experience with working with prosecutors in terms of their willingness to provide a firm timeline on their deliberation. In fairness to them, any investigation can lead to more questions, and so it is appropriate that they're very cautious about how long it will take them,

under law, as they evaluate the potential for a prosecution.

Ms. Sproule: — Yes, actually I haven't done much in the world of prosecution, so I'm not totally familiar with that. Is there any ability to release parts of the report at least, as the privacy commissioner talked about? I know it was before your report was complete.

Mr. Pushor: — Well based on the consultations with our colleagues in Justice, it was strongly encouraged that we not take that step. And that was a decision we took at that time, to say it's in the best interests of ensuring we have a robust evaluation of whatever consequences or remedies should be pursued. And so we will defer to that advice until such time as a prosecution decision is made, one way or the other.

Ms. Sproule: — I know that we also submitted some other requests for information on inspections not related to the Husky oil spill, and I believe at that time your ministry decided that you wouldn't provide us with that inspection information. Is that the same situation or is . . . I mean these were not related at all to the Husky oil spill, so why would that be the same, I guess is my question?

Mr. Pushor: — As you begin to evaluate an incident of this nature, one of the things you start to examine is the integrity management and operational protocols of any organization. And again, in consultation with our colleagues in Justice, we were advised that any and all of those activities over time may or may not be germane to a prosecution. And so again we're happy to release any of that information at an appropriate time, once decisions are in around prosecutions.

Ms. Sproule: — I think, Mr. Chair, that would probably . . . Oh no. Redwater. That's the one thing I wanted to ask about is the impact of Redwater on the ministry's operations in general, and that may be asked this evening as well. But just a quick update, if you would, for the committee on how that litigation is impacting your ministry.

Mr. Pushor: — Obviously the Redwater decision is one that has our, and any regulators' keen attention right now, as everyone determines what the long-term implications of it will be.

Any licensed pipeline is exempt from . . . Or it doesn't apply to any licensed pipelines, that decision. We believe that flowlines are part of coverage for wells and facilities as well and are part and parcel of that, and therefore apply to our licensed liability ratings around the orphan well fund. And any cleanup associated with flowlines would be integrated into that.

As we monitor activities here very closely, we have not had significant situations come up where we've been alarmed. We do reserve the right to make any transfer decision under our legislation, and so we are very closely attending to anything that might cause us concern in regard to any transfer that might see something similar to what happened in the Redwater case.

Ms. Sproule: — Thank you very much. I think, Mr. Chair, that is the extent of my questions on this particular bill.

The Chair: — Thank you very much, Ms. Sproule. Seeing no

other questions from committee members, we will proceed to vote on the clauses. I believe there's 26 of them here, so we will try and get through these as quickly as possible. So here we go. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

The Chair: — Clause 2, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 2 agreed to.]

Clause 3

The Chair: — Clause 3. I recognize Mr. Bonk. I believe he has . . .

Mr. Bonk: — Mr. Chair, I propose that we vote down clause 3 because I plan to move a new clause 3 after all clauses have been read.

The Chair: — Okay, thank you for that. So clause 3, is that agreed?

Some Hon. Members: — No.

The Chair: — Okay, clause 3 is not agreed. That is defeated.

[Clause 3 not agreed to.]

The Chair: — We will move on now.

[Clauses 4 to 18 inclusive agreed to.]

Clause 19

The Chair: — Clause 19. I recognize Mr. Bonk once again.

Mr. Bonk: — I'd like to:

Amend clause 24.1(3)(g) of the Act, as being enacted by Clause 19 of the printed Bill, by striking out "removing any computer hardware or software or any other data storage, processing or retrieval device or system in order to produce information" and substituting "information contained in any computer system".

The Chair: — So Mr. Bonk has moved an amendment to clause 19. Do committee members agree with the amendment as read?

Some Hon. Members: — Agreed.

The Chair: — Carried. Is clause 19 as amended agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 19 as amended agreed to.]

[Clauses 20 to 22 inclusive agreed to.]

Clause 23

The Chair: — Clause 23. I once again recognize Mr. Bonk.

Mr. Bonk: —

Amend clause 27(3)(a) of the Act, as being enacted by Clause 23 of the printed Bill, by striking out “\$500,000” and substituting “\$50,000”.

The Chair: — Mr. Bonk has moved an amendment to clause 23. Do committee members agree with the amendment as read?

Some Hon. Members: — Agreed.

The Chair: — Carried. And is clause 23 as amended agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 23 as amended agreed to.]

[Clauses 24 to 26 inclusive agreed to.]

Clause 3

The Chair: — And once again I recognize Mr. Bonk.

Mr. Bonk: — Add the following clause after clause 2 of the printed Bill:

**“Section 2 amended
3 Section 2 is amended:**

(a) by repealing clause (a) and substituting the following:

“(a) **“approved”** means approved by the minister;

“(a.1) **“board”** means the Oil and Gas Conservation Board established pursuant to *The Oil and Gas Conservation Act*; **and**

(b) by adding the following clauses after clause (b):

“(b.1) **“directive”** means a directive approved pursuant to section 25.2 with respect to the licensing, construction, alteration, operation or abandonment of a pipeline, or the discontinuation of the operation of a pipeline;

“(b.2) **“document”** means a notice, record, report or other document and includes a notice, record, report or other document in electronic form”.

The Chair: — All right, Mr. Bonk has once again moved a new

clause 3. Do committee members agree with the amendment as read?

Some Hon. Members: — Agreed.

The Chair: — Carried. Is new clause 3 agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 3 agreed to.]

The Chair: — Okay, we’ve done all the clauses now.

Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Pipelines Amendment Act, 2016*. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That’s carried. I’d ask a member now to move that we report Bill No. 43, *The Pipelines Amendment Act, 2016* with amendment. Ms. Carr, thank you. Ms. Carr has moved that. Is that agreed by the committee?

Some Hon. Members: — Agreed.

The Chair: — Carried. Thank you very much for that.

Bill No. 56 — *The Oil and Gas Conservation Amendment Act, 2017*

Clause 1

The Chair: — We have one more bill under consideration, and that is Bill No. 56, *The Oil and Gas Conservation Amendment Act, 2017*. Clause 1, short title. Again, Minister Duncan, if you have a few opening comments as to what this bill entails, please do so now.

Hon. Mr. Duncan: — Thank you, Mr. Chair. The same officials are with me for this bill. This is *The Oil and Gas Conservation Amendment Act*. Mr. Chair, the well levy’s a regulatory cost recovery mechanism that was introduced in the 2014-15 fiscal year. The proposed legislative amendments before us today address several changes. They include changing the name of the current levy to reflect a broader application that would include pipelines licensed under *The Pipelines Act, 1998*. They also establish regulation-making authority for the purposes of calculating the annual administrative levy assessed against well licensees and pipeline licensees.

These changes are a part of a number of initiatives included in the 2017-18 budget that continue the trend of strengthening our oil and gas regulation in the province. The new administrative levy for licensed pipelines will directly support the implementation of the multi-year pipeline regulation enhancement program. This is in addition to ongoing regulatory activities related to pipeline approvals and inspections. The introduction of a levy on licensed pipelines will partially shift the cost burden tied to the annual assessment from well licensees to pipeline licensees. This will ensure that regulatory

costs are fairly distributed within the industry.

Mr. Chair, we appreciate that continued public confidence in the oil and gas regulatory system is central to the continued growth and development of Saskatchewan and our oil and gas industry. And with that, we would be pleased to take questions.

The Chair: — And we will do just that. Any committee members have any questions? I recognize Ms. Sproule.

Ms. Sproule: — Thank you, Mr. Chair and Mr. Minister. Just a couple of questions on this bill. I guess my first question is, you are now imposing an admin levy on wells under this Act and also pipelines under *The Pipelines Act*. So why wouldn't you have just amended *The Pipelines Act*? Like, it just seems again this interplay between the two Acts is going to cause some confusion for people to understand. If you're reading *The Pipelines Act*, you won't know that the admin levy applies. So why did you choose to put that in this bill?

Hon. Mr. Duncan: — Ms. Sproule, so looking at making this change to ensure that pipeline operators are also paying the costs of regulation or being regulated, really it was, the well levy or now the administrative levy, it is within *The Oil and Gas Conservation Act*. It really, I think, was the simplest way to do it, to add in the pipelines rather than doing it separately as well in the pipeline Act and then having all the different . . . There would be a number of things that would go along with that. And this just seemed the most, I guess, simple way administratively to do it.

[16:30]

Ms. Sproule: — Thank you. Would you say that a lot of the people that are operating wells are the same people that are operating pipelines? Or is there quite a remarkable . . . not remarkable, but is there a difference between the companies that are doing that work?

Hon. Mr. Duncan: — Thank you for the question, Ms. Sproule. I think the easiest way for me to answer this would be that most of our licensed pipeline companies don't have their own producing wells, but some companies with producing assets will have some licensed pipeline.

Ms. Sproule: — Okay, I thank you for that because it is confusing, and trying to get a general idea of the industry is not always easy.

Just some questions about the revenues in terms of this new levy. Do you have any budget estimates in terms of the amount of funds you expect to raise for these new levies?

Hon. Mr. Duncan: — So it'll be approximately . . . In total, the levy will generate about \$22 million this year, and about a million of that will be from companies that predominately have their holdings as licensed pipelines.

Ms. Sproule: — Okay. Have you done any analysis in terms of the impact of the levy on our attractiveness for energy investment?

Hon. Mr. Duncan: — So two parts: I would say first and

foremost, our well levy will remain at 90 per cent of the cost of regulation in Saskatchewan, whereas BC [British Columbia] and Alberta that do levy a fee on wells, they are at 100 per cent of the cost of regulation.

The other point that I would note is that because this is moving from strictly a well levy to an administrative levy that includes pipeline, it will in essence . . . the burden will be shared by more hands. And so some producing companies may actually see a decrease in the levy that is levied on their company this year.

Ms. Sproule: — Could you just share a little bit more about that? So if they have . . . How would they see a decrease? How could that happen?

Mr. Pushor: — So we have some oil companies in the province who have no pipeline assets at all, and previously only producing wells were subject to the levy. So now if I have no licensed pipes, I will only be levied on the portion that is not levied to the pipeline folks. It happens this year that we've increased the total regulatory costs by an amount not far off what we are charging to the pipelines now. So the changes would be modest unless there was something significant in your pipeline mix.

I would also note that we've added an administrative levy on inactive wells of \$25 per inactive well. And that's being done because there is a regulatory burden in relation to an inactive well. And also we had some companies such as potash companies who have disposal wells, and we were regulating them, and they weren't sharing in any of the regulatory cost.

Ms. Sproule: — Thank you. So these funds though are put into the GRF [General Revenue Fund], correct? You don't keep them aside or anything? Okay.

In terms of pipelines that you're adding, when you say \$1 million in this fiscal year for levies for pipelines, is that the ones that are going to be licensed this year? And I guess this ties into a question I did have on *The Pipelines Act* changes. For any go-forward . . . If somebody applies for a pipeline the day after this bill is passed, will they have to . . . they'd get a licence the day after the bill is passed? And is that the \$1 million you're talking about?

Mr. Pushor: — So the levy is calculated based on calendar years. But I would say that we regulate in an integrated way so that we're charging the levy for pipelines against that that we can identify as uniquely pipeline responsibility. So we do have a small pipeline division, or branch rather, within the division. But our field staff are expected to provide broad-based overall regulatory insight and we may not have captured all of that type of activity in the pipeline portion of this levy at this time. But we are trying to ensure that we've got the right oversight out there.

There are things unique to pipelines that require us to have a unique branch. So a lot of the audit of reported performance and inspections and all of that type data is somewhat unique, so we do have a pipeline branch within that division.

Ms. Sproule: — And I guess this . . . One of my final questions

for sure is, once the bill is passed, Royal Assent is given to the bill, will any new pipeline now be required to be licensed, or is there regulations that are required first? I'm sorry, if I said pipelines, I meant to say flowlines.

Mr. MacKnight: — No, we're not ready to start licensing flowlines. Just to emphasize that we would not apply the proposed pipeline component, the admin levy, to flowlines because they are covered by the well component. So the rates that we're looking at for licensed pipelines would be, right now, we're thinking in the order of \$40 or so a kilometre. The flowlines would be nil. We wouldn't charge for those because we're covering those costs through the well levy. Flowlines are essentially part of the well and facility infrastructure. Trying to segment those costs out separate and apart is next to impossible.

But I will say though that the pipeline licensing function that we're looking to build in our IRIS system, it'll be able to handle flowlines once that bill's in place. So once this becomes proclaimed, we will have the tool to start assessing for the licensed pipelines. Flowlines would still be covered under that well component.

Ms. Sproule: — Right. I think I was getting the two mixed up there. All right. I think that is the extent then of my questions on this bill, Mr. Chair. Thank you. And just if I may, thanks to the minister and the officials for the enlightening conversation today.

The Chair: — Thank you, Ms. Sproule. We will move now to vote on the clauses of the bill. The minister and the officials are welcome to stay or not. There's only nine here so we'll get to that with the committee here. Members, we are on to clause 1, short title. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 9 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Oil and Gas Conservation Amendment Act, 2017*. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. I'd ask a member to move that we report Bill No. 56, *The Oil and Gas Conservation Amendment Act, 2017* without amendment. Mr. Bonk has so moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Our business for this afternoon is concluded. I know the minister and his officials will be back at 7 p.m. today in order to consider estimates, as we have been doing for the last few weeks. So this committee stands adjourned until 7 o'clock . . . recessed, I'm sorry, recessed until 7 o'clock. We'll see you then.

[The committee recessed from 16:44 until 19:00.]

General Revenue Fund Economy Vote 23

Subvote (EC01)

The Chair: — Good evening, committee members, and those who might be watching. We are back as promised in room 8, and we are considering the estimates for the Ministry of the Economy, specifically vote 23, Economy, central management and services, subvote (EC01). And once again Minister Duncan is back here this evening. We started promptly at 7 o'clock. I notice you have a few more officials here, so I will let you begin. If you have opening comments, Minister Duncan, the floor is yours.

Hon. Mr. Duncan: — Thank you, Mr. Chair, and good evening to the committee members. It's our pleasure to be here this evening to consider estimates for the Ministry of the Economy as they pertain to the energy and resources sector.

Tonight joining me, to my left is Laurie Pushor, the deputy minister. To my right is assistant deputy minister Doug MacKnight who is responsible for petroleum and natural gas; behind us, Denise Haas, our chief financial officer. Cory Hughes is executive director of minerals. We also have Floyd Wist, our executive director in minerals, lands, and resource policy; and Cole Goertz, our executive director of marketing and communications.

Mr. Chair and members of the committee, our government strives to support the energy sector during good times and bad. Currently our objective has been to ensure that Saskatchewan can serve as a star to steer by as the oil and gas industry works its way back to growth and prosperity.

As Canada's second-largest oil producer, we are equipped to help set the pace and the tone for growth in this sector. Saskatchewan also holds a position of leadership in the global mining industry. We are a global leader in uranium and potash production, commodities that feed and power the world. Simply put, we possess significant resources in a jurisdiction with a reputation for openness and accessibility.

We are working to be a refuge of policy stability for resource companies in times of change and challenges, and we've had some success in this regard. Saskatchewan ranked number one in the world for investment attractiveness in the Fraser Institute's annual mining survey for 2016. The Fraser Institute's 2016 global survey of international petroleum industry ranks Saskatchewan as the fourth most attractive jurisdiction for investment in the world and number one in Canada. But there is always more that we can do.

The oil and gas industry contributes an estimated 15 per cent to Saskatchewan's GDP [gross domestic product], with the upstream oil and gas industry directly and indirectly accounting for tens of thousands of jobs. Our mining industry is engaged in some of the most dynamic development opportunities of any economic sector, investing billions in our province over the course of this decade. Ultimately we are a province that ships

roughly 70 per cent of what we produce to markets beyond our borders.

We will do everything that we can to ensure that Saskatchewan remains a jurisdiction of choice for resource investment and development. We will strive to maintain a competitive and profitable operating environment with regulatory oversight that is held to the highest standards possible. We will continue to operate with the public interest as our top priority, safeguarding our environment and providing responsible stewardship of our resources.

In support of this philosophy, the Ministry of the Economy is focused on two core concepts: generating steady economic growth and sustainability, and meeting the challenges that accompany this growth. Our key tasks include encouraging continued prosperity across sectors and industries, attracting investment at every level of our communities, regulatory excellence, and helping to create and sustain the best possible environment for people to build careers, lives, and a home here in Saskatchewan.

Mr. Chair, the 2017-18 expense budget for the Ministry of the Economy is \$234.521 million. With respect to the oil and gas regulatory division, there is as new spending of 1.35 million to enhance our oversight of the oil and gas industry. This will include the following: 600,000 in funding for a multi-year pipeline regulation enhancement program to strengthen Saskatchewan's approach to pipeline regulation; a \$500,000 increase in core funding to increase the number of field inspectors in the ministry's field offices in Estevan, Swift Current, Kindersley, and Lloydminster; \$250,000 in funding to expand the technical capacity of the ministry to support the Government of Saskatchewan's climate change commitments related to the upstream oil and gas industry; and \$460,000 in capital spending to begin the expansion of the integrated resource information system to support the implementation of our pipeline regulation enhancement program.

And as you know, incremental funding for new oil and gas programming is offset by 90 per cent in increased revenue from the industry-funded administrative levy. There's also \$24.931 million for the remediation of contaminated sites. This is an increase of 10.901 million to fund major components of the continued remediation at the Gunnar mine site.

Our government will continue to invest in what is important and valued by Saskatchewan people while controlling costs in order to work towards a balanced budget. By doing so we can more effectively ensure that our programs and services in fact meet our needs. This is what it means to meet the challenges of growth through controlling operational spending and being a responsive, forward-looking government.

Mr. Chair, this concludes my opening remarks. We would be pleased to take members' questions.

The Chair: — Thank you very much, Minister Duncan, for those opening comments and overview of your ministry's estimates. I should also mention there is no substitutions this evening and we are scheduled to go until 10 p.m. I'll now open it up to the committee to ask questions of the witnesses. I recognize Mr. Belanger.

Mr. Belanger: — Well thank you very much, Mr. Chair. And we've got three hours here, so we'll make it as interesting and interactive as possible. We've got a number of questions on a number of areas that I want to touch on this evening.

And you ended up with the Husky . . . well not so much Husky, but the oil inspections and so on and so forth. And of course this past summer has been a very . . . or the past several years have been very difficult years as it relates to the Husky oil spill that's been in the front and centre of a lot of people's minds and the discussions that ensued following that spill. So I'm going to start there, you know, if you want to get the appropriate officials in place.

But I just want to point out, first of all, that one of the things we've learned as we've sat as an MLA [Member of the Legislative Assembly] for Athabasca for a couple of terms here, in a sense, is that there's no question that Saskatchewan has got to do its utmost to attract as many investors and many business people as possible to help develop the resources because that partnership is so crucial to our economy.

And from our perspective, as we look at the history of what's happening in the province, there's no question in our minds that not only have we enjoyed the success of that investment, that we must be vigilant in ensuring that the investment comes to the Saskatchewan economy on a regular basis. That's something that's been ingrained in my system since I sat in this particular building.

And as you look at some of the work being done in the past number of years — whether it be on forestry or whether it be on uranium mining, and certainly the most recent examples of potash and oil and gas — that a lot of the work that was being done in the past is really paying dividends for the people of Saskatchewan, and like the world trade, as you see the challenges around the oil sector in particular, that obviously it has a spillover effect on us, and that creates some of the challenges we see as a province. But no question in my mind, that from my perspective, that investment from the energy sector is crucial to not only Saskatchewan's immediate needs financially, but for the future as well.

And the reason I want to begin to, or preface some of my questions this evening on that point is to dismiss the myth by many of the right wing parties that the New Democrats are not open to investment and opportunity in the energy sector. It's important that I state that right from the start, and if anybody wishes to have a discussion on that, I'm more than prepared to do so.

But I want to point out, Mr. Chair, that if I can get a brief history of the Husky oil spill as it relates to what happened at the time because a lot of people that are . . . There are a lot of people watching this this evening. They're quite interested in the response of the minister as it pertains to part of the effort in trying to attract industry to the province. Obviously we want to not only have their investment, but we also want their participation in protecting the environment. We also want to ensure that they maximize benefits to our province and they create as many jobs as possible, that they leave lasting benefits. All those points are very solid points when one speaks of trying to attract investment.

So if you can for me, Mr. Minister, just for my purposes as well, just recap exactly from your notes and certainly from your knowledge as to what happened under the oil spill, so people that are watching could certainly catch up and make sure that the correct information that they have is what you have in front of you as well.

Hon. Mr. Duncan: — Thank you for your question, Mr. Belanger.

I'll walk through a little bit of a chronology in terms of what took place over a period of a couple of days. Our investigators have concluded that the leak began on July 20th. This was the day before the spill was discovered. The pipeline's dual-alarm leak detection system was issuing notification to the operators of potential problems prior to the spill and continued until the system was shut down for scheduled maintenance at 7:15 a.m. on July 21st. Husky's response to the alarms has been extensively investigated and the details concerning their reasons for not shutting down the system are being reviewed by the Ministry of Justice.

The government first received notification of a spill when a member of the public reported an oil slick on the river near the Toby Nollet bridge. This call was received at approximately 8:30 a.m. on the 21st. After obtaining additional information from the caller, two staff members from the Ministry of Economy's field office in Lloydminster were dispatched to the bridge at approximately 8:40 a.m. to investigate the source of the spill. They arrived on site at approximately 9:35 a.m. and confirmed that there was a significant amount of oil on the river. The source of the oil was not immediately known and the staff began to search the area.

The ministry staff also contacted Husky at 9:50 a.m. to advise them of the incident and asked if they had any knowledge of the spill. Husky confirmed that it had also received a report of oil on the river and their staff were also looking for potential sources. And at 10 a.m., Husky contacted the Ministry of the Economy to confirm the location of the incident at its crossing upstream of the bridge.

Mr. Belanger: — Thank you very much. The Information and Privacy Commissioner has previously ruled that the Husky pipeline inspection report should be made public. I understand that your investigation into the matter is over, so are you able to provide the Husky inspection records to the committee today?

Hon. Mr. Duncan: — Thank you for the question. Certainly I understand the Privacy Commissioner has provided a recommendation on this front. And I have a great deal of respect for the Privacy Commissioner; I worked quite closely with him in my former role as Minister of Health.

I believe that in this case the Ministry of the Economy, with advice from officials in Justice, believe that at some point this information will be released, but that at this time we would wait until the public prosecutions branch have made a decision on whether or not to pursue a charge or charges.

Mr. Belanger: — So I just want to, if I can, correct me if I'm wrong, I just want to make sure I understood this: that while the Information and Privacy Commissioner has ruled that the report

should be made public, you're basically saying that the Ministry of the Economy are working with the prosecutions branch and the Ministry of Justice to determine whether charges are going to be laid or not. Is that correct?

Hon. Mr. Duncan: — Yes, I just want to make sure that the committee is clear on this. So the Ministry of Economy has concluded the investigation. That information has been forwarded to the Ministry of Justice to the public prosecutions branch. We, as a ministry, are not working with the public prosecutions branch to determine whether or not charges would be laid. That is solely their responsibility. If they require the Ministry of Economy to do some additional work as a part of their review, you know, we would certainly comply with that. But it is solely in the hands of public prosecutions branch to determine whether or not they would pursue a charge.

In terms of the ministry's review of the request for information, it was determined that that information, while it will be released at an appropriate time, it formed a part of the investigation. And so the decision was made not to release it at this point.

Mr. Belanger: — So I just want to understand the relationship. Like you're the minister responsible for the energy sector, is that correct?

Hon. Mr. Duncan: — So I'm Minister Responsible for Energy and Resources. It's not a stand-alone ministry. It's a part of the Ministry of Economy, so myself and Minister Harrison have responsibilities that fall under the Ministry of Economy.

[19:15]

Mr. Belanger: — So is it more of a . . . so would you say an associate minister relationship with specific duties assigned under the Ministry of the Economy as a whole? Like how would you describe your relationship? And the reason why I'm asking that is obviously that there's got to be coordination, of course, but then how do you shift through information from one sector of the economy, so to speak, when it pertains to your portfolio versus Minister Harrison's portfolio? Like how does interaction occur?

Hon. Mr. Duncan: — I think I would start by saying that I work very closely with Minister Harrison. Obviously we are working with the Ministry of Economy, working with a single deputy minister and ministerial structure. We're independent ministers, though. I can make decisions as it relates to my part of the ministry and my files. He makes decisions with respect to his part of the portfolio. I'm primarily responsible for oil and gas, mining. I would say forestry is a little bit of a division of duties based on his responsibility for the trade file, but we work in close collaboration and I think it's worked well to this point.

Mr. Belanger: — So anything . . . and I'm just speculating here. And the reason why it's important to understand the relationship is because obviously when you look at the oil and gas sector, which is a crucial, critical part of our economy and, you know, this is something that we're dealing with billions of dollars at a time. And certainly when it comes to oversight by government, clarity of who is responsible for what at what certain time is probably part of the importance of making sure that we have the right response to issues that affect that

particular sector of our economy.

That being said, so when you come along and you say, okay we have the Husky pipeline inspection reports. We're not going to make that decision to make them public right now. We are referring that to the Ministry of Justice where they will determine whether a prosecution will be laid or not. You're not encumbered with that process at all by Minister Harrison? It's a decision that you make alone as it pertains to the oil and gas sector inspections?

Hon. Mr. Duncan: — So with respect to the Husky incident, our role as the regulator, the investigation, the Acts that this type of incident would fall under including *The Pipelines Act*, perhaps *The Oil and Gas Conservation Act*. Those have been assigned to me as the minister responsible. So I've certainly have had conversations with Minister Harrison, but those Acts have been assigned to me, not Minister Harrison.

Mr. Belanger: — Thanks for the clarification. The importance and the reason and the basis of my questioning around that file is that obviously from our perspective, you know, as an opposition party and certainly have a history of governing in the province of Saskatchewan, we think and I continue saying or taking the position that part of the process to deal with pipelines is the whole notion around public confidence. We think that that is something that is paramount to ensuring that the industry has stability of operating within the province of Saskatchewan. That is certainly something that is ingrained in a lot of our thinking.

We think that development of the oil and gas sector is very important to the province of Saskatchewan; it is essential to the province of Saskatchewan. So one of the things that the governments can do, of course, is mitigate the risks associated with that particular industry, provide good oversight, and of course, instil in the public a great degree of confidence that this particular sector is of significant value and is following the rules, so to speak.

So at the outset I want to say that pipelines are an essential part of the oil and gas sector. We think a lot of people in the province generally support the development of all the resources in our province. I don't think that that goes without any question from our perspective. We think the confidence is there. The real question begins, is how do we develop an oversight procedure and an oversight process to ensure that public confidence remains high in some of these sectors. And a major spill of this sort certainly dampens that atmosphere, so to speak. So that's the reason why we're asking questions. And I want to clarify that this evening so there's no misinterpretation of why we're asking these questions

So when the Information and Privacy Commissioner asks for pipeline inspection reports, they should be made public. You indicated that you're forwarding that information on to the Ministry of Justice. But your government also did an internal report on the spill. Are you able to share that particular document with the committee this evening?

Hon. Mr. Duncan: — Thank you for the question, Mr. Belanger. So with respect to reports around the Husky incident, so Husky had to provide information within 90 days of the incident. That information has been publicly posted as a part of

our IRIS system. They've also, as an organization, they've completed their own report.

Parts of that report will kind of form our report, even though our report is — the Ministry of Economy investigation — is independent of Husky's. And the Ministry of Economy investigation, there is only one report. There's no internal report.

I think that's perhaps what you're speaking to, but that has been forwarded to the public prosecutions branch. So there will come a time where that report will be made public, but we are not releasing that publicly until public prosecutions branch makes a decision whether or not to pursue charges.

Mr. Belanger: — All right, thanks for that clarification. So is there . . . And understanding this is obviously a sensitive issue not necessarily only from the economic perspective but from the environmental argument as well, but is there a timeline in which you anticipate or the government can anticipate word from the prosecutions branch whether this is going to be proceeding in a court case or not?

Hon. Mr. Duncan: — Public prosecutions haven't given, you know, timelines in terms of when they will be done their review of the report and their decision-making process, aside from it'll be hopefully over the next number of months that we will know whether or not charges will be pursued. And then that would help to inform when we would release the final report.

Mr. Belanger: — Now I guess I can ask the next question. You can consider it a loaded question or not. I don't think it is but I just want to have you publicly confirm that there is no influence on the prosecution process per se, on any part of that process of prosecution that you would have any influence or they would be under pressure from the Ministry of Economy — either sector, your or Minister Harrison's portfolio — to interfere in any way, shape, or form in that process; that this, the determination of whether there'll be a prosecution or not, is made solely by the Ministry of Justice with no interference whatsoever from yourself or the Ministry of Economy officials. Is that a fair assessment to make?

Hon. Mr. Duncan: — Mr. Belanger, we take this very seriously. We cannot find in the records of the Ministry of Economy going back 30 years, if not longer than that, where an incident of this nature has ever been referred to public prosecutions branch. So this is something that is very serious, and we have no, and will have no influence over whether or not public prosecutions branch files charges.

Mr. Belanger: — And by "we," you're making reference to your officials, yourself as a minister, and the entire Sask Party caucus?

Hon. Mr. Duncan: — Absolutely.

Mr. Belanger: — Now I want to go into Husky making payments to the municipalities and the First Nations that were affected by the spill. Could you give us a brief synopsis of who was paid for what, and if there's any other outstanding claims or liens against Husky as a result of that particular spill?

[19:30]

Hon. Mr. Duncan: — So in a situation like this, Mr. Belanger, under our Act, Husky is obligated to pay compensation to, in terms of municipalities or First Nations, my understanding is that they have paid out over \$100 million in compensation. Most of that information is actually public knowledge, just in terms of what has been reported either by Husky or just in the news in terms of municipalities or First Nations.

I don't have a direct . . . I don't have an exact breakdown of all of that, other than to say our ministry hasn't directly been notified by any of the parties that they are awaiting some compensation or feel they are owed compensation they haven't received.

In terms of government, the government has provided I believe an invoice of — to the end of December 31st — of \$1.1 million has been our invoice to Husky. And the Ministry of Economy because 90 per cent of our costs, of the cost to regulate industry are captured by the well levy, our costs have already been paid or are in the process of being paid related to this.

So with respect to municipalities, most of that information has been made public. And again we're not aware that . . . Nobody has directly contacted the ministry to say that there's an issue of compensation that hasn't been either addressed by Husky or is in the process of being addressed by Husky.

Mr. Belanger: — Yes. I just want to ask for clarification. I'm a bit confused here, but maybe you can enlighten me. You said, we have it invoiced to Husky for 1.1 million as a ministry and then you make comment about a well levy. I was assuming that 1.1 million was an invoice directly related to the spill. Is that correct or is that basically you saying, look, you have a well levy, and here's a \$1.1 million bill?

So we've been paid to date for all their levies, but you're not receiving any compensation for the actual spill, like for staff time or any kind of resources expended from the government perspective?

Hon. Mr. Duncan: — So just to clarify, so the \$1.1 million, primarily that is made up of Environment and Water Security Agency costs. And I believe Government Relations, there might be a small piece to that, but I think primarily it's Environment, Water Security Agency.

Our costs as a regulator are borne 90 per cent through the well levy. So if there's additional costs because of the spill, that would be captured by the well levy.

Mr. Belanger: — All right. Okay. So again to clarify, you are the minister responsible for *The Pipelines Act*, is that correct?

Hon. Mr. Duncan: — That's correct.

Mr. Belanger: — Okay. Now how would you characterize these fines, you know, the oil levy versus the 1.1 million? Are these considered penalties under *The Pipelines Act* or will Husky be able to reclaim these payments as part of their natural resource revenue agreement or their income tax process? Like how would these fines, if you will, how would they be reflected

in Husky's operational perspective? It'll be considered a penalty? Would it be considered a payment? Like how has that worked for even the revenue-sharing formula that you've negotiated with them? And my point being that if it all comes down to the cost of doing business and that there really wasn't any additional cost to Husky, then that in itself may be of some concern in the effect on public opinion.

Hon. Mr. Duncan: — The \$1.1 million that has been invoiced to Husky by the government entities that have incurred cost . . . So I wouldn't consider that a fine or a penalty for the company; this is basically just a cost recovery on the part of government for the additional work that it has taken for government to respond to the spill.

The company itself, I think, to date has already publicly announced that they have spent well in excess of \$100 million, because of the incident, on cleanup. And if there should be fines or penalties that'll be levied, that will be after public prosecutions makes a determination of . . . I mean, we're a little bit, I think, ahead of ourselves on that; public prosecutions branch will need to make some determinations from their point of view.

And my understanding is that fines or penalties that may be levied on the company are not deductible against their royalties or their taxes or anything else, that it will be an over-and-above cost that will be paid by the company.

Mr. Belanger: — The 1.1 million that you made reference to, would that be considered your final cost or bill to Husky?

Hon. Mr. Duncan: — So the 1.1 million, that was up until December 31st of 2016. And as I think you may have heard in the media today, Husky has continued their work on the river — I believe today — and any cost that would be associated by any of the government entities, including the Water Security Agency, in 2017 will be invoiced once we know what those costs look like.

Mr. Belanger: — Okay. So I guess I need to understand the relationship between yourself as the minister for the oil and gas sector. Now Husky has said they're going to monitor the North Saskatchewan River. They're going to remove oil from impacted areas as they are discovered, as you made reference to.

What type of communication, what type of coordination, what type of cost sharing, if there's any that you would be able to share with me this evening as it relates to Husky's role and responsibility versus the province? Like I wouldn't mind knowing if there's a disagreement on a particular site that's been discovered, if there's any cost-sharing agreements in place. Could you share some of those logistics there, please.

Hon. Mr. Duncan: — So the Ministry of the Economy, so it's our responsibility in terms of the investigation of the actual pipe itself and any of the, in this case, oil that is contained within the right-of-way. Once that substance leaves the right-of-way, in terms of a spill, then it becomes the Ministry of Environment. They're responsible for supervising the cleanup that takes place by the company. They sign off on all the work that the company is engaged on as a part of that cleanup, and ultimately they do

the final release in terms of that the company has completed the work that they are obligated.

In terms of whether it's . . . Again because our ministry, the costs borne on regulating the industry are borne by the industry through the 90 per cent well levy. But any additional costs that will be borne by the government in terms of the Ministry of Environment or Water Security Agency, we will invoice the company for that. Ultimately this is the company's responsibility, so there's really not a negotiation in terms of the costs of the cleanup. This will be the company's responsibility.

Mr. Belanger: — Yes, and that's fair enough. I think most of the Saskatchewan people assume that it would be their responsibility since, you know, the spill occurred as a result of their operations. What I'm trying to determine is, you know, the relationship when it does occur, but more so, how is this being paid and who's paying what. These are some of the things that people have an extreme interest in, and that's all part of the public confidence issue that I raised earlier.

Is there any provisions . . . Like when you say the Department of the Environment or the Environment officials look after that particular perspective, but is there corroboration from your perspective as a minister for energy in determining the future years? Like a spill, obviously there could be issues that will affect that particular section of the river for years. Is that incorporated? Is there collaboration, corroboration from the Ministry of the Environment with the Ministry of Energy, just to ensure that something doesn't occur four or five years from now in which we've released Husky from their responsibility of that site, and then all of a sudden we're left cleaning it?

A good example, I'd make reference to them — of course we'll speak about that later — is the Uranium City cleanup. You know we've been at that for a while and I think we'll be at that for a while yet. So this is an example of . . . You know from our perspective, it's important that we have a good working relationship with industry to ensure that people know who's responsible for what in the future, and that there's no misunderstanding — again, the notion of stability.

So on that point, in future years, what kind of collaboration do you have with the Ministry of the Environment to ensure there isn't something that pops up three or four years from now?

[19:45]

Hon. Mr. Duncan: — There is a great deal of collaboration that does take place between the Ministry of Economy and the Ministry of Environment with respect to this incident, but as well an ongoing collaborative relationship between the two ministries.

With respect to this incident though, there will be . . . And the Ministry of Environment, I think as a former minister, probably would vouch for this. There is a great deal of expertise within the Ministry of Environment, and I'm confident that they will not be releasing Husky from any obligations without a long-term monitoring plan in place to be able to hold Husky accountable.

Mr. Belanger: — No, and that's exactly leading, you know,

into my next question as we speak of the parameters of when or when not to release. I think the phrase used is institutional control of a certain site. And when you look at a river crossing and certainly the effects of an oil spill, there is all kinds of competing science and certainly speculation as to what could be damaged, so I guess in the long term and the short term as well in terms of what environmental challenges that occurred as a result of the spill.

So my question would be how are you monitoring the potential for long-term impact? Is that all being done under the Ministry of the Environment? And who actually had the final authority to release Husky from any further costs as a result of this spill? I'm assuming that it would be the Ministry of the Environment. Is that correct?

Hon. Mr. Duncan: — That's correct.

Mr. Belanger: — In September 2016, you released a . . . or a press release was led by you in the sense that one of the inspections around oil pipelines that cross Saskatchewan rivers or lakes indicated that this inspection program is in response to the public concern over the safety integrity of our water supplies in the wake of the Husky oil spill on July 21st. You indicated that the July 21st spill was still undetermined at that point. And I'm sorry, I haven't been following with a lot of attention if there ever was a public disclosure of what went wrong at this spill, and then we can get into the province-wide inspection programs that you announced last fall, but was there ever an official determination as to what happened with that oil spill?

Hon. Mr. Duncan: — Yes. As a part of announcing that the investigation had been complete by the Ministry of Economy and that that report had been forwarded to the public prosecutions branch, we did speak publicly about a statement of substantive findings of the investigation, which state that the cause of the pipeline break was due to mechanical cracking in a buckle in the pipeline, that the buckle was caused by ground movement on the slope which occurred over many years. The investigators concluded that the slope movement was not a sudden, one-time event. And the statement of substantive findings also found and confirmed that the volume of spilled material was approximately 225 cubic metres of oil blended with distillates.

Mr. Belanger: — And who would be the authors of that report?

Hon. Mr. Duncan: — So that's the Ministry of Economy report, and that's in consultation with a number of third party experts that were contracted to do work.

Mr. Belanger: — Okay, thank you very much. And on the press release, you made a number of very important announcements as it pertains to pipelines that are crossing Saskatchewan rivers or lakes. And obviously the very expensive and very challenging spill that could occur was the next obvious question from a lot of people in Saskatchewan. So how many pipelines, as a result of last fall's announcement, have you identified as a ministry that really cross a river or a lake and that failure could pose a huge threat to drinking water and the environment as a whole?

Hon. Mr. Duncan: — So as a part of that work, you're right, Mr. Belanger, we did want to give assurance to the people of Saskatchewan that, particularly those crossings under rivers or major tributaries that do provide for potable water sources for communities across the province, that they did receive our highest attention and highest priority. So we did identify 125 crossings. These would be crossings that would cross under, as I said, rivers and major tributaries.

Mr. Belanger: — Would you be able to provide me with a list of those crossings?

Hon. Mr. Duncan: — Yes, I'd be able to. I can commit to the committee to providing that list for you, Mr. Belanger, and for committee members. I don't have it in front of me but we certainly would provide that.

Mr. Belanger: — And I would assume that the list of the crossings would also include the list of the owner or operators of those pipelines?

Hon. Mr. Duncan: — Yes. We can commit to providing you with the name of the owner and the licence number that they have to operate that pipeline.

Mr. Belanger: — And the 125 crossings, that's a pretty high number. As a result of last fall's announcement that you were going to do physical inspections on these crossings, could you give us an update as to how many of the physical inspections that you have begun or completed or, like, what's your schedule to do all of these inspections?

Hon. Mr. Duncan: — So, Mr. Belanger, the 125 crossings that were inspected, so those were complete last fall. And I would just provide for committee members, in Saskatchewan we have 80 000 kilometres of flowlines and we have about 23 000 kilometres of licensed pipeline. So our priority, the ones that for the most part made up the priority in terms of those 125, that would be those 23 000 kilometres of . . . it would be as a part of that 23 000 kilometres of licensed pipeline in the province.

So as I said, the inspections were complete last fall by our field staff. There really were no major concerns that were identified. Any concerns that were flagged by the staff were around things like signage was perhaps missing or incomplete, things of that nature. But nothing that raised a red flag in terms of an integrity issue.

Mr. Belanger: — Just again, inspections certainly are an important part of the process. But when was the last completed physical assessment for the North Saskatchewan River that failed as a result of the Husky spill? Was it a month or was it two years before? Like how long ago did actual inspection of that particular failure take place?

Mr. Pushor: — So as we work with any operator of a pipeline, we work to audit and ensure that their integrity management program is carried out in a robust and fulsome way. And we also audit and review the results of those investigations. Those things can include physical inspections and are expected to occur on a regular basis.

They include flying those pipelines from time to time to look

for physical evidence of any issues. They include monitoring of their performance and pressure results over any extended period of time, as well as any smart PIG [pipeline inspection gauge] or other type devices that are used to analyze that.

We had not physically inspected that pipe in the year prior, and we've released that previously in public in response to questions earlier in this incident. But we do work very closely and expect pipeline operators to have a robust integrity management program that includes physical inspections, regular audits of their pressure monitoring and all of the results of that performance, regular smart PIG analysis of the pipe and what's happening inside it, as well as some of those fly-over and other type inspections.

Mr. Belanger: — Yes. And the reason why I'm trying to link the press release to the importance of inspection and the relationship that government should have with industry is that it's all a question of interpretation. So when you say robust inspection, it may be radically different to what company A may consider robust inspections.

So the oversight process that I'm making reference to is a result of the announcement saying look, we're going to be inspecting these water pipes or these oil pipes that cross waterways, and that's the reason why it's important to know who's operating them.

And then they ask, the next obvious question is, okay, well what happens if we say okay, company A, there's a certain degree of trust we have that you're going to do what we consider robust inspections and reports and pressure tests and the whole bit, but the government doesn't go in and actually do this?

What relationship do you have with industry to ensure that your needs as a regulator is not being compromised in any way, shape, or form? Because obviously it affects not only the environment firm first and foremost, and the potable water challenge, but also affects public confidence which is something that you don't — well I certainly don't — want to see happen when it comes to this sector. So how would you describe that relationship to ensure that there is stop, check measures back and forth between government and industry?

[20:00]

Mr. Pushor: — So pipelines are regulated in accordance with Canadian Standards Association expectations as developed in collaboration with other regulators in Alberta, British Columbia, and the national regulator as well as industry. That is a very robust — excuse me, we'll change that word — that's a very broad regulatory expectation. All companies in this province, the same as any jurisdiction, are expected to perform to that level. That level includes the standards to which pipes are built and operated and it includes integrity management programming and expectations around how they will ensure that they're operating effectively. Our job as a regulator therefore is to monitor very closely and audit and examine their performance in relation to those standards and ensure that they're meeting the expectations of those standards.

Mr. Belanger: — So I guess from your experience as

somebody who's obviously knowledgeable about the oil and gas sector, we have 125 crossings on various water sources, and we've agreed that we're going to continue to or we're going to monitor them and inspect them. How often would you, or what type inspections would you recommend be undertaken on all these water-crossing pipelines? All things being equal because obviously there's bigger pipelines and different type of pipelines, but in a really rough guesstimate, how often do you think that a good, complete inspection should occur and what would that inspection look like?

Mr. MacKnight: — Yes, I'm just going to comment on the obligation of the operator in terms of the CSA [Canadian Standards Association] standard. It's quite comprehensive and includes regular visual inspections of the lines. It includes inline inspection. It's an entire program of obligations in terms of the things they have to do to ensure that the pipe does what it's supposed to do: transport the product and keep it in the pipe. Ultimately, it's the company's obligation to follow those programs to the CSA standard.

What we need to be doing and what we, you know, need to focus on is not necessarily having an inspector on every crossing but to be auditing the companies in terms of how they manage these systems, how they run their integrity management program, how they run their safety and loss management programs. This is really where the focus now is that's on pipeline regulation, is auditing how the company organizes itself to make sure it does the job of keeping the product in the pipe. That's our focus going forward.

Now in terms of the specific crossings that we're talking about, certainly we've identified those to you as the pipeline jargon as high-consequence areas. There are other high-consequence areas which we need to be looking at when we're looking at those too, and those can be everything from sensitive, environmentally sensitive areas to proximity-to-developed areas. But ultimately those 125 crossings are like others; they need some attention by the operators in terms of their integrity management program and safety and loss management.

Mr. Belanger: — So I'm assuming that the CSA would have standards attached to your high-consequence areas and we follow those same CSA standards. Is that correct?

Mr. MacKnight: — That's correct. The CSA, it's called Z662; it's their standards and it covers everything from design through construction to operations and even abandonment. So it's a very comprehensive program, and it also talks about the management systems in terms of how the management itself runs the pipeline system in terms of not just how you build it but how you run it.

Mr. Belanger: — Obviously over time and with technology and, you know, with . . . Again I'm fairly confident that the oil and gas sector will rebound and, you know, we'll always have the need for oil and gas in any economy.

Is there new developments, because I'm assuming there would be, in terms of better ways in which you can monitor full lines and pipelines? Because obviously a shift in the embankment where the pipeline was over a period of time, you would assume that's a normal course of how pipelines move and adjust to the ground in which they're buried. Is there any kind

of advances in better monitoring of the pipeline pressure, as opposed to just simply visual inspection by aircraft or hoping that the CSA standards are being followed, and in following the federal standards overall? Is there any hope that we could really alleviate the concerns the public have around pipelines?

Mr. MacKnight: — First of all, there's a couple of things to remember, that prevention is the most important part of integrity management. So that inspection protocol's looking for signs of risk. Those are critical to the prevention business.

But as is with any engineered structure, there's potential for failure, and that's where these leak detection systems come in. There is long-standing existing technologies. In the case of Husky they actually had a dual system, a parallel system of monitoring pressure and volumes and things like that. But there's some really exciting technologies coming along. The fibre optic technology is up there right now in terms of being able to really sense any disturbance in terms of the pipe at all.

So those technologies are there. Some are getting deployed. Some are being tested, and there's others on the horizon. So we're certainly as a regulator keeping our eye on those developments because they do have, you know, some real prospects going forward in terms of being able to identify these things far quicker than pressure-response kinds of systems.

Mr. Belanger: — What would be your guesstimate as to how you would employ those new technologies? You talk about fibre optics in the high-consequence area. Would it be safe to say, look, we have a way in which, through fibre optic technology, we can monitor every second of a HCA [high-consequence area] issue as it pertains to our waterways. I'm just trying to figure out whether there's a good system out there that could really fix this problem.

Mr. MacKnight: — Of course you've got two challenges here. First you've got the pipes that are already in the ground, have been constructed. With respect to the new pipelines going in, and in fact in terms of some of the retrofitting, there is some potential of using this technology. It's still at that commercialization level, still needs to be proven in the field in some situations. So there is testing going on, not just in Saskatchewan but elsewhere. But really are we at a point as a regulator where we can say, yes that's sort of the technology and we need to deploy it? No, we're not there yet. There needs to be more of the field trials and testing and use before we can get there with certainty.

Mr. Belanger: — No, no. I was thinking today after I heard the news about the P3 [public-private partnership] payouts, I was thinking maybe I want to get into a P3 company to make some quick cash, but now this is a better idea: do the fibre optic detection on the HCA pipelines that follow the Canadian Standards Association guidelines. So I got a better idea off you guys tonight. There's a Husky . . . I'm just being facetious right now.

There's a Husky issue that we're all concerned about. It may happen again. And it's a sobering reminder that we must be vigilant or diligent and vigilant in terms of how we work, especially around the notion of water crossings. So the inspections that we agreed to do have been done. You're going

to share with us the crossings. You're going to share with us what your findings were.

And obviously you mentioned, Mr. Minister, that this is the first time that there's been prosecutions on this front. I shouldn't say prosecutions. I'll clarify that this is being considered within the prosecutions branch as to what they wish to do with this issue, whether they'll be charges laid or not.

What other particular challenges do you see as it relates to the pipeline industry overall when it comes to failures? Is there any particular . . . Like we talk about the pipeline in the ground now, is there end-of-life for those pipelines? And the other question I have is when you have a pipeline underground, I wouldn't mind getting the details of that, just for my own information, like how deep it is and how it's built, and whether there is a catchment tube or not. I don't have that information, so if you can just share that with me because obviously it would be great information for those that are watching as well.

Hon. Mr. Duncan: — Thank you for the question, Mr. Belanger. I'm going to provide an answer, a couple of different comments, and then I'll maybe have officials fill in if I miss anything.

So first and foremost, it's certainly the position of the Government of Saskatchewan that pipelines are the safest way to move liquid hydrocarbon products. We don't have the stats in front of us, but certainly we have looked at statistics that compare pipeline, moving by pipeline versus railway, versus rail, and we certainly . . . Notwithstanding the challenges that we have and notwithstanding needing to work with industry to ensure that the highest standards possible are not only adopted but implemented and followed by the companies, but also working with industry to investigate what those new opportunities for technology are that will improve the safety of moving oil by pipeline, we certainly believe that it is the safest way to move.

But pipelines do age, and so you know, I think it's . . . An example of that is the Enbridge line 3, which has been slated for replacement. This is a multi-billion dollar project that is undertaken by Enbridge to replace an aging pipeline, and I think it shows that industry does see a need to reinvest into lines to continue to move product out of Saskatchewan and across Western Canada.

In terms of our response to this, we certainly . . . We had a good discussion with Ms. Sproule earlier today on Bill 43, *The Pipelines Amendment Act*. We certainly, through our pipeline regulation enhancement program, are going to be more diligent and vigilant in terms of the regulatory role that the province does provide over the industry.

[20:15]

You know, I think it's safe to say that everybody acknowledges that this was a difficult budget but, I would say in this area, we're seeing additional dollars go into pipeline and safety enhancement through this new program that we're developing. We're seeing additional field staff being hired in our different field offices to work closely with industry and to do more things like inspections. And we will ensure that particularly any new

crossings of waterways in this province are built to the highest standard possible.

So those are just a few of my comments. I don't know if Mr. MacKnight has any additional comments to make on that.

Mr. MacKnight: — You were asking questions around pipeline depth and cover, and I'm going to confess I'm not a pipeline engineer and the CSA standard is a very thick document. The CSA standard was amended — they go through a periodic update — in 2015. Geotechnical hazards were identified as one of the new standards, so of course that's now become a focus. And the Husky incident has certainly brought that to attention across the industry, not just here in Saskatchewan.

Where there's a pipeline crossing of a river, the pipe standard is higher in terms of pipe thickness for some of these major crossings. The pipe depth, based on a geotechnical assessment . . . We had one recently where the geotechnical assessment came back and the pipe had to go another several metres deeper just to get into that stable ground it needed. We're finding operators now are boring the pipes well stepped back from the slope and going well under the river and again using that higher quality pipe.

So there's a lot of things that can be done in the engineering and design of the pipes, not just water crossings but any risk locations, things like going under roads. There's another standard for going under roads. The engineering and design standards under CSA have continuously improved over the last 30 years, and really the focus of the conversations now is making sure that those standards are being met from bumper to bumper from the original design work through the construction, operation, and of course ultimately in the decommissioning of those lines.

Hon. Mr. Duncan: — I'll maybe just add in terms of how pipe is constructed, is built, I had an opportunity to visit Evraz last week, and they were able to demonstrate that every section of pipe they built is stamped with an ID [identification] number. That if there's ever an incident, as a part of investigation and recovery, they pull it out of the ground. They identify the number, and if they think it's an issue of the manufacturer, they can go right back to the maker of it and determine the shift it was built on, the different components, the alloy that was put into it, the percentages, everything around the testing of that pipe before it ever left the assembly line. So the companies that are involved in this certainly are very diligent and vigilant in ensuring that they're building, certainly in the case of Evraz, building a solid product.

Mr. Belanger: — Yes, there's no question that we're very pleased, and being very pleased is an understatement, that Evraz did indeed get some of the contract work that was required. We think that the quality of work by the staff and the company are to be admired.

It's just the fact that the question that we have to pose is just basically how these pipes are built. Is there an inner tube? Is there an outer protective shell? A lot of people like myself don't have that basic information as to how these pipes are developed, so I'm going to take it upon myself to do the actual tour, to ask

the questions of the folks that build these pipelines. And I certainly think that again, as I pointed out, we're quite pleased that Evraz did indeed get that work.

I've got two questions on this bill, and then I want to get into the actual budget for a bit. And then I want to get into a bit of forestry. But first of all there's only two other questions, two areas that I wish to ask questions on.

Your ministry officials said that they're going to do two additional things to try and get the full impact of the spill. One was additional wildlife assessment to see if there's any impact on the wildlife, and the second was the community engagement commitment that was made. So I guess I would ask timelines of these assessments. And when you talk about community engagements, could you give us a background as to how many there were, where they were held, and whether there's any particular demands placed on the government as a result of these community engagement, I'm assuming, meetings.

Hon. Mr. Duncan: — Mr. Belanger, with respect to the first part of your question on wildlife assessments, so that's led by the Ministry of Environment. I think that's probably the more appropriate place to put the question.

In terms of community engagement, yes I think that that's been done on a, I would say, a more informal basis between Husky and the different communities that had been involved. But it certainly has been, to my knowledge and to the ministry officials' knowledge, when they had the command centre set up, community leaders were invited to view how they were doing their work, and there has been a lot of one-on-one discussions with community leaders as a part of their engagement. So yes, I think that that's probably a . . . Those communities might be able to speak better to what that engagement looked like or Husky itself.

Mr. Belanger: — Just on the . . . I'm trying to connect the \$1.1 million price that you gave us that in terms of some of the costs that were recovered through the well levies that came right directly to the province. Just if you can for me, just a breakdown of the staff that were engaged. Like was there 10 from SERM [Saskatchewan Environment and Resource Management] and five from Energy and Mines, and as time went on, was there obviously going to be less staff? I hope there will be permanent staff attached to that file.

So could you give us a breakdown of how many staff were involved with the initial spill, the process to get it mitigated, and then finally the permanent staff attached to your monitoring of all pipelines especially the ones in sensitive areas such as water bodies.

Mr. MacKnight: — I'm going to preface it by saying that the questions about exactly how many Ministry of Environment staff were engaged are best directed to Ministry of Environment in terms of that particular incident. But I think it's also important to remember that the government's role here is more of a situation control, management, and oversight function. Most of the actual physical work would have been done by crews employed by Husky to do that work. They brought in lots of folks to help them out on that.

In terms of the Ministry of Economy and my division in particular, when the incident occurred, we would have been employing our field staff in Lloyd. We've mentioned that two were on site, another one in the office coordinating things, and then as the command centre got set up, we had continuous support throughout that period from our field operations in Lloydminster.

We immediately though had an engineer from our pipeline group here in Regina move up to the site. He supervised that work literally from the excavation through to the removal of the pipe, to the transportation to the test facility down in Calgary, and was engaged on that file continuously right up until the matter was handed over to the Crown prosecutors for follow-up.

So in addition to that one engineer, there was also engineering support. One other engineer worked full time on . . . worked with the provincial committee that was engaged on doing the investigation. So I'd say he was probably on it half time. So a person and a half. And then other resources within the ministry were engaged in supporting those folks doing the work. So that's sort of an investigation group, if you will. We did engage a third-party consultant, Skystone engineering out of Calgary. That added a lot of resource capacity in a hurry to the file, and these people are experts in doing those kinds of resources. So we staffed up, so to speak, by engaging third-party assistance.

On the ongoing basis in Regina, we have three full-time pipeline engineers and one pipeline tech in Regina. But that work's also supported in our field. Our field people are expert technicians, and they can handle pipelines as well. So each of our offices — and we have about 20; I forget the exact number here — deployed, and those are some of the additional resources that we are looking forward to adding into the field. So there's the engineering resources that you need to understand the design and making sure the CSA standards are up to speed, if you will, and then we use our technicians in support of those work, in terms of delivery in the field.

Mr. Belanger: — So no, the reason and the basis of that question is that obviously if you have one engineer and ten SERM folks at the site, then obviously you're going to have your environmental issues that will have a lot more attention to it. But the lessons learned as a result . . . I understand there was a shift in the ground that caused the pipe to rupture. If that's the findings, then you would assume that that lesson is being learned by technicians and engineers that are aware of how the pipe was built and where it was laid and that there would be issues that would move forward to recommend that, in this instance, that we don't make the same mistake again.

That's why it's important to ask which staff were there and what was their role. So I just wanted to point out as part of the process that I think it's really, really important for public confidence to ensure that there are lessons learned as a result of the spill and that there are technical, structural, engineering, as well as environmental lessons learned. And I just want . . . that's the basis of my asking the question.

I will complete with this, that we see an increase in the regulations and inspectors and technical capacities as a result of, you know, the pipeline issue. Do we have adequate staff members to gain the confidence necessary on issues of pipeline

safety?

Hon. Mr. Duncan: — Thank you for the question, Mr. Belanger. I think that the moves that are made in this budget, and as well with Bill 43 moving its way towards third reading, I think provided a good foundational level in terms of moving forward. Our field staff, we're actually going to see an increase in the number of field staff because of this budget. As well as putting in place the levy I think has been a big help in terms of ensuring that, as a regulator, we have the support. And, yes, industry is going to pay for 90 per cent of it but it really, I think, is a step in the right direction.

As well as, this committee has also looked at amendments to *The Oil and Gas Conservation Act* because the well levy was only for producing companies. Pipeline companies did not pay into the levy. We've now changed it to an administrative levy through the work of this committee earlier today, and now pipeline companies will also be paying 90 per cent of the cost of being regulated. So I think it does provide some good foundational pieces moving forward.

That is our hope, that the people of this province not only will see the commitment that is made in this budget but also our response to this unfortunate, terrible incident of last year, that we are responding in a way that will ensure that the people have confidence in the regulatory regime that we have in Saskatchewan.

[20:30]

Mr. Belanger: — Thank you very much. That concludes my question around the oil and gas spill itself, and again I wish to reiterate that the oil and gas economy or the investment into that particular sector of our economy is very much needed. And I think one of the issues between the parties is that I don't think either party would discourage investment into Saskatchewan because that's what building an economy is all about. But I certainly concur that the aspects of oversight, the aspects of stability, the aspects of public confidence in that particular sector are just as important as the royalty regime that we establish to attract that investment.

So the lessons learned as a result of the spill are highly valuable, not just from the environmental perspective. Because where we stand, you know, the often-phrased argument between the economy and the environment is that we must achieve a balance. And we use that phrase time and time again. But clearly, I think, public confidence is one sector that we cannot play around with, that this is what is at the edge of a lot of pipeline plans throughout our country and we're not immune to that. And that's why, you know, there's a huge undertaking around public confidence, and this is really vitally important to us as the opposition as to how we build that.

That being said, I want to turn a bit of my attention to the budget itself. I just want to get some clarification around some particular subvotes. Under the subvote minerals, lands and resource policy, we see a decrease on several line items. I just want a clarification on the decrease. The first one, are you able to give us information on why was funding for operational support decreased? What is that about, and does that suggest less support is required for the operations?

Hon. Mr. Duncan: — Sorry, Mr. Belanger. Which subvote are you referring to?

Mr. Belanger: — Operational support went from \$12.816 million down to 11.466. Could you describe to us what the reduction is all about?

Hon. Mr. Duncan: — No, I'll just . . . Sorry, I'll correct you on that. It was 11.466 in '16-17 and it's increasing to 12.816 million in this budget.

Mr. Belanger: — Yes, okay. I got my wires crossed. But is that as a result of the regulatory inspection and technical capacity you made reference earlier? Is that the connect?

Hon. Mr. Duncan: — Yes, that's correct.

Mr. Belanger: — And is there a specific number of staff that you're hiring? Is there a number that you're looking at? When you talk about 500,000 for inspectors, is that 10 inspectors or is it eight? Could you give me a number?

Hon. Mr. Duncan: — So overall, on the petroleum natural gas portion of the ministry, it's an increase of 13 FTEs [full-time equivalent] overall. Those are eight new funded FTEs. The balance of those are just some internal restructuring within the ministry but the 500,000 to expand the number of field inspectors, that will provide for I believe four positions. And then there's \$250,000 increase related to the climate change commitments, related to upstream oil and gas industry, and that will provide funding for two additional positions. And there's four positions because of the pipeline regulation enhancement program.

Mr. Belanger: — All right then, you know, that was the increase that we identified. But just to reclarify, the area that we see reductions are under minerals, lands, and resource (EC06)? That's on page 42 of the budget. When we talked about operational support, on one section you have the increase and then again that was for the increase in inspectors. But under the minerals, lands, and resource policy, you have a bunch of decreases in certain sectors. One of them is the operational support I made reference to earlier. It was actually decreased from 3.44 million to 3.3. What was that decrease all about?

Hon. Mr. Duncan: — I believe it's about a \$60,000 reduction, and it's in part one FTE reduction and then just some miscellaneous . . . just reduced spending.

Mr. Belanger: — Okay. And going down the line, under the land and mineral tenure you also have a decrease of roughly 140,000. Could you explain what that's about?

Hon. Mr. Duncan: — Mr. Belanger, I would just say that they're just some general operating reductions that we're asking that particular branch to find. So I would say that there'll be a slight reduction in some consulting contracts and some subscriptions, things of that nature.

Mr. Belanger: — Okay, and then going down the list, could you also maybe give me some background on the decrease for the Saskatchewan geological survey section?

Hon. Mr. Duncan: — Thank you, Mr. Belanger. So the Saskatchewan geological survey, there's no real programs that I can point to to say that they won't be doing this year. It's just generally within their organization they're going to try to find some efficiencies and some operational savings.

Mr. Belanger: — All right, and I'm assuming that forestry development is again, some of the operational savings that you alluded to, but I wanted you to confirm that under the forestry development section there's roughly 25,000 less.

Hon. Mr. Duncan: — Yes. So you're correct, it's about a \$26,000 reduction and it's again just general operating. You know, they'll need to find some efficiencies.

Mr. Belanger: — Okay, and finally, under the remediation of contaminated sites we see a \$10 million increase, actually 10.9. Could you give us an explanation of the increase in contaminated sites budget from 14 million to 24.9 million?

Mr. Pushor: — So just in general terms while people change seats here, we can get you a bit more specific detail on where we're at, but this really relates to the northern mine cleanups, particularly the uranium sites. We've all but completed our work at the Lorado site and we're just moving into substantive cleanup at the Gunnar mine site. We've been in a planning, licensing, and early stage reclamation on that site and this year now we'll see an increase in substantive cleanup. But perhaps I'll let Cory talk a little bit in more detail about where we're at on the Gunnar cleanup in particular and what's next.

Mr. Hughes: — Sure. So the major increase of the \$10 million is because we now have a CNSC [Canadian Nuclear Safety Commission] licence and the necessary approvals from Sask Environment to begin the actual remediation that this year will include developing some borrow areas, developing road hallways, and beginning to cover the tailings area with the available waste rock.

Mr. Belanger: — Okay. And I'm assuming that this is still a cost-shared plan between ourselves and the federal government.

[20:45]

Mr. Hughes: — It is still a cost-shared agreement with the federal government, although the Government of Saskatchewan is funding the majority at this point and then discussions continue with the federal government.

Mr. Belanger: — So when you say funding the majority of the costs, is it 70 per cent province and 30 per cent feds or is it closer to 60/40? What's the breakdown, if you can?

Mr. Pushor: — So you may be aware that when the original agreement for the Gunnar mine cleanup was established, there was approximately a 20 to \$25 million estimate for that early cost sharing. At that time it was agreed that the cost would be shared 50/50. Since that time, the cost has escalated. Our current estimate is between 225 and \$250 million. To date the federal government has not made a public commitment to honour their 50 per cent commitment to that cleanup and we continue with all and every effort to ensure they live up to their part of their deal.

Mr. Belanger: — All right. And I think the original cost was 28.5 million, if my memory serves me correct, and that portion of the agreed-upon formula for cost sharing that there was a private company that agreed to put in a certain amount of money. Is it safe to assume that the private company has since washed their hands of this site or of these sites in general?

Mr. Pushor: — I think there's two cleanups that you're perhaps talking about. The Lorado site, there was a private sector contribution and part of the agreement that was reached at that time limited their contribution to a maximum amount. They've contributed that maximum amount and the Lorado site is all but completed at this point in time. It's moved into care and maintenance. On the Gunnar site there's no obvious path back to any ownership that continues to exist at this time and so it's a full public responsibility for that cleanup.

Mr. Belanger: — So on a percentage basis we didn't get the breakdown as to what would be considered provincial contribution at this time versus federal contribution.

Mr. Pushor: — To date the agreement that was formally entered into originally had a cost-sharing of approximately . . . The federal government's contribution would be 12.3 of a total 24.6 million. We do not have an agreement for them to . . . They have not committed to a 50 per cent share for the increase at this time and we continue to pursue that.

Mr. Belanger: — All right. And I'm assuming that the discussions are with Natural Resources Canada. Is that correct?

Mr. Pushor: — It's with Natural Resources Canada and anyone else we can talk to.

Mr. Belanger: — All right. So you go down to the corresponding . . . Just in terms of the cleanup, could you give me a quick synopsis of what sites are cleaned to the extent of where you're going to begin to transfer that land back to Crown land, versus the expected cleanup life of this particular mine site that you're making the increase to?

Mr. Hughes: — So the Lorado site, which was essentially completed at the end of 2015, will go under a monitoring phase now until the Canadian Nuclear Safety Commission and Sask Environment is satisfied that that site is stable, and then they will look to move that in. It's probably at least five years from now.

There is eight satellite sites. This cleanup not only involves Gunnar and Lorado but there's 36 associated satellite sites in the Uranium City area. Eight of those have been completed and we'll be looking, I believe, to move six of them — at least apply — into the institutional control program. And if they're released from Sask Environment, then they may go into the institutional control program in this fiscal year.

Mr. Belanger: — Okay. And you're saying that the Lorado site still remains . . . no, sorry, the Gunnar site is where you're focusing your effort now?

Mr. Hughes: — Yes. So the Gunnar site, a contract was signed earlier this year for a major component of the work which is covering the tailings. So that will be a . . . well I think that

contract will likely exist for three years, and I anticipate within five years the majority of all the cleanup will be completed at Gunnar.

Mr. Belanger: — And is the research council still the project management team on site?

Mr. Hughes: — Yes, they are.

Mr. Belanger: — Okay. And could you give me a brief description of what the . . . When you mentioned tailings and to begin to, you know, to mediate as best the site itself, could you describe what is all involved with the three-year project? And then the final two years — obviously I'm quite interested; it's part of my constituency — but give me, you know, a fairly detailed synopsis of how you see this playing out.

Mr. Hughes: — Right, well because the project is in a decision-tree process — that's how the environmental assessment work — I can't predict exactly what will happen in year 4, but the major component, we'll be using the waste rock to cover the tailings and then also associated borrow areas to put onto the waste rocks. So covering the tailings is a major component.

There's the seeps which you may be aware of, flowing into Lake Athabasca, will be dealt with as part of moving that waste rock. There'll be grading of the waste rock piles to meet regulatory standards. There'll be a lot of debris that will be buried on site, and that will also be part of moving the waste rock. They've identified the area where they'll be burying the significant debris from the building takedown that took place in 2013. So those are the major components of the cleanup.

Mr. Belanger: — And CNSC is heavily engaged right from the stump to dump, so to speak, in terms of them signing off because it is a federally regulated industry that they're front and centre on a lot of these discussions and plans to remediate these sites.

Mr. Hughes: — Yes. The site is under a CNSC licence but it also requires approvals from Sask Environment, so they're working in a coordinated effort to grant the approvals as they're required.

Mr. Belanger: — And the Beaverlodge site is under the institutional control of Cameco, is that correct?

Mr. Hughes: — It's under the responsibility of the federal government because it was a Crown corporation that produced that uranium. So Beaverlodge is being . . . I believe Cameco is the agent cleaning up the site on behalf of Canada Eldor and the federal government.

Mr. Belanger: — And what's the status of that particular cleanup and again the timeline for transferring institutional control to SERM? Or probably to SERM, right? They'll be last ones holding the responsibility for that site. Is that correct?

Mr. Hughes: — When it's transferred into institutional control? Well both the CNSC and Sask Environment would have to give approval to take that site off of licence. But the status, I mean the Government of Saskatchewan's not responsible for that site.

So the timelines associated with that site are under the control of the Canadian Nuclear Safety Commission and work is continuing on the site.

Mr. Belanger: — Okay. So what's the status, or what's the update now? Are they 60 per cent complete? Can you give us a description of what they're doing in Beaverlodge?

Mr. Hughes: — My understanding is I'm not sure they've determined the final path of remediation, so I can't speak to it. We're not involved in that program.

Mr. Belanger: — But I'm assuming that SERM would obviously have information as to what their plans are because if they're going to be part of the institutional control transfer process, then they obviously have to be fully aware of what the plan is and where they're at. Is that correct?

Mr. Hughes: — That might be a better question for them, yes. Although Ministry of Economy actually administers the institutional control program.

Mr. Belanger: — I just want to understand this as well. Now as you look, when you talk about institutional control, here you have SERM, provincial government, and then you have CNSC, federal government. They're involved because it's a uranium mine, a former mine. I guess the question is, who ultimately is going to own that land? Is it going to always be under CNSC and SERM as joint owners? Or is the objective to get CNSC out of there and SERM assume the full ownership of that site?

Mr. Hughes: — Well to move into institutional control, the CNSC will take any site off of licence. So there will be no more CNSC control of that site. And as long as it meets the requirements of the decommissioning plan, then I would assume CNSC will have limited involvement. This institutional control program then establishes a monitoring and maintenance plan for that site, and we're investing those funds and ideally those funds will be sufficient to monitor and maintain that site into perpetuity.

Mr. Belanger: — Now who are some of the companies that have been involved with some of the projects? Obviously we hear Nuna is one of the companies there. Like is there any other specialty companies that have come in as a result of the sensitivity around uranium tailings ponds and so on and so forth?

Mr. Hughes: — Well there's been multiple companies that have been contracted on the site, including by the Government of Saskatchewan, to do researching into the science. Nuna, you're correct, was the prime contractor at Lorado and also won the contract at Gunnar, but of course Uranium City Contracting and other local contractors are involved in the site, including . . . We have very strict requirements on hiring of local people. And that's one of the prime criteria in establishing who wins those contracts, is their plans to use local contractors and local people to complete those cleanups.

Mr. Belanger: — And obviously, I'm assuming that there is just an incredible collection of data and best practices and intellectual property attached to cleaning up these older abandoned mines. Who owns the intellectual right to that

particular project? Or is there such a thing? Because obviously cleaning up abandoned uranium mines is probably . . . probably a lot of information there on how to do it properly and what could be improved. Could you share with me, and give me some insight as to who would have the rights to that intellectual property? And was there a lot of lessons learned?

Mr. Hughes: — I'm not sure I can accurately answer that. Obviously, we are bringing in experienced contractors that there's a very strict technical review looking at their, some of their past history involvement in remediation projects. So there's already an intellectual property coming in. I'm sure there's lessons learned from the Lorado project that would maybe transfer into the Gunnar. But they are very different sites, and the satellites are also very different as well.

Mr. Belanger: — And the breakdown of some of these mine cleanups, you're primarily involved with just the uranium. There's also gold mine sites that were abandoned. Were those also done under this particular program, or is it basically the uranium sector?

Mr. Hughes: — The CLEANS [cleanup of abandoned northern sites] project is only for the 36 satellite and Gunnar, Lorado sites in the Uranium City area. There is other abandoned mines throughout Canada including Saskatchewan, and Sask Environment has a fund that they are using to clean up those sites, and that would be a better question for them.

Mr. Belanger: — Has there been any activity around the Box mine?

Mr. Hughes: — I don't believe for remediation, no. There's still exploration activity in that area and then there's been multiple companies that have looked at potentially developing or still producing gold from that mine.

Mr. Belanger: — So there is a company there now producing gold. Could you share with me . . . or not producing but exploring for gold opportunity. Could you share with what that company's name is and where they're from?

Mr. Hughes: — I'm not sure of the current status of the mine site, to be honest.

Mr. Belanger: — Okay. All right. Thank you very much. I have other questions around the forestry sector, and thanks for your update on the abandoned mine scenario. And certainly I think there is no doubt that the original cost of looking at cleaning up these mines have increased tenfold, but I think the opportunity to address that whole mess . . . And the manner in which the mines were abandoned was just incredibly irresponsible at the time, and today now we have to clean up that mess.

And it's a highly valuable lesson to learn as governments, that sometimes you have to put in some of these fees and some of these programs in place to make sure that we protect taxpayers in the future. And this is a good example of how it went from 30 million to well over 250 million and now the different levels of government are fighting, who's responsible to clean up those sites, so it's really an important lesson for us to learn.

I want to go back to the budget a bit and just talk about the revenues and the royalty scheme, if I can. I just want to get the figures straightened away here from the amount of revenues we get from royalties and taxes. So for the minister, if you're able to share with me tonight in committee how much money was collected through your department for royalties and taxes for oil, as one, natural gas, potash, coal, uranium, and gold and diamonds. So just to reiterate: oil, natural gas, potash, coal, uranium, gold, and diamonds.

[21:00]

Hon. Mr. Duncan: — Thank you, Mr. Belanger. So we have one gold mine that is producing, but it's not in a profitable position, so it didn't pay royalties last year. We do have a royalty regime now for diamonds, but we are . . . the province isn't producing any diamonds at this point, so there has been no revenue from the royalty side on that. Potash, the actuals for 2016-17 were \$241 million last year. Uranium was \$100.9 million last year. Natural gas was just under \$8 million last year. Oil was \$563 million, \$563.5 million, and then an additional \$50 million on top of that when you add in the Crown land sales related to oil and gas exploration.

Mr. Belanger: — When you talked about diamonds, what's the update on the potential for the diamond exploration happening, I think it's around Fort-à-la-Corne, is that correct?

Hon. Mr. Duncan: — Right.

Mr. Belanger: — Where are we at in the project itself?

Hon. Mr. Duncan: — So, Mr. Belanger, Fort-à-la-Corne would be, I think, the play that most are familiar with, but it's not the only one in the province. But with respect to Fort-à-la-Corne, they are still in the environmental assessment process. But we have now put in place a royalty structure for diamonds in the event that we ever get to production of diamonds.

Mr. Belanger: — And the only operating gold mine is in the northern part of Saskatchewan. Is that correct?

Hon. Mr. Duncan: — Yes. North of La Ronge, Seabee.

Mr. Belanger: — Seabee. Is that right?

Hon. Mr. Duncan: — Yes, that's right.

Mr. Belanger: — And the other notion around the prediction of these minerals and oil and gas, like, how solid are your predictions? You know, as a ministry you can assess, you could ascertain, you could guess. How confident are you in predicting where some of these prices will be a year from now or two years from now? What kind of model do you use?

Hon. Mr. Duncan: — Thank you for the question, Mr. Belanger. I'll just maybe talk a little bit about how the ministry projects forward. You know, I think if any of us knew where prices were going to be two or three years down the road, we'd probably wouldn't be sitting behind this desk. We'd be sitting on a beach somewhere but . . .

Oil, so we look at 11 different energy analysts. We also then

will compare. So we take an average of those 11 industry analysts; we'll then compare against what BC [British Columbia] and Alberta are using for their forecasts as well. There's a little bit of a blending that takes place because the analysts will look at a quarter in a calendar year, and we have to kind of transition that over to what it would look like in a fiscal year, but that's typically what happens.

Similar would be, a similar case on the potash and uranium side. So we not only look at the company forecasts because they are publicly traded companies, so they have to give some forward guidance to the markets, but also then we look at some respected industry analysts to see what they're projecting out in terms of the future markets for prices. So that's how the ministry develops our estimates.

I would say in the last year, having already given you the actual revenue for the year, you know we projected, I would say, a little bit under on the oil side for last year. The budget, in terms of the '16-17 budget, we forecasted less than what we actually ended up with at the end of the fiscal year, and on the potash and uranium side, it would've been the other way around.

So overall, in terms of a \$1.2 billion total revenue estimate, we were out by about \$150 million.

Mr. Belanger: — How would you characterize the process of predicting revenues from each of these streams? Because obviously it's crucial to have some anticipation of — I hate to use the phrase — but hit-and-miss where in some sectors you might hit; other sectors you might miss to the good or to the bad. So how, I guess I'll use the phrase, but how robust are your prediction methods, so to speak, when you anticipate revenues for the province based on these sectors that I made reference to earlier?

Mr. Pushor: — So relative to oil and gas, we do a very extensive production forecast based on what all decline curves on all wells are, as a matter of routine. We take that and lay against it what companies are telling us their drilling intentions are for the year to try and analyze how we think those decline curves might impact, and how that might get filled by the increased investment in drilling. So that allows us to be relatively consistent in our volume forecasts for oil.

Relative to mining, we take the companies' forecasts for volume and we also analyze that against the independent experts that we've talked about in terms of what the global market will be predicted to consume on any given calendar year, and then they do some fairly detailed analytics on what the potash and uranium production companies around the world might be forecasting. And so we take all of that into our volume forecasts for uranium and potash, and then we use a much more intensive and detailed analysis of our actual production fields in oil and gas.

Mr. Belanger: — So you would classify the process of anticipating revenues versus . . . or predicting revenues from each of these sectors, that it is a fairly complex and highly interactive model or formula that you use, using a variety of jurisdictions, company projections, the world oil price, the supply, like all these issues are incorporated in how you predict revenues for the coming year. Is that fair to say that?

Mr. Pushor: — Yes. You know, as we indicated earlier for oil and gas, to determine a price that we use in the forecast we rely on an average of those 11 independent forecasters. And in other commodities, we use the company projections as well as some independent forecasters. Of course that has to be laid against the volume forecasts for those industries over time and, when you calculate all of those, it's also important to have a decent understanding of the royalty structures.

And certainly the folks in our ministry have very in-depth understanding of how those royalty structures are impacted by changing West Texas Intermediate prices, how that's discounted against different types of crude that are produced in the province, and what the differential might be at any given time. And so all of those have to get calculated into a fairly complex system.

Mr. Belanger: — Do other jurisdictions such as Alberta and Manitoba, Ontario, do they use the same type of modelling projections as it pertains to revenues from these very sectors that, you know, that we do?

Mr. Pushor: — The methodology is very similar particularly as it relates to try and determine world prices. None of us are trying to hire the most noted or highly valued forecasters for where prices might be going. So most jurisdictions, both in Canada and around the world, use some form of averaging of those forecasts across the piece. And then all of them try to have a robust understanding of their own production volumes and how those various and sundry wells, mines, and so on might be producing at any given time and then of course the various impacts within the royalty structures.

[21:15]

Mr. Belanger: — How would you characterize our prediction success overall? Say let's take an average of the last five years. Have we been average 10 per cent off or average 1 per cent off? How would you characterize that particular prediction success based on this ministry's formulas?

Mr. Pushor: — Well I would say that we track very consistent with most people who are trying to forecast in these areas. What you'll notice, and it's common sense if you think about it, is when things are stable, we're all pretty good forecasters. It's trying to forecast the ups and downs and where they may level off that get to be very challenging. And so as an example in potash, if you read about a year ago, it was thought that we were at the bottom and most forecasters and most analysts were telling you that. And then there was one more tick down and both us and everyone across the market missed that one including all of the producing companies.

Mr. Belanger: — So you didn't give me a percentage as to whether you're 5 per cent off or 10 per cent off to the good or to the bad. Like would you care to take a wild guess at what you would see as your batting average?

Mr. Pushor: — Yes, we were off about 10 per cent to the good on oil and gas. We were off more significantly than that in the mineral side. And overall we came in probably in the range of 15 per cent off on last year's forecast. Those are the numbers I have in front of me right now. As I said, in times when the

market's still moving, it's a very challenging forecast, no question about it.

Mr. Belanger: — Yes, and given the methods in which you determine or you could predict prices, you can find sometimes BC, Alberta, and Saskatchewan are wildly different in predicting the price of a barrel of oil, sometimes as much as 7, \$8 from one jurisdiction to another. Why is there that difference if we're all using the same basic formula and the same assumptions?

Hon. Mr. Duncan: — Yes, I don't know if — I mean I would stand to be corrected — I don't know if we've ever been off by 7, 8, \$9 versus another jurisdiction.

I know on budget of 2016, for '16 we were saying, if I'm looking at this correctly, I mean we're within \$2 of Alberta. The following year, the projection, we're within \$2. And then 2017 we were both pegged at \$51. If you break it out into second quarter, I mean we're within again a buck forty of BC during the second quarter.

So I mean I think we all, for the most part, look at the same analysts, so I think we're fairly consistent. But I mean there will be some differences, but I don't know if we're . . . I'm not sure we've ever been out seven or eight or nine bucks compared to another province in Western Canada.

Mr. Belanger: — Could you explain to me how much thermal coal was exported from the province last year?

Hon. Mr. Duncan: — We'll work to find the number for you. Almost zero. A very small amount if any.

Mr. Pushor: — The only export would be to Manitoba, and it was into the agricultural space, so it's a very nominal amount of coal.

Mr. Belanger: — So some of the protectionist measures around thermal coal shipments that's been in the news the last few days really has nominal effect on Saskatchewan's economy as a whole?

Hon. Mr. Duncan: — Yes, that would be correct.

Mr. Belanger: — Okay. I want to shift my focus a bit to the forestry sector. And, Mr. Minister, I appreciate some of the trade people are not here this evening, but I'm going to ask the questions around forestry in general. I'm assuming that when you talk about the Prince Albert mill and the softwood dispute and where the forestry centre is, that that's within your portfolio, and correct me if I'm wrong on that.

But one of the things that we paid a lot of attention to was around the Prince Albert mill this time last year. There's a company, BC-based Paper Excellence. that said that they hoped to reopen the mill by 2020 and that prep work was expected to begin in 2018. Are you able to give us a background, not only on the company itself, Paper Excellence, in terms of where they are located and what they are doing now in BC, but more so what the update is on the Prince Albert announcement?

Mr. Pushor: — We continue to work with Paper Excellence.

As you know, they operate the pulp mill in Meadow Lake, and there's a number of projects we've been in conversation with them in that respect.

There continues to be a barrier to them producing kraft pulp, and in their initial acquisition of the P.A. [Prince Albert] pulp mill, they had intended to produce dissolving pulp, which would have been a large export into Asia, particularly China, and you would probably be aware as well that China instituted some significant duties that made it uneconomic to restart that mill to produce dissolving pulp.

Since that time, Paper Excellence has continued to work towards an eye when that non-compete agreement they have with the seller of the mill, but the meaningful work won't start for another year or so. So we continue to be in discussions with them around their intentions and to monitor very closely their activity in that regard.

Mr. Belanger: — So when we mention prep work expected in 2018, are you . . . Could you explain to us what that prep work could entail? Are you able to do that based on your discussions with Paper Excellence? And are you suggesting as a result of your statement that it's not really 2018; we're still a ways away from that? It'll actually be 2019. So can you clarify that based on your statement just now?

Mr. Pushor: — It would not be us who could clarify that. It would be better those questions directed to the company specifically. It's them that will have to design what work . . . determine and design what work will have to be undertaken in order to restart that mill. They would also have decisions around what equipment they may or may not wish to modernize as part of that decision. So all of that work needs to be done and those decisions need to be taken.

Mr. Belanger: — Okay, and I just wanted to clarify this. So the mill itself, can you explain what assets are actually owned by Paper Excellence, or do they own any assets at all? Have they said basically we have an interest in restarting that mill, and so therefore we're buying X, Y, and Z building for the purpose of setting up shop there, or are they just simply expressing an interest? What is their level of commitment to that project?

Mr. Pushor: — They own it outright. They acquired it from Domtar in 2011.

Mr. Belanger: — And have they negotiated with the government around anything such as power generation or coal generation? Is that part of the discussion at this particular facility?

Mr. Pushor: — Part of the 2011 start-up decision included a power purchase agreement with SaskPower. They did operate that power island for a period of time which cleaned up a significant portion of the waste material on site. They've since shut that power island down. In addition to that they were allocated a forest allocation to support the restart of the facility.

Mr. Belanger: — And what is the volume of the forestry allocation? Could you share with me that amount?

Mr. Pushor: — I'll have to provide you that information

another time.

Mr. Belanger: — Okay. And is there a formal ask of Paper Excellence to your ministry or to the Economy division for a number of other provisions for this plant to reopen? Like is there any other request of them for your commitment, like a grant or a free service of any sort? Is there any of that on the negotiating table now?

Mr. Pushor: — So part of the original agreement in 2011 was some training resources to assist in training a new workforce. We haven't had any recent discussions with Paper Excellence around that. And certainly in order to ensure that northerners had every chance at staffing that facility, we would want to be ready to consider whatever training requirements were made either directly or indirectly in support of a restart of the facility.

Mr. Belanger: — Was there a projected job number offered by the company?

Mr. Pushor: — So it was forecast in 2011 that up to 270 people might be employed directly in the mill and perhaps as many as 350 to 400 people in the support in the forest-harvesting side of the operation.

Mr. Belanger: — But since that time, there's been really no discussion or movement on getting this project to move forward. Is that a fair assessment?

Mr. Pushor: — We continue to be in ongoing discussions with Paper Excellence, but they have no formal plans at this point in time. They have not determined exactly what their restart strategy would be.

Mr. Belanger: — So it'd be fair to characterize this as a drive-by announcement, so to speak.

Mr. Pushor: — No, they had every intention of starting the facility in 2011. It was the unanticipated actions of the government in China with their duties against dissolving pulp which precluded the project going forward.

Mr. Belanger: — Now the power purchase agreement, you said once the stocked wood supply was depleted, of course the power plant stopped operating. What was the total value of the power plant to the company itself as they sold this cogenerated power to SaskPower?

Mr. Pushor: — I'm sorry, that would be the company's to determine.

Mr. Belanger: — So did the company ever sell power to SaskPower?

Mr. Pushor: — Yes.

Mr. Belanger: — And we don't know that figure.

Mr. Pushor: — How much power they sold?

Mr. Belanger: — Yes.

Mr. Pushor: — The value of the power they sold? We'd have

to get that for you, but we could provide that.

Mr. Belanger: — Yes, I would certainly ask that. What was the original price that Domtar sold the asset to Paper Excellence for? Is that public knowledge?

Mr. Pushor: — I'm sure one or the other disclosed it and, I'm sorry, I don't have it in front of me.

Mr. Belanger: — Okay, because I wouldn't mind getting . . . I'm looking forward to getting that information, more in particular the power purchase agreement as a result of the cogeneration capacity within the site itself.

So if you were to take a wild guess — and I shouldn't ask of this, but it's fair because you have the background to do this from the perspective of a confidence in the project — on a scale of 1 to 10 with 10 being very confident, given the trade activity of China, how would you characterize your confidence in this project proceeding in a timely fashion, say within a three-year time frame?

Mr. Pushor: — Well Paper Excellence agreed to not produce kraft pulp for a period of 10 years from the acquisition of the facility, and should they choose to produce kraft pulp, they would have to wait out that period of time. There's been no signals from China as to any softening on their views on the dissolving pulp tariffs that they have in place. My mom was a wise woman, and she counselled me often not to speculate in an irresponsible way.

Mr. Belanger: — Okay. And that's exactly the important point that I would raise, that some viewed this as a drive-by announcement. And what we think's important as we look at the forestry sector in general, that it is being, certainly it is being . . . it's under constant stress. And most recently the trade action by China, as you indicated, did have a negative effect on that particular site, but now we're hearing a lot about the softwood dispute with the States, and that now we understand that there's going to be new duties from the Americans on Canadian lumber. Could you describe to us what exactly the potential cost of that duty that the Americans are planning on putting on our softwood lumber?

[21:30]

Hon. Mr. Duncan: — Thank you for the question, Mr. Belanger. I'll just maybe point out that Minister Harrison is the lead on this file as he's responsible for trade, but I can speak at a pretty high level. As you'll know, at the end of April the US [United States] government announced preliminary countervailing duties. For Saskatchewan companies, it's roughly just under, around 20 per cent. We're anticipating some additional anti-dumping duties to be announced in June, and the US government will make a final determination both on the countervailing duties and the anti-dumping duties by January of 2018.

So again, Minister Harrison is the lead on this file. I think he can speak to it in a lot more detail than I can, but we'll certainly try to entertain your questions tonight.

Mr. Belanger: — Yes, I think certainly over time, as you've

seen these kind of protectionist measures by the US government, it has happened on numerous occasions. And correct me if I'm wrong, if I understand how the process works because, as I indicated before, I'm just a hockey player dabbling in politics here.

I'm trying my best to understand how the World Trade Organization works. But is it fair to point out that, as you look at the trade implications of this softwood dispute, that obviously Canada will appeal to the WTO [World Trade Organization] that this is contrary to fair trade and that this is not the case and that the appeal process will take a number of months to settle? And by the time that the process is complete, you're two or three years out and by then most of the negative affects of job loss and, I think, even mill closures will be in effect for Canada.

So the net effect is any of these countervailing and anti-dumping duties, really the strategy in effect by the US is simply to have this thing tied up in the World Trade Organization till such time that mills start closing down and Canadians start losing jobs.

So have we anticipated this from the industry perspective from your portfolio, and are you able to give me a range of what the potential job loss may happen for Saskatchewan, plus the loss of revenues? Have you anticipated any of these costs in your projections?

Hon. Mr. Duncan: — Thank you, Mr. Belanger, for the question. And I'll make an attempt at this, but I think Minister Harrison will be able to provide you with, illuminate you with much more information than I can.

So I think it's fair to say that the Ministry of Economy has been very engaged on this file, both at a federal-provincial level. There's a softwood lumber task force that has been established to explore mitigation actions by Canada. I'll also point out that about two years ago the ministry was a part of the establishment of a competitiveness committee with industry. So it's government and industry working together, looking at some ideas and some options for trying to help our forestry industry in Saskatchewan. I've had an opportunity to meet with members of industry just in the last couple of weeks on that committee, and I think from all reports they're pleased with the direction that that committee is going on.

In terms of the impact to Saskatchewan — and again I would defer this to Minister Harrison; he may have more up-to-date information — but my understanding is that we're still evaluating what the potential financial impact will be both to the province, to the producers, as well as to people that are employed in the industry. So that's a part of the work that's ongoing.

Mr. Belanger: — Out of all the Canadian provinces, is it fair to say that Saskatchewan accounts for about 2 per cent of the lumber supply to the States? Is that a fair . . .

Hon. Mr. Duncan: — Yes, I think that's correct.

Mr. Belanger: — Right. And that 2 per cent translates into \$83 million a year in terms of impact of our total forestry exports of 220 million. I would assume that your ministry would have this

information as part of the resource development portfolio. Are those figures wrong, or am I correct that this accounts for 2 per cent, and 2 per cent of what we think is a \$220 million export package for forestry, that this represents an \$83 million loss to our province?

Mr. Pushor: — I'm not sure I would characterize it as a loss at this point. I think it's fair that if you use a round number of approximately \$100 million in annual lumber shipments from the three mills that are impacted by this duty, that is the volume of production that could be at risk. It represents approximately 50 per cent or 60 per cent of our sawmilling capacity in the province.

So depending on the decisions that are taken, the size of the permanent duty, you know, companies have operated through previous periods and other disputes, so there's much work to be done to understand exactly how this will play out over the long term.

Mr. Belanger: — Right. And the saw mills you're making reference to obviously are Big River, the Meadow Lake saw mill, and which other mill?

A Member: — Carrot River.

Mr. Belanger: — Carrot River. All right. So was that a fair assessment to make? And I just want to be corrected if I was wrong, but when the Americans put on these trade actions against us, then obviously we appeal and we appeal to the WTO and that process can take a long time. And I'm just arguing that those trade actions are taken by the Americans with the full knowledge that the WTO process will take months, if not years, to resolve. But during that time these countervailing duties are put in place and the anti-dumping duties are also added on. So ultimately the costs are increased but the case has not been heard. So is that what typically happens in this process, or it has happened, and do we anticipate that happening to some of our saw mills again?

Mr. Pushor: — Well I don't think the Government of Canada has made any decisions on how they would pursue disputing these actions by the US government at this time. And so as the minister referred, we are very active in a federal-provincial working group, and the conversations are ongoing on a regular basis. I would suggest Minister Harrison has led those discussions and you'll get a lot more fulsome answer from him in terms of what all of those options and opportunities are. But it is a process; you are correct in stating that.

Mr. Belanger: — Okay. And again as I mentioned, could you give us a breakdown as to what the number of jobs there are at these Carrot River, Meadow Lake, and Big River mills, what the numbers are now that we're dealing with? Like the total volume now, or total FTEs if you will.

Hon. Mr. Duncan: — Thank you, Mr. Belanger. It's my understanding that the three mills currently employ approximately 370 people. And then there would be the potential for another somewhere between 4 and 450 supply chain jobs that are created through harvesting and other related activities.

Mr. Belanger: — Right. And no, the point I want to make on the forestry file is that this is kind of where the predicament that I think we're in as a province, as a result of the trade actions by the American government. We account for about 2 per cent of the supply of softwood to the States, and this trade action will hurt us. It will affect Big River. It will affect Meadow Lake, and it'll affect Carrot River.

And the issues that I think are unfair to the process is that I would assume that provinces like BC, Alberta, and perhaps Quebec probably account for the lion's share of the forestry exports to the States. So they would probably be the most impacted, but probably be in the front row as well in terms of concessions and deal making as it pertains to this trade action. I don't hold a lot of hope that the WTO process would be timely, and that I anticipate we are going to have issues that impact our saw mills, so which begs the question, well what do we do as a province that provides 2 per cent of the forestry supplied to the Americans? What options are available to us as one of the . . . and I'd hate to use the word "smaller player," but in the scheme of things, BC and I think Quebec and Alberta certainly do a lot more export than Saskatchewan does.

[21:45]

So as the industry and as the resource ministry, have we looked at options that could actually save those jobs in those communities, such as value adding? Is there any thinking that has been done to say, okay, well if we can't export softwood in its state now, can we look at options to value add? Have we done any of that kind of work?

Mr. Pushor: — Well as the minister indicated, we've been working with industry on a competitiveness working group for the last couple of years. That's very wide-ranging conversations there. Market development is part of those conversations, both in terms of other export markets but also to growing the domestic market and value-added processing. So obviously if you can expand your value-added processing, you have a larger domestic market to consume some of that lumber that you're cutting. All of those are longer term projects.

But in addition to that, there's a significant amount of work has been under way around both efficiency gains that can be done through the development of government infrastructure — so government's been quite responsive in upgrading Highway 55 to allow improved axle weights for longer periods of time, which allows more efficient log haul — and there's a number of other issues around different ways we can assist industry through efficiency gains. And industry's done a lot of work around streamlining their processes and their operations to enhance productivity, and we've worked alongside with them with that.

You would be very familiar, I'm sure, with the changes in harvest practices to see much higher value jobs in the harvest base, but that also has come with greater efficiencies in those harvest strategies as well. So all of that conversation is very broad based and has been ongoing for some time and will continue, obviously with more urgency in light of the actions at this point.

Mr. Belanger: — Is there a particular product in the

construction of new homes, say as an example, finished flooring products that are exempt from some of the taxation and duties that the Americans have placed on our softwood now?

Hon. Mr. Duncan: — I would say that officials that would be with Minister Harrison tomorrow evening for estimates would be in a better position to answer that question.

Mr. Belanger: — I would just indicate that again, from the forestry sector, we've been through this before in a sense of trying to determine where things are at when it comes to trade. Obviously with the election of President Trump there's a lot of folks that would anticipate, and rightfully so, that there'd be a bit more protectionist measures in place and that'll affect the Canadian economy, and more so the Saskatchewan economy for our sake in a dramatic, negative way.

When the Premier went to visit the Americans and went into Washington, I believe, several weeks ago, what was the purpose of that trip? Was it a trade mission? Was it an appeal mission? Who was the trip with? Are you able to share with the committee what the purpose of his trip was and who he met with?

The Chair: — Minister, I just wonder as a Chair if we're getting into areas outside of your ministry and certainly the estimates that we are under consideration. If you do have any insight or information as to what the Premier did on a certain trade trip, I'll leave that to you.

Hon. Mr. Duncan: — Sure. Thank you, Mr. Chair. And I think probably good advice that we have Premier's estimates that are coming up in a couple of days. But I can share we've been able to track down a little bit of information.

So I think first and foremost, the intent of the trade mission was just to reaffirm and reinforce a strong message of the importance of trade, not just for Saskatchewan with the United States, but the United States vice versa with Saskatchewan and with Canada.

My understanding is that he met with numerous elected officials and members of the new administration during his trip, including Secretary of Energy Rick Perry; Secretary of Commerce Wilbur Ross; the Environmental Protection Agency administrator, Scott Pruitt; the White House director of the office of management and budget, Mick Mulvaney, the assistant US trade representative for the western hemisphere, John Melle; Senator Chuck Grassley; Senator Joe Manchin; Senator John McCain; Senator Lindsey Graham; Senator Sheldon Whitehouse; Senator Steve Daines; Senator Heidi Heitkamp; Senator Tim Scott; House of Representatives Majority Leader Kevin McCarthy; Representative Kevin Cramer; Representative Peter Roskam; Representative Trey Gowdy; and the Canadian ambassador to the United States, David MacNaughton. He also made a keynote address and took part in a panel discussion on trade at the Heritage Foundation.

Mr. Belanger: — Now one would assume that one of the important aspects of any visit to the Americans as it pertains to resource development would certainly have full engagement of yourself as a minister. Is that fair to assume?

Hon. Mr. Duncan: — I certainly had conversations with the Premier, both pre and post his trip to Washington. And I know that, I am fairly confident to say that Minister Harrison, who's responsible for the trade file, was certainly engaged in the prep for the Premier's trip.

And I think it also would be fair for me to put on the record that he did discuss a number of important trade issues related to Saskatchewan: country of origin labelling, the need for a new softwood lumber agreement, and the goal of North American energy independence. And he did have an opportunity as well to talk about Saskatchewan's clean coal technology.

Mr. Belanger: — Right. Now based on the forestry activity happening with the Americans and the fact that we've had very little . . . or I'm not confident that we won't be in a situation where there'll be job losses in the forestry sector, one of the things that was important, I think, when you talk about the value-added process that is being undertaken by the industry — like as an example, improved highways for bigger hauls of forestry product out of our forest lands and, you know, efficiencies within how the product is finished at some of these saw mills — one of the important aspects of that process was the forestry centre in Prince Albert.

Could you update us as to the notion that the government was planning on selling that forestry centre, which is a resource-based service centre, and if there was success in selling that thing? As I understood, there was one bidder, and his bid fell through. Could you share with us information around that?

Hon. Mr. Duncan: — I'm sorry, Mr. Belanger, I can't because it doesn't fall under my area of responsibility.

Mr. Belanger: — Okay. Well just for the record, Mr. Chair, as a forestry centre that pertains to resource development, I can share with the committee that there was a plan by the Saskatchewan Party government to sell that forestry centre. There was one bidder and that individual, basically his financing fell through or whatever the case may be. I'm not certain of the circumstance; however the bid was rejected to sell the forestry centre. And one would assume that there'd be greater emphasis on protecting that particular centre, as it does provide very sound technical and is a very good support mechanism for the forestry sector as a whole.

So obviously when the industry's trying their best to try and mitigate some of the challenges and threats to their industry, i.e. the trade action by the States, that it's important that our provincial government do the same as well. And it's unfortunate that the forestry centre, which is an integral part of the forestry development picture of our province of Saskatchewan, was offered and put on the auction block, and yet the buyer that wanted to buy it basically had his bid turned down. There was only one person interested. So one would assume that there'd be greater emphasis and greater support for the forestry sector, given the trade action by the States, but once again we're seeing contrary action undertaken by the Sask Party government.

So on that note, Mr. Chair, I thank the minister and his officials for all the information provided for me this evening. We've got

a commitment to get us information that we asked for and was not immediately available. We will track down those requests and assure the minister that we'll be forwarding a letter to you indicating your commitment to get us the information.

And I would ask if there is a time frame in which your officials feel comfortable to get us the information that was promised tonight, and then I will conclude my comments for the evening. So if I can get a commitment on the timeline for a response from your officials, I would appreciate that as my final question to you.

Hon. Mr. Duncan: — Thank you, Mr. Chair. And if I could maybe just thank the committee members at this time for the questions. I know that there was — I didn't keep count, but I know that my officials have been keeping count — probably half a dozen items or so that we've committed to getting back to. I don't think it'll take more than a week or two to get this information to you. So I think we'll be able to provide it in a timely way to you.

Mr. Belanger: — Thank you very much, Mr. Chair.

The Chair: — Thank you, Mr. Belanger, and to the minister and his officials. I'll leave it to you if you have any last comments, anything you wanted to clear up or any last words.

Hon. Mr. Duncan: — No. I think, just would want to thank the officials from the Ministry of Economy that have joined me this evening to help prepare for estimates and as well all of the staff. You're only seeing a small representation from our ministry, so I want to thank, through them, everybody that works in our ministry, particularly those that have anything to do with the energy and resources file, for the good work that they do each and every day all across this province. And so with that, Mr. Chair, thank you to the committee for the deliberations this evening.

The Chair: — Thank you very much. We've reached the end of our agreed-upon time. It's time for everybody's favourite motion of the evening; that's a motion of adjournment. I recognize Mr. Bonk. He has moved that motion. Are we all agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee will stand adjourned until tomorrow, Tuesday, May 9th at 7 p.m. Thank you all.

[The committee adjourned at 21:59.]

CORRIGENDUM

On page 282 of the May 2, 2017 verbatim report No. 14 for the Standing Committee on the Economy, the last paragraph in the left-hand column reading:

Mr. Moskwy: — What we felt at this time was an opportune time to wind down the corporation to give these shortlines the opportunity and the capacity to purchase the railcars to use on their rail lines to generate revenue and haul grain for producers on their shortlines.

Should read:

Hon. Mr. Marit: — What we felt at this time was an opportune time to wind down the corporation to give these shortlines the opportunity and the capacity to purchase the railcars to use on their rail lines to generate revenue and haul grain for producers on their shortlines.

The online transcript for May 2, 2017 has been corrected.

We apologize for this error.