



STANDING COMMITTEE ON THE ECONOMY

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STANDING COMMITTEE ON THE ECONOMY

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Mr. Jeremy Cockrill
The Battlefords

Mr. Ken Francis
Kindersley

Mr. Delbert Kirsch
Batoche

Mr. Jim Lemaigre
Athabasca

Mr. Doug Steele
Cypress Hills

[The Committee met at 17:58.]

The Chair: — All right, welcome everyone to the Standing Committee on the Economy. I'm Colleen Young and I will be chairing this evening's meeting. We have members Jeremy Cockrill, Ken Francis, Jim Lemaigre, and Doug Steele here this evening, as well as Erika Ritchie chitting in for Aleana Young.

**General Revenue Fund
Water Security Agency
Vote 87**

Subvote (WS01)

The Chair: — Today the committee will be considering the estimates for Water Security Agency and the Ministry of Energy and Resources, and we will begin with vote 87, Water Security Agency, subvote (WS01).

Minister Bradshaw is here with his officials. When the officials speak at the mike, would you please mention your names and your positions the first time that you speak. And you don't have to touch the mikes. Just raise your hands. Hansard will turn it on for you.

Minister, you can begin by introducing your officials and any opening remarks you may have.

[18:00]

Hon. Mr. Bradshaw: — Well thank you, Madam Chair, and I am pleased to provide details of the Water Security Agency's planned work for '22-23. I'm joined this afternoon by Shawn Jaques, interim president and CEO [chief executive officer] of the Water Security Agency; Kevin France, vice-president of agriculture services; John Fahlman, senior vice-president and chief engineer of technical services; Mark Kleefeld, vice-president of finance; Thon Phommavong, vice-president of regulatory services; Ali'i Lafontaine, general counsel of legal services, procurement, lands, and Indigenous affairs; and from my office, Angela Currie, my chief of staff.

In Saskatchewan, WSA [Water Security Agency] efficiently manages all government's core water responsibilities under one organizational umbrella. We are one of the very few jurisdictions who operate this way. Public safety will always be an imperative, protecting the public's municipal drinking and waste water systems that are core responsibilities that can never be compromised. WSA must also protect the sustainability of our water resources, safeguard against floods and droughts, and help preserve our natural habitat. Our role is also balanced against the need to ensure our water resource facilities' economic prosperity. I'm grateful to the hard-working staff at WSA for their commitment in protecting our water resources for the people of Saskatchewan.

On the irrigation projects, a notable example of water driving economic activity is the Lake Diefenbaker irrigation projects. Preliminary planning work for this generational and transformational project will add up to 500,000 acres of new irrigation capacity in our province and it has . . . that has begun. Several branches of government are partnering together to lead

the project. These include the Water Security Agency, the ministries of Agriculture, Highways, SaskBuilds and Procurement, Trade and Export Development, and Finance.

Clifton Associates, selected as a prime consultant in the open competition, has started on the first phase of the west side rehabilitation project. We've begun engaging the First Nation and Métis communities and other stakeholders, such as rural municipalities, to share current information on the projects.

Twenty-five million was allocated for capital irrigation expansion in this year's budget. That funding will allow for continued investigation in the west side irrigation projects and other projects within the province. Work will also continue to determine environmental assessment requirements for the west side irrigation projects. Some of the benefits this overall initiative is expected to provide include: an estimated 40 to \$80 billion increase in the province's GDP [gross domestic product] over the next 50 years; an additional 20 billion in tax revenues to support public services such as health, education, and social services; and an estimated 2,500 construction jobs a year over the 10-year build phase.

As you can see, these projects are transformational for our province. In addition to the economic benefits and job creation, it will provide Saskatchewan and Canada with food security in an ever-changing world, and it will support climate change adaptation and resiliency by using the available water from Lake Diefenbaker to drought-proof the area.

WSA will also continue to support agricultural growth and sustainability through the continuing evolution of the agriculture water management program. As any of us who have spent time in the agriculture sector knows, drainage is a historical, long-standing, and often contentious issue. WSA is working on a regulatory solutions to help.

While we continue to see drainage projects advance, additional work is needed to ensure both our policies and the process are effective and efficient. That means listening to client concerns and finding ways to address barriers. WSA continues to focus on the network approach. This brings groups of producers into approval at one time as the community water issues are seldom confined to one farm or property. Partners such as the Saskatchewan Conservation and Development Association and the Saskatchewan Association of Watersheds and the members of these organizations are facilitating the program on the ground.

WSA has collaboratively developed workshops with partners to introduce farmers to innovative agriculture water management and drainage solutions. The next step in the strategy is to develop an agriculture water management mitigation policy, which will include a wetland component, and the agency is committed to completing it by the fall of 2023.

WSA has several initiatives directly aimed at helping our communities adapt to climate change as well as do local improvements. A few weeks ago, Premier Moe announced permanent funding for municipalities for maintenance activities to reduce channel blockages that can cause flooding, related damages to agricultural land, and rural infrastructure. The budget provides 1 million yearly to this municipal priority.

We also appreciate the work of many local non-profit community partners in water management. That's why we have allocated 820,000 again this year to local watershed groups to support water management activities. There is 500,000 for flood damage reduction programming. This includes reactive and pre-emptive measures to mitigate damage due to flooding. At least a quarter of a million dollars will go towards community flood mapping. This information is vital in community planning for extreme weather events. WSA can access up to 1.4 million federal dollars over the next two years to match our dollars spent, and we will continue to look for opportunities to maximize the use of matching dollars.

WSA is also supporting 18 communities by working with them to create and improve drought-response plans as well. These communities range in size from hamlets to some of the larger cities in Saskatchewan that generally rely on surface water and storage water. Dry conditions in 2020 and '21 have stressed some communities' water supplies. With warmer, more variable climate, it is expected that their water supplies may be threatened more frequently in the future. This is why drought-response planning and water-supply infrastructure will be extremely important in the future.

WSA also operates a provincial system of 72 dams and 240 kilometres of conveyance channels. These require ongoing maintenance and capital upgrades. Most of them are decades old, built in the formative years of the province.

In the WSA capital budget, 45 million is earmarked for water-infrastructure rehabilitation, including work on dams and other water-control structures that help secure the province's water supply. This includes improved water-supply system for Pike Lake, electrical supply improvements at the East Side pump station, completion of a major rehabilitation works at Highfield dam, and numerous rehabilitation projects at Gardiner dam. Plus up to \$1 million will be used towards addressing outflow restrictions from the Grant Devine dam.

Lastly, as mentioned, WSA is committed to working with the regulated community on the water and waste water industry throughout Saskatchewan to ensure the safety and reliability of Saskatchewan's water supply. We continue to support and work with communities with these challenges and upgrading their drinking water and waste water infrastructure. All levels of government, system owners, and the consumers deserve credit for their time and investment in the critical water and waste water infrastructure throughout the province over the past two decades since the North Battleford water-borne disease outbreak.

During the 2021-22 fiscal year, the province contributed \$20,451,336 to 42 water and sewage projects. Since 2007, over 1.63 billion has been invested and is being planned for drinking water systems, and 1.33 billion on waste water systems. These numbers do not include ongoing operation and maintenance expenditures covered by municipalities and private owners of water and sewage works. This is a great example of how different levels of government can effectively work together.

Madam Chair, this concludes my introductory overview of WSA's budget request for '22-23. I now welcome any comments or questions and look forward to our discussion. Thank you.

The Chair: — Thank you, Minister. I'll now open the floor to questions from committee members, and I'll acknowledge Ms. Ritchie.

Ms. Ritchie: — Thank you, Madam Chair, and thank you to the minister for those opening remarks. I'd like to start by referencing chapter 31 of the Provincial Auditor's 2021 report. In section 5 of that report, the auditor recommended that the Water Security Agency publish expected time frames to resolve requests for assistance on unapproved drainage works.

She went on to say that WSA has internal deadlines that include 30 days for the person with the illegal drainage to voluntarily come to compliance. Then two weeks after the deadline in the recommendation letter, agency staff must complete a compliance inspection to verify the illegal drainage has been appropriately resolved. One month after that, after the recommendation letter's deadline, agency staff shall issue an order for drainage works closures, and then 10 days later, after the staff issue the order, the order is registered against the person with the illegal drainage works' property title.

So all in all, that's roughly three months if the person refuses to comply with the recommendation for Water Security to issue an order for works to be closed. That's coming directly from the table in the auditor's report. Can you please verify that that information is correct in terms of the process that is followed by the agency?

Hon. Mr. Bradshaw: — Well thank you for that question. And you know, the Water Security Agency has demonstrated tangible actions resulting in substantial progress towards addressing the recommendations outlined by the auditor. And the Water Security Agency is committed to work and improvement in addressing, you know, the few gaps that have been identified. And I'll let Kevin, if you want to talk more on that.

Mr. France: — Yeah. Thanks, Minister. I'm Kevin France, vice-president for agriculture and economic development. Thanks for the question. And we are working on those timelines. The reality is, with most RFAs [request for assistance], they are not simple solutions of just going right to closure. We try to work with both the complainant and the respondent.

So with these situations, again we're working with both to try for approvals and/or, when required, compliance such as closures and so on. And so because of the complexity of drainage and usually the investigation required to validate the concerns and follow up with both the landowner or landowners, again our approach, we want to work with producers and work with the concerns of adjacent landowners to ensure we find the solution that works on the ground for both.

[18:15]

Ms. Ritchie: — So by that am I to understand that these internal deadlines that were communicated to the auditor are not what are in practice?

Hon. Mr. Bradshaw: — No. We are working towards compliance with that. I will say that one thing that we've been striving to do under the Water Security Agency is to improve our work with clients, you know, if there's complaints. We've been

working very hard towards that with our . . . Shawn Jaques here has been working hard at getting his team together to try and get everything worked out there. So you know, this has been a problem in the past, so we want to have this fixed. And we're working towards compliance on it.

Ms. Ritchie: — Just for clarity, what I'm looking for an understanding on is the internal time frames that are included in this audit report. My understanding is that this is what your internal policy is. And I'm looking for verification that it is indeed what you follow. Or if not, just state that that's not currently the practice of the agency.

Mr. Jaques: — Shawn Jaques, president and CEO of Water Security Agency. So with timelines, it's a, you know, a guide for our staff. And I think when we get these requests for assistance, requests from the public, it really depends on the time of year that we get that request. And you know, we need to be able to get out in the field. So I mean, if we got a request that came into our office in February, well we're not going to be able to get out there until, you know, springtime we can do the inspection. And some of them are, you know, maybe a little bit more complicated and take a little bit more work.

And I think, as Minister Bradshaw had said, is that we really want to work, you know, with everybody involved to find a resolution. So you know, while we have internal timelines that we try to adhere to, we're not going to always be able to meet those, depending on the situation.

Ms. Ritchie: — And can you tell me how many active drainage complaints WSA is currently dealing with?

Hon. Mr. Bradshaw: — In the past year we received 64 requests for assistance last year, which is significantly lower than our average of 100 per year. And last year we saw 13 RFAs withdrawn, 36 dismissed, and recommendations were issued on 29 projects. The last 37 drainage projects were closed as a result of RFA. Five resulted in drainage approval. So I hope that would answer your question. And, Kevin, if you wanted to add anything on to that?

Mr. France: — Yeah, and I think you asked about in total. So we have 286 active RFAs currently. Of those, 180 are currently in the approval stage.

Ms. Ritchie: — Could you just elaborate on what you mean by approval stage?

Mr. France: — Yeah, so again, when we receive an RFA we go out and investigate and look for solutions. And the solutions can get works into approval so that we can mitigate the drainage. And finally, the last outcome could be closure of that drainage activity.

Ms. Ritchie: — And of those 286 active, how many of those have been open for over a year?

Hon. Mr. Bradshaw: — Yes, 222 are still active.

Ms. Ritchie: — That's a fairly large number. I guess I'm sort of wondering with that volume how that is being managed. Are you dealing with them in some kind of priority sequence according to

complexity? Can you explain to me how those will be resolved?

Hon. Mr. Bradshaw: — It would be a combination of all of those that you just stated.

Ms. Ritchie: — Sort of on a case-by-case? Or is there some sort of management system for working through them?

Mr. France: — So I think again that, you know, out of the 222 I think what the important part is, 180 are actually in the process of going through the approval stage. So we are making significant progress on those RFAs. In terms of order, it really comes through the process of when it was submitted and treating those clients fairly. So of the ones that are outdated, we're working on those actively. But again, part of that process is to ensure, as our president said, is we need to be out in the field. We need to investigate and validate the concerns and validate and find solutions. But also, when required, put those works into a closure or an order state.

Ms. Ritchie: — Would any of those cases be more than three years old, five years old? I mean what's the typical time frame for which these could take to be resolved?

Hon. Mr. Bradshaw: — This really doesn't have anything to do with the budget estimates, so we don't have that number sitting here right now.

Ms. Ritchie: — Okay. I'll move on to . . . Well just maybe one final question. You know, I think it does relate back to the budget. You know, you have amounts that are set aside for compliance activities. I'm wanting to understand, you know, the volume of work and effort and the capacity within your agency in which to ensure that the work proceeds in a timely fashion.

And certainly I think there are cost implications for producers when these issues remain outstanding for years, you know, at a time. And so I think it does very much relate to budgetary matters. Can you please tell me how many orders the Water Security Agency has issued and are not yet enforced?

Hon. Mr. Bradshaw: — Okay. We have 14 issued. Pending, there are nine. And the works closed and in compliance are five. So that adds up to a total of 14.

Ms. Ritchie: — Okay. All right. So you'll have to help me out here. There's not much of a breakdown in the vote. You have 68 million indicated, and I'm wondering if you could tell me how many FTEs [full-time equivalent] you have assigned to compliance activities. And if you could help me understand sort of where those dollars flow from, what part of the budget?

Mr. Jaques: — So I'm going to get Mark Kleefeld, our vice-president of financial services, to kind of walk through your question. But the number you're referencing in the vote is the revenue that we're getting from the GRF [General Revenue Fund]. But I'm going to get Mark to walk through that for you.

Mr. Kleefeld: — Thank you. So Mark Kleefeld, VP [vice-president] finance. So there's kind of just a tricky thing about our budget because we're a Crown and not a ministry, right? So what you see in here is expense to the GRF, but it's not our expense, right? It's just revenue to us.

So our operating expense this year will be \$63.972 million. And so how you can kind of trace that from the book in front of you is, if you go to page 124, the grant is broken down into two pieces. And there's one that says "transfers for public services." That's our operating grant, so that's \$25.7 million. We'll take that and then we'll take other own-sourced revenue that we get from water rights, contracts, scientific work, stuff like that. And then that adds up to our whole revenue picture. So our whole revenue picture is going to equal \$53.872 million, which funds our expenditure of \$64 million totally, except for the depreciation aspect, right? So since depreciation is a non-cash expense, we don't have cash against that.

So that's how you walk from the Estimates book to our actual expense budget. And then the other part — just while we're on it, just to maybe help make some clarity — the other part you'll see, right, is the transfer for public services capital. And that supports our capital works, right? And so our total capital works this year are going to be \$71 million. And so we're funding that by the amount you see in your Estimates book as well as some funding from our own reserves.

Ms. Ritchie: — Okay, yeah. And I guess I see, flipping over to the annual report for '20-21, on page 28 you indicate, you know, a breakdown of salaries and benefits totalling 25 million. Is that right?

A Member: — That's for the total corporation.

Ms. Ritchie: — Yeah, for the total corporation. And there you have technical services, regulatory services. So as it relates to compliance, which . . . Does that get broken down further under, like, regulatory services?

[18:30]

Hon. Mr. Bradshaw: — Okay, when you are looking for the compliance, we have five FTEs under "for compliance," and then we have 34 FTEs in ag water management.

Ms. Ritchie: — Okay. And are you saying that between those two groups, are they working on compliance collectively then?

Mr. Jaques: — They would, like the five FTEs would be working on compliance, and the 34 FTEs are, as the minister said, are in our ag water management unit. And they're working with producers to bring works into approval. So collectively, there's 39 FTEs, but five are dedicated to the compliance.

Ms. Ritchie: — Okay. Thank you for that. I do want to go back to the auditor's report. Section 3.7 recommends: ". . . staff follow established processes to escalate identified actions on unapproved drainage works within a reasonable timeframe." and went on to talk about, you know, "Not taking timely enforcement action . . . [increasing] the risk of landowners not achieving compliance or not changing the culture."

And I'm wondering if, what . . . Actually, I'm going to skip that question because I think it's more for probably a different committee. But I'm wondering about the Quill lakes watershed. It's my understanding that a drainage moratorium had been invoked. Could you please verify whether that is the case, and if so, why?

Hon. Mr. Bradshaw: — There isn't a moratorium per se. But we are not allowing any drainage projects to go into it because, as you well know, it is an enclosed body of water.

Ms. Ritchie: — Are you aware of any unapproved drainage works currently existing within that drainage watershed? And what is their status?

Hon. Mr. Bradshaw: — There has been one . . . well, two RFAs. One was dismissed, and one is going into consolidation. And I'll let Kevin explain what consolidation means.

Mr. France: — Yeah, and I think . . . Thanks for the questions. So Quill lakes. As you know, there's a good news story with Quill lakes. Obviously the lake levels are receding, which is positive for the local residents and producers in that area. As the minister said, we've had two RFAs within the last year. The one that's a consolidation is essentially consolidating wetlands into one larger wetland so the water doesn't flow into Quill lakes, but they're able to drain into a larger wetland. So that's a consolidation. And the other one was dismissed, as mentioned.

And I just referenced the RFA process, the request for assistance process. That is the way that we deal with illegal drainage. We're not actively driving around looking for it. However, that's why we promote the RFA process, to ensure producers have a mechanism, or landowners have a mechanism, to raise concerns around illegal drainage.

Ms. Ritchie: — And how . . . I don't know. I'm a little bit surprised by that answer. And what led you to . . . I mean this is obviously a policy decision. What would have led you to take a complaints-driven process? How can you be certain that there aren't other illegal, unapproved drainage works that could be within that sensitive watershed that could be exasperating the system?

Hon. Mr. Bradshaw: — Well the RFAs, like I mean that's the mechanism that you have to report if you have a problem. And you know, 75 per cent of the wetlands are intact in the Quill lakes basin. So I don't know if that's going to answer your question. But the RFAs, that's the mechanism that is used to be able to put your case forward.

Ms. Ritchie: — Can you please describe to me what sort of monitoring activities you undertake in order to establish a figure of 75 per cent intact?

Hon. Mr. Bradshaw: — Kevin will answer that question for you.

Mr. France: — Yeah, so we're conducting wetland inventories throughout the province. We're flying areas and then delineating wetlands in the landscape. And that work that was done in the Quill lakes, the recent work there where we delineated those wetlands, and the numbers or the work showed that 75 per cent are intact still.

Just back to your question around, you know, prioritizing of work and focusing with the RFA process, I think that really that what we're focusing on is areas of impact. And usually when an impact is experienced someone's going to complain, and therefore we need a formal process to do that. The RFA process provides a

mechanism for those that feel that they're being impacted by drainage, therefore we can focus our efforts with our staff into those areas that are causing an impact versus, you know, looking for unapproved works. We're prioritizing the work where there's a resource impact or greatest risk, and the impact associated with that.

Ms. Ritchie: — So are the ducks, do they have a call line where they can you notify you if their wetland has been drained? I mean, I'm sorry. I'm finding it difficult to accept that answer. I've toured the area and I think it's quite, from what I've seen, quite clear that there was considerable activity in the past year — unapproved works, drainage that is running in municipal ditches. And I would expect that if you have been monitoring using aerial flybys that you would also be identifying instances of unapproved drainage works that would be also informing your activities and your responsibilities as a regulator.

So I mean, I guess that's a comment not a question. But I guess I mean how do you defend a complaints-based process when, you know, there . . . Yeah, how do you defend that? It seems to me that there are cases of unapproved works that aren't coming forward. I don't know what would be holding people back from doing that. But how can you be confident that your process is actually catching all the cases that are existing within the watershed?

Hon. Mr. Bradshaw: — The RFA is, like, it's out there for a reason, and any landowner, any landowner at all, can submit an RFA if they so desire. So that's actually what it's there for and how it's supposed to be utilized.

Ms. Ritchie: — I think you mentioned a moment ago . . . So you say that 75 per cent of the wetlands are intact, are not drained. So can I take from that that the 25 per cent remaining are licensed?

[18:45]

Mr. France: — Yeah, thanks for the question. We don't have the numbers of all the drainage approvals in front of us or the works from those 25 per cent that you were referencing, but again, the assumption would be they are in a state of approval, working with. If not, we'd be bringing them into a state of approval. So that's the assumption that we're going with. I don't have again all our list of approvals with us tonight.

Ms. Ritchie: — Is that something you can submit to the committee?

Hon. Mr. Bradshaw: — Okay. We can try. But there again, really, you know, this doesn't have a lot to do with estimates. This is going into other things here. And it really doesn't have a lot to do with estimates. But you know, we can try and put that together.

Ms. Ritchie: — Thank you very much. I just want to ask another question about . . . The Saskatchewan Prairie Resilience plan recognizes natural systems as one of the five systems needed to strengthen our province and our economy against climate change. It talks about enhancing wetland habitat conservation and improving runoff management and a commitment to restore landscape integrity to optimize ecological goods and services, enhance resilience to extreme weather events and manage risks

to biodiversity. And I might have paraphrased a little bit there in the interest of time. So does the Water Security Agency recognize the importance of wetlands in fighting climate change?

The Chair: — Ms. Ritchie, can you tell me how that ties in to vote 87 and the estimates that are before us this evening? Because what we're dealing here is with budgetary estimates for Water Security Agency for the 2022-23 year. You're wandering off into other areas, and I'm not sure how they tie in to what we have sitting before us.

Ms. Ritchie: — Sure. Yes. So I'm interested in the ag water management plan which would be funded through the budget for Water Security. And just asking a question in terms of, you know, the extent to which that is informing that plan.

Hon. Mr. Bradshaw: — First off, when you talked about the Prairie Resilience, like that question should be put to the Minister of Environment. But we do do water management, which is . . . the water management end is, you know, your drinking water, your wetland policy, and sewage disposal. Which, you know, that part is about \$5.2 million.

Mr. France: — If I could just build off that, Minister. The ag water management strategy really incorporates three key elements of water quantity, water quality, and habitat. And so the strategy itself obviously acknowledges the importance of wetlands in the landscape. And in fact, our strategic plan for the agency speaks to resilient watersheds and the importance of ag water management, and the importance of wetlands and habitat in that. So we do acknowledge the role that wetlands play and their important role in resiliency within the agency.

Ms. Ritchie: — Does your budget set any funds aside for restoring drained wetlands?

Mr. France: — So thanks for the question. And we work with partners in the restoration for wetlands. For example, we work with Ducks Unlimited through the Prairie Habitat Joint Venture. Ducks works with farmers to restore wetlands and farmlands itself.

Ms. Ritchie: — And how much do they receive for those activities?

Mr. France: — Last year I think the total budget was 80,000.

Ms. Ritchie: — Eighty thousand, okay. For the entire province?

Mr. France: — Through that program, yeah.

Ms. Ritchie: — Yeah. Okay. We're getting short on time. There was a matter that came up at one of the sessions with the Environment minister regarding the outlet from Lac la Ronge Lake and concerns for adequate drainage with the spring runoff. Can you tell us what Water Security Agency is intending to undertake in order to address those concerns?

Hon. Mr. Bradshaw: — There is an outlet on the structure that we operate — and actually we operate 72 dams within the province — and it's opened based on inflows levels with outflows balanced to maintain levels.

In the past there hasn't been any concerns with this. There was a flood a couple of years . . . They've been wet up there for a couple of years. And you know, so it's remained high. But it's just remained permanently high for the last couple of years. But actually, and I've been told that there's actually . . . I believe it is, and I can be corrected on this. Just hang on for two seconds.

Yeah, there's multiple inlets on that and one outlet, but it's monitored on a regular basis.

Mr. Jaques: — Yeah, if I may just add to what the minister's saying, we monitor both the inflows into Lac la Ronge as well as the outflow. And so then we operate the structure according to, you know, what's coming into the lake. So we do work with the folks up there.

Ms. Ritchie: — They seem to be quite concerned about the potential for overflow and other issues associated with that. I wonder if maybe you could elaborate a little bit more in terms on . . . you know, sort of, what that escalation process might look like.

Mr. Jaques: — So we will . . . Like we are monitoring it, and according to, you know, the information or the data that we see monitoring, there isn't anything alarming. But we are working with the community and we'll look into it. But we haven't seen anything that would make us concerned at this point in time.

Ms. Ritchie: — Okay. Thank you very much for that. You touched a little bit on the Lake Diefenbaker irrigation expansion project in your opening remarks. I was surprised not to see very much additional information in the other budget documents. I think you mentioned 25 million for the west side irrigation. Could you please elaborate for me on the scope of work that will be under way in the current fiscal?

Hon. Mr. Bradshaw: — That's 23 for the west side and the other two are for other projects. But this is something . . . Like I mean this is, as I said before, it's a multi-generational project. So it's going through, and it has taken quite a while to . . . and will take quite a while because we want to make sure that we do everything right for the taxpayers of the province.

So we're going through there and assessing what all can be done. You know, also there is consultation with the First Nation and the Métis end of it, and consultation with other stakeholders. We've got KPMG doing, you know, a study on the economic advantages of this; what we can see in the future for and what we have coming out for value-added projects that could happen; you know, how many acres it could entail; how many acres we could actually move forward with on the irrigation.

But it's in its infancy right now. We are definitely taking our time to make sure that we go through and do everything properly to mitigate anything that could be out there and to, like I said, and to protect the taxpayers of the province.

Ms. Ritchie: — [Inaudible] . . . \$23 million is a big chunk of change. I'm wondering though if you can provide a bit of a breakdown in terms of the items and the amounts that would be, you know, disaggregated to reach at that \$23 million figure?

Mr. France: — Yeah. Thanks for the question. And again it's

really a continuation of the work that we're doing right now. And as the minister said, the project is really . . . We're doing the preliminary engineering work and so the continuous of that work. We're driving right now for class 4 estimates on the engineering side.

So we do need more detail engineering work done, which will include location of reservoirs, continuation of the geotechnical work, soils analysis, and some of the environmental work, including . . . as well as the water corridors. We do not have it broken down by a specific line item by line item for the work, but it's a continuation of the work that we have already been doing on the preliminary engineering work for the west side irrigation project.

Ms. Ritchie: — And so how did you arrive at the figure of 23 million?

Mr. France: — So as mentioned, it's not a number we drew out of the air; it's a continuation of the work. So we've allocated money for the predesign, as I mentioned, so design of pump stations, canals, pipelines, reservoirs, wasteways, drainage work, and again all for the ultimate capacity to irrigate 340,000 acres. And we'll continue the work on the design guidelines for the detail design phase as well as some of the planning work.

We'll continue the work on the environmental stages, so environmental inventory, which will lead into our technical proposals for the Ministry of Environment. We'll continue the work on public engagement as well as Indigenous engagement and consultation when required. We'll continue on soils testing, as I mentioned, geotechnical investigations, geographical and technical materials for the engineering land access acquisition and management, pump station, and then obviously staff resources.

Ms. Ritchie: — With such a once-in-a-generation transformational project, I think the public is expecting full cost accounting and transparency. When can I expect . . . I mean I'd like to see this in advance, what the cost breakdown is for all these items. But can I expect these amounts to be reported annually, in the annual report, in terms of where this money is being spent as the project proceeds?

[19:00]

Mr. Kleefeld: — Thank you for the question. And I certainly take where you're coming from. And I think as the project matures, we'll be able to provide more of that. Where we're at right now, we would not do that, and the reason is is because there's still contracts to be negotiated within these amounts of money. And so we don't want to publicize the amount that we have budgeted for them.

The Chair: — All right. Having reached our agreed upon time for consideration of these estimates, we will adjourn consideration of the estimates for the Water Security Agency Minister, if you have any closing remarks you'd like to make.

Hon. Mr. Bradshaw: — Well thank you, Madam Chair. I want to thank all the committee members for coming in this evening. I want to thank Hansard. And of course I want to thank my staff who certainly keep all the technical and all the details going. And

thank you very much for all the questions and well thought-out questions coming forward. So thanks to everybody.

The Chair: — Ms. Ritchie, if you have anything you'd like to say.

Ms. Ritchie: — Just to say thank you very much to the minister and the team from Water Security Agency for making yourselves available and entertaining my questions. You've been very forthright in your answers, and I appreciate your time here this evening. Thank you.

The Chair: — All right. We will take a recess here for a few minutes while we switch out to the next ministry.

[The committee recessed for a period of time.]

General Revenue Fund Energy and Resources Vote 23

Subvote (ER01)

The Chair: — All right. Good evening, everyone. We will now consider the estimates for the Ministry of Energy and Resources, and we will begin with vote 23, Energy and Resources, central management and services, subvote (ER01). Minister Eyre is here with her officials this evening. Each time an official speaks to the mike for the first time, if they wouldn't mind mentioning their name and their position. And you don't have to touch the mikes. Hansard folks will turn them on automatically for you.

So, Minister, if you would like to begin with your introductions of your ministry folk who are here with you this evening and your opening remarks.

Hon. Ms. Eyre: — Okay. Well thank you very much, Madam Chair. Very pleased to be here this evening to discuss the Ministry of Energy and Resources '22-23 budget. Joining me are Deputy Minister Susanna Laaksonen-Craig; to my left, my chief of staff, Carter Zazula. Assistant deputy ministers are Cory Hughes, Sharla Hordenchuk, and Scott Kistner. The ministry's financial services team Grant Hilsenteger and Corinne Fuchs, and executive directors Cullen Stewart and Eric Warren.

The Ministry of Energy and Resources enables the growth and responsible development of Saskatchewan's natural resources. Specifically we oversee the mining, forestry, and oil and gas sectors as well as emerging sectors such as helium, lithium, and hydrogen. Our resource sectors play a vital role in Saskatchewan's being back on track, the theme of this year's budget. They allow our government to make many of the investments we do in hospitals, schools, public infrastructure, and other programs. They also support many of our rural communities and provide tens of thousands of good jobs in our province, and they remain critical to the province's success and economic stability.

Oil and gas and mining make up over 20 per cent of our provincial GDP and our industry has proven its resilience over the last number of years — the perfect storm, as I call it, with the volatility we saw during the pandemic and the OPEC-plus [Organization of Petroleum Exporting Countries-plus] price war.

Nonetheless, the International Energy Agency reports that demand for oil is expected to remain high for decades. Likewise, demand for potash is expected to grow with global population growth projected to reach 10 billion people by 2050.

And now we are also seeing, of course, increasing demand and reduced supply due to geopolitical uncertainty. Our government will continue to work with and promote our industry to ensure we can meet this demand.

The current geopolitical circumstances also highlight the importance of energy security and looking at where countries are getting energy, fertilizer, critical minerals, and forestry products. Here in Saskatchewan we've been talking about this for years, and how energy security and independence are key to energy affordability.

Saskatchewan produces some of the lowest carbon-intense energy and mining products anywhere in the world. We are an ethical, reliable producer of sustainable oil, potash, uranium, forestry products, and so much more. A strong recovery is under way in our province, driven by a number of significant investments over the last year in our energy and natural resource sectors.

First, to highlight our forestry sector, Madam Chair. In September 2021, our government announced timber allocations for multiple forest projects in northern Saskatchewan. Together, these projects will total nearly \$1 billion in capital investments and are expected to create over 2,600 direct jobs. These projects include construction of an oriented strand board mill in Prince Albert, expansion of the Carrot River saw mill, upgrades for increased lumber production at the Big River saw mill, and the much anticipated reopening of the Prince Albert pulp mill.

Forestry is the largest resource sector in northern Saskatchewan. It supports nearly 8,000 jobs. Indigenous people comprise over 27 per cent of Saskatchewan's total forestry sector workforce, the highest percentage of any province. Thirty per cent of our provincial timber supply is allocated to Indigenous business, also the highest of any province. We're also home to the largest 100 per cent First Nations-owned forest product mill in Canada, the NorSask Forest Products in Meadow Lake. And we're very proud of these numbers.

In 2021 Saskatchewan's forestry sector reached an all-time high of 1.8 billion in product sales, an increase of 60 per cent from 2020. And forestry is just the beginning.

Saskatchewan has a globally recognized mining sector, workforce, and culture. The Fraser Institute ranked Saskatchewan number one in Canada and third globally for mining investment attractiveness last year. Saskatchewan is the largest potash producer in the world. Our producers account for approximately 30 per cent of global potash production, and the sector employs around 5,000 people in the province. We recently announced another provincial sales record: the 2021 potash sales, another all-time high, with production reaching 14.2 million tonnes K₂O, and sales reaching 7.6 billion.

This upcoming year we are forecasting a total of \$1.5 billion in potash royalties alone. Since we formed government, Saskatchewan's potash sector has seen tremendous growth, with

over \$30 billion in committed investments. BHP's commitment to developing its Jansen potash mine last year was a momentous moment for Saskatchewan and for Saskatchewan's natural resources sector. It represented the single largest corporate investment in the province's history.

Once complete, the facility will produce roughly 4.4 million tonnes of potash annually, generating significant taxes and royalty revenues for the province. Furthermore, it is a huge catalyst for job growth in Saskatchewan, set to create 3,500 direct jobs during the construction phase, and around 600 jobs once in operation. And there will be much flow from that, Madam Chair, when it comes to benefits to the people of our province in terms of indirect jobs and community investment once the mine is in operation.

Along with BHP setting up shop, Saskatchewan is lucky to have world-class potash producers Nutrien, Mosaic, and K+S already operating mines in the province. So the BHP project builds on their already formidable strengths. We are well on track to meet our growth plan goal of increasing the annual sales of potash to 9 billion by 2030.

And speaking of mining, Saskatchewan is also of course one of the world's leading producers of uranium. Saskatchewan is the sole producer of uranium in Canada. One in ten homes in this country, nearly one in twenty in the United States, and millions more in other countries receive electricity produced from Saskatchewan uranium. Uranium production is from the Athabasca Basin in northern Saskatchewan, which contains the largest high-grade uranium deposits in the world. And the Athabasca Basin has significant potential for the discovery of additional deposits.

[19:15]

This February, Cameco announced its planned restart of the McArthur River and Key Lake mining operations beginning this year, which is great news. Cameco is anticipating the total workforce required at McArthur River and Key Lake will nearly double to 900 employees and contractors by 2025. Orano is also a leading driver in our province's uranium production. And Madam Chair, historically, roughly half the workers at northern uranium mines and mills are residents of Saskatchewan's northern region. The vast majority are Indigenous. And this is all again such great news for northern communities and jobs.

Saskatchewan uranium will be vital for clean, zero-emissions nuclear energy development in Canada and around the world. The World Nuclear Association estimates Saskatchewan's known uranium reserves and resources, including advanced exploration discoveries such as Denison's Wheeler River project, NexGen's Rook I project, and Fission's Patterson Lake South project, currently sits at 766.7 million kilograms of U_3O_8 .

Prior to COVID-19 shutdowns impacting the industry, Saskatchewan's 2019 total uranium production was 8.2 million kilograms. To put that in perspective, that's enough zero-emission fuel to generate approximately 306 billion kilowatt hours of electricity, or power around 28 million homes for an entire year.

Just last week, our province announced the strategic plan for the

deployment of small modular reactors, SMRs, that was developed in partnership with the provinces of Ontario, New Brunswick, and Alberta. We envision that SMRs will play a central role in reducing greenhouse gas emissions from electrical generation in Saskatchewan. Our government will continue to support the growth of our uranium sector as we work to meet our growth plan goal to increase annual uranium sales to 2 billion by 2030.

Of course potash and uranium are just two of the critical minerals that you will find in Saskatchewan. Saskatchewan has 23 of the 31 critical minerals on the Government of Canada's list for economic security. Others include helium, lithium, nickel, copper, zinc, and rare earth elements. These are exciting times for mineral exploration in Saskatchewan as our world-class mining sector continues to innovate and grow.

And just to highlight another critical mineral, Madam Chair, Saskatchewan has some of the most attractive geology in the world for low-emission helium production. Our helium is up to 99 per cent more environmentally friendly than helium produced from hydrocarbon sources. Helium is essential for medical technology, space exploration, fibre optics, nuclear power generation, and more.

And helium demand is expected to continue to rise, which is why our government introduced our Helium Action Plan: From Exploration to Exports. The plan includes targets to supply 10 per cent of global helium market demand by 2030, support 15 new helium purification and liquefaction facilities, and create hundreds of jobs. North American Helium commissioned Canada's largest purification facility near Consul last year. Royal Helium has announced a number of significant discoveries during its exploration drilling last year and is quickly moving to develop its project near Climax, Saskatchewan.

Canada currently has the world's fifth-largest helium resources, with significant underground reserves found right here with nine currently active helium wells in the province. By the end of 2022, we expect there will be up to 30, along with as many of five new helium purification facilities.

Saskatchewan is also well positioned to become a leading producer of lithium, and we're excited to enter this new market. Global demand for lithium is also rapidly increasing, given its use in batteries. Prairie Lithium is using its first-of-its-kind technology to produce lithium from subsurface brine water in Saskatchewan.

In other news, Madam Chair, Deep Earth Energy is also advancing its geothermal energy project and a multi-million dollar project near Kerrobert, led by Proton Technologies, being tested to produce low-emission hydrogen from mature oil and gas reservoirs. We are excited by the opportunities presented by these emerging sectors and new energy fuels to further diversify our province's resource sectors.

Last but certainly not least, I would like to talk about the success we are seeing in our oil and gas sector. Saskatchewan is proud to be Canada's second-largest oil producer, the fifth largest in all of North America. Last year Saskatchewan produced over 440,000 barrels of oil per day. We expect to get back to 90 per cent of pre-pandemic oil production by the end of this year, and even more

in the next several years.

Approximately 300 companies currently operate oil and gas wells in this province, and the sector supports 30,000 jobs. Almost \$1 billion was generated in oil- and gas-related revenue, including Crown land sales in '21-22, a significant 139 per cent increase from last year.

All you have to do is look at the headlines to see and know that oil and gas isn't going anywhere. Now more than ever we can see why these two sectors are so important, not only for the economy but for the quality of life that we enjoy in our province and in our country. Our government will continue to support this vital sector, which is reflected in our 2030 growth plan goals of increasing oil production by 25 per cent to 600,000 barrels per day, enhancing oil recovery, carbon capture utilization and storage, and positioning Saskatchewan as the best place in North America to test, commercialize, and scale new oil and gas technologies.

This upcoming year we are forecasting that with the West Texas Intermediate price of \$75 — 75 USD [US dollars] — per barrel, to bring in \$867.5 million in oil and natural gas royalties. And as outlined in the provincial budget, revenue from the energy and mining sectors is expected to grow to 2.9 billion in '22-23. Our government is committed to maintaining our natural resource and energy sectors' long-term sustainability.

The capital flowing into our province is largely due to Saskatchewan's competitive business environment. Our government offers a range of incentives to attract investment, encourage value-added processing, spur innovation, and get our resources to market. We have three freehold royalty credit initiatives and incentives offered within Energy and Resources, including the oil and gas processing investment incentive and the Saskatchewan petroleum innovation incentive. Many of these programs have received support through these programs . . . The projects have received support through these programs, rather. But very important, government money follows upfront private investment; it doesn't lead.

We also recently expanded our oil infrastructure investment program to include CO₂ pipelines to increase our competitiveness in carbon capture utilization and storage, enhanced oil recovery. As well, we offer the targeted mineral exploration incentive, a program which was first launched in October 2018 to encourage drilling activity in support of exploration for base metals, precious metals, and diamonds in a targeted area in the northeastern part of the province.

It is part of our mineral development strategy, which was designed to diversify the province's mineral sector. Preliminary numbers indicate that the targeted mineral exploration incentive program, or TMEI, reached an all-time high in 2021-22, attracting \$11.7 million of investment and leading to about 140 new drill holes for programs exploring for gold, silver, copper, nickel, cobalt, zinc, and platinum group metals. And we thank the sectors for their investments in Saskatchewan and support their diligent efforts to innovate while also reducing emissions.

Madam Chair, the Ministry of Energy and Resources is recognized for its regulatory excellence. We're continuing to respond to new and emerging natural resource opportunities by

providing funds to update and modernize current information technology systems. These projects in IT [information technology] include the implementation of *The Financial Security and Site Closure Regulations*, the automation of helium and non-hydrocarbon gas administration, and an integrated geoscience data management system. These IT projects will also ensure we have an attractive business environment for the energy and mining sectors to continue the important work they do, and as efficiently as possible.

Our budget also includes federal flow-through funding for the continuation of the accelerated site-closure program, which supports the reclamation of oil and gas wells and facilities and prioritizes getting Saskatchewan-based oil and gas service companies back to work. The program has been, and continues to be, an amazing success. It is anticipated to support approximately 2,100 full-time Saskatchewan jobs.

As of February 28 of this year more than 740 Saskatchewan-based oil and gas service companies have participated in the program work. The program has issued \$340 million in work packages, completed 4,969 well abandonments, 1,925 flowline abandonments, and 8,650 site remediation and reclamation activities. A total of 210 million has been paid out to the Saskatchewan-based service companies for completed work under the ASCP [accelerated site-closure program].

And finally the 2022-23 budget provides over \$65 million for the cleanup of Gunnar and satellite uranium mine sites in northern Saskatchewan. Since 2006 Saskatchewan has spent \$215 million on the Gunnar remediation, while the federal government has provided only 1.1 million. We will continue to press and are pressing the federal government, including through legal means, to provide its committed equal share of funding for this remediation.

In closing, Madam Chair, the budget will help to grow a stronger, more resilient Saskatchewan by continuing to develop and diversify our energy and natural resource sectors. Not only do we have the high-quality products, we also have the research, the knowledge, and the skilled workforce to supply the world's resource needs. Thank you, Madam Chair, and I would now be pleased to take questions from the committee.

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

Ms. Ritchie: — Thank you, Madam Chair. Thank you to the minister for that summary of activities of the ministry. I just want to start with some general questions related to work personnel. Have there been any changes in the FTE allotment for the ministry?

Ms. Laaksonen-Craig: — Madam Chair, there have been a few changes in terms of FTEs. We have four new FTEs.

Two new FTEs for the program 2030 in central management and services, business and technology services branch. The program 2030 is focused on bringing other commodities such as potash, uranium, coal, gold, etc into our IRIS [integrated resource information system] system, which in its current state is predominantly an oil and gas system. The business case will be

used to derive what projects should be integrated into IRIS and when.

There is one new cabinet-approved FTE in resource development, in operational support for petroleum royalties branch to support the oil and gas processing investment initiative, the OGPII program, and one new FTE in resource development, operational support, and energy development and climate change branch. This new manager position will lead in coordinating and conducting comprehensive stakeholder consultation processes on all key policy considerations and design options for the wide-ranging provincial carbon capture, utilization, and storage priorities strategy, involving a series of several regulatory, policy, and programming initiatives that the ministry publicly announced in September 2021. Additionally, this position will lead the ministry's design, implementation, and ongoing administration of *The Oil And Gas Emissions Management Regulations* Technology Fund for oil producers to reduce methane emissions.

Ms. Ritchie: — Thank you. Just for clarification, are these new FTEs or are these transferred from some other part of government?

Ms. Laaksonen-Craig: — No, those are our new FTEs in the Ministry of Energy and Resources.

Ms. Ritchie: — Okay. Thank you for that. Can you describe any kind of efficiency measures that were taken within the ministry in the past year as cost reduction measures?

[19:30]

Ms. Laaksonen-Craig: — Madam Chair, there has not been specific realignment or efficiency initiatives. But as a normal business of course throughout the year, we continually monitor and look at our operations and see, for example, if there are specific reasons to move resources from one place to another. Because as you know, during the year, the workload for example and the number of files and so on shifts suddenly.

And so we, of course, always look at the opportunities in that way and try to balance the resources within the ministry before we look at, as a first choice, always either adding resources or looking at measures like that.

Ms. Ritchie: — Do you currently have any vacancies in your staff complement?

Ms. Laaksonen-Craig: — As always, when we are managing the workforce within ministry, public service, or any workplace of course for that matter, there are people who find new opportunities either in other ministries or simply in other branches within the ministry, and they create vacancies. And then we always look, you know, how we can fill those vacancies if we feel that that continues to be the priority area. So yes, there are currently vacancies in the ministry, but I do not have a number to give you. I don't have that with me right now.

Ms. Ritchie: — I guess the question is just to, you know, have an idea of whether there's any areas where there's gaps in staffing, any issues with filling those positions. Have there been any concerns with that, any positions that have gone unfilled for

any duration of time?

Ms. Laaksonen-Craig: — We are constantly actively, of course, trying to fill all those positions. There are naturally areas where it is harder to recruit staff. Right now the economy is very, very strong, and there is a lot of private sector competition for example in some technical areas. But so far, public service has remained to be very much for many people their choice where they want to do their work and want to contribute to the benefit and success of this province. So we don't have positions that would have lingered months, years without being the ability to fill. That's not our experience at all.

Ms. Ritchie: — All right. Thanks for that answer. Can you tell me how much the ministry has spent on advertising in the past year?

Hon. Ms. Eyre: — So the Ministry of Energy and Resources spent \$255,000 — 153 on advertising, video, and marketing materials from April 1 to March 31, including to of course support investment through that marketing in terms of attraction and resource development, you know, in all our sectors. Some of these funds went to developing videos to showcase some of the leading resource projects we have in this province. And I can just say, I'm very rarely proud of videos, government-produced ones perhaps in particular, but I have to say these were internally produced. They were not . . . It was not a matter, for example, in terms of . . . The one, I just showed it today to a group of business leaders, and what I said to them is that this video was internally produced. You know, we didn't hire a consultant to do it.

And we're very, very proud of it. I show it absolutely everywhere. I've shown it to caucus colleagues. I've shown it to Energy ministers who came to Saskatchewan for the ministers' conference in the fall. And as I said, perhaps I've been in the position too long, but I almost became emotional watching it — not really, but almost — because it's such a proud message.

And honestly one of the biggest things and the importance about marketing in a ministry such as ours is that it has to be outward-facing. You have to get the message out. And one of the . . . The big byline of this one video, which I showed today to business leaders, is sustainable Saskatchewan. And we just have to get that message out to investors. It's what the Premier was doing last week when he was in Europe. It's bringing that message with the Saskatchewan, Canada brand to the world, to business, you know, to investors, and to colleagues, frankly, across the country to show and showcase what our amazing energy and resource sectors are doing in this province.

And so we feel it's important. It's certainly crucial when it comes to getting across, you know, some of the projects for example in this video I showed today, the first carbon-neutral copper mine, northern Saskatchewan, the EOR [enhanced oil recovery] record — 82 per cent fewer emissions from EOR wells than conventional wells — and so on and so on.

Saskatchewan is an absolute leader, and so we have to sell ourselves. And so we certainly make no apologies for doing that when it comes to marketing. It's an investment-attraction exercise.

Ms. Ritchie: — Is that video available on your website?

Hon. Ms. Eyre: — It's available on my Facebook site for all to see. I've been very proud of it, as my colleagues know. I brag about it a lot, so yes. And on the ministry's site. And there are others. I mean there are other videos and other of course things that we do to promote the province. But when we go to the Global Energy Show and we go to Houston to promote our helium sector . . . I mean I addressed a room of, you know, there must have been 500 people in that room.

You know, there's a cost of course to sponsoring a helium super summit to attract investment, but it's happening and we're hearing that — and I heard it when we were in Houston — that we are doing things in this province that other provinces are not in the country and other states in the United States are not doing. And we have to get the word out because that's our job.

Ms. Ritchie: — How does that compare to previous years, the amount that you spent in the past fiscal?

Ms. Laaksonen-Craig: — Madam Chair, that was the advertising budget, as the member opposite asked. The total marketing budget is, this year, \$347,000, which is \$20,000 less than the year before.

[19:45]

Ms. Ritchie: — Okay. All right, thank you for that. I wanted to ask a few questions about the accelerated site-closure program. You indicate on page 40 that for last year, you estimate 200,000 on that program. Is that in thousands of dollars? So 200 million, and then this year, 112. So this is the final year of the program that you're going into, and I believe there was 400 in total. So will that full amount be taken up by the program by the end of this year? Is that what you're expecting, or is there going to be a shortfall?

Hon. Ms. Eyre: — No, we fully anticipate that the full 400 million will be allocated by the deadline, it's February of 2023. We have asked for an extension, as has Alberta, as has British Columbia. We had to take into account, I mean obviously it was a significant amount of money. We wanted to be good stewards of that and administrators of that, which we have been. And the program has been very successful.

Part of the reason for the slight decrease over the last year was because we wanted to make sure that we had more than enough into the first year to hit the full drilling seasons and so on, and you know, optimize the seasons for the work. And that has corrected perhaps a little bit this past year for a number of reasons, one of which is labour. Coming out of COVID and that 2020 year, obviously the major goal, certainly one of the major goals was to make sure that we got the service sector back to work and workers within that sector back to work. Certainly we feel that we have achieved that, and I raised some of the numbers in my opening remarks about the success of that, you know, over the last two years in terms of the Saskatchewan businesses which have participated.

But obviously with oil coming back and production coming back online and activity, you know, in the conventional oil drilling on that side of things, helium and so on coming into the mix, there was something of a labour crunch. It's a nice problem in some ways, but it is an issue. And so there was perhaps a little bit of a

correction compared to the number we had budgeted for in that first year to optimize, to make sure we certainly had enough to flow through.

But everything is absolutely on track, and we anticipate that we can make that deadline. And certainly the numbers are looking very, very good in that regard in terms of work allocation and the contracts that have gone through and been picked up, so to speak.

And Susanna, I don't know if you want to add anything else, or Scott.

Ms. Laaksonen-Craig: — No. Maybe further questions when we can get there.

Ms. Ritchie: — Sure. Okay. So where does that bring the tally to right now in terms of remaining sites for closure? These were taken from the orphaned well inventory, I assume. I don't recall exactly. But I mean, you've got a number that are identified, I believe, in that program. So where does that bring us to at this current point in time and then at the end of the next fiscal?

Hon. Ms. Eyre: — I'll let Scott or Susanna update the real-time tally. They were not taken from the orphan well fund. They are wells that are inactive that move to abandonment.

And I think it's important to realize and recall that before federal funding came along, we had a strong record of abandonment in this province. In 2019 alone, so before COVID, more than 2,000 wells were abandoned. That was an increase of 240 per cent since 2016. And you know, in Saskatchewan that was industry-led. There had been regulatory changes which we had made, which the sector took advantage of in a very, very productive way, and as I say, an increase of 240 per cent since 2016, in 2019 alone.

We have measures in place in this province to make sure that it is the sector and not taxpayers that are responsible for cleaning up wells, and that includes for abandonment. Abandonment is paid for by industry. The orphan fund is separate: 100 per cent also, though industry funded, not taxpayer funded. So the record going in was very, very strong.

The announcement by the federal government during 2020 was certainly welcome for us in terms of the service sector. But that work would have been done anyway and will be done anyway. And if we want to perhaps update on the numbers in terms of a tally, there is no set tally.

Ms. Laaksonen-Craig: — No. And I would answer the question starting by the different types of wells we have. So we have currently 49,000 active wells and currently about 37,000 inactive wells. Inactive wells, some of them can come back to production, for example. And so inactive wells are entirely different than orphan wells, which officially are defined as a well facility associated flowline or their respective site that has been investigated by the Ministry of Energy and Resources and confirmed of not having any legally responsible and/or financially able party to deal with the abandonment and/or reclamation responsibilities. So it's a very specific well type.

And as I said, inactive wells, they have an owner. They are just not producing right now. They might be on their way towards abandonment. But if market conditions are very good, like as

they are right now, it is possible to, for example, bring those wells back up.

So it's not that there was a specific kind of pool. The number of those inactive wells lives all the time. And it is then the companies and so on that make those choices which wells they want to kind of permanently then abandon of that pool.

Hon. Ms. Eyre: — And I'll just add, Madam Chair, to that as well. I mean again, obviously there was quite a lot of concern in the sector when that program was announced that there would come to be too much emphasis on end-of-life and not in-life.

And I think that, you know, we're obviously seeing coming out of COVID and that period and that year, that you know, one understands the concern. Because of course now where we're seeing the prices come back and companies and production come back the way we are, that distinction that Deputy Minister Laaksonen-Craig made, I think it was really important that we're talking about inactive wells that move into abandonment. But inactive wells can come back online, and that's the group of wells we're talking about.

We have never included orphan wells in the abandonment program. We feel it's incredibly important. We brought the program in in 2017, I believe . . . 2011, but again under this government. And the whole idea always was that it was the sector which would pay for orphan wells remediation. So we purposefully excluded this program because we feel that it should remain up to the sector to participate in the orphan well fund and to clean up those wells. And the inventory on the books for that fund are completely manageable. And so that is the decision we took. So the abandonment program has been successful in many ways, but does not carry over into the orphan well structure we have in this province.

Ms. Ritchie: — Just so that I'm clear on the abandonment. When we talk about site closure and abandonment, we're using those terms interchangeably? Is that correct?

Ms. Laaksonen-Craig: — Yes, we typically define in that manner.

Hon. Ms. Eyre: — There's a process, I mean, in terms of an abandonment. And certainly, I mean there's a process which can take a certain number of years. I mean you begin to . . . You have to plug the well, and then before complete remediation takes place in that, you know, a crop can be planted again or vegetation grows again, it can take a certain number of years. But the act is of the plugging and encasing of the well. That is the beginning of the end of life of that well. The full remediation can take some time just by its very nature.

Ms. Ritchie: — And you mentioned that there were some changes the ministry made that resulted in this 240 per cent increase in abandoned wells in 2019. Can you tell me what those were?

Hon. Ms. Eyre: — They were regulatory changes. And we'll get more detail going back to that year. It was just leading up to that time, 2019.

Madam Chair, we'll get the precise regulations. All I know is

that, as I say, in March 2020 we made an announcement. It was really as COVID obviously was just getting going. And what I had said on the record was that before federal funding we had, you know, a strong record in abandonment, of abandonment in the province and that in 2019, before COVID, more than 2,000 wells were abandoned, an increase of 240 per cent since 2016, and that that was largely due, it was exclusively due, well to two things. I mean one was the regulatory changes of course, but the fact that the sector, which pays for abandonments, had very productively employed these regulatory changes around, you know, streamlining packaging and so on of wells and had brought about this very significant increase since 2016.

So that really just goes to the record we had before any federal funding. But we can get the precise regulatory paragraphs and so on for the member, certainly.

Ms. Ritchie: — One thing in particular I'm curious to know is, as part of that, of those regulatory changes, whether there have been any kind of time limits sets for the duration a well can be inactive before it needs some kind of a dispensation or requirement to go towards abandonment — I'm aware that those take various forms in other jurisdictions — and how that compares here in Saskatchewan and why it is the way it is.

Hon. Ms. Eyre: — So on the time limits side of it, we haven't traditionally set that. And again it is a very delicate balance in terms of the points that I was making earlier about emphasizing end-of-life versus in-life. And we're seeing the importance of that now with the sector coming back the way we are.

But all of that said, you know, we are strengthening safeguards in the province in this area even more and introducing new regulatory enhancements going into this year around liability management to reduce even further orphan sites and to make sure that the sector is retiring or will retire inactive wells by a certain percentage every year.

[20:00]

So those are the changes that we are, you know, working to bring forward this year. And we feel that this will create an even more accurate reflection of, you know, a company's corporate health, if you will, in terms of debts versus assets, and get an even more accurate collection of security deposits to reduce orphan well spending, first and foremost. Just to make sure that there's as much of an accurate, real-time, you know, inventory, if you like, of what we have in the program.

So we feel that this will make protections for the environment and the sector and landowners even stronger and decrease in active liabilities. So that's one thing that we are, you know, working on in that regard.

And to the member's point about, you know, a certain percentage or a time limit and so on, that is one thing that we are moving forward on. Anything else to add?

Ms. Laaksonen-Craig: — No. I just have now, Minister, the information of what the regulatory change was. So in July 2019, the government implemented changes to the *Directive PNG015: Well Abandonment Requirements*, and this is what resulted in a more streamlined process and contained clear standards for oil

and gas companies to responsibly abandon oil and gas wells.

And so the directive at the time was a result of extensive consultation with the industry, which does pay for the well commissioning, as minister has noted a number of times. However in all cases it is the regulatory arm of the Ministry of Energy and Resources that always oversees and carries out the technical reviews as a part of the decommissioning process to ensure that the sites are responsibly abandoned and reclaimed to the environmentally sound standard.

Hon. Ms. Eyre: — And I'll also just add, Madam Chair, that in terms of that, you know, moving of a certain percentage forward of a company's inventory, that the focus has to be and will be on risk-based closures. In other words, you know, taking preference in terms of abandonment, that the more risky liabilities, if you like, will certainly be looked at first, over just arbitrary timelines on inactive well sites. That's not the point. It's really to focus on decreasing the, you know, anything that might fall into the orphan categories and not just a blanket look at any inactive well, obviously.

Ms. Ritchie: — I do have a couple more questions just to clarify maybe what I'm hearing. Because I appreciate that there is, you know, the financial wherewithal of the company that you take into account as part of this new enhanced program. But then also you're also taking a risk-based approach at the same time. And yeah, I'm just wondering if I have that correct so far and from what I've heard, and what the procedure is for making those determinations. Are they spelled out in the directive or the guidance documentation?

Hon. Ms. Eyre: — Could you repeat the question? I'm not completely clear on the question.

Ms. Ritchie: — The question in its simplest form, I suppose, is just how are you making that determination on whether or not the wells that are part of that company portfolio are, you know, what that percentage is that needs to be abandoned and to what extent it takes to consider, you know, that risk-based consideration?

Hon. Ms. Eyre: — So I'm going to get Sharla to come up and talk a little bit more about, you know, the actual regulatory process that was established in June, but the retirement rate is really about, you know, companies managing assets. And as I said earlier, you don't want to have a thing where you are targeting just a percentage generally of inactive wells, certainly government intervening or the regulator intervening, and blanketing any category.

The purpose of this is really so that companies — to the tune of a certain percentage a year and we can get into the details — are managing assets to avoid any future strain on the orphan well fund. And I think, you know, it's important that . . . I mean in terms of the regulator's role you cannot prevent any, you know, you can't prevent a bankruptcy, and there have been some during this challenging time, but you can manage risk.

And we know we have taken the time and done the due diligence to look at how these site-closure regulations will do that without, you know, as I say jeopardizing that potential that some wells, you know, can come back online, for example, and to not overemphasize that end-of-life cycle. So you know, it's about

managing assets and managing risks. But, Sharla, we'll get you to come up briefly.

Ms. Hordenchuk: — Sharla Hordenchuk. So just further to minister's comments about, you know, the risk and kind of the processes and regulatory regimes we have in place. So as we know, the Oil and Gas Orphan Fund was established in 2007 and, as mentioned earlier, in July of 2019 we implemented changes to directive 15, as the deputy minister indicated, which is a more streamlined process with clear standards for how those abandonments take place.

And I guess just in response to the success of that, we did see, as mentioned, the record number of oil and gas well abandonments, and then you know, in correlation to that and building on that success was the engagement on what are now *The Financial Security and Site Closure Regulations*, which were passed, I believe, in June of 2021. And those regulations really provide support for a number of program enhancements.

So as mentioned, there would be an inactive liability reduction program, which is a new results-based program reducing liabilities held by oil and gas companies that would gradually bring down that percentage of inactive wells, as mentioned, so starting at that 5 per cent base with a 1 per cent add-on per year annually.

We would see an enhancement to our liability rating program or licensee liability rating formula for more accuracy, which would better reflect the licensee's actual assets and liabilities in order to calculate those security deposits more accurately. And then further, additional piece in those suite of regulations is the proportional risk assessments for transfers, which codifies in regs the methods of how we determine the additional security for transfers between licensees.

So those are the regulations that are in place, but of course not yet in force until the details of those program components that I mentioned are more fully refined and the supporting directives are engaged on with industry and approved and put in place in what will be 2023.

Ms. Ritchie: — Okay. I appreciate that information, and I just maybe have one other question. So in terms of the site-closure program, that I believe . . . you know, that was a program brought in at a time when the industry was experiencing disruptions because of the pandemic. And I mean, just given kind of where we are today where obviously there's a lot of demand for product, I mean, is it really still the appropriate time for this program to be offering this kind of incentive?

Hon. Ms. Eyre: — Well it's a federal program. It was 100 per cent federal program, the ASCP, so we really weren't consulted. We were simply told to administer it, which we've done to the best of our ability.

And for us, as I said, we had a strong record of abandonment going into COVID. We did, of course, acknowledge that the program was helpful. We saw it as an economic infrastructure program and very important at the time. And I had some very painful-to-listen-to calls, among them with members of the community of Madam Chair herself, in those days through COVID and with several members of this committee, people who

were telling me they were laying off 40, 50 people at a time in terms of service sector work at that time, in that bad summer of COVID. So this program was announced in and around that time, and it was . . . We immediately got to work to make it work.

And I think it's fair to say that the program has been more successful than in other provinces in terms of how streamlined it was, how rapidly we deployed the money. We worked with the Saskatchewan Research Council, which we weighed carefully in terms of, well, of making that decision and using a third party, so to speak. And it's gone over extremely well. But our job was, you know, we were basically told, here's the money and administer it, and so we wanted to make it work.

And as I say, we allocated 100 per cent of the funding because we felt that it was a very important project for the time and have asked for an extension, as have other two provinces, partly to address that wanting to make sure we get all the money out that was provided to us to help every single service-based company in this province that we can.

But our major goal was getting people back to work. It wasn't an acknowledgement that — I think as was stated by the Prime Minister the day the program was announced — there are a lot of dirty wells that dot the landscape in Western Canada. That's not the case in Saskatchewan, and so we always negated that characterization. But we're very much on board with the service sector and the back-to-work part, and of course, working with the service sectors to lower the inventory of wells that were inactive that could tangibly, and were tangibly planned for abandonment is a positive thing. But we wanted to make sure that it was very well administered. And that's, you know, that's been the case.

[20:15]

I think it's also important, just if I may, Madam Chair, too. I mean, in terms of the so-called inventory. And you know, Ms. Ritchie, you've raised that in terms of tallies and timelines and percentages and so on. I think it's very important to just keep in mind when we're talking about, you know, the corporate health of the sector, assets versus liabilities and so on, keep in mind that the oil and gas sector, like the mining sector, like the forestry sector, have to take into account future site-closure liabilities. But if every company in the province . . . If it were to be doomsday and every company were to become bankrupt today, which is never going to happen, the \$4 billion cleanup cost would be offset by \$13 billion in assets. And I think that's very important to keep in mind.

I mean, we will clean up every well. We have always said we will; we always will. But we're not facing anywhere near an asset-versus-liability problem in terms of the, the sort of the tally of those two.

And of course, you know, in the province we have to keep in mind that oil and gas companies generate \$4 billion, traditionally, in annual investment in the economy every year. They obviously generate royalties. You know, 700 million on average for the spectrum of projects in the province, infrastructure and otherwise. So that's always the balance that we have to enter into. But I think on the assets-versus-liabilities side of things, it's important to keep in mind that broader picture when you're talking about tallies and percentages and so on.

Ms. Ritchie: — Well thank you for that explanation. And I certainly don't want to, you know, give anybody the wrong impression about what we're talking about here in terms of these assets and liabilities, as you phrase them. But I guess it brings to mind a question around why, in the current context where, you know, this threat of job loss, which obviously was a very terrible situation two years ago, and now that we've . . . And you know, so of course something needed to be done at the time. But given where we are now, I wonder if there's, you know, a better case to be made here in terms of accelerating the wells that are part of that orphaned well inventory. I guess I'm going to use that word there. It's kind of a static . . . It's not something that sort of fluctuates in terms of, you know, on the producing side.

But as it relates to the orphan well fund, I know you said already that that is a program that is, you know, has a path in front of it. But wouldn't now be the time to maybe, you know, instead of supplementing what are, I would assume, businesses that are totally viable right now and redirecting it towards this long-standing orphan liability?

Hon. Ms. Eyre: — So, Madam Chair, I'm not quite clear on the direction of the question. I mean in terms of . . . And I think there may be some confusion about orphan wells, which of course have no owner because the companies are bankrupt; and inactive wells, where, as we've described, you have inactive wells which may or may not come back on production but could be abandoned.

So you want to perhaps diminish the risk, as we've said, in terms of inventory management of wells going into the orphan well program. But that's the purpose therefore of the licensee liability rating program and those regulations which we've described, which we're moving forward on.

I think in terms of the jobs that we were seeing lost, that was a result of course of negative pricing, negative production at that time. The oil sector plummeted in 2020, and so of course getting the service sector back to work and using their expertise — in some cases saving companies, in some cases sustaining companies — was very, very important in terms of the service sector and the work at that time. But now of course we are coming out of that very dark time for the sector, and things are rebounding.

So certainly it's not, you know, ours to dictate in terms of the orphan well side because that's not part of the abandonment program. And in terms of the inactive sites that are being abandoned, they have to be, you know, in good standing under the program.

And I think part of the issue has been we're going as fast as we can in terms of allocating the funding. That's happening and is going very, very smoothly and very well. And we expect to reach the 2023, you know, final payout period, if you will, but we want to make sure that we don't go too quickly for a number of reasons. We don't want to not administer it as soundly as we have, and we don't want to emphasize wells that companies don't want to abandon as they may for a number of reasons.

So I think that the pace, if that's what you are sort of getting at, has been very positive, very manageable. And you know, we can't, you know . . . The orphan well issue is not part of the

abandonment program.

Ms. Ritchie: — Well we don't need to go back and forth too much on this, but just a couple of things for clarification because I thought I had heard you say at the start of this explanation that you had considered including orphan wells or actively . . . You're shaking your heads, no. So what did you mean when you mentioned them in your earlier remarks? Because it sounded as though that was an option that you chose not to pursue.

Hon. Ms. Eyre: — No, I don't know what I was referring to in terms of orphan wells. We've always felt that the integrity of the orphan well fund and the orphan well program is one that should be 100 per cent sector funded, and that that maintains the, you know, the integrity of the program, that it's absolutely manageable as a sector-funded program. I think taxpayers would agree that that's how it should remain.

And we have had . . . If you're asking why the orphan wells weren't included under the program, that was a decision we took and we never have deviated from that decision. It's not as if the work hasn't been created, you know, among inactive wells that move to abandonment, that's going very well. And that work is being done, would have been done, was being done prior. But we had to make the program work. It's working. And we didn't want to alter what was, you know, the structure of the orphan well fund which is 100 per cent industry funded.

Ms. Ritchie: — Okay, well I guess I'll leave it there for now and move on. So early on in your remarks, you mentioned the forestry sector and a number of projects that are going forward. You talked about the allocations, I believe. And I wonder if you could please state for me what . . . And I know we've kind of gone over this in past years, but it's still a little bit fuzzy to me in terms of the role that this ministry actively plays and how it fits within this budget that's put before us here in terms of the sector, like the role that Energy and Resources is playing, separate and apart from that of Environment.

Hon. Ms. Eyre: — Well certainly the deputy minister can weigh in. But the key involvement of Energy and Resources is on issuing the larger timber allocations versus the smaller timber allocations on forest and provincial Crown lands issued by Environment. And obviously investment attraction plays a big part in ER's, Energy and Resources', role vis-à-vis the sector more broadly.

Ms. Ritchie: — And when you say the larger timber allocations, what would those be?

Hon. Ms. Eyre: — Obviously that would include the timber allocations, for example, that we saw in September that were announced. There were four major timber allocations we announced, including to Paper Excellence, the OSB [oriented strand board] mill, and the other mills. So those were done under the auspice of Energy and Resources. Go ahead.

Ms. Ritchie: — Okay. And . . .

Hon. Ms. Eyre: — Sorry, she's going to . . .

Ms. Laaksonen-Craig: — I can be more precise if you prefer that. And so under the Act, under *The Forest Resources*

Management Act, it authorizes both ER and Environment to allocate timber from the forested provincial Crown lands. A recent policy directive has been signed between these two ministries that articulates the specific responsibilities each ministry has and what are the related processes for those. And so in the commercial forest zone, the timber's allocated by Energy and Resources except for timber reserved for small businesses and individuals, which is often commonly referred to as the third-party operator timber.

In the area-based timber harvesting licences, which are all those small ones allocated by the Ministry of Environment. In Crown agriculture lands, all long-term timber allocations are issued by Energy and Resources in collaboration with the Ministry of Agriculture. And in addition to these long-term allocations, Environment may also issue short-term timber allocations in collaboration with the Ministry of Agriculture for smaller volumes to other businesses and individuals. And then in all other forested provincial Crown lands, all timber is allocated by the Ministry of Environment.

Ms. Ritchie: — And so is Energy and Resources involved with the Island Forests timber allocation?

Ms. Laaksonen-Craig: — So that's the forest management area, right. And so when we're talking about the allocation in that one, I will have to check. I assume that if there are . . . if it's Crown land and there are large allocations for companies, then the answer would be, yes. If they are smaller allocations for third-party, then that would be the Ministry of Environment. But we can check.

Ms. Ritchie: — Okay. Are there any non-allocated areas at the moment?

[20:30]

Ms. Laaksonen-Craig: — There are small volumes here and there across the different timber supply areas, typically a significant distance from the current manufacturing facilities, and then in the Turnor supply area up north, there is some unallocated volume too, which is a significant distance from any existing production facilities currently.

Ms. Ritchie: — So maybe I could just even take that as an example. So you mentioned the P.A. [Prince Albert] pulp mill. Where will they be receiving their timber allocation from? Has that been assigned?

Ms. Laaksonen-Craig: — So I think it's important to remember that while we did allocation to Paper Excellence for the pulp mill in Prince Albert, they have much more significant fibre needs than what was the allocation, so there's always the understanding that they also will source their fibre from other sources, whether it's other roundwood or whether it's chips or other forms of fibre that they need. But in terms of the maturity of the allocation, for them is in the Sakaw forest management area, which is around the Prince Albert area. There are smaller volumes elsewhere, but it tends to be concentrated in an area where there's an economic haul distance to the mill, which is a critical component always of the ability to manage the roundwood supply for any company.

Ms. Ritchie: — Okay. And as part of that allocation, is Energy

and Resources involved with the forest management plan attached to that allocation, or is that Environment strictly?

Ms. Laaksonen-Craig: — All the permitting and those resource stewardship functions are with Ministry of Environment.

Ms. Ritchie: — Great. I want to make sure I'm clear on that point, because I understand that there is what's termed the Island Forests, comprising Canwood, Fort-à-la-Corne, Torch River, and Nisbet forest. Does that form an allocation administered by Energy and Resources, or do you have no involvement with that?

Ms. Laaksonen-Craig: — We are not involved in management of any areas, as we spoke. If you look at the process, Ministry of Environment first approves the sustainable harvest levels for forest management areas. Ministry of Energy and Resources is participating in a manner that I described in the larger allocations. But then after that, the permitting and all those functions are then back at the Ministry of Environment. So I would ask those questions from Ministry of Environment.

Ms. Ritchie: — And maybe you could just help me understand what's involved in this allocation process. Like are you setting rates for the timber supply, or is it just assigning an area? Or just maybe you could help me understand what's involved with allocation.

Ms. Laaksonen-Craig: — In general, when we talk about these allocation decisions . . . so as I said, Ministry of Environment approves the sustainable timber harvest level for that specific management area, for example. And then the allocation decision is simply making decisions who gets what volume off that available harvestable volume in that forest management area.

It's not, you know, you don't have . . . government doesn't have to allocate all the volume. They can allocate some of that, and so there are, you know, depending on the situation and the, you know, level of industrial activity, and all those types of things in that specific area. And then it is in the permitting that it gets to the more granular level, what it looks like truly on the landscape level where the permits will then lie within that geographic area and so on. And that is the Ministry of Environment responsibility.

Ms. Ritchie: — Okay. My very fuzzy picture getting a little bit more clearer for me. So thank you for that. Now I am going to flip back — apologies. I had a couple of other questions regarding oil and gas, the royalty reduction programs. I was trying to find information on the amounts attributable to the various incentive programs and had some difficulty identifying where that's reported. I've got a list of the various programs. I'm not even sure if it's a complete list, but I have the Saskatchewan petroleum innovation incentive, the oil and gas processing investment incentive, the waterflood development program, Saskatchewan oil infrastructure investment program, the high-water-cut oil well program, Saskatchewan petroleum research incentive, the drilling incentives, and natural gas royalties.

So is there somewhere where all of these — I'm sure there must be — somewhere where there is a complete list that I can reference, and then some line-item accounts of how much has been dispensed through the various programs?

Hon. Ms. Eyre: — I'll just start by saying, just on the reporting

side of it, and then we'll get to . . . just in terms of the financial reporting. And so you had raised that. All expenditures in terms of incentives are reported as actuals in Public Accounts every year. The royalty credit caps are listed specifically in the regulations. I'll just say before we get into some of the more granular questions on this, I mean, I think very important to remember that the incentives that we offer in Energy and Resources are very well subscribed. Government money follows upfront private investment; it doesn't lead.

These programs have significantly reduced methane emissions. And we've talked about that in recent days — 50 per cent reduction, well ahead of schedule — congratulated publicly by the minister, federally, of the Environment. And you know, so led to significant work around R & D [research and development] for the Saskatchewan petroleum investment incentive infrastructure in terms of the oil and gas petroleum investment incentive. The purification facility, largest in Canada that we're seeing for helium, is a direct result of that incentive, and increasing pipeline infrastructure which is very important obviously in this province.

We recently announced under the OIIP [oil infrastructure investment program] pipeline infrastructure incentive that CO₂ would be included as part of that that pipeline infrastructure incentive. So they have been very successful. They have been very well subscribed and are absolutely reported. So we'll start to dig a bit deeper here on some of the granular questions.

Mr. Stewart: — Good evening. So you asked quite a long, detailed question. So maybe I'll try and start just by speaking quickly about the broader royalty system. So essentially right now there's two types of projects that would go into the royalty system for oil production. There is primary production, which is under the province's fourth-tier royalty regime, and then there's enhanced oil recovery royalty regime, which is for those types of projects. So all types of oil production is very capital-intensive, large upfront capital costs. The province's royalty regimes recognize that high upfront capital cost in two different ways.

So for primary production, the fourth tier recognizes the high upfront capital costs by applying a volumetric volume, depending on the type of well, the depth, or if it's vertical or if it's horizontal. And there is a royalty rate of 2.25 per cent that's applied to a certain volume of production, again depending on the depth of well and the type of well. And that allows companies to recover their capital. And then the royalty rate increases after that and the province takes a higher royalty take. Depending on the production level of the well and the pricing at the time, that can vary quite a bit. So that's for primary production.

For enhanced oil recovery projects, like CO₂ flood projects or steam-assisted gravity drainage projects, polymer flood projects, as examples, those are also very capital-intensive. They take, in many cases, several years to build. For example, an average SAGD [steam-assisted gravity drainage] project in Saskatchewan in the Lloydminster area would be about \$350 million to build, take several years, and then there's 25 to 30 years' worth of production at those facilities.

[20:45]

So the province's royalty regime is designed there too to

recognize the high upfront capital costs with building those projects. So there is a lower royalty rate applied until the project reaches capital payout. And then after that time, which can vary for different projects depending on production levels and pricing at the time, then it enters into post-payout and the royalty rate then goes up quite a bit from there.

So that's the structure of the royalty system in the province, and then there's a number of incentive programs that you had mentioned too that are targeted in different areas to encourage investment.

So the Saskatchewan petroleum research incentive was introduced several decades ago in the 1990s. That program was in existence until 2019. It quit taking applications once the province introduced the Saskatchewan petroleum innovation incentive to replace that. So both of those programs provide royalty credits, and the amount in any given year that's awarded after projects are built and completed and in operation, there's a percentage of their capital costs that can be allocated in the form of royalty credits. Those are awarded to the company and once the company redeems those credits, then that would show up in Public Accounts for that year.

The oil and gas processing investment incentive was introduced in 2019 along with the Saskatchewan petroleum innovation incentive. So that program functions in the same manner. Eligible types of projects for that can be value-added processing, methane capture and commercialization projects, carbon capture utilization and storage for EOR projects, as well as helium purification and liquefaction facilities, and so forth. So that provides a royalty credit based on eligible capital expenditure in the project. So there too, the project would need to be built and become into operation, and then a percentage of the project's capital costs are returned in the form of a royalty credit over a three-year period. So with that program too, that would, as the credits get redeemed by the company, that is in Public Accounts for that year.

The oil investment infrastructure program, OIIP, was introduced in 2020. It functions in a similar fashion. It's a royalty credit program after an eligible pipeline project for crude oil, refined petroleum product, or now CO₂ pipelines. After that's built and becomes in operation, again there it's a royalty credit awarded to the company based on a percentage of capital expenditures. And as the company redeems those credits, then that comes in the next year's Public Accounts. It's registered.

For the waterflood development program, that program is for injection wells into waterflood projects. Waterflood projects are brine water injection. It's a form of secondary oil recovery, so it's intended to increase the pressure in the reservoir and sweep the oil to the producing wells. So you have a series of injection wells and a series of producing wells in a pattern.

So that prolongs the life of primary production; it moves it into secondary recovery. So in that program, injection wells are awarded a deferment of royalties, a set rate amount that the company can defer the royalties for three years, and then they need to pay that back to the province including, on top of that, an interest rate that is applied on the royalty deferral amount that is in the form of the government's rate of borrowing. So that program is rolled up into the larger forecast and budget. It's not

something that the government is having an expenditure on because it reclaims all the deferrals in future years and then also has the interest rate applied on top of that.

The high-water-cut oil well program was introduced in 2021, so that program is actually revenue-positive for the province. So there too it would find itself rolled up into the larger royalty forecast and budgeted amount. That program essentially functions on companies' need to make an upfront capital investment in water-handling projects for high-water-cut wells, so that would be a well where nine barrels or more of brine water are coming to the surface with crude oil production. So that water needs to be separated at the surface and then is reinjected normally into the reservoir or into a disposal well.

So those wells, to keep them on production for many years, require investment in increased pumps as the water cut increases and things like that. So the program recognizes those costs and applies, depending on the vintage of well and the type of well, a deduction in their royalties. But they do increase the life of wells on production for an average of five years in most cases, or sometimes more. The reduction in the royalty is less than the increased production and the royalty that the province takes on the increased life of the wells. So in that sense, it's revenue-positive and is rolled up into the larger royalty forecast.

Ms. Ritchie: — Just on that last point I mean . . . Well first of all thank you for that very in-depth response. You clearly know your programs very well.

On the last incentive that you mentioned to me, it's twiggling something that a stakeholder had mentioned to me, some concerns about that particular initiative and some heightened risks associated with, you know, extending the wells. I'm wondering about, you know, is there a risk trade-off here with that particular program? Or how is that being assessed?

Hon. Ms. Eyre: — Are you talking about the high-water-cut or the waterflood incentive?

Ms. Ritchie: — I believe it's the high-water-cut.

Hon. Ms. Eyre: — So certainly Cullen can speak to that. I would just say I mean that the whole purpose of the . . . And I don't know if the person who raised the concerns . . . I obviously can't speak to the concerns, but the great benefit of the waterflooding technology, for example, is that you sustain the life of the well. And so you know, just environmentally, for example, there's a benefit to extending that life rather than potentially drilling another well.

So I think it's pretty well-established technology really going back many decades if we're talking about the waterflooding. And high-water-cut's been on the books and having been done for also a long period of time, so very established technology, and if anything, you know, extends life which is, on the sustainability side of things, a very positive thing.

Mr. Stewart: — Yeah, I'm not sure the particular risk that maybe this individual had expressed to you. I would concur with the minister in the sense that waterflood projects have been a common practice in the industry in Saskatchewan going back several decades and have a high degree of confidence from all

producers. A large number of producers own and operate waterflood projects. So they're not, you know, particularly unique or specialized. They are using brine water that already comes to the surface with primary oil production, and it's returning the brine water to those reservoirs to again increase pressure in the reservoir and also to strategically sweep the oil to producing wells.

With respect to the high-water-cut oil well program, the original version was introduced in 1999. The fourth-tier royalty regime was introduced in 2002. There's a third tier, second, and first tier that go back, depending on the vintage of the wells, to the 1950s. So the program was updated and modernized to take into account all the wells that are in the fourth tier being able to access the program. The fourth tier began in 2002.

The high-water-cut oil wells are, you know, there's thousands of them in the province. There's a lot of plays in Saskatchewan that have a high-water-cut and they are, you know, there's no particular unique environmental or safety features to those wells compared to all other producing wells. The program is intended to extend the life of producing wells that need to make those investments and increase water-handling capacity in order to stay on production.

And oftentimes we've seen in the program since it's been reinvigorated and launched in the spring of 2021, also inactive wells — some that had become inactive because of, you know, a pump breaking — and a producer wanting to make an investment in that well but perhaps it not being economic because of the royalty rate being applied. So they'll go in now and make that upfront capital investment, you know, fix or replace with a larger pump, and then bring that inactive well back online and it will produce for several more years from there.

Ms. Ritchie: — Thank you again for your response. I know we're getting close to the end of our time here this evening. So just a couple quick follow-ups. You've mentioned already that these programs and the amounts are detailed in Public Accounts. And are these amounts like by program or are they an aggregate amount? I'm just wondering if when I go to look . . . If you could just quickly explain how they're reported out.

Hon. Ms. Eyre: — Well I'll just . . . And certainly the officials can add anything. If we look at the 2021-22 budget, incentives are outlined explicitly under revenue initiatives. So that's looking back in terms of how it was reported back last year in terms of the pages. This year we can certainly get them. But revenue initiatives, and we have the pages 61 through 65; there are links to more detail and contact information related to them. The tax incentives were detailed on pages 66 to 74. The province also reports detailed program financial information on investment incentive programs every year in the publicly available Public Accounts. So very accessible information in that regard.

Ms. Ritchie: — Thank you for that, Minister. Also, just a high-level question here in terms of what kind of ongoing analysis and evaluation is occurring, you know, sort of testing the effectiveness of the incentives. Is there a standard approach?

Hon. Ms. Eyre: — Well absolutely. And I will just say, I mean I think it's a truly helpful opportunity to get into some of the programs. So the main three, and we've talked about them . . .

The Saskatchewan petroleum innovation incentive, first of all, for first-of-its-kind research and innovation projects in the province. And one of the key goals has been methane reduction. And I talked about that. We're all on board I think, and I believe you would be, with the importance of that. And that has been a big part of that incentive.

So as I say, in terms of that incentive we have a different geology, for example, than Alberta. It's costly to tie in infrastructure to conserve gas that's vented or flared. And with programs such as SPII, the Saskatchewan petroleum investment incentive, we're incentivizing companies to do that again. Government money follows in the form of those transferable royalty credits. It doesn't lead. But it does make common sense of course to reduce venting and flaring. And that is one key area of Saskatchewan petroleum investment incentive.

Other important recipients, and you talk about re-evaluating as we go, which have certainly acknowledged the importance of that incentive, include Prairie Lithium. And Prairie Lithium, extracting lithium from oil well brine, and as I like to say, a beautiful irony that lithium extracted from oil well brine in this province could power EVs [electric vehicle] of the future. Again, diversifying area, an emerging area for the province. And Prairie Lithium has said they would not have been able to get the pilot project going without it. So I think, you know, very much proof of the pudding in that one.

[21:00]

Also hydrogen. That's another area under SPII. It was a pilot project to produce zero-emissions hydrogen from an oil and gas reservoir. And again that is, I think, very important work that's being done in a new diversified emerging area, so hydrogen, lithium, methane reduction.

In terms of OGPII, the oil and gas petroleum investment incentive, which we've talked about and Cullen referenced, a company has to invest at least \$10 million in infrastructure. And we saw that with North American Helium, as I say, building the largest purification facility in the country. We also saw it with Gibson Energy, and they expanded their refinery in Moose Jaw. They created jobs, expanded throughput by 30 per cent without increasing emissions. That was another recipient of an incentive on the books in the province.

And OIIP we mentioned, brought in to expand pipeline capacity so we could be less dependent on the federal government's, of course, cancellation of pipelines, more self-reliant when it comes to getting our product to market. And as I mentioned, we recently expanded that to include CO₂ in the pipelines, which will foster CO₂ distribution hubs and sequestration which even the federal government has said we are poised to be a world leader in doing.

So to the question, do we continually assess? Absolutely we do. I think these investment incentives are very nimble, have been very fostering of common sense diversification in the province in emerging areas that we see are emerging areas. And so we certainly can say that the incentives are absolutely assessed but absolutely successful.

Ms. Ritchie: — Well I'll maybe turn next to the Surface Rights Board of Arbitration. I'm not sure if that's the exact title but

something to that effect. At any rate, I'm wondering if you can tell me how many complaints were received in the past year.

Hon. Ms. Eyre: — I'm sorry, could you repeat the question? I'm sorry.

Ms. Ritchie: — That's fine. I was just asking about the Surface Rights Arbitration Board and how many complaints were received in the last year.

Hon. Ms. Eyre: — We'll get that number to you or certainly undertake to by the end of the hour. Just have to look.

Ms. Ritchie: — Okay. And so perhaps while that's under way, it was announced last week I believe that consultations were going to resume for revisions to that Act. So yes, just looking for an update on what the intentions are for updating.

Hon. Ms. Eyre: — Sure. So that has gone I believe live, is my understanding, today in terms of announcement of the consultations, so we're right up to speed tonight in terms of talking about it. We obviously know that some landowners have faced challenges when it comes to collecting arrears and I, you know, understand, we understand those concerns. And as I've said, that's why we're initiating the consultations, to explore options around compensation, around operating licences, right of entry. The legislation of course is outdated and it has been on pause.

We obviously are all aware that the sector has faced a lot of headwinds these past few years and that will continue likely. I mean, production doesn't just turn on on a dime of course, and you know, even when prices are suddenly high. So this is really about timing. And we feel the timing is right to start these discussion and that the balance in terms of timing is a good time.

So we, as I say, have initiated this or launched these consultations today, and that will get rolling. And we'll have the fulsome consultations with the range of stakeholders that, you know, we've mentioned, from SARM [Saskatchewan Association of Rural Municipalities] to oil companies to the cattlemen and so on.

Ms. Ritchie: — And as part of that, are you putting forward the same type of package that was previously used with the areas under consideration and the types of revisions as previously was undertaken? Is it basically the same thing, just kind of restarted, or is it going to look significantly different?

Hon. Ms. Eyre: — That's the purpose really of the consultations is to, as I say, consult with stakeholders, consult with the Surface Rights Board and where they're active, consult with landowners and see what — in terms of the legislation that was put on pause back in 2014 before, you know, the sector experienced the great challenges that it did — to see is it time to tweak that, revisit that, look at it in another form.

That really is the purpose of the consultations, to look at the broad issues around what was encompassed in the legislation back in 2014, but to see if anything has changed and what's remained the same. That's really what we'll be undertaking in the consultations.

Ms. Ritchie: — Okay. And I suppose related to that, I know that there had been resolutions last year put forward . . . I think it was SUMA [Saskatchewan Urban Municipalities Association] for taxes . . . Was it SARM? Maybe. Okay. Anyways, regarding the tax arrears, what is your ministry's role in that process? And how would you describe this next stage?

Hon. Ms. Eyre: — Well first of all, keep in mind that the . . . that Energy and Resources' role is the regulator's role. And so for example there is sometimes talk about, you know, the relationship that the Ministry of Agriculture has, for example, in this space versus Energy and Resources. And there are differences between, you know, for example, an ag lease and an oil and gas disposition. You know, the upfront investment that companies make is one major one. The role of the regulator traditionally hasn't been to get involved in, you know, private contracts. There's the subsurface rather than the surface nature of the leases, and so on. So there's that side of it, that first and foremost, Energy and Resources is the regulator.

In terms of the RM [rural municipality] side of it, it is mainly a municipalities Act issue, and that's governed by Government Relations. We have certainly been open when it comes to SARM and discussions with SARM about the role that Energy and Resources can play with Government Relations in empowering RMs, informing RMs, working with RMs to, you know, to . . . certainly to have discussions about, you know, issues of concern. That is absolutely . . . It's always been the case and will continue to be, but it is primarily, when it comes to the RM issue, one that's governed by *The Municipalities Act* under Government Relations. And you know, Government Relations and Energy and Resources certainly have met with RMs and, as I say, talked about how we can continue those discussions and educate them in terms of rights under *The Municipalities Act*.

But as I say, *The Oil and Gas Conservation Act* is a regulator Act under Energy and Resources. It's focus isn't tax collection. And you know, the regulator's role is really about public safety obviously in terms of well safety and site safety, production and environmental protection, and managing the liabilities of companies, you know, which find themselves in financial distress. So that work with RMs continues, but it is one primarily driven by Government Relations.

Ms. Ritchie: — Does it factor in at all to the assessment of liability though or is . . . I'm sorry, I can't remember the name of the other regulation. The one that's just been recently brought in to . . . Hopefully you know which one I'm referring to. Okay. Good. Is there a way to have that sort of factor into the formula, if they've got outstanding tax arrears?

Ms. Laaksonen-Craig: — So the financial site. Financial security and site closure are regulations that were passed in June 2021. The tax collection is not a part of that. So for example, the way it assesses the financial wealth is through the licensee liability rating program, and that is specifically just designed to ensure that companies meet the end-of-life, abandonment, and reclamation obligations. So it's not intended to use to recover any other debts the companies might owe.

And so you asked earlier about the number of cases. So in 2021, the Surface Rights Board heard cases involving 18 sites in multiple hearing locations throughout Saskatchewan and issued

nine right-of-entry orders and two compensation orders.

Ms. Ritchie: — All right. Thanks for that. I'm wondering if you can tell me if you've had any success with receiving further federal funds for the Gunnar remediation.

Hon. Ms. Eyre: — No, we have not. We went through a form of mediation. And I believe where things are currently at, and certainly Susanna can weigh in if there's anything to add, but we submitted . . . So as I say, we went through one round, if you like, of mediation and then were asked for more information which we, not so long ago, submitted through Justice to federal lawyers. And we're hoping to hear back, you know, in the not-too-distant future about either potential mediation or, we hope, some resolution in terms of a way forward on the situation.

I think one of the key things, and what I've always felt is a strong case for us in this regard in terms of the Gunnar remediation — and keep in mind, I mean this has been going now for some years — but the ecological remediation of those areas is amazing, amazing scale of work but also amazing remediation.

But all that aside, the great quandary we find ourselves in, and I'm still convinced that legally this will have some bearing, is that we're really in effect stuck between two federal arms: the Canadian Nuclear Safety Commission which is the regulator, and Natural Resources Canada which is the funder.

And it's the most, the strangest situation where you have the Canadian Nuclear Safety Commission, which has said for a long time we've done everything right, in fact if we did any less we could be fined; and Natural Resources Canada, which has said we won't fund you.

[21:15]

So I continue to maintain that a judge will see this in terms of our position. But you know, we've had to be patient a long time. Anyway, so we'll see what happens. As I say, certainly we remain optimistic that we'll get a fair resolution. We've done this now in partnership with Indigenous contractors largely up north, with Saskatchewan Research Council. It's been very, very thorough, very well-stewarded work and responsible work. And so we hope that there will be a fair resolution to that issue. But as of yet, we haven't established that definitively.

Ms. Ritchie: — All right. I appreciate that update. I know that you've got a lot of enhancements to IRIS, a lot of sort of client-reporting opportunities that are being built in in various modules. But I'm wondering about the inspection side of the regulatory function. And I think you had mentioned that in 2019 there were 20,000 inspections of wells, facilities, and pipelines. Can you tell us how many occurred in the past year?

Ms. Laaksonen-Craig: — So between April 1, 2021 and February 11, 2022, in terms of inspections: well sites, 19,831; facility sites, 408; licensed pipelines, 259; other, which rigs and measurements and things like that, 532. So in total there were 21,030 inspections performed.

Ms. Ritchie: — And of those inspections, what's the summary results in terms of the findings?

Ms. Laaksonen-Craig: — 15,997 were satisfactory.

Ms. Ritchie: — And maybe you could just explain to me a little about, for those that were . . . You said 15,000 were satisfactory?

Ms. Laaksonen-Craig: — 15,997, so essentially 16,000.

Ms. Ritchie: — Okay. So then you've got about another 5,000 then that there were issues identified?

Ms. Laaksonen-Craig: — Top inspection issues during that time period were well identification sign is illegible or incorrect, 15,571; inadequate weed control, 959; failure to construct and/or maintain adequate lease dike, 923; surface casing vent does not meet specifications, 788; inadequate housekeeping, 284; other, don't know exactly what gets captured in that, 281; inadequately constructed and/or maintained above-ground storage tank secondary containment and oil leak detection, 200; ongoing remediation or monitoring, 197; failure to clean up and/or properly dispose build material, 175; and analyst test failure, 147.

Ms. Ritchie: — Maybe you could just describe for me what the follow-up process is when those findings are made in an inspection.

Hon. Ms. Eyre: — Yeah, by all means we will. I think, just for a little bit of context, I think it would be helpful just to review very briefly the fact that legislation, in terms of pipeline and site safety, was introduced in 2017 to strengthen regulations.

So you know, generally speaking, 3 million, all but 3 million invested. And as a result of that strengthening of regulation, Energy and Resources now has more staff, more resources, more inspection and audit powers — to the numbers that Deputy Minister Laaksonen-Craig was listing — more penalty provisions, more authority to address long-term liability for environmental damage, including more stringent regulatory scrutiny of applications at higher risk locations such as water crossings. And all efforts post-2017, and with the strengthening of that regulation, all efforts were recognized by the Provincial Auditor, all outstanding issues addressed.

We've also introduced new regulations that are overseeing retroactive licensing of 80,000 flowlines — 80,000 flowlines, so it's a great number — over the next three years. And that is part of a package, regulatory package, first of its kind in Canada to adopt an entirely electronic automated registry for pipeline licensing. And there was reference to IRIS and some of the upgrading that we've done. That's part of that. That really is part of that strengthening of the regulatory structure in the ministry.

And I had had, for 2019, that we had conducted over 20,000 inspections. So that'll be the number that you referenced of wells, facilities, and pipelines. I think also important just to remember fieldworkers within Energy and Resources run, you know, a 24-7 operation, and we follow up on public complaints. We have a toll-free line for members of the public to bring concerns to the regulator, so certainly attempts to be as responsive and responsible as possible. But you had some numbers you wanted to also . . .

Ms. Laaksonen-Craig: — Thank you, Minister. So if there are any non-compliance issues that are identified there in the field,

there is a notification that is sent to the licensee. And there's a note that when you look at these numbers in totality, in many cases one inspection can find, for example, two or three. So it doesn't mean that there is this number, the total number, 5,000 sites with problems. There are a few sites that can have a number of these problems. So that is important to keep in mind.

So after the notification is sent, most notifications provide a 30-day time frame for industry to return to compliance for each issue. Only exception to the timeline is that if there happen to be public safety issues, then there is always immediate shutdown to ensure the public safety. And then of course field staff continues to monitor the situation until all the sites are in compliance.

Ms. Ritchie: — And in any of these cases do you have to do any sort of risk ranking or escalation? Maybe you could just explain that.

Hon. Ms. Eyre: — Sorry, Madam Chair. We just want to make sure we're providing you with the right information. So if you could perhaps even wait till the end of the hour, we might be able to get it for you. I just want to make sure we have right details on that.

Ms. Ritchie: — Okay. And then I'm wondering about the manner in which you're publicly reporting on inspection results or any types of releases. I'm looking for some general understanding of the information that is publicly reported.

Ms. Laaksonen-Craig: — A lot of this information is, of course, scattered on an annual basis in the annual report that is publicly available. And some of this information is also, you know, more timely available through our website. We can try to pull that website for you as we speak.

Hon. Ms. Eyre: — I'll just add I know that in recent years there have been some reports about, you know, where information is. For example, I don't have it in front of me but I know there was something that came out from the University of Regina a few years ago. And basically all the material that the University of Regina was using was from our website. So I know that, I mean it's very, very transparent and very fulsome and comprehensive in terms of the information that's provided there. And actually, you know, researchers are using the Energy and Resources website for information.

Ms. Ritchie: — Are you reporting out on a facility basis, information?

[21:30]

Ms. Laaksonen-Craig: — Apologies, but the Wi-Fi is so slow that it does not open the page for me to check if it has the facility-level information. So on our website there is a *Saskatchewan Upstream Oil and Gas IRIS Incident Report*. It is a weekly publication that provides an overview of oil and gas incidents reported to the Ministry of Energy and Resources and is published on Wednesdays. And I'm not, for some reason, able to open it. So we will try, and that will help us confirm if it is facility-level. It points to the land location though, so that does lead you to a specific facility.

Ms. Ritchie: — Okay. You do mention in the business plan for

the current year, plans to improve public access to regulatory information. What will that entail?

Ms. Laaksonen-Craig: — As we have been talking about IRIS and data, I'm just going to use two data types of examples on the transparency. So we, for example, have a Petrinex public data project that enhances oil and gas data transparency in Saskatchewan, creating a public data portal page on the Petrinex website. And through this website, data sets that include volumetrics, business associates, well facility licence information, and general well and facility information is now then publicly available.

In terms of, you know, making it even broader, we continue to in any way try to expand the accessibility of public data. And so for example, we recently added approximately 280,000 historical well logs to IRIS. And we are also nearing completion of a variety of public volumetric reports that will be available for download from our partner system Petrinex. And that refers to the first part.

We are also this year undertaking an innovative opportunity to add high-resolution photographs of subsurface core. And that will also will be available to assist clients, for example, in the exploration and development opportunities. And so there are a number of these types of examples, for example, that we can provide.

Ms. Ritchie: — Yes. I've had a look at the Petrinex site. It's also my understanding in some other jurisdictions though, they have a GIS [geographic information system] capability. Is that something that is envisioned for the ministry to have, like a spatial system as well?

Mr. Kistner: — Hello. Scott Kistner. Yeah, absolutely it is part of our current delivery and it is also part of our future plan to even build on it even more. So there is a significant part of that that's part of our field services group, as well as there's a significant part within our geological data components and modelling that will continue on. So it is a project that we also have started this year that will carry on through next year, in that geological survey data that builds on that. So it is a significant part of our plan currently and going forward.

Ms. Ritchie: — Okay. I did notice also that there's mention of establishing a project management office to strengthen oversight and delivery of IT projects. What issues have been encountered up to this point in relation to IT projects?

Mr. Kistner: — Yeah, no, that's great. Thank you. We've actually had fairly, very good success with IT projects all coming in on time and under budget over the last number of years. This is really just to build upon that success, and continue to deliver not only IT projects, but maybe other planning and initiatives projects as part of that. So it's really just extending that IT delivery that we've been very successful on into other initiatives.

Ms. Ritchie: — Okay. Thank you for that answer. I'll maybe move along here. I know we're getting a little close to our end time here. Yeah, I did note in the annual report the initiating a comprehensive geoscience data management system to allow companies to use modern information technologies. What's the current state of affairs with respect to this? And now what are

you looking to achieve with this initiative?

Mr. Kistner: — Yeah, so currently we're just starting the project and launching off. The project's really going to end up establishing an integrated system for collection management and distribution of the geoscience data. The new system is going to replace outdated and insecure IT infrastructure, and allow for a more efficient data management workflow and enhanced interoperability with other internal and external systems. So it's going to work collectively within our current IT infrastructure to give better information, more wholesome information.

Ms. Ritchie: — Are you utilizing external service providers to implement the program, the system?

Mr. Kistner: — Yes, there's an RFP [request for proposal] out for this right now, looking for an external vendor.

Ms. Ritchie: — And so you've got this PMO [project management office] established or you're establishing it.

Mr. Kistner: — Establishing.

Ms. Ritchie: — Okay. And I'll presume that they'll be responsible for RFPs. Maybe you could just elaborate a little bit on how this will be organized and function to deliver on the program.

Mr. Kistner: — Yeah and we currently do. I don't want to ever believe that we don't have project management or oversight of it. We already do. I think it is just further building that around all things, even non-IT-related items potentially. So we do have oversight of the project. There's subject matter experts. There's a strong governance committee around all of these initiatives that meets, steering committee meetings, etc. That goes on with all of these initiatives. So we use that model on all of our projects that have been successful, and that's the model we're carrying on with this project.

[21:45]

So there is internal subject matter experts looking to . . . and they're building that RFP and which has now been released. And they will then evaluate the RFP and bring that back to the steering committee for further guidance.

Ms. Ritchie: — So will this be dedicated FTEs to run this program or something else?

Mr. Kistner: — For the duration of the program some will be dedicated, some may not be. They may just be part-time subject matter experts and pulled into the program when needed.

Ms. Ritchie: — Right. Okay. I guess we've arrived at that part of the program where I have the Oil and Gas Orphan Fund financial statements in front of me. So maybe we'll return to that in terms of some of the information that's shared in this report. So there is some program activity information that's shared in the report around the number of abandoned wells and flowlines, site assessments, reclamation projects, and applications for final site closure.

I know you had mentioned earlier that this program was in a good

state, I suppose, in terms of, you know, being industry funded. And I was sort of curious to know though as you say that, is there . . . If you're successful in avoiding any new sites being added to the program, like where do you sort of see an end point to it? Like can you project out, based on the current number that are overseen by the program and with the funds that you have coming in, where you see this kind of wrapping up in terms of the sites that are identified for abandonment or closure, site closure?

Hon. Ms. Eyre: — Yeah, I guess, and certainly officials can weigh in. I mean in terms of an end point, there's no end point other than the end of the federal program, which right now, as I said is set to, well is February 2023. So I guess just to the information we've provided, you know, throughout the evening on the number of sites and facilities, wells and facilities that have been abandoned beyond the program, that then reverts to the provincial abandonment efforts and have taken place prior to the federal program.

And so I think that's what you're saying in terms of . . . I mean, certainly the numbers that you're asking in terms of the numbers that we have abandoned or have been abandoned under the federal program, those numbers are on the record and we've shared those. And going forward then it, you know, will revert to the provincial abandonment efforts that were, as I said, strong going before the federal program with that licence liability rating those regulations that we discussed where a certain percentage of wells will be, you know, retired or managed so as to manage inventory. So that then becomes the provincial umbrella as opposed to having anything to do with the federal umbrella.

Ms. Ritchie: — And I apologize if there's any confusion here. I'm referring to the *Saskatchewan Oil and Gas Orphan Fund Annual Report for 2020-21*. So irrespective of the, you know, the accelerated site-closure program that's being administered with federal dollars, I'm sort of seeing this as stand-alone. And maybe I'm wrong about that. But anyways, I'm just hoping that adds a little bit of clarity in terms of what I'm focusing my question on here. It's that program that's focused on orphan fund and it's reporting out program activities. And so that's kind of where the question stems from in terms of . . . Well I could even ask you even just the basic question. I mean, how many sites are currently identified as part of this program?

Hon. Ms. Eyre: — Okay. Well, so yeah, the confusion was that you mentioned abandoned and the abandonment program, and then the orphan well fund doesn't, isn't part of that program. So just give me one minute.

So just on the orphan well fund then, and we've talked a bit about this earlier, and just in terms of some of the numbers. Since 2010 when the provincial orphan well fund was launched, there were about seven. So since that time there have been about 700 wells that have been cleaned up. And right now on the books we have about 499.

Under the orphan well fund, we've collected \$170 million in security deposits from energy companies before they start drilling, to protect against future insolvency. I think that's also important. That's one number we haven't shared with you this evening so far. And I just think that is helpful context. So in terms of the question that you raised about when are we done, you

know, or when does it end, I think you're sort of trying to establish . . .

I guess the answer is that, you know, it's an ongoing process because you're always going to have some companies which experience financial difficulty, or always going to have the unfortunate event of potential insolvency. And as I said at one point earlier, you know, we can't guarantee that no company will ever go bankrupt. We can manage the risk. And so the orphan well fund launched in 2010 has certainly done that. And as I say, the inventory is manageable. Every orphan well fund will be cleaned up in this province. It, as I've said before, has been the case. It will be the case, and it will be not with taxpayer money.

But that is the current number and, you know, very different landscape in terms of orphan wells west of us, for example, with a very manageable inventory in the province. And as I said, some of the actions that we're taking, you know, regulatorily speaking, to strengthen the system even more will manage that orphan well, potential orphan well inventory even more.

Ms. Ritchie: — Well maybe I could ask this a different way just in terms of . . . Like it's a sort of forecast. Do you do any forecasting? Because I think that it's fair to say, you know, there was an environment liability that the province was left with prior to the establishment of this program. And now over time, since 2010 as you state, there's been 700 wells cleaned up.

I mean at what point do you sort of see us kind of getting on top of that legacy backlog and, you know, eliminating that environment risk that is remaining on the landscape? And I appreciate what you're saying about . . . I mean it's something that is sort of constantly on a go-forward, but I mean I guess I'm more concerned about sort of just that, what I'll call a backlog for a lack of a better word.

Hon. Ms. Eyre: — Well you know, as I referenced, I mean the orphan well fund didn't exist before 2010. You know, so the impetus to bring it in as a non-taxpayer-funded but sector-funded fund was an initiative that was meant to get ahead of the situation and, as I say, has been managed. Seven hundred wells have been cleaned up right now in the books, a manageable inventory of about 499.

And as I said earlier, you know, the oil and gas sector, like the mining sector, like the forestry sector have to take into account future site-closure liabilities. They also are responsible for 90 per cent of the administrative levy that goes toward regulation of abandonment and cleaning up sites in this province. So they play a very, very key role that other sectors don't even play in terms of the cost of regulation through the administrative levy of 90 per cent.

And as I said earlier, if every company were to become bankrupt today — which is never going to happen as the doomsday scenario — the \$4 billion cleanup cost would be offset by \$13 billion in assets. So I think that that's extremely important context because, of course, because that's never going to happen. The inventory is very manageable, and would be even if it were.

So the orphan well fund is, you know . . . There's obviously a committee, there's oversight, and companies pay into the fund. We are doing everything we can right now, regulatorily speaking,

to manage assets going forward. But again I think if people understood that it is managed and well-managed and 100 per cent non-taxpayer funded, I think that would help a great deal when it comes to, you know, on sort of the education front around what the scenario and the landscape really means and what an inactive well is, which is just not in production, versus an abandoned well which is not an orphan well, and an orphan well where a company has gone bankrupt and the companies involved paid for the cleanup of that well. The system is managed and it's working.

Ms. Ritchie: — Are these sites listed in a public registry?

Ms. Laaksonen-Craig: — Sorry, I have one more component to add to the previous answer in terms of, you know, beyond the orphan well fund, how we ensure the integrity. And that is, we talked about the liability rating system and how we strengthened that. Now through that mechanism, we collect securities from companies, just in case they do go bankrupt.

And so there is a significant amount of these deposits that are held, based on the financial health of the companies. The shakier it looks, the larger deposit you have to provide for the province. And then there are these levy payments that go to the orphan well fund. So there are two components that together manage the risk down, was the additional part I wanted to add.

[22:00]

Ms. Ritchie: — And then to the final question about is there a public registry that identifies the locations of these orphan sites?

Ms. Laaksonen-Craig: — Yes. All orphan wells are listed on our website. And also if there are interested parties taking possession of that, then that is also possible, in which case it's not orphan anymore.

Ms. Ritchie: — And that's on the IRIS site you're referring to?

Ms. Laaksonen-Craig: — Yeah, it's on the ministry website.

Ms. Ritchie: — Okay. Thank you.

The Chair: — Seeing there are no further questions, we will adjourn our consideration of the estimates for the Ministry of Energy and Resources. Minister, if you have any wrap-up comments you would like to make.

Hon. Ms. Eyre: — Thank you, Madam Chair. Just in the interests of time, I think everyone's waiting to go home so I won't make lengthy remarks, just to thank committee members. Thank you, Ms. Ritchie. And thank you to my officials, who all do such incredible work for the people of this province every day. And you know, certainly it's an honour to continue to serve in this role. And it's interesting times. It's always interesting times in this file, and those days continue. But they're looking very, very bright in the province of Saskatchewan.

The Chair: — Thank you, Minister. Ms. Ritchie, if you have any closing comments.

Ms. Ritchie: — I'll keep them brief as well. Thank you to the minister and her officials for being present here this evening to answer my questions, also to the rest of the committee and staff

for supporting us in this work. And I wish you all a pleasant evening. Thank you.

The Chair: — I would now ask a member to move a motion of adjournment. Mr. Cockrill so moves. All agreed?

Some Hon. Members: — Agreed.

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

[The committee adjourned at 22:02.]