



STANDING COMMITTEE ON THE ECONOMY

Hansard Verbatim Report

No. 26 – April 30, 2018



Legislative Assembly of Saskatchewan

Twenty-Eighth Legislature

STANDING COMMITTEE ON THE ECONOMY

Ms. Colleen Young, Chair
Lloydminster

Ms. Vicki Mowat, Deputy Chair
Saskatoon Fairview

Mr. David Buckingham
Saskatoon Westview

Mr. Terry Dennis
Canora-Pelly

Mr. Delbert Kirsch
Batoche

Mr. Warren Michelson
Moose Jaw North

Mr. Doug Steele
Cypress Hills

[The committee met at 19:00.]

The Chair: — All right. Good evening everyone and welcome to the Standing Committee on the Economy, April 30th, 2018. Sitting in committee tonight is myself, Colleen Young as Chair. Sitting in for Vicki Mowat, who is Deputy Chair, is Buckley Belanger. Other committee members, David Buckingham. Sitting in for Terry Dennis is Lisa Lambert. We have Delbert Kirsch, Warren Michelson, and Doug Steele.

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

Subvote (ER01)

The Chair: — Tonight the committee will be considering the estimates for the Ministry of Energy and Resources. And we will now begin our consideration of vote 23, Energy and Resources, central management and services, subvote (ER01).

We have Minister Eyre here this evening with her officials, And, Minister Eyre, if you'd like to introduce your officials that are here with you and begin with any opening remarks.

Hon. Ms. Eyre: — Thank you, Madam Chair. It's my pleasure to be here this evening and here to consider estimates, of course, of the Ministry of Energy and Resources. With me are Laurie Pushor, deputy minister; Doug MacKnight, assistant deputy minister, petroleum and natural gas division; Cory Hughes, behind me, executive director, energy policy; Kathryn Pollack, assistant deputy minister, mineral lands resource policy division; Denise Haas, chief financial officer; Cole Goertz, executive director for communications; and Shane Vermette, executive director, forestry services; and my chief of staff, Jeremy Brick.

Madam Chair, our government's 2018-19 provincial budget keeps Saskatchewan's economy on track. It does so by creating opportunities for increased trade, business investment, and job creation. Our mineral resources and energy sectors are vitally important to our efforts and outcomes related to these goals. Oil and gas production is responsible for an estimated 15 per cent of Saskatchewan's gross domestic product. The value of the province's total oil production for 2017 significantly increased over 2016, rising from 6.9 billion to 9.2 billion. Notably there was also an estimated \$4 billion of investment in new exploration and development by the oil industry here in 2017. That figure is up 42 per cent from the previous year, which is a clear indicator of sustained interest and confidence from the industry as well as market optimism.

In terms of mineral exploration, from 2007 to 2016 close to \$3 billion has been spent in Saskatchewan. Preliminary estimates indicate that the value of our mineral sales for 2017 was about 6.5 billion. This is up slightly from 6.4 billion the previous year. There is no question that we possess significant advantages when it comes to energy and mineral resources; Saskatchewan is in fact where resource companies can find some of the world's best prospects for development.

Saskatchewan is currently ranked second by the Fraser Institute

out of 91 jurisdictions in the world for mining investment attractiveness. *The Mining Journal*, one of the industry's most well-established international publications, recently released its *World Risk Report* for security of investments in resource capital. Out of 85 jurisdictions around the world, Saskatchewan is ranked number one in that report with respect to favourable investment risk. Likewise, in the Fraser Institute's 2017 annual *Global Petroleum Survey*, our province ranked seventh out of 97 jurisdictions in the world in terms of overall attractiveness for oil and gas investment. We have been among the top 10 jurisdictions in the world in the past six editions of this survey.

Madam Chair, we certainly appreciate this global recognition and status. Predictable policies and accessible resources are what help make this province an attractive destination for these industries. We intend to keep working to make it even better. To that end, the 2018-19 budget for the Ministry of Energy and Resources is 45.8 million. This is an increase of 665,000, or 1.5 per cent from the restated 2017-18 budget. This budget comprises the following allocations: 12 million for the minerals, lands and resource policy division; 19.5 million for central management and services; and 12.9 million for petroleum and natural gas.

One of the key components of this budget is 750,000 for a new mineral development strategy. Overall this strategy is designed to encourage the mining industry to conduct more exploration in Saskatchewan. It will help protect high-paying jobs in our northern and rural mining communities. Specifically, it will focus on base metals, precious metals, and diamond commodities, which have significant, unrealized potential to help grow and diversify Saskatchewan's mineral sector. A major emphasis will be to encourage base metal exploration in the Creighton-Denare Beach area, which has a long history of base metal mining and processing.

Other notable components of the budget include the following two items. First, it contains 244,000 to hire three additional junior auditors to enhance the audit program's presence in the resource industry. This will assure appropriate resource revenue payments and timely audits. Second, it includes 13,000 of a total \$571,000 increase related to the reorganization of the Ministry of the Economy to the ministries of Immigration and Career Training, Energy and Resources, and Trade and Export Development.

Madam Chair, these increases are partially offset by salary and program savings throughout the ministry. The budget also includes the following non-expense items: 35 million for the continued remediation of the Gunnar mine and satellite sites, an increase of 10.69 million or 40.4 per cent; and 1.5 million for government-owned capital, an increase of \$1.4 million to continue the enhancement of the integrated resource information system, or IRIS, for the pipeline regulation enhancement program. IRIS is a custom-built, online business system that supports the development and regulation of Saskatchewan's oil and gas industry.

This funding continues our commitment announced last year for a multi-year program to strengthen Saskatchewan's approach to pipeline regulation. The funding for the pipeline regulation enhancement program supports the Government of

Saskatchewan in working closely with the oil and gas industry to ensure the pipeline sector operates safely in our province. These additional resources will address critical planning and IT [information technology] development needs in that program, which was announced last year.

Resource development will always play a meaningful part in the economic future of Saskatchewan. Saskatchewan's innovative and competitive resource companies, and the many communities who rely on this industry, are well positioned to meet that future. We are working diligently to encourage new industry investment. We are maintaining and reinforcing a stable royalty structure, supported by clear government policies. We also place a high priority on collaboration with our stakeholders in the industry. Their input helps us to reduce red tape wherever possible through regulatory modernization. All these elements have helped establish Saskatchewan as a solid choice for resource investors, and we will ensure that this remains the case.

Madam Chair, this concludes my opening remarks. I now welcome questions from the committee.

The Chair: — Thank you, Minister. And now I'll open the floor to questions from any committee members. Mr. Belanger.

Mr. Belanger: — Thank you very much, Madam Chair. Welcome to the minister and her officials. Just to give some kind of chronological order in which I'll be asking questions, I want to spend a bit of time with the financial perspective of the department first of all. I do want to touch on Uranium City, the cleanup of the Gunnar and Lorado mine site. Following that, just some general questions on gas and preparation of gas and the pipelines that we have in the province. And then I want to go into the matter around the Cameco Corporation. I have other sectors I want to also touch on but, you know, given the time we have this evening, the three hours, we'll gradually work our way through this.

So I'll begin questions around the financial and the budget implications, as I look through some of the documentation that's been provided by the budget of 2018-2019. Just specifically under the executive management department, some of the estimates have executive management salary increasing from, well, 959 from 946. That's probably one position, but what is the increase needed under the executive salary? What have we done there?

Mr. Pushor: — Thank you very much. I believe you're referring to the \$13,000 in the executive management line. As we reorganized the Ministry of the Economy, the single deputy minister's office transferred a series of, a couple of positions out of that office. This is an accounting adjustment for non-salary items. So two full FTEs [full-time equivalent] were transferred out, which totalled significantly more than the little bit of non-salary dollars that were transferred back into that budget.

Mr. Belanger: — And that would also explain the central services, which is not a significant increase, but there's a bit of adjustment there as well under central services?

Hon. Ms. Eyre: — Thank you, Mr. Belanger. So yes, you're

right. That covers the three junior auditors, the 244,000 to hire those to enhance the audit program's presence in the industry and, again, assure timely audits are done to increase that audit revenue. And it also includes the 1.4 million to continue the enhancement of the integrated resource information system, so IRIS.

Mr. Belanger: — Just looking at the auditors, what is their primary role when we say to ensure that the audits are performed properly? Are they audits of the actual company's management of some of the sites? And what complement of audits do we have or auditors do we have now? And maybe you can explain what that department does because obviously there's, you know, there's people out there that watch the proceedings this evening and a lot of them are curious, as I am as well.

Hon. Ms. Eyre: — So, Mr. Belanger, that is in order to ensure that payment of the royalties and tax returns are carried out. It's to ensure appropriate payments are made and in as timely a manner as possible.

Mr. Belanger: — So this is largely a financial exercise, not so much an audit of, say for example, environmental stewardship and the progress made on that front. Or does that encompass the auditor's time as well?

Mr. Pushor: — Thank you very much. What you're referring to is work that's done through our field offices as well as our petroleum and natural gas regulatory division. So we monitor a variety of things within our new integrated resource information system. We are looking for appropriate and effective reporting. We're also looking for anomalies within that reporting.

[19:15]

In addition to that we have field staff across the province who are out in the field. And their inspections are audit-like in terms of, they're out there to see if companies are operating under the rules and guidelines they are to operate under, are they consistent with what they're reporting to us, and that type of activity.

So that's really, in our view, activities that are responsibilities carried out through our regulatory division, the petroleum and natural gas division. The auditors here, we were talking about the appropriate payment of royalties and taxes under our royalty and resource tax systems.

Mr. Belanger: — So really there is a dual purpose when you say auditors within the department. One is obviously the performance audits of what the companies have aspired to do for their licensing need, and your financial oversight as well. Is that correct?

Mr. Pushor: — Except we don't use the term "audit" in both instances. We talk about inspections and our regulatory oversight division carried out through the petroleum and natural gas division. When we talk about auditors, we typically just talk about the financial auditors.

Mr. Belanger: — Is there a lot of collaboration between your inspectors — out doing the gas line inspection and all of the

activity associated with your department — with the Department of the Environment? Like I'd use the argument that if there's an expansion of, say, a gas line, like do you have your own inspectors or is there collaboration with the Department of the Environment? Or does the Department of the Environment do the inspections for you? Like how is that relationship? How do you interact with the Department of the Environment?

Hon. Ms. Eyre: — Thank you, Mr. Belanger. So I think what you're getting at is simply the cross-relationships that we have, of course, by the very nature of government and cross-ministry work. So of course Energy and Resources works closely with the Ministry of the Environment. You know, health and safety of course comes into play on occasion and we clearly work together in a file such as this because there's natural crossover.

Mr. Belanger: — Thank you very much. Just on the auditors again, whose specific measures do ensure that we do have the proper return on the royalties as you've indicated. How much of the increase in the need for auditors would you attribute to the expanded activity in the oil and gas sector? Or is there any type of abuse, or just over the past number of years there's been a lot of stress on a very limited staff? Like, what is the reason for hiring more auditors?

Hon. Ms. Eyre: — So again I thank you, Mr. Belanger. Of course this is purely and simply about timeliness of audits so that companies have that efficient and, again, timely information. And this isn't simply about oil and gas but also about, you know, there can be mineral audits and so on as well.

Mr. Belanger: — Okay. Thank you very much. Under the, again, the budgetary perspective, the capital asset acquisition from central management and services was increased from \$460,000 to 1.5 million. What assets are being acquired as a result of that increase?

Hon. Ms. Eyre: — So that would be for the IRIS program. The budget for the three-year prep program, as you know, is 600,000 per year, but it didn't include the capital expenditures for new IT enhancements to support the new regulatory programs. So the 2018-19 budget, this budget includes that increase of funding for the integrated resource information system from 524,000 to 1.5 million.

Mr. Belanger: — And there's also a slight decrease in operational support for the petroleum and natural gas. Can you explain that decrease as well?

Mr. Pushor: — Thank you very much. Within our petroleum and natural gas division, we work very diligently to ensure that we have the resources we need to provide the proper oversight and monitoring of the oil and gas industry across the province. As such, we've worked to protect that budget to the best of our ability. However, this is a very modest expenditure control item that was put into our budget, and we're confident we can continue to deliver all of our regulatory oversight, regulatory responsibilities with this one minor adjustment to be absorbed through operations over the course of the year.

Mr. Belanger: — Yes, the reason I was asking about the collaboration with the Department of the Environment or Saskatchewan Environment overall is under the auspices that

there was a bit more emphasis on having industry do a lot more of the self-reporting and self-regulatory role. And to a certain extent, I think industry's a big part of the equation for success when it comes to developing of our minerals and all the resources in the province of Saskatchewan.

But you've still got to have a good relationship and good collaboration on ensuring that what we aspire as a province in terms of standards and general conduct in the field, that there is some value placed on those attributes, you know, that we would expect from companies.

So I guess my question is, how does that jive with what is being planned here versus what is being promoted out there when we talk about more responsibility for industry to self-regulate?

Hon. Ms. Eyre: — Well, Mr. Belanger, I think it's important to emphasize in no uncertain terms that of course industry is not self-regulating. And again, as is the case in many jurisdictions, Saskatchewan has chosen to have its oil and gas regulation remain part of executive government. And we have a dedicated division that is focused exclusively on regulating oil and gas wells, facilities, pipelines, flowlines, and the provincial regulator works with other government ministries to align programs and services and carry out inspections and monitoring and licensing.

And to your previous question about working between ministries, I mean that is done in coordination with the Ministry of the Environment, for example Water Security Agency. And again in terms of the regulatory side of things, just important, I think, to emphasize and remember that last year we amended *The Pipelines Act* so that we have those clearer inspection and audit powers, the updated penalty provisions, more technical directives, the authority to address long-term liability for environmental damage from abandoned pipelines, and the new financial assurance requirements on operators to protect high-risk locations such as water crossings.

So all of that fits into the budget allotment, you know, to include that increase of funding for the IRIS program, and so that the system works to enhance pipeline licensing and performance reporting, but with a very clear role for the ministry. And I'll have Mr. MacKnight perhaps expand a little bit more on this, on the regulatory framework that is well established for industry currently.

Mr. MacKnight: — Yes, it's fair to say the Saskatchewan Ministry of the Environment was one of the leaders in adopting results-based regulation, and of course we very much adhere to that kind of thinking in terms of our approach to oil and gas regulation. Our focus is risk based, that is we want to clearly keep our eyes on where the risks are out there in relation to the activities of the oil and gas industry, and we want to be outcome focused. We really want to provide the industry with as much latitude as we can to find the best way to achieve the regulatory outcome that we need doing.

But that doesn't mean that there isn't a role for inspection. It doesn't mean that there isn't a role for, and I'm going to use the word "audit," but we use term in terms of double-checking licence applications and checking compliance in a variety of things in turn including things like production reporting.

So it's very much aligned in terms of our philosophy. And we do work quite well together as two agencies and increasingly so. Our IRIS system, one of its features when it came in in 2015 was something referred to as the single window. And so when industry comes through the door, it's linked through Environment as well as through the Ministry of Agriculture. And one of the things we'd like to do is expand the capabilities of our system for other agencies.

The pipeline regulation enhancement program, that's actually one of the foundational pieces we're working on. And this IT initiative that was mentioned earlier is part of allowing us to start using data that other agencies have in identifying risks and managing those risks.

So all in all I think with, especially with the technology, we are not only in terms of aligning our regulatory philosophies, but we're now getting the stage where we're able to start aligning our data, and that's an even more powerful tool for us going forward.

Mr. Belanger: — Yes, there's no question that that work is highly valuable, you know, as a landlocked province being able to provide efficiency within government to attract more investment. I think that this work has to be expanded more so. There's got to be a lot of collaboration between different departments. And there is no question, I think, that the jobs and the economy and the future of Saskatchewan depends on that particular work.

And that's why when we talk about how we interact with the oil and gas sector in particular, it's so important to eliminate as much confusion as you can from the variety of players that are out there between our aspirations for the economy versus our desire for the environment. So you have these tugs within the system of our province. And that's why it's important from my perspective as one of the critics is that we try and learn what is being done to build the relationship between our two ideals. Because I hate using that word, balance, but that's what we aspire to achieve between the economy and what we look at in terms of the environment overall.

So when you look at the notion behind risk-based, you know, that shouldn't be viewed as a negative because obviously you have to look at what challenges are out there. When you look at the notion of financial assurance, as the minister pointed out, obviously the financial assurance under the polluter-pay scenario kind of thing has the revenues from the financial assurance from some of the companies looking at investing in Saskatchewan. What kind of assurance is required and what kind of dollars have we generated? And how has industry reacted to that aspect of your department?

[19:30]

Mr. MacKnight: — Yes, the issue of liability is of course quite complicated, and we're very much in that polluter-pay approach here in Saskatchewan as well. With respect to the mining sector, that is generally handled by the Ministry of the Environment through the mine approval process. The Ministry of Energy and Resources has two programs under way, one that I won't mention and the other I may have to get some help on.

So the one I will discuss is our liability programs for oil and gas. And we have two programs; one supports the other. The licensee liability rating system works that if the company's assets in Saskatchewan are less than their liabilities, they have to post security. And right now we're carrying about \$135 million in security for oil and gas well cleanup, should these companies end up not being able to cover it themselves. We also have 10 million in the Orphan Fund right now. That number is a little misleading. It's capitalized each year based on the amounts of liability that is orphaned and has to be cleaned up.

I think though the key thing to understand with respect to oil and gas wells is we have a principle of continuing liability. You're still responsible for the well even after it's abandoned if there's a problem. And we have the liability rating system to make sure that we have enough money on hand should a company go under. And if that does happen we also have the Orphan Fund then, which the rest of the industry ends up having to fund the abandonment of those wells. So I think then in that regard we're pretty healthy.

The other program that we have, and that one, Laurie, would be the reclaimed industrial sites program. That one is for end-of-life liability for mines, and that program is not one that I manage.

Mr. Pushor: — Thank you very much. Perhaps I can just take a moment to explain the way mine reclamations are managed. So we hold securities, as do others, to ensure the orderly reclamation of mines across all minerals. As an example, we have securities in excess of a billion dollars to ensure the orderly reclamation of the uranium mines that exist in the province today. Similar assurances exist in potash and other places.

The reclaimed industrial sites funds actually relate to the ongoing monitoring of sites for the long term, after a site has been reclaimed. And so we collect and hold money within that fund to ensure that we have resources to properly monitor those sites for the long term after reclamation.

Mr. Belanger: — Is it fair of me to say that when it comes to the reclamation of abandoned sites or current operating sites, that this is actually cash in the bank for both programs? It's not just the company's assurance that the money will be there. Is it money that the Government of Saskatchewan actually controls and has in their account, so to speak?

Mr. Pushor: — I'm going to have to make sure I get this right. In the case of potash, we do have cash in hand. In the case of uranium, we have secured lines of credit which are as good as cash, if you will, that are secured by banks, and we use a variety of those in different circumstances, but it is cash or near cash security.

Mr. Belanger: — And so I just want to summarize, just so I understand this from a layman's perspective. So I own an oil company, ABC oil. I want to come into Saskatchewan. I've identified a purchase plan and I want to put up 10 oil fields. What would be my requirement in terms of actual dollars attached to my project if I wanted to . . . if I had to follow all the rules around risk base if I'm a small oil and gas company?

Like what are some of the tenets of a risk-based approach? Because I could be belly up in a year, right? So what are some of the things that you assess from some of the smaller companies coming into the province?

Mr. MacKnight: — Right now when they come into the province, of course, and assuming they don't have any wells, as soon as they begin operations here they put a deposit into the Orphan Fund. But eventually though once they've drilled some wells, the system on a regular basis calculates assets producing wells versus wells that are just not producing and are liabilities. And when your liabilities exceed your assets you have to post a deposit.

So in addition to posting a deposit, you're subject every year to your orphan levy, so you pay into the pot that the rest of the industry pays into as well. So it's not a big, hard cash payment upfront. It really depends on what kind of liabilities and assets you generate while you're doing business here, as to how much you put on deposit.

Now it's important to remember though, that if they do go under and you have a lot of assets and not a lot of liabilities, I mean, you're not that much of a risk that someone won't pick up your lands and secure that for themselves, in terms of their responsibility.

Mr. Belanger: — So how does Saskatchewan stack up to other provinces as it pertains to things like our risk-based process and the financial assurance and the one-window opportunity when they deal with our province? Are we, you know . . . Putting the Fraser Institute aside, do oil and gas companies generally see this as a normal course of doing business here in Western Canada?

Hon. Ms. Eyre: — Thank you, Mr. Belanger. It's, I think, important to emphasize that the liability management programs and approaches are very consistent between, say Alberta, BC [British Columbia], and Saskatchewan. And we also participate with our neighbours in terms of Western Regulators' Forum and so on. Again, so consistent . . .

Where I would say Saskatchewan is in a very positive position is simply in terms of industry relationships, as certainly we hear very positive things about how easy it is to pick up a phone and speak with members of the ministry and so on very easily and have that line of communication where it isn't as much perhaps of a maze to get through. And so we have that perhaps slightly more personal connection which I certainly hear about a lot. But again in terms of the things you've mentioned and highlighted, very, very consistent between, for example, those three provinces.

Mr. Belanger: — Now when we look at the risk-based approach to attracting the oil and gas sector and mineral companies to Saskatchewan as a whole, we always see . . . I'm assuming we're pretty thorough on that process. So a company's been operating in Saskatchewan for a while, you know. There's constant interaction between the company and the government and things are moving forward. And then, as we all know, certain sectors end up falling flat. We've had that problem happen in the history of all governments. While we don't all have a crystal ball, but what measures do we take to

mitigate those sharp drops?

Like I'll give you an example that's in the back of my mind. With the shutdown of Key Lake mine site, you know, there's 865 people put out of work. Share prices I think are, what, \$21 today . . . not share prices but the price for uranium. And what the production costs are for getting the uranium out of the Key Lake, I imagine probably twice as much.

So when do we trigger within government issues that would warrant special attention? Because we obviously want those jobs to stay. And is there any mechanism? Is there any process that you undertake, whether it's an oil and gas company or a potash company or in this case a uranium company, where you would begin to be worried about their future activity in the province?

[19:45]

Hon. Ms. Eyre: — Thank you, Mr. Belanger. And of course, as you point out, some of these sectors are particularly prone to ups and downs and cyclical patterns, and certainly uranium is one of those. In terms of that sector, of course, Cameco announced that profits have increased by 55 million. So we are cautiously optimistic about that. Obviously Cameco is cautiously optimistic about that. But of course, this is mainly down to the restructuring of its Kazak joint venture and yes, also higher uranium prices and sales.

But to your point about cyclical patterns and what one can do. I mean again, there's nothing that can prevent something such as the Fukushima, in that case a disaster which had a direct impact on the sector. And of course in turn, that affects things right here in Saskatchewan. And we remain hopeful that McArthur River and Key Lake mines, of course, will restart and that the miners can go back to work.

Again, I guess in terms of supporting the sector, you know, it's just part of ongoing efforts that we undertake all the time. And we would be supportive of any initiative that would open up more market opportunities for uranium specifically, and other sectors, but that one as you mentioned it.

Mr. Belanger: — Yes. And obviously, you know, I share the concern on the job loss because the job loss has been significant. It's had a dramatic negative effect on many families and therefore the communities as well. And somewhere in all of our thinking, and certainly myself as a northern MLA [Member of the Legislative Assembly], you think, we hope somebody is doing something about it. But hope is an emotion. And that's one of the reasons why I asked the question, in terms of somebody has to be doing something to keep the industry strong in the province of Saskatchewan.

Have we had any discussions with Cameco, as a ministry, as to what we should be prepared for? Because obviously you would assume that they would be those high-level discussions between the company and the government saying, look, are we preparing for a shutdown, or are we . . . We're not pushing the alarm bells. What can we do to help, you know, as a government? Are those ongoing discussions? Are they at the high level? And are they continuing, as the minister responsible for the sector?

Hon. Ms. Eyre: — Certainly. Thank you, Mr. Belanger. Certainly agree with you, of course, about the impact on the North. And as you well know, the mining industry and the uranium mining industry in particular provides nearly . . . it's 3,000 jobs in the North with nearly half of those jobs belonging to northerners who are First Nations. So again, a very clear impact and certainly understandable that you raise that. And where the industry goes, go those jobs, of course.

Again, certainly we've had those discussions. We have strong relationships with Cameco and the other companies. I've met with them, as you also know. And even in terms of Fukushima, which of course I referenced, there are global geo-political aspects to the uranium industry which are also influenced of course by federal government and other policy. So it's not only ours to determine, but we do do everything we can — and continue to do everything we can — to ensure that the sector has all it can have and needs under the somewhat difficult circumstances, to be sure.

Mr. Belanger: — I guess I'll rephrase my question to more the process as opposed to the aspiration. When does your ministry kick in the decision on any particular project, whether it be an oil operation or a potash operation, to consider a site abandoned or to consider the process of a wind-down? Is there parameters that you follow to determine whether a company is planning on operating well into the future? Or how does that work its way through?

So I'll go back to my point: if I'm ABC oil, I tell you folks, well I'm still interested in Saskatchewan but I haven't been working my fields or doing anything for a year. Is there a parameter for determining whether they're active and serious under a risk-based assessment?

Mr. MacKnight: — With respect to ABC oil, if they cease producing for a period of time, eventually they will be faced with having to provide a security to cover the abandonment costs for their property. We don't have a hard rule as to they have to abandon it because if prices pick up they can bring those wells back into production. Our primary concern is making sure that we have the security to cover that liability should the day come that it has to be abandoned.

Now once a company does decide to abandon a well — and they'll do that so they're not faced with having to pay us a deposit — the sites go through a rigorous process of review by us, in terms of the abandonment, before we issue what's referred to as acknowledgement of reclamation. That's when we're confident that contamination's gone, the well's secured, the property's been reclaimed. And that can take sometimes, oftentimes several years just to confirm that the land's come back to its former state.

But even after we issue what we call the AOR, the acknowledgement of reclamation, that company is still responsible for that site should something else come up in the future. So the reality is for an oil and gas well, that liability is dealt with through financial means, through science in terms of making sure the site's cleaned up. And even after it's abandoned and reclaimed, if down the road we find a problem, we will go back to the original or the last company and go after them for cleanup.

Mr. Belanger: — Yes. These are very challenging times. And I appreciate the fact that, again, Saskatchewan is unique in many ways because of the . . . When you look at the oil and gas sector as compared to Alberta, you know, we're certainly punching above our weight, which I'm proud of as a member of this province. But no question, you know, in terms of the hard value and the advances in Alberta, that Saskatchewan is certainly a player in the oil and gas sector. But compared to Alberta, they're much, much robust in their access to oil and just being geographically advantaged, if you will.

And you look at BC, with the proximity to the coast and so on and so forth, you know, we have certain challenges that we have to face. And it's always perplexing to a lot of people when you give them the challenge that we have and you ask them the tough questions. Not many people appreciate some of the work going in the background to attract more companies here. So the regulatory process, how we deal with them, what do we do with the cyclical nature of our resource-based economy — these are some of the things that are really, really important to a lot of people.

And we're just trying to understand it as best we can from the opposition perspective, because as one of the critics, you know, within the opposition, we want to see Saskatchewan thrive in the oil and gas sector, and pipelines are an important part of that. You know, we've made it very clear that it is something that we're supportive of.

That being said, as you look at the other sectors that are so tied in to how we attract investment, what and how we keep it here and then how we keep companies engaged, what really hit us with reality was when Cameco shut down their mine. Like I said, hope is just an emotion, you know. It's not a plan.

And that's why when we start to look at all the angles and all the questions, is what are we doing as a government to stimulate that sector? And what role do we play? And this is the reason why: when we look at potential threats to any industry in our province, we have to know what the process is all about. And that's one of the reasons why I'm doing that here today.

That being said, there has been a history, I guess, around the Uranium City area with the Gunnar and Lorado mines. I think there's 40 sites that were abandoned or left in the early '30s and '40s and the '50s, and some valuable lessons were learned there. But today when we look at the costs of cleaning up some of those mines, is it fair to say that the vast majority of those costs are being covered by the federal and provincial government? Is that a fair assessment?

[20:00]

Hon. Ms. Eyre: — Well, Mr. Belanger, again this an issue about which I feel quite, well, passionate, I suppose, in the sense that I think there are certain flaws with the original agreement that we continue to deal with. Again I guess I would characterize the allocation, in terms of the federal-provincial commitment to this project, as having been uneven until now, not necessarily very balanced. And again the numbers speak for themselves.

As you'll know, when the deal was signed in 2006, the total

cost was pegged at 24.6 million, I believe it was, and the MOU [memorandum of understanding] provided for that 50/50 cost sharing between the province and the federal government. And as you will also know, the costs have now ballooned to 222 million-some and the cost sharing has not occurred. Certainly our government has taken our responsibility seriously and to heart, and we have spent 94 million on those remediation efforts at the Gunnar site, in contrast to the federal government which has paid only 1 million.

So that's the reality that we face. And certainly we continue to have hearty discussions with the federal government on this. But we have taken the responsibility for remediation and for cleanup of this area very seriously, and so have, I guess I would submit, gone beyond the call in terms of taking on that commitment, and we continue to do that.

Mr. Belanger: — In terms of the project itself, is there an end date envisioned as a result of the cleanup? Like, who would make that determination?

Hon. Ms. Eyre: — Well the vast majority of the cleanup will be completed in four years I believe it is. And then the Canadian Nuclear Safety Commission will oversee how that moves to then the monitoring phase, I believe it is. So there will be this . . . The majority of the work remaining, however, is expected to be complete within the next four years or so.

Mr. Belanger: — And obviously I see in your budget an increase for remediated sites. And I'm assuming that the vast majority of that is on these particular sites. Is that correct?

Hon. Ms. Eyre: — It's all of it.

Mr. Belanger: — I think the original price was \$30 million, of which there was three parties that were part of the process: federal and provincial governments at the time; I think NRCan [Natural Resources Canada] was the original federal partner at the table; and there was a company out of Alberta that also was part of the agreement. Has that company now exited their commitment to these sites?

Mr. Pushor: — Thank you very much. The original agreements anticipated Lorado mine site as well as the Gunnar mine site. And on the Lorado mine site it was determined that Encana had a responsibility, that they funded something more than \$23 million to support the Lorado mine site cleanup. Those funds were expended under our supervision to ensure the orderly cleanup of that site.

When we come to the Gunnar site though, there is no longer a company to be traced back to, and therefore it is a federal-provincial responsibility to attend to that site. And you're right, NRCan is the federal agency we've been working with around funding.

Mr. Belanger: — And obviously, as I look at the history, that some of the oversight and some of the regulatory regimes were non-existent when the Uranium City idea was born, and that there was a lot of, a lot of shortcuts, if you will, in those times. And obviously as we learn over time, we see a much more responsible position taken forward by industry, of course, but certainly in concert with governments when you do the

polluter-pay scenario.

That being said, when you look at the whole relationship between the federal and provincial government, albeit they're not going to pay their share, who has the final determination of when that site is turned over to the Canadian nuclear commission? Does the federal government have authority over that . . . over a uranium mine site, or is it the province? Like, when do you actually have the authority to say, okay CNSC [Canadian Nuclear Safety Commission], this is your baby, so to speak?

The Chair: — Could I just ask if you have any new people that go to speak from this point on that you state your name and title, please, for Hansard. Thank you.

Mr. Pushor: — So to begin with, I would say that we are not prepared to accept that the federal government isn't going to fund their full share of this and we continue to pursue that. I would say that both the Canadian Nuclear Safety Commission and Saskatchewan Environment are involved in assessing the quality of the reclamation through to when it's deemed to be completed. So that would be something they did in tandem.

In addition to that though, particularly for a uranium site, it does not then just get released. It goes into what is called the institutional control program, which involves a very long-term monitoring period which can have some callback on the company should there be any untoward events that happen that might cause a further environmental problem.

Mr. Belanger: — The reason why I ask that is obviously the mistakes of the past are important to learn as we forge ahead because public opinion is highly valuable as governments exercise their desire to attract investments, responsible companies, polluter pays — they clean up the site. The whole gamut is all part of what I would consider an arsenal to attract investment. That being said, with that arsenal, it's important that if you'd look at the mine site itself, SRC [Saskatchewan Research Council] is the lead researcher. Is that a fair assessment to make?

And have the lessons we've learned from the cleanup of the Gunnar and Lorado site in comparison to what Cameco may have done with the Beaverlodge site, in comparison to what they're doing with the Cluff Lake site today — I think it's formerly under Amok — has there been collaboration and corroboration on what's happening on each of these sites given the nature of uranium development overall? Have we gotten to that level of discussion yet?

Mr. Hughes: — Cory Hughes. I'm an executive director of mineral policy with the Ministry of Energy and Resources. So there is collaboration between the SRC and our companies that are Areva, or now called Orano, that's managing the cleanup of the Cluff Lake site, as well as Cameco is responsible for the Beaverlodge site.

There is collaboration, but also Sask Environment and the Canadian Nuclear Safety Commission are the regulatory agencies for these sites, so they have learned lessons along the way. So what took place at Beaverlodge, CNSC, and Sask Environment, if they've seen areas that could be improved,

have incorporated that into new standards for new cleanups.

Mr. Belanger: — Because obviously it's a new science and I think SRC had quite a daunting task ahead of them as being the lead project planners, I guess, so to speak.

Just to clarify the purpose of the comment I made is, it's really important that we don't become a uranium wasteland out here in terms of attracting companies and building this valuable industry. That there was perhaps an opportunity for us to lead the nation on that kind of research and that kind of policy development and thinking behind creating the almost perfect environment from the regulatory and participatory perspective. And that's why it's so important to see what happened at Beaverlodge, the intel you gathered around Gunnar and Lorado from SRC, how the companies were bought in, or one company was bought in after the fact, and now we do business radically different when it comes to other companies. This stuff is highly valuable in a sense of where we are as a government and where we are as a province in attracting investment.

So Cluff Lake itself, when you say we transferred over to CNSC for institutional control — was that the phrase that was used? — what does that mean? Like are you institutionally controlling it through CNSC for the next 5 years, 10 years, 15 years? And if they do find a problem later on . . . Like suppose a trapper goes there and falls through the overburden, you know, of an old tailings pond and sees there's problems there, is there any kind of recourse? Because if I was a company or a president of a company, I would want that institutional control granted to someone else. But what are the recourses if there are problems?

[20:15]

Mr. Hughes: — So just a couple things. I should clarify that the SRC is managing the claims project; they're not the lead researcher.

Cluff Lake is not yet in institutional control. So when a project, when a proponent has completed the remediation and decommissioning, it will go into a phase of monitoring. Cluff's been monitored now I believe for over 10 years. It is only when Sask Environment and the CNSC are satisfied with the decommissioning plan and it's a stable decommissioning project and they don't anticipate any unknowns to occur, CNSC will then take it off of licence, which has not happened yet. Sask Environment will release it if both parties agree to release it. Then they pay us, pay money into a monitoring maintenance fund which will provide money — and we have a method to calculate that — that will provide money to monitor and maintain that into perpetuity.

But they also provide money into an unforeseen events fund. And as part of that, if something unknown happens at that site, that would be covered from that. The company still maintains legal responsibility as long as the company exists, should those funds be insufficient for the planned activity.

Mr. Belanger: — So I'm assuming, as you look at the example of Cluff Lake, it was operating under Amok. Is that correct? And then it became Areva? Is that . . .

Mr. Hughes: — Yes. I believe Amok was the original operator.

Mr. Belanger: — Now when Amok began the process, did they contribute to the remediation cost over time, or was that pre remediation legislation?

Mr. Hughes: — Yes. So the regulatory systems have evolved over time, but what happened as the mine operated, the requirements for financial insurances became stronger. So at minimum every five years, Sask Environment began assessing the cost of reclamation and decommissioning for which then Amok was probably first, but Areva would follow, was required to provide financial assurances for that project.

So the Government of Saskatchewan has had no costs associated and will have no costs associated with the reclamation and decommissioning. The estimated cost of the reclamation and decommissioning was continually monitored by Sask Environment who required the financial insurances to ensure that, should something happen to the company, the money would be in place to safely remediate the site.

Mr. Belanger: — And I just want to understand this for my own purposes because both these mines are in my constituency, and you often have questions about this stuff. And I want to at least appear smart. So I'll just simply repeat what you say.

But the notion of . . . Again if I'm Amok and I'm contributing to this remediation plan, and as I continue operating the mine — I think it operated for almost 30 years, I think — and legislation got stronger for putting this fund in place. And I know the government's got the money, so I'm saying okay, I'm finishing off the mine this year. Now we want to remediate the site. So does Amok have control of how that money is to be spent? Or does the government have the control?

Mr. Hughes: — You know, I should say that the financial assurance area in the mining is Sask Environment, so I'm doing my best to answer them but they would probably be better at it.

Sorry, I lost my train of thought. Yes, so the financial assurance, it's a mechanism for government to estimate if something happens to the company, right, if the company no longer exists. But the requirements by the CNSC and Sask Environment to decommission a site are on the company. So they don't have an option to let the government do that for us. The company, under their licence, is required to decommission and reclaim the site. The financial assurance is only in place in the event that the company no longer exists or in the case of bankruptcy or something like that where the money would be secured and available for someone else to remediate that site.

Mr. Belanger: — So I guess that it's a roundabout way . . . And don't worry about losing your train of thought. I do this in this Assembly a lot. In terms of the company itself, I really want to make sure I understand this right. They provide the financial assurance that if they didn't exist then this site would be remediated and reclaimed. Correct me if I'm wrong as I go down this path. But before I don't exist as a company, I have the option of cleaning up that site on my own. Or is that done through the government as I exit? Okay, I want to make sure I understand as I'm getting a bit confused here.

Mr. Pushor: — So I'll maybe just be really clear. It is not an option for them to reclaim it. It is an obligation for them to reclaim it. They are required under part of their mining licence that's established by Environment to have a plan and a program and the ability to execute a full decommissioning and reclamation. In the event that the company no longer exists, we have taken financial assurances as a government that will backstop any cleanup that might be required to be done by government as a result of the failure of that company. But it is their obligation to do the cleanup.

Mr. Belanger: — So and again just to . . . Because sometimes I work in mysterious ways. I even confuse myself at times. But I want to make sure I get this right. So if Amok has the ability within their company to clean up the Cluff Lake site, they have to. Their obligation is to clean it up. And you said that in the event they don't have the ability, that's where the financial assurance or where you take the money from to do it for them if they don't have the ability, if they cease to operate.

Because today Amok is not around. It's a different company. It's Areva. And we can follow those companies, right? So is it one of the other or is it both? Like do they have the obligation to clean it up, plus in anticipation of them winding up or going bankrupt, they've also got to contribute to the cleanup fund in the event that they become bankrupt?

Mr. Hughes: — Sorry. I think we're getting to the level of detail — and I'm not 100 per cent certain on the requirements — that Sask Environment would be much more qualified to answer that level of question.

Mr. Belanger: — No, and that's fair enough. Because again I'm going back to my scenario that if I . . . Say it was in ABC oils, ABC uranium, and I wanted to open a mine site in the North, and you guys tell me, okay, fine. From a regulatory perspective you've got to meet all these requirements, and you're also required to contribute to a cleanup fund in the event that you no longer exist. But your obligation is to clean up that site once you're done.

So I'm just wondering, is my obligation on both fronts or does it just exist in one? And if it is, if I'm required as a company to pay into a cleanup fund today, then I'm assuming that I have control over the cleanup fund if I'm responsible for it. And that was my question: who has that control of that money?

Mr. Pushor: — I'm sorry. Maybe I can help. First of all, we should get more details from the Ministry of Environment. There is a clear obligation for you to have a remediation plan as part of your licensing application. How you will reclaim that site is a part of your strategy. I would say that when it comes to the financial assurances around in the event of a company not being there to do it, we should get clarification from the Ministry of Environment on what those are structured like.

Mr. Belanger: — Just a note, Madam Chair, that an undertaking was offered today and I really wouldn't mind finding the answer for that, as to who's responsible.

I'll change issues right now. Let's look at the issue of . . . And I'll use Lloydminster as an example where we have a city that straddles the Alberta-Saskatchewan border. Is there

interprovincial discussion around how we would deal with companies that, say an oil and gas company that had to remediate their sites? Like how would we deal with that instance around a Lloydminster scenario?

Hon. Ms. Eyre: — Well, Mr. Belanger, both jurisdictions in that scenario, and there's some speculation in that sense, but they would both have expectations in that regard and they would work collaboratively. And in the case of a joint project, for example, straddling the border, again very similar regulatory structures in both and again we would work closely with each other in that case.

Mr. Belanger: — Yes, and one of the reasons why we often hear of some of the issues around, you know, the border communities and the proximity of oil and gas, you know, between Saskatchewan and Alberta, it's just phenomenal in terms of the relationship and the opportunity that we share.

In northwestern Saskatchewan, Madam Minister, as you may know, under the regulatory regime for oil and gas, there's no particular area that does not, is immune to that. Is that a fair assessment to make, that if there was activity in the northwest corner that they would have to follow the same regulatory requirements as say southwestern Saskatchewan?

[20:30]

Hon. Ms. Eyre: — A simple answer to that, Mr. Belanger, would be of course yes. In terms of operating and regulatory structures, we're one province and the same rules would apply across the province as governed by the ministry.

Mr. Belanger: — And that's a fair point that you raise, that it would be pan-provincial in terms of rules and regulations that would guide us all. And the reason I'm talking about the oil and gas sector and responsibility and institutional control and mineral development, attracting investment — the whole scenario — is that for years in the northwest corner, a lot of people, in particular those that lived off the land, like trappers and fishermen and hunters and so on and so forth, they often have claimed that a lot of the westerly winds coming out of the Fort McMurray oil and gas activity has had a negative, drastic effect on the lands that straddle the Alberta-Saskatchewan border. Has there been any effort by your department to undertake a regulatory and an assessment of what effects the Fort McMurray oil and gas sector has had on northwestern Saskatchewan lands in terms of damage?

Hon. Ms. Eyre: — Just in terms of that, Mr. Belanger, probably best directed in terms of your question to Sask Environment in terms of perhaps some of the work that they've done around this. I think that would make perhaps the most sense in this instance.

Mr. Belanger: — Yes. And the reason I made reference to Lloydminster, and I'm glad you made the connection there for me, is the fact that both jurisdictions would be there mitigating regulatory regimes on oil and gas development. So I was assuming that other sectors within the province, as you've indicated, would be treated the same — that there'd be a similar exercise in northwestern Saskatchewan where, while we don't share the oil and gas sector, we're certainly getting the effects

of the westerly winds and the deposit on lands as a result of the oil and gas sector in Alberta.

And I would assume, from the regulatory development perspective, that there would be those discussions with Alberta, because there is the effect. Some say that there was, as we have alluded to all evening, the fact that there is a contingency fund to mediate the damages caused on lands as a result of the Fort McMurray activity. Now I've advocated time and time again, we do need a robust oil and gas sector. But like yourselves, I've also advocated that there are roles and responsibilities that government must play in the developing of that activity and we must do all we can to welcome them. However there's also the process that if there is some long-lasting environmental damage as a result of that activity, then we have the regulatory regimes within the oil and gas sector, within your department, to begin the process to address that.

Now I don't know if there's any truth to the rumour, and you hear these comments pretty steady from a number of people, but are you aware of any contingency fund in Alberta that deals with mediating environmental damage as a result of the oil and gas sector development around the Fort McMurray area?

Hon. Ms. Eyre: — I'll just say, Mr. Belanger, I think rather than engaging in speculation in terms of what we have done from an environmental ministry perspective vis-à-vis monitoring the things that you've highlighted from Alberta, I think again probably best to direct to Environment, simply in terms of getting a better idea specifically what they've done in this regard.

Mr. Belanger: — Well I guess I'm just trying to understand who has the regulatory mandate, your department or the Ministry of the Environment, in regulating oil and gas activity within the province of Saskatchewan. Now I'm not trying to be argumentative in any way, shape, or form. I'm just trying to see if there's a regulatory requirement by your ministry to assess environmental challenges to any resource-based company, be it oil or gas, potash, or uranium, that, you know, that there is a process in place to clean up sites that have been damaged as a result of activity associated with each of those industries.

Now I know that Environment is not regulating the effects of the Fort McMurray oil sands activity on northwestern lands. They're not monitoring those lands at all. Now the worry I have . . . and this has been brought forward by a grade 12 science class at the Dene High School in La Loche. They did a bit of monitoring as a student project. One of the lessons we learned from those students is that they're telling us as the northern MLA that we've got to start monitoring the effects of the westerly winds as a result of depositing what they think is a lot of pollution, if you will, as a result of the activity in Fort McMurray area. And they've done a bit of studies on the flora and the fauna and the water, and based on some very rudimentary testing they said that there is strong evidence that our lands are being polluted on a regular basis. And they implored me to do something about it. And I wasn't too sure what I can do as an opposition MLA except to bring it forward.

Now one of the recommendations that one of the students had was to ensure that there's a baseline study undertaken right away. And the reason why the baseline study is important is to

see what deposits are being made on our northern lands — water, flora, fauna, the whole bit. Because if we don't do the baseline study now — we're probably 20 years behind already — and if we continue not looking at that, then we'll never know what each year will deposit on those northern lands. So can we go back and prove it? I think we can. The science will allow us to do that just by pure, you know, extrapolating the years they've operated and what one or two years would bring us in terms of deposits on the land. But if we do a baseline study now as to what effects that activity has had on our lands, much like we do in other oil fields around the province, at the very least it gives us some argument that they should be putting a fund in place to mitigate that damage to the northwestern lands.

And this is one of the issues I think is really important when I talk about the balance between the economy and the environment. A lot of people from La Loche work at the Fort McMurray areas. They're very supportive of the oil and gas sector, but correspondingly they've said we've got to make sure our lands are not being poisoned to the extent that the elders are saying it is. So as opposed to us being speculative as to what the elders are saying, that we need a science-based approach to see, is there an effect? Is there an impact on the northwestern lands? And nobody's ever done that particular assessment.

So I implore you as a minister today, between yourself or the Ministry of the Environment, is to begin that process somewhere. Because there's all kinds of suggestions brought forward by the students. And again, like yourself, I didn't want to be speculative. But they do have some very solid points. And their simple request to you — and I'll be sending this to him as well — is to check which ministry monitors that. And if there's a ministry that's monitoring it, to put in a remediation plan to clean up the lands if the effects are proven that they are alleging. What have you got to offer those students in terms of a response?

Hon. Ms. Eyre: — Well thank you, Mr. Belanger, and certainly again we don't underestimate the concerns of our young people and of the young people that you reference this evening, in terms of not necessarily seeing silos when it comes to these issues. And certainly that's not the intention.

But again in terms of the environmental aspect to this and the environmental issues that those students in question raised, again, while there certainly are interconnections — and I've highlighted some of those this evening, between the ministries of Energy and Resources and the Environment — I wouldn't want to and we wouldn't want to speak for any, for example, baseline monitoring or other efforts that the Ministry of the Environment have actually done in that specific area.

And again while it perhaps sometimes seems, and probably would to those students, sometimes seems a bit dry in terms of Energy and Resources' ambit and what we do of course when it comes to something, you know, such as prep with the pipeline regulations or IRIS and so on, those are about really doing everything we can and making that investment to make sure that inspection and monitoring and safety, where there are those overlaps — obvious overlaps occur — that we do everything we can within Energy and Resources to ensure the safety of the system, and certainly where that carries over into the environment.

The Chair: — We will recess now just for five minutes.

[The committee recessed for a period of time.]

The Chair: — All right. Welcome back committee members. We will continue on with vote 23, Energy and Resources, after a seven-minute recess.

Mr. Belanger: — Thank you very much, Madam Chair. I just want to now focus a bit on the pipelines in the province of Saskatchewan. This has been a matter that's been around for . . . certainly had a lot of concentration of the pipeline challenge that Western Canada faces over the last number of weeks if not months as a result of, of course the media and the challenge around the Kinder Morgan project. But I don't want to go there yet in the sense of asking some preliminary questions on the pipeline industry.

You mentioned, Madam Minister, at the opening statements that, I think, the oil and gas industry contributes about 15 per cent of our GDP [gross domestic product]. Is that correct? And in dollars you mentioned the value being roughly 9.2 . . . or sorry, 9.2 billion? Okay.

I just wanted to ask the question for some people certainly watch the process of estimates because it's very interesting issues that we're dealing with on a regular basis. It was estimated that there are about 23 000 kilometres of licensed pipeline in the province. And would you say that that number is the same this year?

Hon. Ms. Eyre: — Thank you, Mr. Belanger. Again, we've grown by approximately 2000, up to about 25 000 this year from the number you quoted.

Mr. Belanger: — Okay, and you've also estimated that there's 80 000 kilometres of flowlines, and I guess the question I would ask is, is that number still the same for this year?

Hon. Ms. Eyre: — It's about the same approximately, yes.

Mr. Belanger: — And can you explain what the difference is between a licensed pipeline and the flowline? Like, what is the significant difference between those two lines, so to speak?

Mr. MacKnight: — A flowline takes product from a well to a facility, so oil, gas. Flowlines in our system are not currently licensed. So those are just the small gathering lines that connect up to a facility or a battery. Once it gets into a larger line from a facility onwards and into transmission systems, those are licensed pipelines. So those are the larger diameter, higher pressure pipes. So the distinction is one gathers it and the other transmits it to a downstream location.

Mr. Belanger: — And when you say these flowlines are not licensed, like 80 000 kilometres of flowlines . . . Like, there's obviously rigid standards in building a flowline, much the same, I would assume, as a pipeline, right?

Mr. MacKnight: — The distinction is really in terms of licensing. We will be moving forward in the next few years to start retroactively licensing flowlines, but historically the small gathering lines were built in association with the wells as part of

the well construction and there wasn't a licensing requirement.

But in terms of the standards for the development and operation, it's the same. Under *The Pipelines Act*, flowlines, pipelines, are both built to the same standard. It's called CSA [Canadian Standards Association] Z662, if you want the technical name. And that standard is actually quite massive. It covers everything from your design to your operation to your abandonment of your flowline or pipeline. Now of course if you're operating a really big transmission line, you know, there'll be aspects of that standard which will apply more to you than, say, a small flowline. So it's quite an extensive standard.

We actually have two staff who sit on the CSA committees that maintain that standard. It's continually being reviewed and updated and all Canadian regulators, including the National Energy Board, adhere to that standard. So it's actually quite a very significant regulatory tool that we're all using to try and make sure that our standards are national and are up to date.

Mr. Belanger: — And because of the nature of the national perspective on going to the next level for flowlines, I'm assuming that industry is fine to accept that standard as their practice of business when it comes to our province?

Mr. MacKnight: — Oh, indeed. The CSA standards are developed by technical committees made up of government experts, industry experts. It's quite thoroughly developed and it is the standard that everyone uses, including the industry itself, for operating pipeline systems.

Mr. Belanger: — Now when we look at what I think is a fairly robust and intensive process that the National Energy Board looks at as it licenses pipelines, and the case in point being the Kinder Morgan pipeline, can you explain to the . . . well to myself obviously, but to the people that may be listening, how rigorous and how long would that process take to get that approval for that pipeline? Like is it several months or is it several years? And how does the process work its way through?

[21:00]

Hon. Ms. Eyre: — Well thank you, Mr. Belanger. And of course as you know, interprovincial and international pipelines that traverse, go through the province are regulated by, as you say, the National Energy Board under their Act and the onshore pipeline regulations.

In terms of Kinder Morgan, for example, certainly it was a multi-year process. There were numerous consultations involving, you know, socio-economic, environmental, First Nation groups and stakeholders, and so on. And it went on, as you probably know, for quite a long period of time and was very, very thorough. So if that's what you're getting at in terms of the federal construct of that pipeline in particular, it was certainly an extensive process.

Mr. Belanger: — And I think that's one of the perspectives people need to have explained, that this, the process for pipelines, is fairly robust in terms of trying your best to make sure that there is as much regulatory oversight and that the process didn't happen over a period of a couple of months. It's a long, fairly lengthy process. The fact that there was a federal

process attached to it, and it was approved based on the presentation of the company. And so this has been an exercise that has been . . . probably taken a long time that people don't realize the length of time it took. So it's federally licenced, been approved as a project.

And as you look at the overall pipeline challenge we face in the province of Saskatchewan, how would you characterize the need for us to provide much more information to the public in general? Because there's a lot of misinformation out there to how the pipeline industry works, how the transport of oil and gas through pipe is a better option as opposed to rail. It's a better option as opposed to trucks.

Like these are some of the things that a lot of people over my travels have asked, and I don't think I do justice to the explanation. But I guess the first question I would ask: in comparison to hauling oil and gas by rail or by truck or by pipeline, which is the better option and why?

Hon. Ms. Eyre: — Thank you, Mr. Belanger. First of all, I guess I would say that it is simply a proven and established fact that there's no question that pipeline is, by far, the safest way of transporting product. And according to the Fraser Institute, apparently it's four and a half times a higher risk for rail, or by rail, than otherwise.

So again I think the issue, and you have touched on it too, is the issue that we're facing is that we are fighting on many fronts. As you know, potash, there are issues with getting it to market. Agriculture producers have certainly raised their concerns. We know that's an issue. And now we also have the issue of potentially no pipeline in terms of Kinder Morgan, the Trans Mountain, for example.

So it's simply too great a risk in terms of nothing short of our economic prosperity really, to make sure that we continue to put that pressure on the federal government to get that pipeline built. And you touched on it. I mean, it was an approved project by the BC government at the time, by the National Energy Board, by the federal government. We've now waited, I believe, it's another 18 months since it was announced it would get built.

This is, I think, relatively clear to people in terms of you say, getting the message out. I think it is quite clear to people, or increasingly so, that this did go through extensive consultation and an extensive approval process, and is simply now, in terms of that pipeline, must now be seen through. When you have various producer organizations saying that they're concerned that no pipeline will ever be built in Canada again if this precedent is set with this one, I think it's getting through to people for sure, and I hope, we hope to the federal government as well. So again, I think while it's important to emphasize the safety record and it's obvious and clear, it's also important, as you say, to highlight to people how extensive these consultations are and how sure the process is to get it to this point.

Mr. Belanger: — Right. And that's a really important piece to emphasize. And when we in the opposition speak about the economy and the potential benefits and the impacts, and obviously over time, we see the incredible investment

opportunity. And, you know, we work extensively with organizations like CAPP [Canadian Association of Petroleum Producers] and different organizations that have a vested interest on the environmental front as well.

So I think as a province it's fair to say that we obviously need to get our product to market, whether it's potash or whether it's wheat or whether it's oil and gas. We have no choice if we're going to survive into the future. And I think the amount of jobs attached to this whole process is so vitally important. I think Evraz has got the potential contract to supply 75 per cent of the steel necessary for the pipeline. So there's incredible, incredible opportunity attached to that project.

Now when we as legislators in the Assembly here speak about these matters, people need to be assured that we're practising what we preach because I think there's a certain degree of mistrust out there that the process is not flawed. People have to be constantly reminded of the process that's undergoing or taken when we are planning on such a project of its magnitude. So would you care to share some of the challenges in convincing people that this project, from the environmental perspective, is safe? Like, how would you . . . What message would you share with the public on that?

Hon. Ms. Eyre: — Well I would just say, Mr. Belanger, of course, that in terms of the safety and the environmental footprint, for lack of a better word perhaps that you reference, I think it's very important to get the message out that the Western Canadian industry is regulated to the highest standards in the world. And also that in terms of GHG [greenhouse gas], I mean, modern pipelines again have a very low environmental impact because they are built to such high standards.

And I think it's . . . Again I mean, there's not even a question from the federal government's perspective — although there is a passivity in seeing this through in our submission — but they have acknowledged that certainly the National Energy Board process is a thorough one. And they have expressed no concerns about the balance of environmental stewardship with the importance of building the pipeline.

The question now is again, once we acknowledge that Kinder Morgan, for example, is a project and an infrastructure project of national significance, the next step is saying it, to doing it, and getting it built. And that of course is the question now and how we get there.

And so again in terms of *The Energy Export Act*, for example, which we introduced last week and I spoke to in terms of second reading and so on, the intent of that is to make sure that we continue to exert that pressure on something that has gone through all the appropriate regulatory hurdles that it should go through and now must be seen through.

[21:15]

Mr. Belanger: — Yes, and again from our perspective it's important that as we send forward I think our position as a province as it relates to the export of all the resources of which we're blessed with, we have to ensure we figure this out. So my point also goes to how we as a jurisdiction prepare our population for the awareness of the value of this project, but the

standards we put in place as well. So we have to look at ourselves as a province to see how could we strengthen our hand in this national debate we're having over the pipelines.

So I'm not going to be argumentative over the notion of withholding oil for BC because obviously that'll jack up the oil prices in BC quite a bit, as you hold back the product. Of course the demand goes up and the price goes up. So people assume BC buyers will be paying more for their oil and gas. Do you see that as a consequence of what we're proposing under *The Energy Export Act* and of course what Alberta's doing as well?

Hon. Ms. Eyre: — Well of course as the bill is currently envisaged, it is legislation of general application. So it is all about protecting energy exports and again the broader economic prosperity, not only of our province but we would say of the entire country. And we would have liked to have seen this issue resolved a long time ago, and as I've referenced, the federal government stand up to its jurisdictional authority. But here we are.

And again I mean, let's keep in mind what the province has lost in royalties, for example — 200 million last year. Because of pipeline delays, because of lack of connections to tidewater, the Saskatchewan oil producers lost 2.6 billion. These are not small amounts, and this is not a small issue of national significance. So that's why we decided to bring forward Bill 126, and we hope we never have to put it into practice, that the federal government will — because this is down to the federal government — will ensure that this pipeline is built.

Mr. Belanger: — So is it fair to say, and I just needed your perspective on this, that as a result of us in concert with Alberta of withholding our product, therefore driving up the demand for our product in BC would result in greater prices for the product we sell in BC itself. Is that a fair assessment to make?

Hon. Ms. Eyre: — Well again, Mr. Belanger, I'll say it once more that this is, as it's currently envisaged is a law of general application about protecting energy exports which we constitutionally, under section 92, have the right to do.

In turn the federal government has jurisdiction over products such as this which it has the jurisdiction too, to control. In this case this was a pipeline that was federally approved. So once again we hope it doesn't come to this. It's very difficult to speculate about these kinds of issues. It's a very serious situation we find ourselves in for the numbers that I have previously mentioned and simply the security of the sector and everything else coming together at the same time, as I've also referenced the challenges around potash, the challenges around agricultural products, mining products, and so on. All of these are interrelated with getting goods to proverbial market and that is something we simply have to address.

And we can talk to a point about the need for it, but then we finally have to do something to try to enable that it actually happen. As we know, Kinder Morgan has put a deadline on walking away altogether. So this is a serious matter which we take very seriously. And you referenced Evraz for example.

I mean in terms of all these sectors there are workers and workers' families. For example, with the potash issue that we're

dealing with in terms of the layoffs and so on that have been announced, that need clarity and need certainty around their sector and across the board. We really are looking now at these different sectors and the need for greater certainty when it comes to actually getting them to port or to market.

Mr. Belanger: — Did not the New West Partnership that was touted by your government several years ago . . . This scenario wasn't anticipated?

Hon. Ms. Eyre: — Well, again I would say, Mr. Belanger, that we find ourselves in . . . This is certainly a challenging situation. And that goes for other provinces as well. And I hope that goes for the federal government in terms of how it sees this project and the importance of this project for the federation as a whole.

The broader question here is the impairment of the pipelines. It's the impairment of the pipelines that really is trumping considerations that perhaps weren't anticipated a few years ago. And so we find ourselves in this particular situation where there is a real, realistic chance that a pipeline that benefits us, and certainly the sector to the extent that it does, and leads to all the investments that our province enjoys and can continue to enjoy, that those are put in jeopardy by the lack of action, in this case by the federal government.

So in terms of the overall impairment of trade we would submit, and I would submit, that that is in this case down to the federal government and their impairment of trade in the broadest sense by not seeing this project through.

Mr. Belanger: — Yes. I would submit that the New West Partnership obviously didn't anticipate this particular problem. Of course hindsight's always 20/20. But this is the second occasion where we've had issues of not being able to get our product to market. The grain transportation crisis is an example which happened five, six years ago, and now we're in this pickle again. So this has been a reoccurring theme, and the oil and gas sector is once again hurting because I don't think we had anticipated these challenges as such. And I don't think we as a province focused on this enough.

So it's really important to me to, you know . . . As I've said all evening, from our perspective there is a good opportunity for balance. And indeed, you look at forestry as an example. When people say to me, oh, they're cutting too many trees. Well the science dictates that if you manage your forest right, you can have that balance. And I strongly believe that. To this day I believe that. But if you don't replant your trees, that's when the people that argue that point win the argument.

Now in terms of the question that I asked earlier, is it safe to assume as a result of us holding back our product, that it'll drive up demand in BC, therefore driving up the gas prices for BC residents? Is that a fair assessment to make?

Hon. Ms. Eyre: — Well thank you, Mr. Belanger. And again I guess I would say that in terms of the record by our government to address market access, for lack of a better word, and raising concerns about market access, that has characterized the government from the beginning. And there are numerous examples of that, but most recently, I guess we would say in the

most macro sense that *The Energy Export Act* is about doing just that.

I don't know if there's much more we could do as a government to highlighting this — the gravity of what we are facing in this country and with our sector — than doing what we're doing with *The Energy Export Act*, and just across the board, you know, challenging the federal government on the carbon tax which has a direct . . . would have a massive impact on the sector and sectors in this province. So again it's a broad-based market access argument that we are making in the strongest terms. So those two for starters, and those have just been in the last week.

But again in terms of the potash issue, for example, that we've also discussed briefly this evening, and getting potash to market, again cross ministries, cross ministers, we have undertaken to impress upon the federal government that there must be swift passage of the bill related to that, and again that it is in their court. And they must take action when it comes to ensuring that the railways and that rail transport is working to its most efficient extent to help market access and product transportation. And again certainly we could go on and I could go on with all the efforts to ensure that our province and its energy sector and other key economic sectors are highlighted and protected as much as is possible.

Mr. Belanger: — Yes, I just think that it's important to note that when you made the statement of impairment of trade from the energy perspective and some of the products we have, that your department has the mandate to not only regulate but to help develop, as you've expressed over the last several hours. That when you look at the impairment of trade, we need to do all we can to diminish that impairment.

[21:30]

And it's paramount to our future. And relationships such as the New West Partnership, which people were touting as the solution to some of these threats to interprovincial trade, well that kind of fell flat on its face as a result of what we're doing here today. And of course I'm disappointed to see that happen.

Now as I mentioned earlier, you would assume that there would be those high-level discussions as a result of these agreements being signed. So it's important from our perspective that we point out that we've been down this road before. And so we have to learn. This is the second time in the short last few terms that I've been here that we've had a major, major issue with transporting our goods. Now it's oil and gas. Before this, it was a grain transportation crisis. And we're still in this situation.

So as you look at ways in which you could eliminate the problems that we have not only in our province but our relationship with Western Canada, you know, I just find it disappointing that we're not to the level or to the progress we should be at.

So I want to shift gears in terms of what we're doing provincially for our oil and gas sector to assure our residents that we are doing a good job as a province. So I want to shift gears just a bit on this front. You've identified that 125 pipelines cross under rivers that provide drinking water to

various communities. Now were all those inspected in 2016 or were they inspected in 2017? And what are the requirements to inspect those particular pipelines?

Hon. Ms. Eyre: — Well thank you, Mr. Belanger. And I will just say, to go back very briefly again on this issue of what we are doing to ensure the protection and the fostering of the oil and gas sector, again the federal government is key to that consideration. You can't take the federal government out of it. It is not simply an interprovincial or, for that matter, provincial consideration. So again in terms of what we have done, *The Energy Export Act* is our best, most pressuring, we hope, effort to diminish impairment to trade. That's number one, and again challenging the carbon tax, this is a very major undertaking which was certainly thought out. And we are going to try to challenge the federal government on that at the Court of Appeal through this reference. It's pretty big picture in terms of the attempts I think we're making. And again, as I say, just two examples in the last week or so.

And let's not forget the Constitution. If we're going to talk about trade and impairment to trade, section 92 gives us that right to protect our non-renewable resources, and that's what we're doing. And that's what we're doing in terms of *The Energy Export Act* and that's what we're doing in terms of doing our utmost to not have a federal carbon tax imposed on the province of Saskatchewan.

So this is about all of Canada. It's not about silo of one province or another. This truly is a national infrastructure project, in the case of Trans Mountain, that simply has to get built. And it simply has to get built by the federal government, which has approved it.

So I will just say that in terms of your second question on inspections and so on, a very valid, important question. And I'll just give you a bit of background, and then if officials have anything to add on it, we'll make sure we ask them and they can add anything.

But in terms of that and the issue you raised, as of March 28 — that would be March 28 of this year — there are 70 licensed oil pipelines that cross lakes, rivers, and tributaries that are a source or are upstream of a source of a municipal water supply. And since July 1, 2016, our ministry has conducted, I believe it's 153 inspections of oil pipelines that cross lakes, rivers, and tributaries, that again are a source or are upstream of a source of a municipal water supply.

And the Ministry of Energy and Resources, since July 1 of 2016, has issued 47 notices as a result of inspections of oil pipelines that cross lakes, rivers, tributaries, again along that same line, upstream of a source or of a municipal water supply. And all of these issues were addressed by the licence holder. None posed an immediate risk to the integrity of the pipeline, and no penalties or fines were issued during this period. So that's just a bit of background, and again if officials have anything to add, we'll go there.

Mr. Belanger: — When you mention notices, like what are examples of notices?

Mr. MacKnight: — The majority of the notices were signage

to alert people that there is a pipeline in the location. It was either obscure, missing, or the wrong name of the company was on it. So signage is an important safety feature. It alerts people who are digging in the area or especially if folks are doing anything in the stream bed. So those were some.

I believe there were two during that period in which there was scour, some erosion on the banks that we wanted the company to attend to, to stabilize that area. But nothing during those inspections resulted in anything other than just . . . I'll talk about site maintenance, care, and custody of the site.

Mr. Belanger: — Is there a process . . . Where you have a pipeline under a river or even part of a lake, is there a different standard of integrity in the pipe? Or is it all the same throughout the whole pipeline itself?

Mr. MacKnight: — The pipes under a river are generally thicker. They're a heavier grade, thicker pipe, and the depth of the pipe will be factored in terms of making sure you're down below the stream bed to the point where there's no risk of scour or erosion exposing that pipe.

Mr. Belanger: — And is there more monitors in and around the pipeline that cross lakes or a river?

Mr. MacKnight: — It will depend on the type of pipe you're talking about, but for the types I'll say in general, you'll have what's called block valves on either side of the water crossing to shut the system down should there be a failure at any point. There'll be monitoring systems in terms of leak detection that monitor that the volumes in the pipes are and the pressures in the pipes are operating properly.

So there will be some variety of techniques used, again depending on the nature of the pipe, to monitor its integrity. The key thing though is maintenance, integrity management programs, sending devices through the pipes to check for corrosion and make sure of the pipe's integrity.

For major crossings, though — you know, large pipes, major crossings — you will have a lot of different systems being brought to bear on those ones. Now increasingly you're looking at fibre optic systems that can really determine to extreme sensitivity whether there's any disturbance in that pipe.

Mr. Belanger: — Now is there sections of the pipe that are older and need to be replaced sooner? Like, we often hear in northern Saskatchewan some of the old water and sewer systems have been around for 20 years, you know, and they need to be upgraded. Like, do we have a problem with older pipes crossing major rivers or anything near large bodies of water? Or if there are, is there extra mitigating monitoring of those pipelines? Or plans to have them upgraded?

Mr. MacKnight: — I think you've hit on a very important point. For properly maintained pipelines, you know, age is an important consideration. But if the companies, if they have their programs in place — their integrity-management programs, their safety-loss-management programs in place — they're continuously looking for the integrity of those pipes and they'll repair them as they need them. So of course as with anything, the older it gets, the more care it needs.

But there's no reason with a well-engineered pipeline system, just like a well-engineered building, proper maintenance can't keep those in a very safe standard. And that's very much . . . Integrity is the hallmark right now. The industry, it's really putting a lot of effort into standardizing and developing programs. The Canadian Energy Pipeline Association's Integrity First program that they have right now is just, well it's world leading in terms of some of the work they're doing there.

But really the thing with pipes is the maintenance programs, and tied to that is the training and ongoing skills of their staff in terms of running the systems, monitoring the systems, and maintaining the systems. And the industry spends a lot of time and effort doing that. So our job as regulator really is not so much doing the inspection. Our job is making sure that the companies do have in place those programs that meets the CSA and the industry standards for maintenance.

Mr. Belanger: — And you know, it's often how the public in general asks questions about the pipeline industry itself, and there's a lot of misinformation but there's a lot of information out there as well. So what is the amount of pipeline in Saskatchewan that's underground versus exposed? Is it 99 versus 1 per cent? Or is it all underground throughout the whole province?

Mr. MacKnight: — Mr. Belanger, to the best of my knowledge, the pipes that would be at surface would be at locations where the company would want to be accessing the pipe to put in; they're called PIGs [pipeline inspection gauge], and they're coming up to the surface for the pumping or wherever they're being delivered. It's not a good safety feature to have the pipe above ground because, you know, it gets exposed to things that you wouldn't want, you know, people and things like that. But most of the time you'll find that it will start coming out of the ground once it's getting to a facility that's its delivery point or a pump station or something to that effect.

Mr. Belanger: — In certain areas of the province there are environmental risks of course to putting anything underground. And I think, you know, at the Regina Beach we were hearing of pipelines . . . not pipelines but natural gas lines being ruptured by shifting earth and so on and so forth. And while pipeline integrity is much greater in a pipeline for oil than a gas line, there's still that pressure of the earth shifting, which is incredible. So is there certain areas of our province where that could be an issue?

Mr. MacKnight: — Mr. Belanger, you've touched on a very important point. The CSA standard that I referred to earlier, in 2015 was updated to address what's called geotechnical risk, slopes moving. And for a variety of reasons — and we're not the only regulator that's concerned about it — slope movement, even on well-engineered pipes, can put a strain on the pipe.

And so there is a variety of things you can do about it. One of the first things you can do nowadays is, when you're designing the pipe, is to make sure you're designing this to avoid those kind of geotechnical risks.

[21:45]

But where you have a pipeline in place, you need a full program to assess on an ongoing basis whether there's any slope movement. And there are things you can look for on the ground to identify that. I know for our field inspectors, we've gone through training so that they can identify the signs of geotechnical risk. And those water crossing inspections we mentioned, we were looking for those particular things.

So it's a very important part of that. Of course, you know, we always thought being on a flat prairie we weren't going to be as exposed to it. But certainly some of the North Saskatchewan River, of course the South Saskatchewan, any of those where you have a water body and a high bank, you're running . . . You better be attending to the potential that water will undercut and your slope may start to move.

But I think it's fair to say that, in terms of safety loss management programs and integrity management programs for the industry, that particular risk you're talking about, this geotechnical risk is at the forefront of thinking in terms of pipeline maintenance.

Mr. Belanger: — How many inspectors do we have that look after these pipelines? And were there any audits — safety audits, I'm talking about — done last year on any pipeline operators?

Mr. MacKnight: — Our field staff that are based in our four offices, we have about 30 of them and they do full range. They do pipelines, wells, and facilities. So our engineering staff, if you will, for pipeline engineering is based in Regina and we have three full-time pipeline engineers. But in terms of our field inspection work, most of that's done out of our field offices.

In terms of the question you asked in terms of audit, last year we carried out a survey of all of our operators to take a test as to where they're at in terms of these various integrity management programs that are needed. We were very pleased with the results. Most of the companies — and it might have had to do with a pipeline failure here in Saskatchewan — had updated a lot of their emergency response planning, had done integrity management programs, had put in place geotechnical things.

So we were generally pleased. There were a couple of companies that we followed up and were after them to get some of their programs updated.

With respect to that though, going forward, our pipeline regulation enhancement program, that's going to be a central aspect of what we're building our new systems is to be more rigorous in monitoring where the industry's at in terms of those audit programs that they're required to undertake in terms of meeting their regulatory obligations.

We're working with other regulators, Alberta and BC, in terms of designing our programs going forward. But clearly it's going to be a focus of our efforts in the next few years.

Mr. Belanger: — The public in general, as I mentioned at the outset, they need to learn a lot more about how our pipeline industry works. They need to know a lot more, the inspection process and what is required of them to operate. Now of the 23 000 kilometres of licensed pipeline, how much of that would

have the smart pipeline inspection gauge devices analyzing them? I'm assuming this is a new technology. And of that 23 000, how much would have the smart pipeline inspection gauge?

Mr. MacKnight: — That technology, and it's getting better as with any technology, but the PIGs, or the smart PIGs as they call them, have been around for quite some time. I can't answer directly your question on how many kilometres can be pigged, to use the term, because I don't have the . . . It's diameter driven, so we would have to get you an estimate of that. But generally, I mean, you need to . . . Well I'd be speculating. I'm not an engineer. But that technology's pretty advanced and it can monitor a lot of things.

Mr. Belanger: — And as well, when it comes to inspections and so on, flowlines, are they inspected as well on a regular basis? Or I think earlier you talked about the fact that, you know, there'll be more regulations coming to flowlines, but are they inspected now?

Hon. Ms. Eyre: — So, Mr. Belanger, just to follow up then. I guess to say that the flowlines, of course, are attached to wells and so field people and staff on the ground, as it were, they do that comprehensive inspection work when they're on site. And of course PREP [pipeline regulation enhancement program] will strengthen the ability to manage these things in terms of inspection and an ability, I guess, an enhanced ability to do even more in that regard.

Mr. Belanger: — How many spills did we have last year and the year before?

Mr. MacKnight: — In 2017, we had 606 reported incidents. In 2016, 624. So they're about the same in terms of the number of incidents. And I'm going to mention that for incidents, I don't have a breakdown versus spills and the type of product right here, but those generally will be reported to us if there's a release of gas or a release of oil or a spill of water or any of those things. They'll report it to us as part of their obligation under their licences.

Now in terms of pipelines, we only last year had 14 incidents and that would have been a spill in terms of the reporting.

Mr. Belanger: — And is there a category of spill within the department? Like, obviously the smaller spills you would categorize in a different way. And the larger spills, is there a scale that you would use? And is there fines attached to that?

Mr. MacKnight: — No. There's no fines attached to it. We require all the spilled volumes to be reported to us. And the reason that we want the spilled volumes is at end of life, in terms of abandoning and reclaiming, you want a record of where the spills were and what they were. So the companies do report, you know, their volumes that they put down in the ground.

Mr. Belanger: — And we spoke about the regulatory process and the need to assure the public that there is integrity within our pipeline system, that there's inspections, and that there are environmental considerations through some of the things that we are doing. All things, I think, that are paramount to show

leadership, you know, as a province. And obviously one of the things that's important is the relationship with the oil and gas sector.

And have we saw any of the oil companies choosing to reduce their investment in our province? Because we often hear some industry sectors concerned about the rising electricity, power costs, last year's PST [provincial sales tax] increases. Like, all these costs of doing business in Saskatchewan is another impairment of business development. Has there been any demur from the companies as to those challenges as it pertains to them investing in Saskatchewan, say, versus Alberta?

Hon. Ms. Eyre: — So thank you, Mr. Belanger. It's of course a big question and of great interest to us and continued interest to us, to make sure that the environment in which the companies come in and the sector is involved remains as competitive as possible. And again so far we've seen a strong, continued interest and investment in the province here.

Again there are cumulative impact issues which industry and the sector raise, and we take those very seriously. It's one of the reasons why we didn't raise the administrative levy in this budget year, so as to consolidate where we're at and make sure that we are not doing anything to further affect the competitive advantage that we currently have, and that industry and the sector acknowledge we continue to have.

But it is a broader issue, of course, about remaining on track in terms of balancing the budget and many, many factors that come into, you know, continuing to maintain that competitive climate for investment. And we're very optimistic that it will continue. We have to be ever vigilant, of course, and make sure that we're doing everything we can to make sure we continue to encourage investment.

And again I guess if there's a biggest issue that certainly the sector is raising currently, it's that Trans Mountain pipeline and the continued importance of it and of making sure that everything is done — through all the issues that we've touched on tonight — to continue to make sure that products are reaching where they optimally should go. That's the biggest issue that we face in terms of threat, if you like, to the sector.

[22:00]

Mr. Belanger: — Last budget was I think a very trying time for industry, as I alluded to, increasing power costs and PST increases and . . . However, you introduced an oil processing investment incentive, but to date no companies have applied for it. Any idea why there hasn't been any applications, and have you spoken to companies that might be interested in the value-added oil processing project?

Hon. Ms. Eyre: — So, Mr. Belanger, just in terms of the oil processing incentive, and again it's important to point out, as you have, that there haven't been any applications under that program. But the intention was about, was to provide general subsidies . . . Sorry, wasn't about providing general subsidies to the oil and gas sectors. It was about diversification, and again continuing to engage with the sector, creating more value-added oil processing projects which very possibly could be refined somewhere else. That was the intention of the program. And

again we continue to engage with industry in terms of who might apply in the future. Again it was about diversification, as I say. But no other update in that regard.

Mr. Belanger: — The incentive was for projects that had a total output of less than 60,000 barrels a day. Is that correct?

Hon. Ms. Eyre: — Just to clarify, Mr. Belanger, you're correct. I believe you said that it was for projects with a total output of less than 60,000 barrels per day. So that would be correct, just to confirm.

Mr. Belanger: — And how many projects out there in the province have an output of less than 60,000 barrels a day?

Mr. Pushor: — We've been involved in discussions with a few companies who are advancing work in a variety of projects. Unfortunately sometimes it's difficult to be into specifics, depending on whether or not the companies have been public with their own intentions, and so it's difficult sometimes to talk about specifics.

You would know from media reports that there's a company looking at a project in the South around the Stoughton area. We continue to watch and monitor what their progress is towards actually advancing a project, and we'll support them as best we can. You may also recall that in Lloydminster, Husky has had some public meetings about a project they've been advancing. It's been slowed down somewhat but we anticipate continued work on that.

All of these things are subject to a variety of inputs and elements in a company's decision-making process, and so we often watch a varying flexibility around their long-term investment decision timelines. But there are others who have a variety of unique projects that we're talking to. Some of them are earlier stage new concepts or new technologies, and some of them are more advanced and more mature. So we'll continue to monitor all of those activities, and we'll continue to monitor the incentive to see if it is packaged in a way that makes the most sense to accelerate those investments.

Mr. Belanger: — Now the question that I would ask is, how did we arrive at the 60,000-barrel-a-day figure? Like why was that cut-off chosen? And as a result of the zero uptake in this incentive program, are we considering changes to it to again stimulate this sector?

Mr. Pushor: — Well we had taken the time to examine sort of what was perhaps the most likely, given the geographic nature of value-add developments. We also looked at the scale and scope of projects that might make sense in Saskatchewan in the near term given all those things, and that's the scale we arrived at. It also gives you an opportunity to reflect on, you know, if someone came along with a huge concept or a huge dream, we haven't made a formal commitment to something like that. And those could be evaluated then when a project of that nature came forward, not that we've seen any of that scale.

Mr. Belanger: — Now is it fair to say that as a result of this oil processing investment incentive, and no one in the oil and gas sector bothered to take advantage of this incentive — we're at 60,000 barrels a day and yes, there's some discussion but

there's no movement — and then you throw in the increased power costs and the PST increase on the resource companies, you begin to see a trend? Is there a movement by industry to potentially have a capital strike against Saskatchewan?

Mr. Pushor: — Well I think if you look at the investment, and I'll start with the oil and gas sector, we've seen continued strong investment. 2017 closed out in excess of \$4 billion in private investment in the province of Saskatchewan. We also see good activity both in terms of conventional drilling and enhanced oil recovery projects in the province. We look at a series of independent indicators on the attractiveness of our investment climate. And we continue to look at things like Scotiabank's playbook and we see a number of Saskatchewan's plays still ranking very high in terms of the attractiveness of those.

If you look at the Fraser Institute study on attractiveness as achieved by polling, I believe we ranked seventh in that. And we saw our neighbours to the west take a precipitous tumble last year. They fell all the way down to I believe 24th. So we're monitoring a number of those things and looking very carefully at making sure our environment maintains its place to be protective. And perhaps I would turn it over to the minister for a moment.

Hon. Ms. Eyre: — Well and I'll just follow up, Mr. Belanger, on your comments about the sector and sectors and how they see the province. And certainly they continue to be very positive about investment opportunities. And one of the things that this budget highlights in terms of the mining sector is the mineral development strategy. And we haven't talked about that this evening, but I think it's important in terms of industry response.

For example, today president and CEO [chief executive officer] of Canyon Copper, Stephen Wallace, said he agrees with the high ranking of Saskatchewan by the Fraser Institute that Mr. Pushor has just referenced. But since the company began working in Saskatchewan in May 2017, the support by the Saskatchewan government has been first class. And the mineral development strategy reinforces the benefits of exploration and mine development in Saskatchewan.

That's just one comment — and that happened to come in today — about how the mining sector, for example, views investment here and possibilities here. And again in terms of the mineral development strategy, so very positive on that by this individual today. And that's just one of many types of similar comments that we certainly see.

But in terms of that strategy and incentive, I think just to remind the committee that this is about 750,000 for what will be a four-year strategy to create a program that will encourage mineral exploration and increase the amount of geophysical data available. And it will focus, as we've said before, on base metals, precious metals, diamond commodities which have that unrealized potential to help grow and diversify Saskatchewan's mineral sector.

So just one of many I think a very important thing too to highlight. And in terms of how the sector perceives Saskatchewan, we found, and you'll probably know, a 2016

survey of base and precious metal exploration companies said they had not done exploration in the province due to a lack of competitiveness incentives. And they considered that something of a deterrent. So this was an attempt to be directly responsive to the mining sector in this case. But I think it's emblematic of the approach that we take across the board to continue to be very welcoming and encouraging of investment in the province.

The Chair: — Thank you, Minister. Now having completed our time on the Standing Committee on the Economy in consideration of estimates of vote 23, Energy and Resources, Minister, if you have any wrap-up comments or any thank yous you'd like to make this evening, you may do so now.

Hon. Ms. Eyre: — Well thank you, Madam Chair. And thank you to members of the committee, to Mr. Belanger for your questions. If there are items, and I believe there are a number that we need to follow up on, we will certainly undertake to do so as soon as we can. And I simply want to thank officials from Energy and Resources in this new back-to-the-future ministry that it is. And again it's a very small representation here this evening of everything it takes every day to make this ministry what it is and as highly regarded as it is. So I would like to thank them again and thank the committee and thank you, Madam Chair.

The Chair: — Mr. Belanger, if you have any closing comments you'd like to make.

Mr. Belanger: — Thank you, Madam Chair. I would just point out that we got the answers we needed this evening, and we'll be proceeding as such from the information gleaned as a result of the estimates. And again thanks to the officials for being here this evening and to the committee.

The Chair: — I would now ask a member to move a motion of adjournment. Mr. Buckingham has so moved. All agreed? Carried.

This committee now stands adjourned to the call of the Chair. Thank you, everyone.

[The committee adjourned at 22:13.]