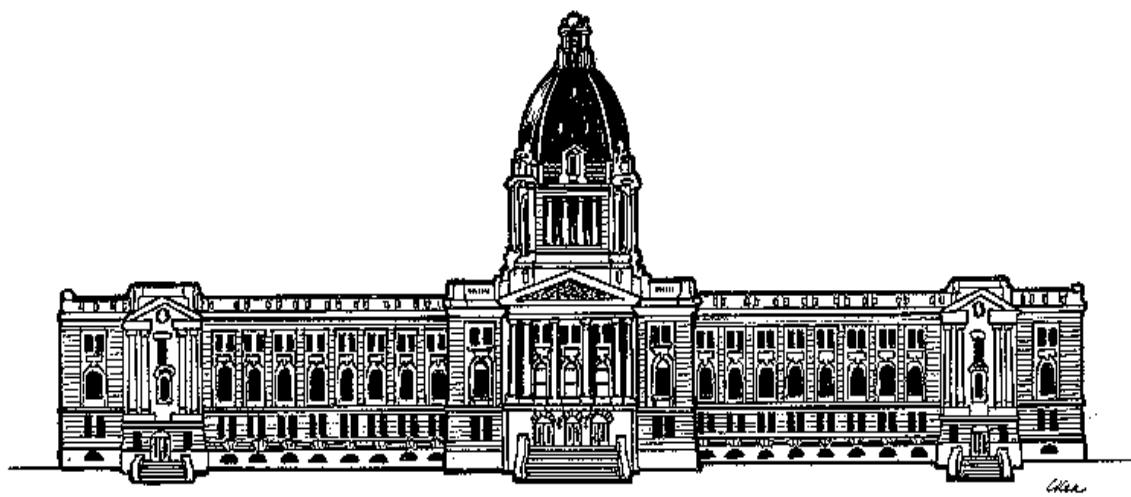




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Mr. Buckley Belanger, Deputy Chair
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Mr. Denis Allchurch
Rosthern-Shellbrook

Mr. Fred Bradshaw
Carrot River Valley

Mr. Dan D'Autremont
Cannington

Mr. Randy Weekes
Biggar

Mr. Trent Wotherspoon
Regina Rosemont

[The committee met at 11:00.]

Inquiry into the Province's Energy Needs

The Chair: — Well I'd like to welcome everybody to the 15th day of our meetings of the Standing Committee on Crown and Central Agencies, the inquiry into Saskatchewan's energy needs.

I'm Tim McMillan, Chair of the committee. I would like to also introduce the other members of the committee. We have Mr. Weekes, Mr. D'Autremont, Mr. Bradshaw. We have Ms. Eagles substituting in for Mr. Allchurch. We have Mr. McCall substituting in for Mr. Belanger, and we have Mr. Wotherspoon.

All the committee's public documents and other information pertaining to the inquiry are posted daily to the committee's website. The committee's website can be accessed by going to the Legislative Assembly of Saskatchewan website at legassembly.sk.ca under "What's New," and clicking on the link to the Standing Committee on Crown and Central Agencies.

The hearings will be televised across the province on the legislative television network, with audio streaming available for meetings outside of Regina. Check the website for information regarding locations, cable companies, and channels. The meetings will also be available live on the websites and past proceedings archived on the website as well.

Before we hear from our first witnesses, I'd like to advise witnesses of the process of presentation. I'll be asking all witnesses to introduce themselves and anyone that may be presenting with them. Please state your name and the position within the organization you represent. If you have written submissions, please advise us you would like to table them. Once this occurs, they will become public documents and electronic copies will be available on the committee's website.

The committee is asking all submissions and presentations to be in answer to the following question: how should the government best meet the growing energy needs of the province in a manner that is safe, reliable, and environmentally sustainable, while meeting any current and expected federal environmental standards and regulations and maintaining a focus on affordability of Saskatchewan residents today and into the future?

Each presentation should be limited to 15 minutes. We have set aside time to follow for question-and-answer. I will direct questioning and recognize each member that is to speak. Members are not permitted to engage witnesses in any debate and witnesses are not permitted to ask questions of committee members.

I would also like to remind witnesses that any written presentations presented to the committee will become public documents and will be posted to the committee's website.

With that I would ask our first presenter to please go ahead and introduce themselves and give us your presentation.

Presenters: Estevan & District Board of Tourism, Trade and Commerce; City of Estevan; Rural Municipality of Estevan No. 5

Mr. Cyrenne: — Thank you, Mr. Chairman, and members of the committee. My name is Michel Cyrenne. I'm the executive director with the Estevan & District Board of Tourism, Trade and Commerce. To my immediate left is Rodney Beatty, president of the Board of Tourism, Trade and Commerce. To my immediate right, Mr. Kelly Lafrentz, RM [rural municipality] of Estevan No. 5, and to my far right, Mayor Gary St. Onge, city of Estevan.

The Estevan & District Board of Tourism, Trade and Commerce represents the business community of Estevan, Saskatchewan. Our mission is to work with the community to foster economic growth and a better quality of life. We are a member-based organization with more than 300 members that reach across all sectors and industries of the local economy.

The Board of Tourism, Trade and Commerce is also contracted by both the RM of Estevan No. 5 and the city of Estevan as their lead economic development agency. As such we have an inherent interest in the future energy development in the province of Saskatchewan. As much of the business community has benefited from the two local power generating stations, those stations have also been the recipient of excellent working relationships with a number of local private businesses. This presentation is being conducted as a co-operative effort between the Board of Tourism, Trade and Commerce, the city of Estevan, and the RM of Estevan No. 5.

It is recognized that the province of Saskatchewan is in a state of growth, and in order to sustain and expand upon that growth, continued investment in the province's electrical generation will be critical. The province of Saskatchewan is well-endowed with cost-effective resources to meet this growing demand in energy requirements. In order to fully maximize the growth in energy development, we will have to focus on both new generation and maintenance and expansion of existing facilities.

Environmental regulation and developing technology will cause a shift in how energy is developed. While this will pose some challenges, it can provide Saskatchewan with tremendous opportunity. Carbon capture and sequestration and enhanced oil recovery technology being developed, used, and expected to be in further use in Saskatchewan provide a remarkable opportunity for environmental remediation and economic development derived from an increasing global demand for greenhouse gas reduction.

In order to best manage the growth and development of energy in Saskatchewan, public-private partnerships should continue to play a critical role. The continued support of carbon research in Regina and the development and practice in the Weyburn-Midale field should be commended for placing Saskatchewan at the forefront of the global carbon research field. The results of this research and development can provide the province with opportunities to both remediate environmental issues and derive economic benefit.

The province of Saskatchewan has been a leader in economic

and demographic growth over the past three years and is expected to be so over the foreseeable future. The province's wealth of natural resources is the leading contributor to this growth. As expanded development in the resource sector continues, energy demands will as well, as this type of industry is one that not only attracts new residents and spinoff economic activities but it itself requires massive inputs of energy.

The corresponding increase in population itself will have a dramatic effect on energy demands, and that increase of population will spur further activity, all of which require a stable and consistent source of power. A lack of power or even prolong the lead times in service provision creates both additional costs to the business community and unnecessary hardship and inconvenience to its residents.

In order to sustain and expand upon this recent economic growth, it is imperative that electrical generation be increased. Saskatchewan has various options in terms of addressing the need for increased demand and the province also holds a tremendous amount of potential opportunities to take advantage of, as increased global focus and attention is placed on reduction of greenhouse gas emissions.

In order to best sustain and encourage growth, maintenance and expansion of existing baseload generation should be the immediate priority. By focusing primarily on existing generation facilities, capital costs of new facilities and the risk in investment can be minimized. There are opportunities right now to expand upon Boundary and Shand power stations that'll add generating capacity, prolong the life of these facilities, and substantially decrease greenhouse gas emissions.

Nearly half of the province's baseload power is generated by lignite coal at these two stations and at the Poplar River station. The local coalfields provide a reliable and cost-effective fuel source, the cost of which is also relatively stable when compared to other electrical generating resources. The local supply of coal is estimated to be able to provide supply at current capacity for upwards of 300 years. This supply of relatively low-grade coal is not ideally suited for export. Its most effective capacity is in its current form as close to the point of consumption as possible.

As the province's most cost-effective and largest current supplier of electrical generation, it would be highly irresponsible for the government to discontinue coal-fired power generation.

To maximize current baseload and peak generation, consumer conservation should also be promoted and encouraged. Saskatchewan has historically maintained and promoted low utility rates. This can in effect be a cause of inefficiency. Low utility rates, while they do provide some benefit to consumers, are not conducive to energy conservation. In order to maximize the efficiency of our baseload generation, ensuring that consumers pay a value that is fair but that also discourages energy waste will provide long-term benefits. Also programs providing tax relief for improvements to energy efficiency, especially for agricultural producers, businesses, and municipalities can provide effective results to decrease overall provincial energy consumption and therefore decrease the additional generation required.

Encouraging further demand-side generation can also provide a critical advantage. Producers and businesses that generate their own power not only decrease provincial generation requirements but the opportunity to return excess power to the system, if feasible, can also contribute some additional generation capacity.

In terms of expansion upon non-baseload generation, a variety of well-researched and -developed technologies already exist. The province contains a wealth of both renewable and non-renewable resources. The non-renewable resources have been and will continue to play a lead role in Saskatchewan's power generation, but there are also tremendous opportunities to expand upon non-renewable generation.

Hydro power representing 14.7 per cent of the province's total generation and wind at 4.4 per cent currently provide most of our non-renewable power. There also does exist tremendous opportunities, particularly in southeast Saskatchewan, for geothermal power to play a greater role in the province's electrical generation. Geothermal can in fact provide baseload capacity at a stable cost that is not dependent on the price of oil and gas. The Deadwood aquifer, for example, located throughout southern Saskatchewan and most prevalent in the Moose Jaw, Regina, Weyburn, and Estevan regions, is estimated to be capable of generating an additional 39 540 kilowatts.

Private investment into energy generation, especially in areas outside of SaskPower's existing scope of experience, should continue to be strongly encouraged. This provides a vehicle for investment within the province while simultaneously distributing capital costs away from the taxpayer.

Investment from the private sector also provides benefits beyond electrical generation such as the creation of employment opportunities, corporate investment into local communities, and additional sources of tax revenue for both our local municipalities and for the province.

The role in this government is simply to continue to create and expand upon an environment that is conducive and attractive for investment into additional electrical generation. As the private sector addresses the cost of developing new generating capacity, the public sector will be better able to address the issue of required investment into existing infrastructure.

In recent years, issues of carbon and other greenhouse gas emissions have become global priorities. In Saskatchewan our fossil fuels have contributed significantly to create a high quality of life for its residents. At the same time, development of these resources does contribute to environmental degradation. Saskatchewan, due to significant investment into carbon capture and sequestration, and enhanced oil recovery, research, and development now has the opportunity to continue to prosper from development of our resource base while also providing a significant contribution to global environmental remediation.

Saskatchewan is already recognized in the scientific community as a leader in CO₂ capture technology. The work done at the research centre in Regina and in the Weyburn-Midale fields have provided the scientific community with a tremendous base

of knowledge, understanding, and confidence in the potential that exists with carbon capture sequestration and enhanced oil recovery. The provincial government should be commended for its ongoing support of this initiative, and we encourage further continued support.

Further opportunities for partnerships may soon be available with the construction of the new Energy Training Institute. This facility will provide training opportunities in the existing energy sector and it'll also be readily available to provide training in these emerging fields of study.

Federal funding has been provided for one project and a memorandum of understanding has been signed with the state of Montana to develop another. This is a critical point in time where action must be pursued in order to regain the momentum that will bring us at the leading edge of this technology. There are tremendous benefits that come with being the first to emerge in a developing sector and, unless we act upon this opportunity very quickly, these benefits may surpass us.

Saskatchewan is quickly becoming recognized as a global innovation leader. These projects provide an opportunity to grow upon that reputation.

We have to be prepared for any upcoming emission-based legislation that may arise. With emissions legislation comes demand for technology to reduce emissions. If Saskatchewan can seize the opportunity to be a leader in development, manufacturing, and export of that technology into markets far larger than our own, we've placed ourselves at the forefront of one of the world's largest emerging markets. The economic development opportunities that could arise in this field are enormous. Saskatchewan needs to put itself in a position to best capture those opportunities.

As a jurisdiction that is recognized as a leader in per capita emissions, we have to realize also the potential threat that comes with any legislation placing a price tag on emissions. Emissions generated in our province have the potential to become one of either a commodity to be somehow sold or a substantial cost of doing business. If we cannot develop solutions to reduce emissions, we'll have to either pay for those emissions or pay to purchase the technology to do so.

The opportunity to merge this field of carbon capture with enhanced oil recovery will also provide our province with potential expanded economic benefits in the oil industry. Saskatchewan's oil reserves have increasingly provided to the wealth of the province, especially in the Southeast. As excitement and investment continues to pour into the nearby Bakken field, the carbon capture projects continue to provide potential economic benefit.

Enhanced oil recovery has already been in place in this area for some time, albeit with carbon captured in the United States, and can provide the local oil industry with a tremendous opportunity to further and more effectively develop our oil reserves.

The oil industry has proven to be a resourceful one, and one that will take advantage of new technology, once available and cost-effective. We've seen this recently with the advancements in fracturing and horizontal drilling. The Bakken fields have

long been known to exist but this technology has only recently been readily available and the industry was very quick to take advantage of and further invest in further development.

As technology in this emerging field continues to improve both in effectiveness and in cost, the Crown, business community, and people of Saskatchewan stand to benefit. As the province of Saskatchewan continues to grow and prosper, there is no doubt that electrical generation will need to be increased. In order to do so it is tantamount that existing coal-fired baseload generation as conducted in Estevan and Coronach remain the priority. These facilities not only provide nearly half of our existing generating capacity but also have the potential to be expanded upon and further refurbished to become clean coal plants.

There are numerous opportunities to expand generation capacity through both renewable and non-renewable forms, and all options should be considered. As a strong diversity of generating capacity, it provides us with both greater stability in generation and cost, as well as greater resource management. While SaskPower has and should continue to play a central role in baseload generation and distribution, the private industry can provide and should be made available every opportunity to play an ever-increasing role.

[11:15]

Tremendous work has been done in research and development of carbon capture and sequestration and in enhanced oil recovery. These provide our province with great opportunity to further develop our energy industry while providing environmental solutions that can be sold to derive significant economic benefit. It would be a shame to see such advancement not realize its full potential right here in Saskatchewan. Thank you.

The Chair: — Well thank you very much for your presentation. Mr. D'Autremont has the first questions.

Mr. D'Autremont: — Okay. Thank you very much. Very good presentation. I have two questions. You commented on the growth in Saskatchewan. I wonder if you could perhaps outline for the committee the growth that you see in Estevan and the surrounding area. I know you've mentioned a number of the projects like the Bakken field, but what's the industrial growth in Estevan or the RM? You know, what's the population growth? I wonder if you could outline those for us.

Mr. St. Onge: — I can just mention from the city point of view. I think perhaps Kelly could answer from the RM. In fact we just talked about population the other day and our latest figures from Sask Health would show us at 11,400. The last census, well we're all concerned about the census that was done the last time because they seem to have missed a lot of people in the province of Saskatchewan. I don't know. Their methods are a little different than they used to be. But that time showed us as a decline of 150 or whatever, which was amazing when you talk to the people in the city and they have to wait at four-way stops way longer than you used to have to.

So it's definitely going up. It's just a matter of we did have this past year where things were a little quieter. The price of oil

dropped a little bit. It got a little quieter.

But from all what we hear is that this summer, or this fall at least, things will be proceeding big time in terms of the oil sector, so there's going to be a lot of growth. And it's unfortunate that we're playing a little catch-up in terms of power generation, really, because in my own opinion if we had showed a little vision in past years we may not be bringing in carbon dioxide from the United States for Cenovus at Weyburn, or EnCana as it was originally called. We'd have been providing that CO₂; we could have been.

So we're looking forward to a lot more growth. And I'm sure that's the predictions for at least the southeast part of the province.

Mr. Lafrentz: — I don't think I have much more to add. But the eleven four census, I would think we probably have at any one time in the city here and the RM is probably another 1,000 that are in and out of the city as work crews come in and out. And I'm sure all the surrounding communities — Lampman, Midale, Stoughton — they're experiencing that too. So I would think that probably an effective population in the area is closer to 15,000 is what's really here, that's probably residing here at least eight months of the year.

So that's about all I have to add to it.

Mr. D'Autremont: — Okay. Thank you. Unless the other gentleman had something to say.

Mr. Cyrenne: — Could I?

Mr. D'Autremont: — Yes.

Mr. Cyrenne: — I also just want to comment on the 2008 Crown land sales that added up to one point, I think, \$18 billion; 82 per cent of those sales did happen in the southeast corner of the province. And then just in the past fall, we've also seen what a number of the people in the field have called the busiest . . . What's the word I'm looking for? Exploding down in the hole to find a well.

Mr. Lafrentz: — Perforating? Fracturing?

Mr. Cyrenne: — No. Sorry. No, like, they do the explosions to find if there is . . .

Mr. Lafrentz: — Oh, seismic.

Mr. Cyrenne: — Yes. Sorry. The people in the industry have called the past seismic season as the busiest seen in a number of decades. And a number of the oil drilling companies are predicting this coming drilling season to be nearly as busy as the 2008 season when we saw upwards of 1,000 wells drilled in the area. And these companies are also reporting long lead times in electrical generation at their drilling and battery sites where they're actually having to bring in generators. And it's not because of a lack of supply, just a lack of manpower to bring service to site. But the long lead times is costing in the thousands of dollars for businesses for having to bring in generators rather than having that supply.

Mr. Lafrentz: — If I might just add a point to that. It isn't capacity. It's crew work to get the lines run and this is what the holdup is, because I think SaskPower does it as well as K-Line Construction. So there's a shortage of crews to put that infrastructure in place for a lot of oil producers in the area is what it is.

Mr. D'Autremont: — Thank you. Well that growth that you're talking about and the potential for a large amount of drilling and then the need for electricity, what we've heard from a number of the presenters across the province is that we should be able to offset that increasing demand with demand-side management, conservation, or failing that, by the distributed generation system of wind mills — either large ones or small ones or within, particularly in the North, with a biomass, wood-pellet-fired generation.

Do you think that's a viable option when you look at the amount of growth that you're projecting down here?

Mr. Cyrenne: — I would think it's an option. I can't see that being the only option but it definitely does provide a decrease to the amount of actual generation required and also has a potential to have power regenerated into the grid. But I think it would just be more of a supplementary system rather than a baseload or a priority system.

Mr. St. Onge: — Can I just respond to that as well. I think all these things, all these new types of ways of producing energy are great ideas, but the thing is, they're unproven at this point. We know that this is proven. Coal is proven. We can provide electricity through coal. We've got so many reserves and if we can do it in an environmentally friendly manner, why wouldn't we make use of it? And there's no reason why we can't do it.

I mean I think the technology's there. It's just a matter of getting into it, getting it done, and then we'll be able to provide the maximum or the majority of the power and give us time to develop other sources. But I mean, when it's right here, just to turn your back on it . . . And that's what we hear, and we hear that from down east, which is very easy for them to say that. When you've got it here and if you can do it properly, even what we've cleaned up in the last few years . . . You used to be able to park at Boundary Dam and you'd come out, you know, after an hour and there would be particulates on your car. That's not there any more. They've done a good job of taking a lot of the particulates out of there. It's the carbon dioxide and there is a way of doing it. Why wouldn't we do that?

Mr. D'Autremont: — Thank you. Obviously you have mentioned the large investments that are taking place here in Estevan both by the federal and provincial government looking at clean coal, and that is certainly a very viable alternative or a way to go. You mention Ontario. The interesting thing is they were going to shut down their coal-fired plants there five years ago. They did not. And where they don't rely on coal, they rely in large part on nuclear. Okay. Thank you very much.

The Chair: — Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chairman, and thank you, gentlemen, for a very interesting presentation. Certainly the point being made about the 300-year supply of

coal on hand here in this part of the province, the importance of coal to the baseload of our grid, and the urgency on the file of carbon capture and storage — and if you can square this circle, it's a tremendous advantage not just for Saskatchewan but, as you've rightly stated it in your reports, in terms of a globally very much in demand technology.

In your presentation you use language like, page 7, you talk about how we need to regain momentum on the carbon capture and storage file. I was wondering if you could perhaps, for the committee's benefit, what do we need to do to regain momentum and how is it that we've lost momentum on this vitally important file?

Mr. St. Onge: — Well I'm just going to speculate a little bit because I don't know for sure what happened, but I mean we had announcements from the federal government. In fact the Prime Minister was here into Estevan to announce funding or some partial funding at least, along with the province, of carbon dioxide sequestration capture and so on.

For some reason it's proceeded a little slower. I'm not sure. I have my own . . . I'm a little concerned and I don't mind saying this because I've said publicly before, is that there seems to be a little bit of turf building or turf protection in terms of SaskPower. I mean we have a group in Regina that seems to me to have had answers, the technology, for some of this for quite some time and for some reason . . . In fact I believe they backed out of the Boundary dam project. They are looking at the Montana project a little more now.

I don't know if it's the old story where experts have to come from somewhere else and I mean if we have them at the University of Regina — and I still haven't got an answer yet as to what's happening there — why we're not using them. I don't know if that's the slowdown.

The thing is we could have been a little further advanced than where we are, and especially with now we're talking about an Energy Training Institute being here. I mean you can get people who you train in this, and we could be the trainers for who knows how far around the world with this new project coming in, which the federal and provincial governments have put a considerable amount of money in. It's going to be a great opportunity for us to train people in the energy sector — especially because around Estevan we have so many different types of energy. It's a great opportunity.

So I'm not sure. I'm just speculating. Who knows? Maybe somebody else knows the answers for sure. Thank you.

Mr. McCall: — I guess we have some, certainly we have concern and we're also looking to get a better understanding of what's going on. Because this should be a file that Saskatchewan, you know, we don't just make announcements about being world leaders, but actually leading the world in this, the advancement of this technology. And again in this era of increasing costs being placed in carbon emissions and the abundant coal reserves that are not just available here in Saskatchewan but throughout North America, if we can get this technology right, it's a tremendous advantage — not just for this province but for right around the world.

I guess the other point that you make in the presentation is around the question of perhaps the irony of CO₂ that is captured in the States to be used for enhanced oil recovery and through the Weyburn-Midale fields. And certainly in the past weeks we've seen an announcement with Basin Electric teaming up with HTC Purenergy to do carbon capture and storage at Beulah, North Dakota. And ironically the carbon that will be captured in that project will be shipped back up into the Weyburn-Midale field for use here in enhanced oil recovery.

HTC Purenergy, of course, is the commercial arm of the International Test Centre, and the decades of work that has gone on at the University of Regina on enhanced oil recovery.

Again we're at a pass where the federal government has nominally put up money or the province has put up money. We haven't seen that money flow like it should be in the province of Saskatchewan as compared to, say, the province of Alberta. We've got, you know, decades of work that's been done on the technology and the knowledge development. So from our perspective, I guess I'm going on a bit of a rant because we have a hard time understanding why we're not further along on this file either.

And if there's anything from, you know, this corner of the world where you can help us to understand how it is that we've got the technological advancements out of the International Test Centre and HTC being put to use in the States to carbon capture there and bring that carbon back to this part of the world to do enhanced oil recovery. Help us to understand if you could.

Mr. Lafrentz: — Well I don't know in fact if that's all true, but I know when the EnCana field proposed their carbon flood program, I understand that SaskPower was approached with the opportunity to do that and they chose not to act on it. And I don't know why that is, but for some reason or another they didn't. So they found an alternate source in Montana and that opportunity passed us by.

So now we're knocking on the door for additional required CO₂ flood carbon dioxide, and we're dragging our feet again. So we may miss this one and North Dakota will be pumping their CO₂ into our enhanced oil recoveries. But the powers that be are the SaskPower executives or whoever. I don't know who made that call, but that's what I understand from being in the oil industry and whatnot.

And this area in particular, you know, we've had coal generation for 100 years here. And I know in particular we've had higher cases of asthma and respiratory illnesses than any other place in probably North America. I know in the RM we have one of the highest noxious weed counts in the RM and that's due to coal mining and stuff. So I would really like to see, if we're going to pursue some of this stuff, that it does happen in this area because we have tolerated all the other things for the past 100 years with it. And for us to do a clean coal thing and move it into a different jurisdiction, I would think is a bit unfair to this jurisdiction. So that's all I really have to add to it.

Mr. McCall: — Thank you. And thank you, Mr. Chair.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — Thanks very much. Excellent presentation put before us here today by the city, the RM, and the board of trade and tourism. I appreciate it.

Just want to go back to one of the comments here. My colleague was talking about dollars flowing. And I think, without a doubt, you look at the opportunity that exists in these fields down here to play a vital role both for our province, but so broadly, when this technology's proven and tested and utilized in a commercial manner, that we have an opportunity that seems to be passing us by.

And the problem is in fact that dollars haven't flowed. We know we've taken receipt of the 200-and-some million dollars from the federal government for a project that's estimated up over a billion dollars, but the problem, it would appear, is that there's been no commitment from the provincial government on this end. There hasn't been a single dollar that's been allocated or that's flowed for this project.

We know about the financial challenges of this current government — a billion dollar deficit. We're concerned about what that means for our project such as this right here. We also know that there was a plan to go out and to secure private sector support for this project. It's my understanding that that hasn't occurred as well. So I hear some of the concerns pointed to SaskPower, specifically from the perspective when we're asking these questions in committee, as well in the legislature.

There's a significant problem that lies with the Premier of the day in advancing this project at this point in time. I take huge exception to see a Premier that's willing to go into the United States and to grandstand to talk about this project, that has not put a single dollar towards it. We hear that there's a go or no go decision that's been bumped back to December of next year, and at that point in time even the federal dollars that have been put there may not have all been expended on this project. And we see something that's been pretty vital and worked towards for many, many years, and we talk about possibly lost opportunities with respect to carbon in the past. And those are certainly things that we don't want to miss as we move forward.

I guess just in broad brush, when we talk about the challenge that the coal industry faces from environmental pressures and regulations, without advancing this technology at this point in time, it would seem pretty bleak for this region of the province as it relates to the coal-fired power industry. Could presenters here today speak just in a very broad stroke what those jobs from coal-fired, the coal-powered industry mean for their region?

Mr. Cyrenne: — Just refer specifically to the . . .

Mr. Wotherspoon: — Right. If, you know, if you were to I guess have a day where you didn't have those jobs in power generation in this region of the province, what would that mean for the board of trade and for business and for this city itself, the RM?

Mr. Lafrentz: — Well in the RM's perspective they are . . . Our biggest ratepayer in the RM of Estevan is the coal company

and SaskPower, so it would mean a huge shortfall in our revenues and our ability to provide services to our ratepayers. And I'm guessing there's in excess of probably 800 jobs related to the coal mining industry here, and so those people wouldn't have those jobs. And plus the spinoff economic benefit to the community in terms of supplies and services would . . . I wouldn't even venture to guess at the dollar value of that, but it would be a huge impact on this area. Absolutely.

Mr. St. Onge: — If I can answer part of that too. I don't look at it as bleak because I don't think this provincial government nor the federal government are going to allow that to happen. I mean, we're hearing a lot of information regarding environmentally sustainable projects throughout the world, and yet we always have a tendency in this country to look at ourselves and shame ourselves. Yet other countries, like China for example, are putting a major percentage of that carbon dioxide into the atmosphere compared to us, and yet we're singled out.

I think both governments are going to look very carefully at this. And I don't think we're going to be bullied by environmental groups that don't always have their statistics right, as we've seen the last couple of months in particular. And I think we're still going to look at it in the positive terms, and in fact you can always even look at carbon dioxide, the way it's used in the oil patch, as an opportunity. Not a hindrance, an opportunity, and we have that opportunity if it's used properly. I mean, in 2000 it's already 10 years that EnCana has been using CO₂ in Weyburn. It's already 10 years.

You know, that's a fair amount of time, and had we been on board earlier on, this could have been in place coming from Boundary dam. So I think, I'm hopeful that all of you who represent us in the legislature will take it upon yourselves after all these hearings, and I believe you are toward the end if I'm not mistaken of your hearings, that this is an important section of energy. And there are all sorts of things, and I am happy when I see that all of you are looking at all sorts of way of producing electricity, but let's remember where coal got us. And the thing is, it's provided most of our electricity, and it will continue to do so I think in the world, not just here.

I mean, nuclear, we've seen all sorts of things about nuclear, and in fact we were not opposed to it here. In fact we put in an application like other cities did as well, for nuclear here. But I think we have the opportunity right here with coal. So we hope that all of you will look very seriously at it and how we can get back into the fight for coal for our province. I mean it's great for us too, so we're trying to help ourselves here as well. There's no question about that. It's important here, but we will continue on. I mean one thing we have here is a very large variety of different types of economic development here. Thank you.

Mr. Wotherspoon: — Well said and thank you. It's been of some concern as we've watched this project stall to some extent, to watch 600-and-some million dollars flow to Alberta that we think could have really been meaningful to advance this project right here. And we feel there may have been lost opportunities to advocate, but as we go forward we need to capture those opportunities without doubt.

There was a discussion just briefly about the Deadwood geothermal potential of this region that's a interesting opportunity that really the south of this province has. You cited specifically Estevan and Moose Jaw and Regina and Weyburn. Now I understand that, I think that down in, if I'm not wrong, around Estevan here, that it's almost the hottest temperature and almost the most ideal area for some geothermal. Of course when we're talking about geothermal, we're not talking about something that's going to replace base power in big ways, but certainly plays one small part of possibly the power demands down in this region.

Are you aware of any projects that are being put together on that front? Do you have any guidance to us or this committee or to government as it relates to geothermal and sort of a policy or process that we should be looking at?

Mr. Cyrenne: — We have had some preliminary discussions with private companies that are interested in developing geothermal opportunities in the area. And particularly in the Estevan area, as you mentioned, that the temperatures as you get towards Estevan are significantly higher than they are in the more north and eastern parts of Moose Jaw and Regina. Even Swift Current, there is a viable opportunity there, but the paramount focus or potential for focus in that is in the Estevan area. And we have had just very preliminary discussions with companies interested.

Mr. Wotherspoon: — Mr. Chair. Thank you for your presentation and your leadership.

The Chair: — Ms. Eagles.

Ms. Eagles: — Thank you, Mr. Chair. And thank you for your presentation. It was very interesting.

I just have one question, but I want to preface it by saying that I am very optimistic about our province and about this area of the province especially. It's very near and dear to my heart and I'm proud to represent it. I am proud of the growth and the ability to deal with the challenges that come with that growth.

We're talking about CO₂ capture and, you know, the concerns regarding opportunities that are passing us by. And, Kelly, when you were speaking about the Midale-Weyburn oilfield, you had mentioned about CO₂ flood and SaskPower chose not to act on that at that time. I was just wondering how long ago was that? Can you give me a ballpark figure as far as years?

Mr. Lafrentz: — Well I would say it had to have been 12, 14 years ago because we've had the CO₂ flood in operation for 10 years now. So I would guess they had discussed it prior to that.

Ms. Eagles: — All right, thank you very much. And thank you for your presentation and it was very interesting.

The Chair: — Mr. Weekes.

Mr. Weekes: — Thank you, Mr. Chair. Thank you very much for your presentation. One of the things we've found as a committee — this committee and for the whole UDP [Uranium Development Partnership] process and the Perrins report — is one of the common themes is the missed opportunity under the

NDP [New Democratic Party] 16 years of administration, the real lack of infrastructure and any new electrical generation over that period of time.

And now as a government we find ourselves having to catch up and replace old, aging infrastructure. And now we're in the process of looking at additional electrical generation, which I guess the former government didn't think we needed because the province was never going to grow and never was going to have an increase in the population. We've seen that that was not true, and now we do need further electrical generation in this province.

Now to add onto that the whole carbon issue, of course, that's very paramount nowadays. The other interesting thing of course concerning the clean coal pilot project, which our government announced will go ahead, was cancelled under the NDP just before the 2007 election. So it's nice to see our colleagues onside now supporting the project.

The one obvious thing about electrical generation and coal is that we're going to be using coal for many years to come. And we hope with the clean coal technology that will be developed that it'll be meeting our environmental and CO₂ emission levels that we need to meet as a province and as a country.

So certainly as far as this region and area of the province or other . . . My colleague from Carrot River, he reminds us every now and then that there's a coal reserve that they just found up in his area, so he's ready to promote electrical production in his area as well. But I think you can be reassured that electrical generation from coal is still going to remain a big part of our reserve of electrical generation in the province.

Of course, getting back to the whole issue of CO₂ there's, you know, there's the carbon capture portion of that. The one area we ask a lot of people, and I know you're not necessarily from the industry, but what have you heard from the industry about what the, I guess, the price of carbon will be? I guess we don't know that until it all settles out in the world market or the costs depending on what agreements come forward. But what is your feelings about the price of carbon?

And then additionally with the recent election of a Republican senator in the United States it seems that one of the casualties of the Obama administration is the cap and trade which was something that I think Saskatchewan is very, well leery of if not scared of, because of what cap and trade would do to resource-rich parts of the world. Do you have any ideas on carbon and the cost of carbon in the future?

Mr. Cyrenne: — I can't speak directly to potential values that would be placed upon carbon but I'd like to emphasize though that any type of value that would be placed on a commodity such as carbon does have the potential to either be a detriment to us or, if properly played, to be of great benefit to us.

We have got technology that we're developing locally that's taking advantage of it and using it as an additional resource, rather than as a negative, I suppose. And we have an opportunity here to expand upon the research that's been done and provide a technology to the rest of the world that's also looking for greenhouse gas reduction technology.

So no matter what the price or value placed on carbon is, there is tremendous potential opportunities for us if we were to play our cards right.

[11:45]

Mr. Weekes: — Thank you. I was just looking, somewhere in your submission I believe you spoke to the cost of future power generation and I got the impression you agree it's going to be higher in the future. And that's the other issue I think has been a good learning experience, not only for the general public, for us as committee members and the legislature, that the future price of power generation is going to be higher.

It's just which forms that we, you know, of power generation. You know, you can go on to the renewables but most of them right now are going to cost more than our, you know, right now our coal production.

But as extra costs are incurred because of the cost of cleaning the coal production, do you have any ideas on what your businesses that you represent or businesses around in the communities, individuals in the community are prepared to pay for extra power generation? It's hard to pick a number but do you feel that they are aware of future increases in power generation in the province in the future years?

Mr. St. Onge: — Well I don't know what they're prepared to pay. I just know this. I'm sure the people in south central Saskatchewan have been without power for several hours. It's priceless, and so is water if you look at Haiti. And a lot of these things cost a lot of money. But I mean if we're going to pay and spend more money, I'd rather be it on the basics of life rather than on some extras. And so certainly everybody wants to keep the price down.

It's like when we talk in cities and taxes and so on and so forth, but there's a certain cost that you have to provide these utilities and so on. And whatever that cost is going to be, we try and do it as cheaply as possible. But to be the lowest, if we have to be the lowest, I don't think that's necessary. I mean even right now, the residential taxes in this city are the lowest in the province. And so we talk about it just because people complain all the time about the cost of taxes.

I don't think there's any advantage or really necessary to be in the lowest. I think depends on what you're providing. If you're providing services and utilities and goods, it's going to be a cost. And so I hope — you know, we all hope because we all have power needs and so on — that it won't be cost-prohibitive. But I think the people that are in charge, you people, will see to it that it's a fair price. And whether it's lower or higher than somewhere else, I could really care less in a lot of ways unless it's prohibitive.

Mr. Weekes: — Thank you very much.

The Chair: — Mr. Bradshaw.

Mr. Bradshaw: — Thank you very much for your coming here today. You gave an excellent submission. I don't know if you would know the answer of this, but for enhanced oil recovery, do you know how much CO₂ you could use or how much more

CO₂ you could use?

I guess what I'm asking is, could the plants down here provide all the CO₂ or would you have to have more CO₂ brought in? If we got these plants or changed around to the carbon capture plants where we could get the CO₂ from them, or if you needed more CO₂ that was coming from somewhere else in the province, like say Hudson Bay or something like that, you know, since there happens to be a big coal find up there.

Mr. Lafrentz: — I don't know what the demand is for CO₂ in the area. I would think somebody in Regina at the university that's been working on it would have the answers to that. The only thing I have heard is that there is a bit of a stumbling block on what that commodity is actually worth. My personal view on that is, if we're going to move forward with it, is I think get the cost of capturing it and transporting it and it'll just enhance our oil industry that much more.

I don't know that we necessarily need to make a profit on CO₂ because it is a liability with our environmental concerns and in globally. So to me, I don't know what the cost is of it or what the demand is, but my opinion is that let's get it out to them at cost, whatever it costs to capture it, transport it, and see what happens with that. And maybe we will have some interest in the oil industry that will take that carbon off our hands. Right now maybe that's the stumbling block, is what that commodity is actually worth.

Mr. Bradshaw: — Could you tell me the difference — and you would probably know — the difference on the wells that use the CO₂ compared to the wells that don't on the percentage of . . . in difference?

Mr. Lafrentz: — I don't actually know the hard numbers on that again. I'm sure EnCana could fill the committee in on what their numbers difference is between leaving their water flood system to the CO₂ system. But I do know that they've been constantly on expansion mode out there building more tanks, more capacity, so I'm assuming they're producing more oil because of it.

Mr. D'Autremont: — I could make a comment on that. I believe the Weyburn-Midale field was producing about 25,000 barrels a day and it's now up around 65,000.

Mr. Bradshaw: — Thank you. That was all the questions I had.

The Chair: — Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chair. And I'm sorry to chime back in, but I just need to ask a question in light of what one of our colleagues across the way had to say.

Our colleagues across the way have been pretty consistent about asking presenters whether or not they think the cost of power is going to go up. And in some ways it's a fairly, you know, straightforward proposition because, you know, the cost of these things go up, especially with the talk around the global price of carbon. There's a pretty strong case to be made that the price will go up.

And I guess as we watch this situation proceed, if that cost is

related to infrastructure and the actual cost of generating the power, and whatever the federal and provincial regulatory regime is attached to it, that's one thing. But something that gives us concern on the opposition benches is the situation where the province has a billion dollar deficit at mid-term and the kind of budget making that the government, the Wall government, is going through right now, we're going to be very concerned to see that people don't pay through their power bills for the cost of the fiscal mismanagement of this government.

So in other quarters we've asked people if they'll be watching the rate review process very closely to make sure that, you know, the costs that are attached to power have to do with power and not with underwriting the fiscal mismanagement of the government of this day.

So I guess my question to the RM of Estevan and the board of trade and the city of Estevan is, will you be watching the rate review process to help ensure that the costs that are presented deal with the cost of providing power and not underwriting some kind of fiscal mismanagement?

Mr. St. Onge: — Well if I can just answer, I'll just give my opinion. I think for a long period of time it's hard to tell, for many years, whether Crowns, some of the Crowns were actually paying or getting enough money to pay for just their own costs or if some of that was used for operating the government. So without being able to look at everybody's books and see where the money's coming from and where it's going, I'm sure that the opposition will keep a close eye on that. That's their job. I think they'll be telling us what's happening. And I think the fact is I'm not worried so much about that as to what the increased cost is going to be for power. We always keep an eye on that. We keep an eye on all costs, and we're always concerned about that.

So I think that even makes a better argument for coal generation, electrical generation through burning coal, because we can still keep the costs down. There's no question. And if we have more coal in the province, up in the North . . . And by the way they can always send, once they start mining the coal, if they want to train their people, they can send them to the Energy Training Institute down here. So I'm not too worried. I think all of you people that are in the legislature will make sure that the people of Saskatchewan get the best deal they can.

Mr. D'Autremont: — Thank you. Since there seems to be quite an interest in the pricing of electricity, my question to you will relate to the time frames and how the pricing structure is rolled out. In the past we saw . . . I asked this question of SaskPower, and so the answers are already on the record when the increases in power rates occurred. Do you think the rates should be more or less standard based on the cost of generation so that you see an increase on an annual basis, let's say?

Because in the past, the answer from SaskPower was that once every four years there was no rate increase and a significant increase the year thereafter when there was no increase. The year that the increases didn't happen was election years under the previous administration.

So do you think it should be, if there is a need for an increase in price and it happens on a regular basis or that it should be

backed up for political reasons and then come on harder the next year?

Mr. Cyrenne: — Well definitely I mean political aspirations should have no effect whatsoever on the cost of any utility. And I think definitely anybody would prefer to be poked in the arm occasionally rather than punched in the face less often. You know if costs are incrementally going up for generating the power, costs should at the same time be, you know, rising for the consumers for no other reason than the cost of production.

Mr. Beatty: — If I may, I agree with Michel in that regard and I think that the citizens and the industry will see the price increases and consider that if you're advancing the power generation or the technology that's providing the generation would likely be offset with the additional costs in health care and the detriment that Mr. Lafrentz spoke of earlier with not having the clean coal power. So I think that it shouldn't be politically based but I think that it should also be justified by, this is what the rate is going up and this is why and these are the advantages to it.

The Chair: — Well thank you very much for your presentation today and taking the time to answer our questions. So thank you very much. The committee will now stand adjourned until Wednesday at 10 a.m. at the legislature. Thank you.

[The committee adjourned at 11:57.]