



STANDING COMMITTEE ON THE ECONOMY

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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 19:01.]

The Chair: — All right, welcome. Welcome everyone to the Standing Committee on the Economy for April 15th, 2019. Committee members sitting in tonight are myself, Colleen Young, as Chair. We have David Buckingham. Lisa Lambert is sitting in for Terry Dennis. We have Delbert Kirsch, Randy Weekes sitting in for Warren Michelson, Doug Steele, and sitting in for Ms. Mowat is Mr. Buckley Belanger.

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

Subvote (ER01)

The Chair: — We will now begin our consideration of the estimates for Energy and Resources, vote 23, central management and services, subvote (ER01). Minister Eyre is here with her officials. And I would ask that each of the officials please state their names the first time they speak at the microphone this evening. Ms. Minister, if you would like to introduce your officials that you have with you here this evening and begin with your opening remarks.

Hon. Ms. Eyre: — Thank you, Madam Chair. It's my pleasure to be here this evening to consider the estimates of the Ministry of Energy and Resources.

I will introduce the following officials: Laurie Pushor, deputy minister; Doug MacKnight, energy regulation; Kathryn Pollack, ADM [assistant deputy minister], resource development; Denise Haas, chief financial officer, if you could just give a wave; Jeremy Brick, my chief of staff; Cory Hughes, executive director of mineral policy; Corinne Fuchs, director of financial planning and operations; Bev Deglau, executive director, revenue and business systems; Cullen Stewart, executive director, energy policy; Tyler Lynch, executive director, marketing and communications. And we'd like to wish Tyler a happy birthday — first ER [Energy and Resources] estimates of many, Madam Chair. And Trent Blezy is also here, executive assistant to the deputy minister.

So our government's 2019-20 provincial budget is designed to maintain the right balance for Saskatchewan, is based on sound fiscal management while keeping taxes low. It enables continued economic growth while supporting the kinds of government programs and services that the people and businesses of this province deserve. It also helps to ensure the future sustainability of the investments our government is making into our programs, services, and infrastructure.

Madam Chair, Saskatchewan is a jurisdiction of choice for mining, oil and gas investments, across Canada and around the world. Our province is well positioned for economic growth in 2019 as commodity prices begin to improve and economic recovery takes hold.

When we talk to investors about potential investments and opportunities in Saskatchewan, we are often of course talking about resource development. As the second-largest petroleum producer in Canada, our oil and gas industry is a major driver of

investment and activity for our economy. Oil and gas is responsible for an estimated 15 per cent of Saskatchewan's gross domestic product, and we account for an estimated 12 per cent of the nation's crude oil production. The number of horizontal oil wells drilled in Saskatchewan in 2018 was up 3 per cent from 2017. We produced an average of 488,000 barrels of oil per day in 2018, increasing slightly from the year before and making us the sixth-largest onshore producer in Canada and the United States. The combined value of oil and gas production is forecast to be 9.8 billion for 2018, up 6 per cent from 2017.

In terms of our mineral resources as well, Saskatchewan is a global leader. Our potash industry typically accounts for about 30 per cent of world production. And by conservative estimates, we could supply world demand for potash at current levels for several hundred years.

Saskatchewan is also the world's second-largest producer of uranium. Our known uranium reserves and resources and geological potential for new discoveries will ensure that we remain a reliable, safe, and secure supplier to the global nuclear industry.

Meanwhile forestry is one of northern Saskatchewan's largest industries, second only to mining. Saskatchewan has 10 large primary forest products facilities producing lumber, pulp, and panels. We have more than 200 smaller businesses producing a variety of primary and secondary forest products. In 2018 forest product sales totalled over 1.2 billion, the highest value in over a decade. This sector also supplies nearly 8,000 jobs, approximately 30 per cent of which are Indigenous.

Madam Chair, our ministry's mandate is to help, enable, and encourage the continued responsible development of our resource industries that contribute so much to our economy and to our quality of life. To that end, the 2019-20 budget for the Ministry of Energy and Resources is 46.4 million. This includes an overall increase of 522,000.

There are several key elements to our ministry's budget. These include a \$317,000 increase in amortization for the implementation of some enhancements to the integrated resource information system, otherwise known as IRIS. This is specifically related to the pipeline regulation enhancement program.

This continues our government's commitment, announced in 2017, for a multi-year program to strengthen our approach to pipeline regulation. The funding for this enables our government to work more closely with the oil and gas industry to ensure the safe operation of our pipelines. There is also an additional \$525,000 increase to IRIS capital for the pipeline regulation enhancement program.

Madam Chair, the next year will also involve extensive work to implement our methane regulatory program to reduce greenhouse gas emissions in the oil and gas industry. In keeping with our historic approach, we have developed a made-in-Saskatchewan approach which will deliver real GHG [greenhouse gas] reductions of 4.5 million tonnes. This work includes the oil line reporting and management of these emissions through our integrated resource management system,

otherwise known as IRIS as mentioned, and we are pleased to be the first jurisdiction to be able to manage this reporting through our online system.

Complementary programs to minimize the impact of these expectations include the new oil and gas processing investment incentive, as well as the Saskatchewan petroleum innovation incentive. These programs will help ensure that our industry will be able to meet climate change objectives while remaining competitive and will also support competitiveness goals by encouraging value-added projects in the province of Saskatchewan.

We also remain, of course, an attractive jurisdiction, more than attractive, for oil and gas investment. The *Scotiabank Playbook*, which ranks the top 50 oil and gas plays across North America, has six of the top 20 plays, including the number one overall, right here in Saskatchewan. Last year we saw over 4 billion in capital investment by the oil and gas industry, and we remain confident about attracting similar levels of investment this year.

The greatest obstacle of course to investment in the oil industry in Western Canada remains the lack of pipelines and the combined impact of the Government of Canada's attempts to be intrusive and disruptive in terms of legislative changes, which include the carbon tax, Bill C-69, Bill C-68, and Bill C-48, as well as the Clean Fuel Standard. Combined, these intrusive moves by the federal government have created a degree of unnecessary uncertainty that is not acceptable for our province or for our nation.

The 2019-20 ministry budget also includes the following items worth noting. We have more than 200 . . . Sorry, one minute here. I apologize, Madam Chair. Sorry, I had too many papers.

To offset ongoing pressures, the Surface Rights Board of Arbitration will receive a \$53,000 increase transferred from the energy regulation division operating budget. There is a transfer of 53,000 from the revenue and business systems division to the energy regulation division to support the consolidation of the energy and resources service desk. As well, 33.75 million is for the continued remediation of the Gunnar mine and satellite sites. This is a multi-year project, and as such has each year a specific work plan, and annual budgets are based on the proposed work for each year.

In terms of the Gunnar remediation there is no change in the overall budget, and the project remains on-budget overall. The allocation of 33.75 million is what we are forecasting to forward to the Saskatchewan resource council this year to continue this remediation work.

Regarding changes to the potash production tax, this has been simplified by eliminating outdated tax credits which have grown to a point where little or no base payment was being made over the last several years. Saskatchewan's royalty and tax system remains appropriate for our world-class potash resources. As a government we will continue to work closely with our potash companies to protect overall potash competitiveness, particularly in regard to the federal carbon tax, Clean Fuel Standard, and other federal intrusions that threaten that competitiveness for our industries.

Madam Chair, this budget supports our ministry's role to oversee the responsible development of Saskatchewan's natural resources industries, including mining, forestry, and oil and gas. Our ministry also provides and administers the regulatory oversight of these industries within the province. This is a mandate of course of considerable importance, given the impact and economic value of these sectors in Saskatchewan. Our ministry is accountable for the stewardship of a competitive royalty framework related to these industries as well as the transparent policies upon which that royalty framework is based.

This budget will assist our energy and resources sectors and further help to set the pace of our province's economic growth. It will also support us in continuing to promote Saskatchewan's diverse resource potential to investors around the world.

Madam Chair, the economic future of our province will always include resource management and development to a significant degree, and this budget equips us to meet whatever challenges and opportunities we face in the future.

This concludes my opening remarks, Madam Chair, and I now welcome any questions from the committee on these estimates.

The Chair: — Thank you, Madam Eyre. I'll open the floor to questions, and I'll recognize Mr. Belanger.

Mr. Belanger: — Thank you, Madam Chair. I just want to clarify, from the minister's perspective, is your department responsible for the allocation of forestry resources, in particular FMAs and TSL, forest management agreements and term supply licences, or is there some collaboration with the Saskatchewan Environment ministry?

Hon. Ms. Eyre: — The actual authority rests with Environment, but we collaborate, of course, closely with them as Energy and Resources.

Mr. Belanger: — Okay, so who would have the right of first refusal in allocating a TSL or an FMA? Would you overrule the ministry or would the ministry overrule yours?

Hon. Ms. Eyre: — There's always been a consensual arrangement and agreement and working relationship on those matters, but generally and ultimately it is Environment that makes those decisions.

Mr. Belanger: — And how is the collaboration with the Minister of the Economy? The purpose and the basis of my questions is really around the former minister of the Economy being the former member from Kindersley. Actually he took TSL rights away from a number of communities in the North. And from our vantage point, we basically saw this as an arbitrary decision. There was very little collaboration with Energy and Resources and now, I dare say, very little with Environment as well.

[19:15]

And that's the reason, between the Ministry of the Economy, the Ministry of Energy and Resources, and the Ministry of the Environment, one would guess on how a decision is made pending the dynamics of the ministers involved and the authority, of course, and the intended objectives of the government. So

that's what the basis of my question is. Who decides whether group A gets a TSL or group B gets it or group A gets an FMA or whether group B gets it? Like how are these decisions made internally to your government?

Mr. Pushor: — I'm Laurie Pushor. The discussions around the Northwest Communities' timber supply licence, TSL, were extensive at that time. As you recall, in 2006 there was a widespread collapse of many parts of the forest industry in the province and extensive work was undertaken to ensure that as many of the facilities could reopen as quickly as possible.

When the Prince Albert forest management area was allocated, you would be aware and recall that the Montreal Lake, as well as the agency tribal chiefs, were allocated direct allocations of fibre at that time. When the Carrier Lumber expressed an interest in reopening the Big River saw mill, which we were not finding a ton of interest in reopening, one of their requests was that the government make a direct allocation of the fibre that had been allocated to the Northwest Communities . . . was made directly from government to give them the certainty of supply to make it more, provide more assurance for their lenders.

In considering whether to do that or not, a couple of factors weighed heavily. First of all, the supply had been underutilized for many years. We weren't able to attract, in partnership with the communities and the operators, to harvest any extensive amount of that fibre. And given that, extensive negotiations went on with all of the communities involved at the time and it wasn't until we had a signed agreement from all those communities that we went ahead and took the fibre back.

A significant part of that agreement was to pay an equivalent amount to those communities for 20 years. That would be equivalent to the rent they would've achieved had they made the allocation to Carrier themselves. It was thought to be a pretty good compromise to achieve, both the allocation of that fibre to Carrier to give them the certainty they needed to go ahead and restart that facility, but also to ensure that the communities received fair compensation for the fibre that they had been holding. Over time we hope that harvest grows in the North and certainly we continue to work to that end.

Mr. Belanger: — There's a bit of a challenge, I would like to offer, in that statement in the sense of, you know, on one hand you indicated 2006. I would say 2007 and 2008 there was, in essence, the phrase that people often use in the forestry sector was forestry was in the tank. There was nobody making any large investments. There was actually a retraction of investment to the northern development.

So the argument that the northerners would make is that under the use-it-or-lose-it clause that Environment would implement, if people were not utilizing their forestry right that you would lose it, that it would go to someone else that would use it. And at the time that forestry was in the tank per se, no other FMA or TSL to my knowledge got the same directives as the Northwest Communities did. And that directive was implemented and led by the former member from Kindersley, the minister of the Economy, and if I may use his name here, Mr. Bill Boyd. And I don't believe there was any consensual agreement from the communities at all. I think the communities were strong-armed into accepting the current deal as it pertains to the forestry

resources.

So the northerners were sitting there scratching their head wondering, well if forestry is in the tank as everybody's saying it is, we like everybody else can't find investors to come here, so how can the government come along and implement the use-it-or-lose-it clause on us to accommodate the requests from Carrier? And it goes back to my earlier point. How extensive are the consultations between the departments to ensure that we do two or three things fundamental to my view of governing, and that's the fairness factor, incorporating the duty to consult and accommodate? And quite frankly, it's a fair and just thing to do.

Now I understand that there were meetings that were undertaken. I was not invited nor was I privy to those meetings. I was asked by the minister to not interfere with the process in a private conversation. And it's not my role as an MLA [Member of the Legislative Assembly] to interfere, but had we known what was being proposed — not proposed but placed upon the demands of government onto the Northwest Communities — perhaps I should have. But none of the mayors contacted my office and you have to have confidence that the mayors obviously know what they're up against and would certainly argue back.

So I guess my question is, in view of what was accomplished in this particular resource and in your role in the collaborative effort, have any of these arguments been forwarded over the last couple of years of how the Northwest Communities lost their TSL? How did they lose it?

Mr. Pushor: — Thank you very much for your question. I would maybe just clarify a couple points. First of all, when Weyerhaeuser exited the province, all of the FMAs they held were forfeited in their exit. So all of the northern forests were to be reallocated in order to attract operators into the space.

We went through an extensive negotiation with potential forest operators as well as First Nations leaders across particularly the area of the Prince Albert forest management area. They were engaged in and continue to be a part of the mutual management of the P.A. [Prince Albert] FMA.

As I indicated earlier, the Northwest Communities' fibre allocation had been inactive for many, many years. In fact, if you go back to the history of when that timber supply licence was allocated, there really had been little or no harvest on that licence, even before the collapse of the industry in 2006.

Based on the interest of Carrier to have the stability of a direct allocation from government, which makes it a firm, 20-year commitment, and the uncertainty that they were concerned about, extensive discussions on numerous occasions occurred with the Northwest Communities and an agreement was reached that saw the equivalent of the stumpage provided to the Northwest Communities for 20 years, ensuring that they received the value that they would have received had that allocation been made by them as part of a negotiated agreement on behalf of the communities, and ensure that going forward, if and when that fibre is able to be harvested, that the Northwest Communities will have resources to be able to participate in that harvest.

So I think it's fair to characterize that there were extensive discussions on several occasions. In fact the allocation was

certainly eligible to have been removed under the use-it-or-lose-it clause, but it was by a negotiated agreement that the concession was made.

Mr. Belanger: — May I ask which individuals from your ministry, Madam Minister, were involved in those negotiations? Would you be able to share with me the names of those that led the negotiations on behalf of Energy and Resources?

Mr. Pushor: — I would just clarify that it was led by the executive director of forest development within the Ministry of Energy and Resources at the time.

Mr. Belanger: — And what would that gentleman's name be?

Mr. Pushor: — Sorry, the gentleman has since retired from the ministry and so I just wanted to be a little bit cautious. It was a gentleman by the name of Bob Ruggles who led the negotiations.

Mr. Belanger: — Okay. Now under the stumpage agreement, you indicated that part of the discussion was the stumpage fees for a 20-year period in lieu of their relinquishment of the TSL. What would that value be over the 20 years?

Mr. Pushor: — I'm sorry, sir, I don't have that with me. I was checking. I knew you'd get to that question, and I was checking to see if I have it. I don't have it here but I'm happy to get it for you.

Mr. Belanger: — Okay. Well, Madam Chair, please note that the official has agreed to get me that information. And is there a time frame that is acceptable to achieve that objective?

Mr. Pushor: — If I can't have it tomorrow, it will certainly be this week.

Mr. Belanger: — Thank you very much. Madam Chair, for the note, I'm looking forward to getting that information, and we will certainly follow up.

In terms of the NWC [Northwest Communities Wood Products Ltd.], they were in essence receiving an annual operating grant of 325,000. Is that money still being allocated to NWC through your department or is it under Saskatchewan Environment? Because this is the basis of the next four or five questions.

Mr. Pushor: — If I could just ask a point of clarity, are you talking about under the terms of the agreement that was put in place in exchange for relinquishing the timber supply licence?

Mr. Belanger: — No, I am talking about their operating grant that they received. They received roughly \$325,000 per year. And I'll explain and give you a basic history of it.

When the objective was to incorporate Indigenous communities into the forestry development, there was a number of principles applied to forestry development during our tenure as government. And part of the process was to utilize the full amount that's available, value add, and have full Indigenous engagement, both Métis and First Nations. Those were the pillars or the three principles behind that.

So as a result of that, we helped foster the creation of the

northwest wood products, Northwest Communities Wood Products. MLTC [Meadow Lake Tribal Council], and you mentioned other organizations within the P.A. region, already had their organization going. They had some experience. But the Northwest Communities had zero experience. They were people living on the land, had forestry around them. They wanted to be active in forestry development.

So we, in following through those three tranches of thought, we decided to invest in helping them build capacity. They hired a forester. They hired a general manager that had experience. And they looked at a post operation in Beauval and in a few other investments.

One must certainly give credit to the Northwest Communities as they did try to try and get involved and be a good player in forestry development overall. But they never achieved it because they didn't have enough resources and they never had any experience nor exposure. But the effort was made to position them well.

Part of the process when that was negotiated was that Northwest Communities said, can you give us some operating dollars so we can hire the proper personnel and begin the process of building a business case for this TSL? And that is a reference I'm making to that particular money. So each year they got \$325,000.

At one time I thought Energy and Resources was giving them, but I don't think . . . Later on I think it was the Ministry of the Economy that was giving them. But it switched somewhere. And that's why I'm asking: is that money still being allocated to them or is the stumpage fee a replacement for that? That's where I'm going.

[19:30]

Mr. Pushor: — Thank you very much. I'm sorry, I am not familiar with the grant program you're referring to that predates the Sask Party government. I do know that the agreement that was entered into in exchange for allowing the government to allocate the timber supply licence directly to Carrier products began with a payment of \$365,000 annually, and that agreement should be in place for 20 years. So we were able to get you an answer.

Mr. Belanger: — Now that 365, it's an increase of \$40,000 from the operating dollars that were granted, because I distinctly remember we granted them \$325,000 and that was intended to help them build capacity in forestry development. And the whole notion behind that was that we would eventually see an FMA allocated to them through the Department of the Environment. And there was collaboration with Energy and Resources and there was collaboration with the Economy. Obviously things shift over time.

So am I safe to assume — and correct me if I'm wrong — that the \$325,000 that was allocated for operational and developmental support for Northwest Communities, that is now replaced by this stumpage fee agreement because, to your recollection, there's no other funding going to the NWC?

Mr. Pushor: — That's correct. To my recollection there is no other funding going to the NWC. What I do not know — and I

would certainly commit to finding out this history for you — when the grant program you're talking about ended. I know that when the agreement was reached to allocate the timber supply licence directly to Carrier, that that was not part of that discussion. But I'll confirm those timelines for you within the next day or so.

Mr. Belanger: — The purpose of sharing this information, Madam Minister, is so that you're aware. When you make the statement in the Assembly that forestry is the second-largest industry next to mining, it's important to note that northern people, northerners — First Nations and Métis, primarily that's the makeup of our northern communities — that this resource is in their backyard.

And in your discussion and collaboration with Saskatchewan Environment and the Ministry of Economy, those people of that area had an interest. They did want to participate. But since they never have had that experience and exposure of a regional forestry opportunity through a TSL, and we were hoping that that TSL morphed into an FMA, which has real value in the economic thinking. It was taken from them; it was taken unceremoniously I might add.

Because I think at the end of the day every single forestry company that was operating at that time, save Weyerhaeuser because they were bankrupt . . . I don't remember what they changed their name to, but they were bankrupt and they had no intention of coming to Saskatchewan. But every other single resource-based company was never given the ultimatum of use it or lose it, save one — the Northwest Communities. They were told at that time, you're underutilizing your wood. You're not obviously achieving the objectives that we want so we're going to take it and we're going to give it to a company out of BC [British Columbia].

So when you talk about the notion of it being the second-largest industry next to mining this is where, Madam Minister, it's so very important to understand that the Indigenous community, both the Métis and the First Nations, want to be part of that solution. Day in, day out in this Assembly, I talk about economic and social justice. I talk about participating in the economy that's worth \$90 billion to the provincial coffers overall. If we engage people from the Indigenous community into these economies, it's fair, it's right, it's just, but it's also profitable.

So when you look at some of these things, these are what we mean when we talk about those things in general terms. So the worry I have is, the extensive consultation that was done, how many officials from Energy and Resources attended how many meetings with the Northwest Communities? And the genesis of that question is, I want to see where the emphasis was on duty to consult. Was it placed on the government or was it placed on Carrier? That's why I think the important point around the notion of how many officials from Energy and Resources attended how many meetings and, of course, over what period of a time frame.

Hon. Ms. Eyre: — Thank you, Madam Chair. I'll just begin and then Mr. Pushor or other officials can weigh in to follow up. I guess I will just say to Mr. Belanger, certainly duly noted on his take on the historical context and his concerns around that.

I guess it still remains true, however, that right now where we

stand in 2019, of course the forestry industry is emerging as one of the province's strongest growth sectors — a sector we're very proud of — and, you know, it generated sales of nearly \$1.2 billion in 2017. That was a 21 per cent increase over the previous year with the highest value of forestry product sales in over a decade. Certainly we can build on that. We remain very hopeful, of course, and optimistic that Paper Excellence will plan to reopen the Prince Albert pulp mill, you know, as early as 2020. And just that it's important I guess to emphasize before we go back into the past on some of these things that the sector does support a total of more than 8,400 jobs, which is approximately 30 per cent held by Indigenous people. So very proud of the sector. It is an absolute going and growing concern and again one we're very proud of.

And I mean again there have been some very optimistic developments. The new Saskatchewan First Nations Forestry Alliance, for example, now includes 13 First Nations: Montreal Cree Lake Nation, Big River First Nation, Pelican Lake First Nation, Witchekean Lake First Nation, Meadow Lake Tribal Council, which we've discussed, and their related business organizations. And so this is of course very good news for now, 2018-19.

But anyway, I'll let officials weigh in on the some of the questions about specific meetings and their recollection back, whatever, 10 years.

Mr. Pushor: — I can't be 100 per cent specific. I know that the minister of the day was involved in three face-to-face meetings in northern communities, I believe. It was either two or three. Other officials did attend meetings beyond that. I'm not exactly sure of the total number of those discussions. I think there is no room to dispute the intent certainly is to do everything we can to ensure not only a prosperous forest industry but also full engagement of our Indigenous communities across the North. Many positive results of hard work have been achieved to date. We see more and more First Nations-owned companies active in the forest industry. And certainly, in the longer term, there's every intent to work with the Northwest Communities and bring those opportunities further north.

Mr. Belanger: — I just want to point out as well that, in your deliberations as you, Madam Minister, visit the Métis communities or if you have exposure to NWC, that you ought to know what the intent was from day one.

Now we commend the First Nations on their assertiveness over this particular resource. I think based on their experience, their exposure, their ability to access federal dollars in many instances, and many times using their own-source revenues that they're able to position themselves. And that's why we can use the figures that you just used just now when it comes to Indigenous participation.

But the Métis are one group that have been left out entirely. NWC was the only entity that had Métis participation. So in the discussions that we have this evening, I'm certain we only have a couple of hours, but I can go on at great lengths of the history intended to be fair to all the participants of Saskatchewan.

Now as you have discussions, and I understand officials have been, and I understand Mr. Pushor's had a history of being part

of those discussions under the Ministry of the Economy, is there a clause, is there an agreement to recover some of the lost TSL allocation that the NWC communities enjoy? Or is it gone forever? Or is it gone in 20 years? Like what is the agreement given to Carrier? Are we privy to that information today?

Mr. Pushor: — Thank you very much. I would be happy to work with you and any interested parties relative to forestry development at any time. The agreement, to my recollection, is a timber supply licence with Carrier which affords a certain degree of flexibility. I would say that it was important in those discussions that the equivalent rental, if you will, or the equivalent payment for that fibre be provided to Northwest Communities, that \$365,000 a year. And its starting place was intended to propel the capacity and to provide the resources to allow the communities to pursue whatever opportunities were to come. I think there's some challenges in harvest strategies at this time in some of those further north timber areas, and we continue to work with the current producers as well as any other interested parties to try and pursue that harvest to the best we can.

Mr. Belanger: — I think one of the things that's important to share, Madam Chair, with the committee is that I understand that there's a valuable argument to be made between sustainability of our forestry sector, the resource within our forestry. If you manage it well, it can provide great opportunity for many years. Sustainable plan of development works.

And we're not suggesting in any way, shape, or form that forestry cannot be sustained and maintained even with today's harvesting volumes. We understand that sometimes it takes a bit of discussion between two experts as to what the land can sustainably harvest. Because for the record, at one committee hearing, Madam Minister, I was told that you could double the harvest within the Northwest Communities timber harvest area, and this was by a forester from Alberta that was working for the Ministry of the Economy at the time. And he sat in the committee room and said, well last year we looked at the figures and we figure we could double the harvest allocation in the NWC TSL without it being a sustainability challenge.

So I guess it's who you get and who you listen to when you talk about sustainability. But somewhere in the mix between 240 000 cubic metres and 480 000 cubic metres, maybe these two experts can get together and say, hey this is what we think we both agree what you can sustainably harvest on that land.

And when I talk about the agreements that you locked Carrier in, is there room for a sustainability argument, or does Carrier have all those allocations for any increase in harvesting right? Does Carrier get those? Or is there an agreement in place already?

Mr. Pushor: — Thank you very much. I would just say to the member, you're taxing my memory by taking me back that many years. But I would say that the intent has always been to pursue any and all opportunities for the forest sector, particularly in support of Indigenous people and Indigenous business opportunities. So we would be very, very pleased to work with those communities or any other proponent of any project to advance whatever it is.

It's an interesting discussion around fibre allocation and it's always a tension between development and proper management,

and we think those discussions happen in a very healthy way. And to your point, without that tension you may tip it too far one way or the other and so we tend to try and preserve that good, healthy debate. But if there is someone with a project that needs fibre, we would happily roll up our sleeves and work with them to find some way to advance the opportunity.

[19:45]

Mr. Belanger: — It's important, Madam Minister, that I share with you the history. It's important that I share with you the fact that First Nations have confidently inserted themselves into the forestry sector. The private companies that get forestry rights within Saskatchewan, allocated by the Government of Saskatchewan, well they get their allocation. One group is missing. That is the Métis people. And NWC was supposed to be their flagship agreement and it was torn apart as a result of what happened here.

There's nobody can argue, I don't think, with any merit, that every single company during the '06, '07, '08 time had great difficulty in making forestry work. The industry was in the tank. So the fundamental question is, why was NWC given the ultimatum of use it or lose it? They were a fledgling company that had very little experience. They were the weakest link, and that's who lost their TSL. So you can understand why people are so upset.

And then when we talk about agreements around the stumpage fees of 380,000, well that, Madam Minister, replaced their operating grant that they were getting to help them build this business. So in essence they gained 40,000. So it all goes back. There's a lot of history behind that.

And I would dare say that the mayors of today . . . Because the mayors that were in place then, they were good mayors. They had a lot of background and they had a lot of respect amongst their people. Same thing applies to today's mayors, but I think although some of them may be the same, a lot of them have different thought processes about them. They realize that that TSL was highly valuable and they gave it up for nothing. What did they give it up for? I think quite frankly from my perspective and my discussions with the minister of the Economy at the time, who asked me not to interfere, that they're doing all these wonderful negotiations . . . And I trusted the mayors, that they would come to an agreement. What the mayors may not have had, Madam Minister, was technical, legal, and sustainability support with them at that meeting.

I would say that the minister probably walked in, presented the information after a series of meetings, say, use it; if you don't use it you're going to lose it and we're going to give it to Carrier Lumber. Now nobody's attacking the investing forces within our province. This is not an attack on Carrier. This is an assertion that the Métis had the right to participate in the economy of forestry. And it's important — I'm not trying to be a jerk here — but it's important that the history provides you with a context on how you approach the Métis people from here on in.

Now I would ask the question, based on the information that you gave me with I think you said 8,400 jobs, are you able to break down — you used the Indigenous figure — how many you would consider First Nations versus Métis?

Introduction of Guests

The Chair: — If I could just interrupt the committee meeting for a moment, I would like to take this opportunity to introduce a delegation from Western Australia that has just come into the committee room and joined us for a while. They're sitting on the back chairs there.

And as many of you know, the Saskatchewan branch of the Commonwealth Parliamentary Association participates in an interparliamentary exchange with the Parliament of Western Australia, and the delegates that have arrived here today are here for two weeks. And this week they will be observing proceedings of the Legislative Assembly and the committees, such as this evening. And next week the members will accompany MLAs into their constituencies to focus on their special interest areas while the staff will remain in Regina and receive briefings from the Legislative Assembly Service.

So I'd like to introduce to you, and they could stand up when I mention them, is Hon. Martin Aldridge, Member of the Legislative Council; Hon. Diane Evers, Member of the Legislative Council; and Mr. Shane Love, Member of the Legislative Assembly. To our guests, you are observing the Standing Committee on the Economy, a policy field committee mandated to review estimates, legislation, and other matters related to economic development, agriculture, environment, natural resources, rural issues, transportation, and infrastructure.

And currently the committee that is sitting here now is examining the estimates for the Ministry of Energy and Resources, and in a little bit, in a while we'll also be debating Bill No. 137, *The SaskEnergy (Miscellaneous) Amendment Act*. So I'd ask everyone to please welcome our delegation that has joined us.

General Revenue Fund Energy and Resources Vote 23 (continued)

Hon. Ms. Eyre: — Thank you, Madam Chair. Just to Mr. Belanger's question, and certainly I thank him for the commentary and insights into some of the concerns that he has raised this evening. Also welcome to the delegation here.

I guess this is a bit of a challenging scenario for me, seeing as some of the circumstances surrounding the questions that Mr. Belanger is raising of course predate me certainly in this role, but even predate me in government at all. And of course while officials have some recollections of events around that time and some of the circumstances, again I understand that the issues are being raised, you know, for historical and other contexts.

I would just say that, you know, certainly we'll undertake to get the information that Mr. Belanger has asked for this evening and take his points under advisement, of course.

As for the breakdown of Métis directly from the 30 per cent of 8,400 jobs, we will have to get that breakdown for Mr. Belanger in the coming days.

Mr. Belanger: — Thank you. Just based on the notion around the stumpage fees, how is the allocation made? Are you making

it once a year? Is it quarterly payments? Have they asked for any advance of those stumpage fee allocations?

Mr. Pushor: — Let me offer to get you the firm, clear details on how those payments are processed.

Mr. Belanger: — Thank you very much. And I appreciate the minister's lack of history on this particular file, but obviously your officials will more than likely bring you up to speed following this particular series of questions.

The Indigenous community, the Aboriginal community in the province of Saskatchewan, many say constitutes 30 per cent of our population. That's a figure that I've heard on a continual basis. I can't break that down. I can't determine whether that's correct or incorrect but those numbers seem pretty consistent. And this is the reason why we take such great interest in what is being done on the Indigenous front, on the First Nations and on the Métis front as to how we're engaging the Indigenous communities in the economy as a whole.

And I hope that it's not a choice of, okay, we'll give you your stumpage fees but I'm not going to give you your operational costs or operational grant; it's either/or. Then we begin to argue the process is flawed somewhat, and I know that the NWC . . . And I want to share for the record, Madam Chair, that I haven't had any meetings with the NWC over the last two years. I haven't spoken to any member of that committee nor staff. And I am going to make an effort to attend one of their meetings and to have that engagement with their senior staff. And I think the CEO [chief executive officer] right now is a gentleman by the name of Nap Gardiner.

And in saying that, Madam Minister, I would just suggest that perhaps if there is a request for your audience at one of their meetings, take an interest because they will share with you the historical perspective. And you will find very quickly that they were willing partners, they were capable partners, but in my opinion they got strong-armed by a predecessor of your government into giving up those forestry rights.

Now I would hope that part of the process of rebuilding that trust with the NWC folks is that we start talking about allocation and fair and equitable treatment. That is what I want to raise as it pertains to NWC. Forestry jobs in Carrot River are important. Forestry jobs in Meadow Lake are important. Forestry jobs in Big River are important. But so are forestry jobs in Pinehouse, forestry jobs in La Loche, forestry jobs in Ile-a-la-Crosse because they all are surrounded by forests.

So my only point is I want to reassert the wish and the ability of the northwest community to be part of our forestry matrix, if you will, in building this whole new economy that we seem confident about today. So, Madam Minister, I would certainly encourage you to take an interest in NWC.

I want to shift my questioning to a couple areas. One is the head office tax credit because I am going to come back to forestry. But Saskatchewan subsidizes head office jobs for potash companies. I understand the deductions on potash profit taxes are offered at a rate of \$25,000 per head, per year. For new corporate jobs, the incentive rises to \$100,000 per year for five years. So what was the total value of the head office tax credits last year? What's

anticipated for this year? How much has Nutrien received in credits this past year? And is that expected to change this year?

Hon. Ms. Eyre: — Well thank you, Madam Chair. So just to Mr. Belanger's question, of course it's not a tax credit in terms of the head office space. For lack of a better word, it's an expense deduction. And of course, you know, we just can't get into tax information of individual companies, which I'm sure Mr. Belanger is aware. So you know, certainly in terms of the head office issue, we have spoken, of course, before about Nutrien specifically. That's been perhaps most in the news and most in the forefront of this discussion.

And its recent announcement in terms of head office representation by executive members certainly was a step in the right direction and it's a significant step. And it will bring the executive positions here in Saskatchewan to a third of executives company wide, which is representative of potash's role in the company and Saskatchewan's role of course in potash. And of course we don't see this as a final chapter or a conclusion. And we'll be working closely and continue to with the company to make sure that it continues to carry out its commitments to Saskatchewan.

So it's progress. And as the member will know, there's also been a 30 per cent increase in jobs in the Saskatoon head office. The announcement about the new building, the office tower at River Landing, the \$50 million office tower in Saskatoon, that's progress. And the declared commitment with the recent executive announcement, as referenced, to our province is a result of the very good, candid discussions that we have had and the Premier has had to this point. And those will continue.

Mr. Belanger: — I just want to clarify, Madam Minister, and correct me if I'm wrong. Without going into specific companies' tax information, are you saying to me tonight that we pay \$100,000 per year for five years for any new corporate jobs that are located here in Saskatchewan from any of the potash companies that are operating within our borders?

[20:00]

Hon. Ms. Eyre: — The answer to which, Madam Chair, is no we do not. It's a deduction. It's not a tax credit. And again I mean in terms of some of these incentives that have been put in place — some of which predate our government of course, as Mr. Belanger will know — I mean they have, I suppose one could argue, succeeded in terms of establishing Saskatchewan as pre-eminent in potash and in attracting a greenfield investment. As we know, they have worked in many ways in establishing the reputation of Saskatchewan and in attracting further new investment to the province.

Mr. Belanger: — Well not getting into specific company-by-company tax information, what would be the total allocation on the expense claim or the deduction or however you want to characterize it, for the companies to have head office jobs here and new head office jobs? What are you looking at spending per year?

Hon. Ms. Eyre: — Well I'll just say, Madam Chair — as we get that number which I believe we have — we do not spend this money, so that is a mischaracterization. It's a deduction as

previously stated. I'll just get the number. One minute.

Sorry, Madam Chair. We will have to get back to Mr. Belanger with that number. We'll just look for the number of head office jobs, for example, but we will undertake to get that right away.

Mr. Belanger: — Madam Chair, I accept and understand that this is not spending money. But when you allow a company to deduct certain allocations from taxation, then it's the company saving which the government doesn't realize, because they are deducting that 100,000. So whether we call it spending or deduction, in general terms I think the government is losing revenues as a result of this deduction that is being allowed.

So we are allowing companies to deduct \$100,000 per year for any new corporate jobs for five years. And that number is of significant importance to me because we need to know what we are allowing the companies to deduct, therefore not realizing tax revenues from that deduction. Now it's important to get that information and I'll certainly wait for it.

And while we're on the issue of deductions of cost attached to new corporate jobs — 100,000 per year, per person or per head, per year for five years — how was the potash royalty change connected to this incentive? Because under the potash royalty change . . . And I want to quote from a couple press releases here. As we know, cabinet acted unilaterally to change the way it taxes potash to generate \$117 million next year. This was done without consultation of any of the companies that operate mines in the province.

The Saskatchewan Mining Association president Pam Schwann . . . noted that it is uncommon for government to make major regulatory or taxation changes without consulting industry . . .

Mosaic spokeswoman Sarah Fedorchuk questioned why the province did not simply resurrect the potash royalty review it announced in 2015 only to shelve it a year later as prices tumbled from record-high levels a few years previously [that we all enjoyed].

So as the Minister for Resources — and potash being one of the attractive minerals in Saskatchewan, resources of Saskatchewan — how was the decision made in cabinet? And where were the fundamental arguments to justify that \$117 million tax hike to our potash companies?

Hon. Ms. Eyre: — Well thank you, Madam Chair. Certainly I was expecting the question from Mr. Belanger this evening on the potash decision. Again just a few things in no particular order. I mean, I think it's important to emphasize that over the past, I believe it's 12 years, 10 years or so, you know, it's not to be forgotten that \$20 billion of investment has been made in the province of Saskatchewan. And again that includes greenfield, a new site, new companies coming back to the province who had previously been driven out.

Again Mr. Belanger has been in cabinet under the previous government. He understands how these decisions are made. It is a group decision, a pre-budget discussion, decision, a very in-depth one, not always easy of course, the pre-budget process. And in terms of consultation, that is — of course as Mr. Belanger

will know — difficult at times when it is a budget decision, but also when market share and other factors can come into play which are highly sensitive, especially in this case around publicly traded companies. Again, not easy decisions.

In terms of resource revenue, 600 million was generated last year. Again, not insignificant. Very substantial. And I guess I would also re-emphasize the fact that our royalty — and this is very important — our royalty and tax regime already generates more for the people of Saskatchewan than any other jurisdiction. And that was before this change. And there has been some confusion on that point. That was before this change.

And you know, in terms of what the Leader of the Opposition, for example, has called for, you know, an all-out royalty review — not only in potash, but in oil and gas — again I would respectfully remind him of what has happened in other jurisdictions, such as under Ed Stelmach in the oil and gas space in Alberta when it was wildly destabilizing and certainly not the right time to undertake this.

So in this case this was not about a full-fledged royalty review. This was simply about simplifying certain tax credits to make sure that the people of Saskatchewan received fair value from that flat-rate base payment on potash production which had simply become irrelevant, largely because the value of the credits had increased over the years and the base payment had remained frozen. So it became, as I say, irrelevant in most instances.

And also I think important to emphasize is that average tax rates have fluctuated widely over the course of years, between everywhere from 18 per cent to 3 per cent. So this really was about restoring the right balance, and restoring the order of that base payment on production because that's what it was envisioned to be — a base payment on production, not frozen into irrelevance. So it was a difficult decision certainly, but I think a necessary one in order to restore the integrity of that base payment.

Mr. Belanger: — Who sponsored the CDI [cabinet decision item]? Was it your ministry or was it the Department of Finance?

Hon. Ms. Eyre: — Sorry, I missed the question, Mr. Belanger.

Mr. Belanger: — Who sponsored the CDI, the cabinet decision item? Was it your department or was it the Department of Finance on this particular choice?

Hon. Ms. Eyre: — As I said previously and as Mr. Belanger will recall from his time in cabinet, these are group decisions. These are cabinet decisions, and this was a group decision as a budget decision.

Mr. Belanger: — What was the rationale for this approach instead of the royalty review?

Hon. Ms. Eyre: — Well as I stated previously, Madam Chair, this was about one part of the overall structure that the base payment and the fact that the tax credits on the base payment had increased over the past number of years while the base payment had stayed frozen. So the answer is very simple. This was about restoring the structure of the base payment and the integrity of the base payment.

And an all-out royalty review . . . Again, and as I referenced, I mean the Leader of the Opposition has demanded that and he calls it getting a fair share. And those are, I think, much more worrying words than restoring the integrity of a production, a base payment that had become eclipsed by the tax credits that had increased over the past years. So this was about one piece. It wasn't about an all-out royalty review, let alone for two entire sectors, which is being proposed by the Leader of the Opposition for oil and gas, and potash, which would be unprecedented.

Mr. Belanger: — Madam Chair, Mosaic spokeswoman Sarah Fedorchuk questioned why the province did not simply resurrect the potash royalty review it announced in 2015, only to shelve it a year later, as I said, as prices tumbled from record-high levels a few years previously. So it's an industry person, not just the Leader of the Opposition.

Let's go back to the industry person because obviously, Mr. Speaker, this is an effect that is significant on their industry. So I guess for her purpose, she's saying that we should have had the royalty review done. And the industry was very surprised and taken aback by this \$117 million tax grab. So I guess the question we would have is that we are speaking of the importance of potash to our overall economy, and I think everybody gets that. But why in this critical time are you taxing them \$117 million arbitrarily without even the option of going to a review, which our leader called for?

[20:15]

Hon. Ms. Eyre: — Well thank you for the question, Madam Chair, from Mr. Belanger. Again I would say, if I were to get into the mind of Ms. Fedorchuk, that she was referring to consultation and was perhaps suggesting that when you are in a royalty review process there is and certainly has been consultation and would be going forward if that were undertaken again. So I think it went to the consultation side.

Certainly I have spoken to all the players and certainly officials have, as we work through this. And I understand that it was something of a surprise for them. Again I would say it was a budget decision on . . . These were publicly traded companies. There were market sensitivities and it was very difficult in this case, which I do in fairness believe they understand, although they might not be thrilled at the outcome of this. I think there is an understanding that consultation is difficult under those circumstances.

And as I say, we have certainly been working with them. Officials have been working with them, and we have done everything we can to explain that this was about the integrity of that base payment and an all-out royalty review is simply not on the cards currently.

Mr. Belanger: — Well again I can only imagine getting into the mind of Mosaic spokeswoman Sarah Fedorchuk, because her point is straightforward. I would probably also assume she's probably thinking, as I think, is that since 2007 when the Saskatchewan Party assumed government, no other government in the history of Saskatchewan, in the history of our province, enjoyed the revenues that the Sask Party has enjoyed over the last 11 years — record revenues. And I would even go so far as to speculate it's probably in excess of \$130 billion that we've

enjoyed in revenues over the last 11, 12 years. And the official is making a questioning look. I would suggest tally up the numbers and you'll see.

So I would say, if I was a potash executive and looking at why they're taking 117 million bucks from my industry, which we never expected, I'll say didn't we enjoy record revenue the last 11, 12 years? So how is it now after 11, 12 years of record revenues . . . Let's emphasize record revenues. And if I was both these ladies I'd, you know, I'd ask the question. You've had record revenues over the last 11 years. Never in the history of any government of Saskatchewan have they enjoyed the record revenues that the Sask Party enjoyed. And after those 10, 11 years we've had record tax increases, and the potash industry is not immune to your taxing ways. We saw that as evidence in this budget.

And then we turn around and we check out the forecast for our deficit. We're looking at \$23 billion in deficit by 2023. So putting my mind into the executive mind of the potash industry, I'd say, my goodness, how do we go from record, record, record, record, record, record revenues to record tax increases which we're paying now, and yet we're still ending up with record debt? But every day you remind us of the carbon tax. Oh, that's the problem. It's not mismanagement of this government at all; it's the carbon tax that's the real monster.

So my point being in all of this, industry was very upset. So again I'm going to ask the minister one more time and then I'm going to go to a different item because time is really short here tonight. Industry itself has said — and I wouldn't mind hearing your answer again — why didn't you simply resurrect the potash royalty review that you announced in 2015 only to shelve it a year later as prices tumbled from record high levels a few years previously? You say it's a cabinet decision, but why didn't you do the review? And more importantly is, what is the plan moving forward after all of this?

Hon. Ms. Eyre: — Thank you, Madam Chair. And I guess just a few things, perhaps going over some previous ground, but I think it's important also to point out that all the other incentives remain in place. So this again, as I've said now a number of times, is about restoring the integrity of that base payment and the structure of the base payment which has been eclipsed by the value of those tax credits, so a simplifying measure. I also mention again I think it's really important to recall how average tax rates have fluctuated over the past years, that we have seen that fluctuation between 18 per cent and 3. So this again gets it closer to, I believe, 9, so it again restores some integrity to the way that this is structured.

I guess it's also, I think, worth analyzing what calling for a royalty review actually means by the two players that we're discussing here. I think that when it comes to industry, in terms of some of the comments that have been made around consultation, that would harken back to this idea of Ms. Fedorchuk, for example that in the course of a royalty review there is perhaps more open, ongoing consultation, and we understand that. This was a slightly different . . . This was a different process, a budget process, a budget decision, and again for all, you know, the points that I've made around that.

I think though too that if we talk about what the Leader of the

Opposition might envision by a royalty review in two sectors — oil and gas, and potash — that that goes far beyond consultation when we get into talk about demanding fair share, and I think we all know what that means. So two very different takes on what a royalty review means, one perhaps around, could have been helpful if we did more consultation, as occurs around a royalty review such as 2015. And again the reasons for suspending the royalty review in 2015 were because of instability in the sector. So it was about protecting a very delicate sector at that time. So very honourable motives, I would suggest. Calling for royalty review at this time for fair share is very different. And that I would say in terms of subtextually getting inside anyone's head, those are two very different perspectives when it comes to what that means.

Mr. Belanger: — The other question I have on this particular . . . When you want to take more money out of potash, what day did you actually make that decision and when is it effective by? Was it April 1 or was it before that? And was there any consultations with the potash sector prior to this announcement?

Hon. Ms. Eyre: — Well again I'll say, Madam Chair, and Mr. Belanger, as I've also said, was in cabinet and he knows how this process works. This was a cabinet decision pre-budget, so obviously there is a process through treasury board and to caucus finalization, cabinet finalization. And in this case it took effect on April 1. And as I've said before, market sensitivity, publicly traded companies, there were extra sensitivities around this.

Mr. Belanger: — So if my memory serves me correct, then this decision was probably made late November, early December.

Hon. Ms. Eyre: — I can't get into the exact date in light of the sensitivities and around the budget process and the integrity of the budget process, Madam Chair.

Mr. Belanger: — Well in my experience, the consultation for the budget with caucus happens somewhere in mid-December. Discussions would be concluded two or three weeks prior to that, so it would be probably suggested as early as September, October for the process to unfold for the March budget announcement.

So I would, based on my experience, I would ascertain that the minister probably knew this impending increase for six, seven months if you're counting on my experience as a former member of cabinet, because budget finalization would have been completed in early January. And we all know it takes six to eight weeks to print the budget document. So you can easily surmise by that that you're looking at seven or eight months. You knew that this increase was coming. Is that a fair assessment for me to make and to share with the industry?

Hon. Ms. Eyre: — I'm not going to get in, Madam Chair, to assessments about timelines and when decisions were made or personal recollection of when decisions were made. It's confidential, of course. Cabinet decisions are confidential, and so it is in this case.

Mr. Belanger: — Getting back to, getting back to forestry. When you look at the support around the new corporate jobs deduction — not a cost but a deduction — have we given anything to Carrier Lumber along the same lines? Has there been any concessions to them on any particular corporate jobs or a

fee-per-job created, or any particular mileage for their long-haul costs? Any of those incentives? Were they given to Carrier Lumber as you took rights away from the NWC and gave them to a company from BC?

Mr. Pushor: — Well, thank you again for the question. I would say there were no payments akin to what was provided to Northwest Communities. There was some transitional job-training grant funding provided to . . . within the community, both through the company and through other agencies in the first two or three years to re-start that industry, both in terms of harvest job training, as well as in the plant job training. But it was not tied to any agreement with . . . like, like that.

I would just take a moment to say that you asked me the payment schedule for the annual payments for the Northwest Communities. It's paid semi-annually. In June, a payment of \$182,500 was provided to the Northwest Communities, and a second payment in December for \$182,500 was made to reach that \$365,000 annual payment.

Mr. Belanger: — Sticking with the potash industry, I want to shift my attention to the Rocanville potash restricted drilling area. I'm certain that the minister has a copy of the letter written by the Rocanville PRDA [potash restricted drilling area] committee to Premier Scott Moe. And if she doesn't, I'm assuming that she does because she's on the cc's, but if she doesn't have a copy handy, I can share it with her.

[20:30]

But the Rocanville, the potash restricted drilling area committee, they've been asking and seeking resolution to issues that are community related to the restricted drilling zone around the potash mine in Rocanville. There is over 160 landowners that are unable to lease oil and gas rights, and many have said they've missed financial opportunities as a result of that. Former Premier Wall promised an equitable solution in 2007, but they have yet to see any dialogue develop. So the committee wrote to the Premier and copied the minister, as they indicated in this correspondence from March 24th. And has the minister or the ministry, have you reached out to this group yet for any discussions or talks?

Hon. Ms. Eyre: — Thank you, Madam Chair. The answer is, not yet. I'm aware of the letter. We're aware of the letter and have a copy of the letter. Of course this situation around Rocanville and the restricted drilling remains before the courts. So it's difficult to comment on that situation specifically, as Mr. Belanger will know of course that the restriction of drilling of oil and gas wells in these areas has occurred for over 40 years. It's not new. And these restrictions were put in place of course to eliminate the risk that the drilling could cause in terms of water infiltrating the mines, causing damage to the surrounding potash resources and of course, in worst-case scenarios, you know, downright flooding the mine.

So of course we recognize that in this case and in other cases, the restriction has affected the short-term ability of freehold oil and gas owners to develop mineral rights, in some cases. And the resolution of issues raised in recent years by some of these owners continue, of course, to make their way, as I say, through the courts. Discussions between Saskatchewan potash producers

and oil and gas producers also continue, but certainly as the legal avenues, as I say, aren't exhausted and are still being pursued in some cases, we wouldn't be at liberty and I wouldn't be at liberty to comment further on this.

Mr. Belanger: — Obviously one of the things that they're asking the government to do is come to the table. Some of these matters go back to 1996 when we were in government. Or I wasn't in government yet; I was part of the opposition. However, 1996 this has been an issue, 2005 it became an issue, and June 2007 the committee was established. So it's been 10 years, almost 11 years that this committee has been quite active. And so I guess the question is, what are the issues of the PRDA from your understanding, and why can't we get to the table to find solutions to this issue? And why is the court process the only avenue it appears the government is forcing this group to take?

Hon. Ms. Eyre: — Thank you, Madam Chair, and thank you to Mr. Belanger for the question. Again, I mean the issues as to why this is an issue I think I answered in my previous question, of course the risks to the resource, the risks around the resource, and certain potential around that risk. In this case of course, regrettable, always regrettable when certain cases make their way too slowly through the legal system. Again, it wasn't the government that brought the suit in this case. And so again, because it is in front of the courts, it's very difficult to specifically speak to it other than generally about the issue and that, you know, discussions continue.

Mr. Belanger: — Can you share with me the premise . . . Again this thing with potash, and it's connected somewhat, but when you look at the revenue-sharing arrangement with places around Esterhazy, it's tied to potash, the revenue-sharing arrangement. Let's use that as a description of what this is all about. Can you give me a brief history of how that revenue-sharing arrangement was created, how it pertains to what the PRDA committee is talking about today? And what was the intent behind the revenue-sharing scheme?

Hon. Ms. Eyre: — Madam Chair, I would just ask for clarification. Is this in the context of RMs [rural municipality] or is it in the context of individual freehold property owners?

Mr. Belanger: — I would assume it's with the RMs because they're the ones that get the revenue sharing. And there may be a few villages impacted as well.

Mr. Pushor: — RMs have a municipal property tax-sharing arrangement around a large industrial development. It's a common practice across rural municipalities in all jurisdictions that, because the impact is spread beyond the single RM that might host the facility, there's usually a revenue-sharing agreement to share those tax revenues from the mine proponent. Those are done by negotiation in almost all instances, and it means that the property tax revenue that would be collected doesn't just end up isolated in one RM.

Mr. Belanger: — So would a northern version of that be around the mining sector? Like we often talk revenue sharing in northern Saskatchewan. Is that similar to what's being proposed and suggested here?

Mr. Pushor: — The specific relationship around Esterhazy and

Rocanville or other potash mines relates to property tax collected by rural municipalities, and so really those questions around those structures of those relationships and those agreements is best with Government Relations.

Mr. Belanger: — All right. Obviously there's going to be more of the Rocanville PRDA committee that'll be coming up over time.

I see that our time is quickly ending here. I just want to chat a bit about what the minister and I spoke about around the Gunnar mine. And I appreciate your recognition of our support that this should be resolved. That being said, that point has been made and I don't think we need to belabour that point. But again you're suing the federal government to avoid being left holding the entire bill for this uranium mine cleanup. And we all know that from some of the information we got, that the cost has grown to more than 1,000 per cent to 278 million. So can you give me an update on the court case and the details around the timelines?

Hon. Ms. Eyre: — So just in terms of an update, and as Mr. Belanger is aware, of course, we filed a statement of claim against the federal government for all the reasons that he laid out in the hope that it will fulfill its contractual obligation under that memorandum of agreement signed with the province under the previous government in '05 to share costs of the remediation. And he's correct, of course. Federal government has ended up spending 1 million and we have spent far, far more than that. So again, not to belabour those details, as Mr. Belanger said, but the status of the case is that we are awaiting a statement of defence currently from the federal government. And once we do, we'll go from there.

Mr. Belanger: — So is there a timeline in terms of when you expect any kind of indication of the courts as to when they're prepared to deal with this? And are you able to speculate on how long the process would take before we find some directive or some progress on the court front?

Hon. Ms. Eyre: — Well I never like to speculate on the length of any legal undertaking. We're hopeful that we'll receive the statement of defence in the not-too-distant future and that we can attempt to resolve this matter. Because again, as you have agreed and graciously agreed, it needs to be addressed as a cost sharing for the best of First Nations communities in the North and the environment.

Mr. Belanger: — Okay. I want to spend the next couple of minutes just on the . . . I want to get an update on the Redwater decision if the minister could. You obviously agreed that you would review the Supreme Court decision. Can you give us a brief synopsis of the history behind the Redwater decision, the update on any of the findings, and the implication for Saskatchewan? We've got a few calls on this particular front. I just want to make sure for those that may be looking at this particular committee hearing, that you give a basic background on what the Redwater decision is all about.

Hon. Ms. Eyre: — Well certainly. Thank you, Madam Chair. Of course we welcome the Redwater decision. It recognized that provincial laws related to the cleanup of oil and gas wells also apply to the licences held by bankrupt and insolvent companies. And so that's very significant, and held that, in the case of the

Redwater decision, held that in the case of receiverships and bankruptcies, the environmental obligations of oil and gas companies take precedence over other debts. So that is also positive.

And again we do continue to analyze the ramifications of the decision and we're already taking steps to strengthen our liability program. And we were actively involved in the Redwater case at both the Alberta Court of Appeal level and the Supreme Court of Canada, and the implications of the case have been certainly carefully reviewed and continue to be throughout and beyond the proceedings.

Again as basically stated, that the decision has reduced the risk to the industry-funded orphan well program, and that of course stems from receivers or trustees being able to renounce uneconomic wells during proceedings under the federal *Bankruptcy and Insolvency Act*. That's significant. And regulations such as the Ministry of Energy and Resources — ministries rather, and regulators in our case, of course — can rely on the assets of a bankrupt or insolvent company to offset the costs of well cleanup. So that I think is it in a nutshell, and was a positive outcome.

Mr. Belanger: — Just some very quick questions around the departmental spending. I just want to make sure we get the answers for these. The overall funding is up 522,000 or 1.1 per cent. Some of the questions I have around some of the subvotes include . . . There's a slight increase in the minister's salary. Can you explain what the change is all about? And can you also provide information about the \$669,000 increase in the funding of Central Services? I believe you had made reference to IRIS, but maybe clarify that for me.

Mr. Pushor: — Thank you very much. The increase to the minister's salary is a statutory increase that was made as part of that. I would say relative to the increase in IRIS spending, it primarily relates to spending on IRIS, our integrated resource information system. And we're expanding our capabilities to allow online licensing for pipelines as we move into licensing all flowlines in addition to the other pipelines we have routinely licensed. In doing that, we were later in the year starting the project than we intended to, so that 525,000 of that increase is a carry-over of that capital.

Mr. Belanger: — Okay. Under subvote (ER05), under regulation, operational support increase of 253,000, what is that change about? The Surface Rights Board of Arbitration, an increase of 57,000. Can you also explain that increase?

[20:45]

Mr. MacKnight: — My name's Doug MacKnight. I'm the assistant deputy minister of the energy regulation division, and I'm responsible for the division that's part of the question.

Quickly, the majority of that increase is related to salary pressures, increases in terms of the annual salaries payable to staff. But in terms of the actual transfers to the Surface Rights Board, that was a reflection of upward pressure that the board was feeling primarily in two areas. The board has moved towards new electronic technology to handle its board meetings and the sharing of board information. Our board is drawn from members

from across the province, and shuffling paper around and managing the board process that way was quite challenging for the board, and have moved towards a cloud-based enterprise solution to manage the information flow around the board.

The other aspect of it also is the fact that the board itself was feeling some upward pressures in terms of the per diems for the members in holding board hearings, as well as the staff itself. So rather than cover it on an ongoing basis from the division's core budget, we chose to transfer a share of the money into their budget just to support their ongoing operations.

Just also to mention that we have received some transfer from the other central service area. We consolidated our service desk. We used to have two service desks within the ministry targeted at the oil and gas industry — one on the financial side and one on the regulatory side — and we put them together. So there was a transfer of one position to support that. So we now have a one-call kind of system for providing service to the oil and gas industry.

Mr. Belanger: — Thank you. Around that resource development, subvote (ER06), there's four questions I have. One is the operational support. There's an increase of \$560,000 and I'd like to get any clarification of what that was for. Land and mineral tenure, another increase of 24,000, background information on that please. Saskatchewan geological survey, increase of 12,000, what's this change about? And fourth, forestry, decrease of 65,000, can you provide more information on that? And finally under resource development — was actually five questions I had as opposed to four. The fifth one, of course, is remediation of contaminated sites, decrease of 1.250 million. Can you provide information about that?

Hon. Ms. Eyre: — So thank you, Madam Chair. Just on the Gunnar . . . just to be clear. So this has a cash impact but no expense impact. So it's all under the umbrella of the original 222 million that was booked as liability toward this remediation in '14-15. And as you know, as we've discussed this evening that we're taking the federal government to court to recoup that 50/50 commitment that was originally committed to. You know, as Mr. Belanger will know, Madam Chair, I mean these things go in cycles in terms of work and seasons and so on. And there was word that the SRC [Saskatchewan Research Council] in this case, didn't spend as much as anticipated.

There was poor weather that caused an early end to the season, and there were fewer than four cash payments to the primary contractor in '18-19 and so on. So again the reduction doesn't change any current plans. It's just carried over and we'll calculate that in, going forward. So all the planned work can still take place. That isn't affected.

In terms of the other issue that you raised — and there were a number — I'll just pass it to Kathryn Pollack.

Ms. Pollack: — Kathryn Pollack. I'm assistant deputy minister with resource development. So in terms of your first question on the \$500,000 increase, that supports the operation and administration of the waterflood development program, which is one of the programs that was announced recently to support the ongoing growth and sustainability of the oil and gas sector. The two small increases that you noted in lands and mineral tenure

and the geological survey were related to salary pressures, and the decrease in forestry is an adjustment on salaries. So we haven't lost any positions there. It's just an adjustment in terms of actual use, as well as the branch recently relocated to a new location with a much lower leasehold cost.

Mr. Belanger: — My final question is around the surface rights, so I'm not certain which official would answer that. But the questions I have around surface rights is, one is, how many hearings did the Surface Rights Board hear last year, and how does it compare to years previous? Is it trending up or down? What was the value of fines issued last year? And again how does this compare to years past? While we're pleased seeing the recovery in the oil sector, what consideration is being given to amending surface rights legislation?

Hon. Ms. Eyre: — Thank you, Madam Chair. Just in terms of some of the data that Mr. Belanger's asking for, we'll have to get that for you, for him. And in terms of surface rights more generally, certainly the oil and gas sector, as we know, is in a fragile state or continues to be, certainly has been and continues to face significant headwinds and significant threats. And you know, we won't go through them all, but everything from the proposed federal bills such as Bill C-69 to, you know, major tax reforms south of the border. So a whole range of things, and of course we hope for pipelines and we hope for a broader recovery.

But in the meantime we have to tread very carefully and, you know, there are issues around surface rights. Of course they were raised during the review of the Act a few years ago, and we remain open, as we've said, to discussing potential changes with stakeholders. And certainly I've met with several, as have officials, and as we do ongoing. But we just have to make sure that the timing is right because it's delicate timing, and we have to make sure that we fully consider changes and their impact before new legislation would be considered.

Mr. Belanger: — I'll look forward to the information, Madam Chair. It's duly noted that the information will be forthcoming, and we certainly kindly expect that the information will be forthcoming. And I just want to thank the minister and her officials for their time this evening, and that we have many more questions following a number of issues around resource development.

And I again emphasize the importance of sitting down with some key players that have been excluded in the forestry sector. I would remind the minister and I would encourage the minister to make time in her schedule to meet with representatives of NWC. I think it's fair to say that they are organizing, that there are a lot of people that are in their corner, so the discussion around legal counsel on a number of fronts. I think the Métis Nation is engaged as well. I think they're reaching out to their First Nations brothers and sisters on this front. So I would just again remind the minister, as I will with the Minister of the Environment and the Economy, don't disregard the Northwest Communities on this forestry development because they are moving and they are planning, I think, something significant. I'm not privy to some of those discussions, but there is a lot of genuine angst and anger over the past.

But I would conclude my comments to point out that while we cannot correct the injustice of what happened in the past — I have

my very strong feelings on that — I would kindly suggest to the minister that she have an open mind to some of the points being raised. Because it is one significant partner that has continually been ignored and left out of the conversations and the decisions, and that are the Métis people of the northern forestry belt that have long asked for participation in the forestry sector.

I don't buy the argument, Madam Minister, that you took operating money and eliminated — not you personally, but the government — eliminated that operating dollars and replaced it with stumpage fees, when other forestry companies got training dollars, and other resource-based companies got head office jobs or deductions allowed. So I would just point out that there are some inherent and some significant treatment or bad treatment of some of the players within the forestry sector.

And we're heard about Rocanville, that PRDA committee have their issues, and potash companies have their issues. We're familiar with a lot of those points and we take the time to listen to them. But one particular group has long been ignored and I would again re-emphasize to you, Madam Minister, it's time we stop ignoring them and bring them back into the forestry fold, so to speak.

I'm done, Madam Chair.

The Chair: — Thank you, Mr. Belanger. Seeing that there's no further questions, I'll ask the minister if she has any closing remarks before we adjourn our consideration of the estimates for Energy and Resources.

Hon. Ms. Eyre: — Madam Chair, I just wanted to thank members of the committee, of course, and Mr. Belanger, for being here this evening. It was an interesting discussion and of course I want to thank my officials who do such amazing work for the province of Saskatchewan every day, and certainly I'm very, very proud to be here this evening and every evening. So thank you very much, Madam Chair.

The Chair: — Thank you, Minister Eyre. And we'll just take a few minutes break now that we've adjourned consideration of the estimates for Energy and Resources just to switch out any officials you may have before we consider Bill No. 137.

[The committee recessed for a period of time.]

The Chair: — Welcome back, committee members. Joining us as well is Danielle Chartier in for Vicki Mowat on the consideration tonight.

Bill No. 137 — *The SaskEnergy (Miscellaneous) Amendment Act, 2018*

Clause 1

The Chair: — We will now begin consideration of Bill No. 137, *The SaskEnergy (Miscellaneous) Amendment Act, 2018*, clause 1, short title.

Minister Eyre, if you would like to introduce your officials. And I once again ask that they mention their names and titles when they speak the first time at the mike. And you can begin with any opening remarks you may have on this bill.

Hon. Ms. Eyre: — Thank you, Madam Chair and members of the committee, for the opportunity to discuss Bill 137, *The SaskEnergy (Miscellaneous) Amendment Act, 2018*, which has been referred to this committee for review. And I'll deliver some brief remarks and of course would then be pleased to answer any questions on the bill that the committee might have.

My officials joining me this evening are Mark Guilette, Q.C. [Queen's Counsel], vice-president, general counsel and corporate secretary, and Christine Short, vice-president, finance and chief financial officer. Also joining us is my chief, Jeremy Brick.

So the amendments proposed in Bill 137 will further update key sections of *The SaskEnergy Act* and build on changes made last year to modernize the Act. The goal of these changes is to continue to support growth and competitiveness in the province. More and more frequently, the oil and gas industry proposes projects that fall outside the corporation's core business but are still considered franchise violations. It is vital that our Crown corporations be in a position to support innovative programs that benefit the industry, as well as the province and the environment.

The proposed amendments to section 24 and section 61 in the Act will create a more efficient process to allow qualified initiatives to proceed in a timely manner. At the same time, they will protect SaskEnergy's franchises. With these changes, SaskEnergy would be able to request a single order in council to approve a new program. And once issued, this framework would allow the corporation to provide the franchise contents and consents for individual projects that meet the determined requirements without the need for further OCs [order in council].

Specifically, proposed changes to the corporation's power to consent to the distribution and transportation of gas by others are critical to support a new provincial initiative to conserve associated natural gas — gas produced in association with oil — as part of the Government of Saskatchewan's methane action plan. Natural gas is often a by-product of oil production. Currently, approximately 20 per cent of that gas is wasted by Saskatchewan oil producers through the flaring or venting process. This occurs when no other options are available to capture and use this associated gas.

By amending *The SaskEnergy Act*, oil producers will be able to capture this gas and sell it to other oil producers who can then use the gas in their own operations. As it stands currently, this sharing of associated gas would be considered a violation of SaskEnergy's distribution and transportation franchises. With the proposed changes, this would become allowable in specific approved cases. An example would be a situation where there is no nearby gas processing facility which is needed to bring the natural gas up to the proper specifications to enter SaskEnergy's pipeline system.

By modernizing the Act, SaskEnergy can better support new business ventures and environmental initiatives in this province when they arise in the months and years to come. Our government's goal is for Saskatchewan to become a leader in low-emission oil and gas production, and SaskEnergy fully supports this goal. These proactive changes will ensure SaskEnergy's core business operations remain protected while reducing greenhouse gas emissions and supporting the

province's oil and gas sector.

In addition to the proposed changes to section 24 and section 61, which support industry growth, SaskEnergy is also proposing an amendment to section 42. This amendment will strengthen and support the internal growth of SaskEnergy's natural gas delivery system across the province of Saskatchewan. The proposed changes to this section would increase the corporation's debt limit from 1.7 billion to 2.5 billion.

Over the past decade, SaskEnergy has experienced unprecedented levels of customer growth, especially in the major industrial sectors of mining, enhanced oil recovery, and power production. With this growth comes increased demand for natural gas and the need for infrastructure expansion. Additional capital is also required to continue critical safety and maintenance work throughout its extensive pipeline system.

With today's pace of growth, SaskEnergy is projected to exceed its current debt limit by the 2021-2022 fiscal year. Over the next six years alone, SaskEnergy is estimating approximately \$1.6 billion in capital projects while continuing to maintain high levels of investment in safety and infrastructure renewal work. It is vital that SaskEnergy have the ability to plan and proactively invest in both new and existing infrastructure.

Key areas of focus for SaskEnergy are: increased capacity to growing urban areas, including moving high-pressure transmission lines further outside Saskatoon and Regina; major new pipeline projects and increased compression capabilities at key areas of the province to meet demands of customer growth, and bring additional gas supply into the province; and finally, a proposed new underground natural gas storage facility in the Regina area to also support provincial growth and ensure a reliable gas supply for our customers in the extreme cold of prairie winters.

Increasing the current debt limit will help to ensure that SaskEnergy continues to be able to meet the growing needs of Saskatchewan well into the future. The proposed amendments put forth in Bill 137 will address modern industry needs, support our government's plan to grow the economy, create opportunities in the energy industry, and help to sustain our environment. As proposed, the changes will also ensure SaskEnergy's core operations and franchise rights remain firmly in place and allow SaskEnergy to continue to operate safely, reliably, and efficiently in the best interests of all customers.

And with that, thank you, Madam Chair. Certainly we would now be pleased to answer any questions that the committee might have.

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

Mr. Belanger: — Well thank you very much, Madam Chair, and welcome to the officials — and welcome, Minister — on behalf of SaskEnergy. And just a couple of very quick questions as we look at the . . . You made the reference to extreme winters or colder winters. Is that fair enough to say that SaskEnergy is aware and is anticipating that some of our winters will be colder than normal, and that's part of the whole process around what some

would suggest is a global warming or global . . . the change in the global weather patterns? Does SaskEnergy have any of that intelligence as it pertains to what people are anticipating, colder winters and hotter summers?

Hon. Ms. Eyre: — So thank you, Madam Chair. Certainly around budget planning, it's the normal year that is looked at, not the unusual year and unusual variances within that year. This past year of course was an extremely cold year and officials can speak to, I believe, some of the records that were broken or almost broken, so of course highlighting the need for a very robust system of safety and safety infrastructure and infrastructure across the board to make sure that Saskatchewan people remain certainly warm in the temperatures that we have seen this past year, and that we have the robustness of the infrastructure to protect against unusual patterns.

And again officials can perhaps speak to this in greater detail, but I know in some utilities across North America this past winter, there were conservation efforts or calls to use less gas and so on because of the worry over the temperatures. And SaskEnergy did not have to follow in that direction because of the robustness of the infrastructure and of the investments that have been made.

In terms of the environment and just the methane action plan part of this, I think just as a bit of an introduction of course this Act supports, as mentioned, the methane action plan, which is about reducing emissions from venting and flaring by 4.5 million tonnes per year by 2025. And certainly SaskEnergy and Energy and Resources are working together to conserve natural gas, because that simply makes sense and it's, you know, MAP [methane action plan] is all about endorsing environmental stewardship and entrepreneurial innovation at the same time.

And again, about 20 per cent of natural gas is wasted by Saskatchewan oil producers through venting and flaring as I mentioned in my opening remarks. So this plan is about rectifying that. It's about addressing that. And the overall methane action plan, as opposed to the federal plan, we feel will result in real measurable reductions and emissions rather than presumed theoretical ones based on models and assumptions. So that work is also robust.

And in terms again of just . . . methane action plan is a background to this Act because it is the reason that this Act was undertaken and the work on it was done. MAP is about flexibility, not targeting specific equipment for example, facility by facility. It's results-based and designed to establish annual company-wide level emission reduction, so that companies can make investment decisions for all their production facilities. So just as a bit of background and context to the methane action plan side of this Act that we're considering this evening.

Mr. Belanger: — Under section 24 and 61, you made reference to qualified initiatives. How were the parameters for those qualified initiatives arrived at by SaskEnergy? And I'm assuming that if you look at qualified initiatives, you're looking at places where SaskEnergy may or may not go. And I'm thinking about northern Saskatchewan.

[21:15]

There's always the request and demand for cheaper energy and

heating sources. In the North we often find, and some homes are transitioning from diesel heat — that's what I have in my home — and they're going to electric heat. So some of the housing authorities don't want to have diesel furnaces anymore because the tanks leak and there's maintenance problems. So they're going to electric heat, so they're using electric furnaces. Well that just drives the cost of power bills right through the roof. And I'm not exaggerating, Madam Minister, when I tell you, people are getting 1,000, \$1,200 power bills each month for their heating needs and of course their electricity needs. And so they're obviously looking at natural gas.

So we can safely assume, and correct me if I'm wrong, there are no plans to use any of the additional money you're borrowing to extend natural gas service to the northwest part of Saskatchewan beyond Meadow Lake, because Meadow Lake has natural gas. And if I'm safe to assume that, that some of this money is not going to that purpose, how does one approach SaskEnergy to look at a unique or qualified initiative to bring natural gas to that region? If say a private sector partner were to be found to do this, how would SaskEnergy look at that?

Hon. Ms. Eyre: — Well, thank you, Madam Chair. And of course just, I guess on the idea of picking and choosing, it's just not how SaskEnergy goes about it. It's not about . . . You know, it's all one pot in terms of investments and future investments and looking at potential investments. And in terms of SaskEnergy and the North, the rate structure ensures that people in the North pay the same rate as everyone else in the province.

And recent projects include extending natural gas service, and I think we discussed some of these in estimates last year, on the Big River First Nation, which will see 160 kilometres of pipeline installed on the reserve. Three hundred and ninety homes are expected to begin to enjoy the benefits of natural gas by the end of the year. And as with all pipeline projects, SaskEnergy will certainly continue to work with and has been with Big River First Nation, for example, to consult Aboriginal elders and monitors on this project.

But as the member, as Mr. Belanger knows, some of the terrain in the North of course makes pipeline construction very challenging. And SaskEnergy continues to work with First Nations to bring the benefit of natural gas service to homes and businesses and schools on First Nations land. Currently SaskEnergy serves 57 of the province's 72 First Nations, and plans are in place to extend service to the Piapot and Muskoday First Nations as well. So again there are challenges, terrain and otherwise of course, which are well known but also efforts that are ongoing and continue.

Mr. Belanger: — If I can ask the minister, what does it cost to . . . average cost of laying a gas line or a gas pipeline? You know, obviously you have to incorporate the terrain and so on and so forth, but what is what one can assume is a ballpark figure to lay a kilometre of a gas pipeline?

Hon. Ms. Eyre: — Thank you, Madam Chair. So of course there are many variables when it comes into something like this. I mean size of the pipe, the terrain as mentioned. And that is why on major transmission lines it's done based on procurement and so on. So many, many variables. We don't have a number formula that we can produce here this evening on that. There are

just too many variables.

Mr. Belanger: — Okay. The final question I have is around the qualified initiatives. I'm still quite interested in that statement. Of course in the northwest, I think Meadow Lake is the furthest northern connection for natural gas.

Hon. Ms. Eyre: — La Ronge.

Mr. Belanger: — Well I'm now saying northwest though. And I understand that there are no plans to build a pipeline north of Meadow Lake. But if the private sector were to look at bringing natural gas service to that region, legislatively and operationally how would SaskEnergy view that — I don't want to use the word "intrusion" because it's not — but it is in a sense intruding on SaskEnergy's natural course of business. Is there any legislative matters that prevent companies from doing that at this time? And how would SaskEnergy react to an initiative from the private sector?

Hon. Ms. Eyre: — Thank you, Madam Chair. So again there's a SaskEnergy franchise of course in play here. So any private sector partner or potential partner or anchor tenant, you know, in the future would obviously have to deal within the context of that SaskEnergy franchise. It's slightly speculative of course to engage in, you know, what could be — if. But that would be the reality that there would be that franchise that would have to be dealt with in terms of SaskEnergy and just the load in play there.

It would have to be a matter that would be worked out based on that franchise agreement with SaskEnergy. And again some of the variables we've discussed, some of the challenges, the cost of residential service and so on are well documented. And reality's for a reason, so I'll leave it at that.

Mr. Belanger: — My final question, Madam Minister. It's my fifth final question, Madam Chair, so you'll have to excuse me. I'm having a tough time counting here. Who would be the contact person to talk about that franchise?

And secondly, like we've always had, you know, the effort that we've gone a lot of places, looking at options and how to find more affordable sources of energy. Who would be the contact person within SaskEnergy to begin those discussions? And when there's contact that we make, because people obviously want to find these things out, you know, we call SaskEnergy to ask for meetings. They say, well you have to go through the minister's office.

I said okay fine, you know, but with your blessing, is there somebody we can actually have a meeting with and get the details as opposed to having to go through your office? Because it's really relevant information that we need to find, and if we've got to call your office every five minutes to ask somebody a question in SaskEnergy, it becomes kind of a cumbersome process. So if you could entertain a notion of appointing someone to work with us on this matter, then that would make it a lot easier to ask questions, get information, and communicate it back to the people that may be interested in doing this.

Hon. Ms. Eyre: — So in answer, the normal process would be that you would contact a business manager at SaskEnergy and, you know, a local business manager or other business manager

would be happy to discuss this issue. I mean as far as we're aware, there's no private sector or hasn't been any private sector interest in this that we're aware of. As I say, the muskeg, the bedrock, the terrain, all equal cost prohibitive not only to a company but of course would also be to customers.

And so again that would be the route. It's a routine route and business managers at SaskEnergy meet with people every day. So that's the process that would be undertaken, but as I say, no interest that we're aware of in this regard for all the reasons that we've listed.

Mr. Belanger: — Again my final request was, would you entertain a notion of appointing either your chief of staff or giving the go-ahead to the president of SaskEnergy that if we have questions or we wish to have meetings or to research these matters, that we could do so with your blessing as opposed to going to the minister's office every time we want to ask a question?

Hon. Ms. Eyre: — Well thank you, Madam Chair. Certainly if Mr. Belanger is interested in meeting with the president of SaskEnergy, you know, have at 'er. It's not in any way off the not-a-possibility. It absolutely could be, and that's eminently possible.

Mr. Belanger: — Thank you.

The Chair: — I'll now recognize Ms. Chartier.

Ms. Chartier: — Thank you, Madam Chair. And thank you to the minister and your officials here tonight. With respect to the bill which increases borrowing from 1.7 billion to 2.5 billion, you'd mentioned in your comments that in '21-22 you'll exceed the current debt limit of 1.7 billion. And then you went on to list some of the capital projects which I'm assuming are tied to the borrowing. Would you mind going through the capital projects that are reflected in this new increase in borrowing, and not just in terms of what they are but costs that are associated with them?

Hon. Ms. Eyre: — So thank you, Madam Chair. Just in terms of that, and I'll just say as a bit of an introduction to that again, I mean in terms of this debt that Madam Chartier is referencing, it is all about safety. It's all about investments in safety and in that infrastructure expansion. And again we'll go through the costs on a line item, as much as possible, line-item basis this evening. Again they were mentioned . . . I mentioned them in the introductory remarks that I made. They're integrity initiatives to maintain the current system and also build new gas transport systems. So of course this is all about strengthening the Crown.

And again I guess I'll just say, I mean this really is about building for the future for SaskEnergy. We have, as SaskEnergy, 1.65 billion in capital planned over the next five years, and that is planned to keep up with demand. And so again, you know, we plan projects and SaskEnergy plans projects years in advance, and that means that that capital is in place for years down the road, and so it's pretty straightforward in that regard. And you know, in terms of this past winter, for example, and that was referenced by Mr. Belanger, in the future or on any given winter such as the one we've seen, I mean to which towns would we say, you can't have heat? Or what part of Saskatoon do we say, you know, we can't raise the money to fund these projects?

[21:30]

So again this is about, you know, debt limit in, for example, 1992 being 1.3 billion, but today we're moving eight times the volume of gas that we did in 1988. So I think that serves as a bit of a backdrop, an introduction to the why of this, an important context because, you know, a much larger business such as SaskEnergy now needs the ability to do things on a larger scale.

And so in terms of the specific projects that I outlined in the introduction, I'll let Christine, Ms. Short, just go through some of those in terms of the dollar figures.

Ms. Chartier: — Can I just clarify then, so you had mentioned the one point . . . Sorry. Just to clarify then, the 1.65 billion in capital projects over the next five years, if I could get a list of that, that would be great, including the project and the costs tied to that.

Ms. Short: — Christine Short. So I'll just break it down generally and then get into some of the more specifics of the project. So about 530 million of that is for safety, about 940 million of that is for growth and system expansion, and about 170 million is for what are referred to as support, which is our IT [information technology] infrastructure and our facilities, those types of things.

So our long-term planning suggests that we will have, you know, an increase in our provincial natural gas demand in Saskatchewan, and our supply in Saskatchewan continues to shrink. We are now importing more than 65 per cent of our natural gas from Alberta, so we have to design our system to accommodate that as well.

Just from a customer growth perspective, and it's primarily from industrial customers, as the minister mentioned, that'll be about \$250 million over the five years, and that's primarily the enhanced oil recovery, power generation, and mining sectors. Moving the high-pressure transmission line outside of the city limits will be about \$170 million over the five years, and that's in Regina, and finishing off the project in Saskatoon. We also need, as I mentioned, to make sure that we can bring in the natural gas from Alberta that we need, so increasing the capacity at the border will be about \$60 million. Pipeline expansion around the Saskatoon area and north of Saskatoon to meet the constrained pipeline system in Saskatoon and the increased industrial load is about 250 million.

There's some compression expansion projects around Rosetown, Succow, Piapot, and Bayhurst that will maximize the existing transmission facilities to support the increased flow, and that's about 35 million. And the storage expansion project in the Regina area to manage that supply would be about \$110 million.

Ms. Chartier: — And just going back to a comment in last week's estimates, obviously this isn't . . . So in '19-20, in this fiscal year you're planning to borrow or SaskEnergy is planning to borrow 200 million of which 33 million will be used to refinance long-term debt that's maturing later this year. And the rest is being used for capital investments and operating requirements during the course of the year.

Is it normal to borrow for operating requirements? Can you tell

me a little bit about that?

Ms. Short: — Yes. Because our business is cyclical and we get some of our, you know, our higher cash flows after the winter, we need just short-term requirements during those what I'll call off-peak times.

Ms. Chartier: — Thank you for explaining that. Another comment from estimates last week. It was referred to a healthy balance sheet with a 56 to 44 per cent debt-to-equity ratio as of March 31st, 2018. Do we know what that . . . And I don't think we had this number but do we know what it is as of March 31st, 2019 yet? Do we have that number in yet?

Ms. Short: — The number's not final but it'll be around the 56 per cent.

Ms. Chartier: — Fifty-six to forty-four. Okay. And after this borrowing, so once we've, five years from now, added this increased borrowing, do we have an estimate of where we'll be at in terms of that ratio?

Ms. Short: — It would be about 63 per cent, assuming normal earnings for those five years.

Ms. Chartier: — Sixty-three per cent. Okay. And forgive my ignorance here, but it was referenced that like a healthy balance sheet is 56 to 44 per cent. When we're looking at a healthy balance sheet, what would define a healthy balance sheet then? Where does that get thrown off at any point in time?

Ms. Short: — We have a target range for our debt/equity ratio between 58 per cent debt to 63 per cent debt. So that's based on our industry research which we review periodically, would suggest that that's within the range in industry.

Ms. Chartier: — Okay. Once we've achieved this five-year capital plan as the minister said, investing in safety, etc., it's expected that we'll be at that 63 per cent ratio.

Ms. Short: — Yes.

Ms. Chartier: — Okay. Is there any concern with that at all, being on the upper end of that?

Ms. Short: — We're not concerned at this point. I'd say we have a very strong balance sheet and we've been able to manage the borrowing and the capital investment with our level of earnings and, like I say, with the spending. So we're not concerned at this point. We will monitor, for sure, but we're not concerned.

Ms. Chartier: — So we've talked about a five-year capital plan. Do you have a 10-year capital plan in place? We've talked about the next five years, but are we projecting a little bit further out as well?

Ms. Short: — Not to the level of detail that we do with the next five years, but we do anticipate that continued growth going forward.

Ms. Chartier: — The industrial, primarily the industrial growth. Do we see on the horizon then probably the need to borrow? I mean that's projecting but you're loosely planning a 10-year

capital plan. Do we see the need to increase the borrowing limit down the road?

Ms. Short: — At this point we would not be considering a further increase in the near term. We think that the 2.5 billion will carry us through for the next several, or next 5, 10 years for sure.

Ms. Chartier: — Okay. With respect to Bill 137 as well, the other thing it does, it allows SaskEnergy to request an order in council to generally approve a program or initiative without the need for additional OCs for each participant in a program. So I think, Madam Minister, you referenced the methane action plan. Is that specifically the program for which this bill is moving forward, or with this amendment?

Hon. Ms. Eyre: — Thank you, Madam Chair. This sets up the framework to allow for it.

Ms. Chartier: — Would there have been any programs . . . It seems like a reasonable thing to do, but would there have been any examples in the past where this would have simplified the process at all?

Hon. Ms. Eyre: — Thank you, Madam Chair. This is a specific framework for this specific Act. It is about, as mentioned, Energy and Resources and SaskEnergy working together to accommodate that framework for the methane action plan.

Ms. Chartier: — Do we have any sense of how many participants will be able to, we anticipate participating in this work?

Hon. Ms. Eyre: — Thank you, Madam Chair. So again this is about the framework and establishing the framework for facilities, with something that makes common sense with the venting and flaring that currently exists. And so again, good for the environment and good for entrepreneurial undertakings going forward.

There are no specific numbers as of yet, but there is also interest and positive interest. There is also quite a lot of eagerness about MAP in industry and in the sector, and just about some of the possibilities that this can lead to, including the R & D [research and development] side of things and just the facility building and incentivizing and working with some of those possibilities around the methane action plan.

Ms. Chartier: — So do you have a sense, because this order in council or this particular amendment provides that you only need one order in council for a specific program. So for MAP here, then individually approved participants don't need an OC for every project. So I'm just trying to get a sense of how many companies, or what do we generally think about in terms of interest in this.

Hon. Ms. Eyre: — Right. Okay, well I'll certainly answer the question about the OC thing. I'll just also say though, on MAP, I mean again just to be completely clear, this is about the provincial Prairie Resilience plan that, you know, we hope is absolutely approved by the federal government. So again it makes sense and it was work that we certainly had been undertaking as Energy and Resources, and this was just a little bit of a catalyst in terms of formalizing and finalizing those plans.

I mean so again it's just being structured and we hope approved finally, and everything else going forward this year.

In terms of the OC and the ministerial oversight issue, there is nothing in this Act that impacts SaskEnergy's core franchise. I think that's important to state on the record. It's just about a template, and a template that's applied to businesses of the same type. So the same rules, same parameters are applied. And as OCs are published, SaskEnergy will publicly list all companies for which it has granted approval. So again I think that's very important to mention.

And the intention for amending section 24 of the Act is to continue to ensure that full transparency and accountability, and at the same time of course try to help some businesses grow around this in Saskatchewan. And when a new business or a process comes forward to SaskEnergy and requires cabinet approval through an OC, then all the parameters, as I say, will be established so that the business operates within SaskEnergy's legislation but doesn't impact the corporation's franchise.

So this would then establish, as I said, a template that would be applied to all successive businesses of that type that would come forward, and so the same rules, again as I say, the same parameters will be applied. And just as OCs are published, SaskEnergy will publicly list all companies for which it has granted similar approval. So I'll leave it at that for now.

Ms. Chartier: — And where will it be publicly listed?

Hon. Ms. Eyre: — SaskEnergy's website.

Ms. Chartier: — Okay. Thank you. So obviously this was for MAP, but is there any other program where this change would apply as well? Is there anything else we see this change supporting down the road?

[21:45]

Hon. Ms. Eyre: — Thank you, Madam Chair. This really is just again about the framework of this Act. Again it's speculation to say or to get into whether this would create a framework for other similar potential situations down the road. At this point that is simply a possibility. This is the framework for this Act.

Ms. Chartier: — All right. Thank you for that. So if, again, Prairie Resilience you said isn't . . . You're hoping and everybody's hoping the feds would approve it but barring that, are you still planning on going ahead with MAP?

Hon. Ms. Eyre: — Well certainly Energy and Resources was doing work in this space for several years and, again as stated, it makes good common sense. Part of the challenges have been around the infrastructure and the nature of the infrastructure in Saskatchewan. And so again this is why some of those R & D and so on infrastructure pieces have to be in place with it.

It's looking very positive in terms of the methane action plan, and some of the steps that we've had to get to to achieve equivalency are looking positive. And I think that it is testament to the solidity and robustness of the plan, and as I said earlier, much less prescriptive than the federal plan and that we see in other jurisdictions, sort of a more holistic investment-based

approach for companies for all their facilities and so on.

So again I think the science is very good. The goals are very robust. And so we're very positive that we'll get a good outcome on that from the federal government.

Ms. Chartier: — Well thank you for that. Just as I pointed out last week, I'm new in this critic role and so learning a lot about SaskEnergy in the last several months. I know we had a conversation . . . And while I have you here, if I could have you explain the commodity piece versus the delivery piece. After our conversation I went back and looked at estimates here again to make sure I understood here.

And so on the commodities side of things, I just want to clarify that I have this correct with you here tonight. So on the commodities side of things, Mr. From had said, through all jurisdictions in North America, it's to be passed on to customers at cost. SaskEnergy isn't allowed to earn a return on that, so you plan on having it at cost. And there was a little bit of talk about the cost variance account because the numbers change monthly.

But can you explain that a little bit more to me? So nobody anywhere in North America is allowed on the commodity side of things to sell natural gas at a . . . I just want to understand that a little bit more.

Hon. Ms. Eyre: — Well thank you, Madam Chair. I mean, as Ms. Chartier pointed out, this does relate to the gas cost variance account and just the structure and the utility structure to these things that utilities across North America adhere to. It's just the way that it is set up and regulators just can't . . . don't make money on that commodity side. Marketers can; regulators don't. That's just the way it is. That's the way it is.

And so the fact that, for example, on the gas cost variance, the commodity pool, as it were, basically reaches something of a tipping point. It is at that point that that simply must be reimbursed to customers. And so that's just common practice among utilities and that is the framework that's in place.

Ms. Chartier: — Again forgive my ignorance. This is all pretty new for me here. So it's the framework in place. Is there an agreement? Is there a policy? Like is it . . . I just want to understand who sets this and how . . . I just would like to understand this as we go forward.

Hon. Ms. Eyre: — So, Madam Chair, that's just a regulatory framework that regulators follow. It is just the way that it is. And I mean SaskEnergy's obviously, you know, a major utility and that's what other utility companies do. And that is the framework and the compact that exists between regulators. There's not much more one can say on that.

Ms. Chartier: — Okay. Just a question then around the rate review panel. So then there's nothing . . . If that's the way it's done, then there's nothing, no recommendation. So between the rate review panel and government approving a reduction or an increase, it really is up to this compact and recognizing that you'd never turn a profit on natural gas. Am I understanding that correctly?

Ms. Short: — So the rate review panel will look at the cost of

the commodity just to ensure that all the costs that are being attributed to the commodity are actually in fact commodity related. So they're just doing a bit of a review to ensure that what we're supposed to be putting against the commodity cost is actually what's being applied to that commodity cost. So the difference between when we put in a rate application and when the panel makes a recommendation, price of natural gas could change in that period and that's reflected in the gas cost variance account. And therefore the rate would be adjusted at a later date. So it's all a matter of timing.

Ms. Chartier: — Well thank you for that, and I'm sure I'll have many more questions next year on this as I continue to learn a little bit more about this. I think just one last question that I didn't get to last week. So obviously SaskEnergy isn't charged as a heavy emitter, so where is the collection of the carbon tax being reflected, or what are you doing with the collection of the carbon tax while we are waiting the outcome of the legal proceedings?

Hon. Ms. Eyre: — Okay, Madam Chair. Thank you for the question, Ms. Chartier. So as a distributor of the actual fuel, SaskEnergy has to remit that tax right away. It's just a CRA, Canada Revenue Agency, framework that then falls into place in our case or in the case of SaskEnergy, that as the distributor that's just the way it works, as opposed to being held in trust, for example, as with SaskPower. It's just a different structure.

Ms. Chartier: — All right. Well that's that. I think that that concludes my questions around Bill 137 and sort of outstanding things I wasn't sure about after last week. So thank you for your time here tonight.

The Chair: — All right, seeing that there are no further questions, we will proceed to vote on the clauses in this bill. Bill No. 137, clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 6 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The SaskEnergy (Miscellaneous) Amendment Act, 2018*.

I would now ask a member to move that we report Bill No. 137, *The SaskEnergy (Miscellaneous) Amendment Act, 2018* without amendment. Mr. Buckingham so moves. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Minister, do you have any closing remarks you'd like to make this evening?

Hon. Ms. Eyre: — No. Just to thank you, Madam Chair. It's been a longish evening here together and just to thank you and members of the committee and Ms. Chartier for being here this evening and asking the questions that she did. Thank you very much.

The Chair: — Ms. Chartier, if you have any closing remarks, you're welcome.

Ms. Chartier: — Thank you. It's always appreciative to have the minister and her officials and get some answers to questions. So thank you very much for that and to other committee members and the Chair as well.

The Chair: — That concludes our business for this evening. And I would ask a member to move a motion of adjournment. Mr. Steele so moves. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee now stands adjourned until Tuesday, April 16th, 2019 at 7 o'clock p.m. Thank you.

[The committee adjourned at 21:56.]