



STANDING COMMITTEE ON THE ECONOMY

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STANDING COMMITTEE ON THE ECONOMY

Ms. Colleen Young, Chair
Lloydminster

Ms. Jennifer Bowes, Deputy Chair
Saskatoon University

Mr. Ryan Domotor
Cut Knife-Turtleford

Mr. Ken Francis
Kindersley

Mr. Delbert Kirsch
Batoche

Ms. Alana Ross
Prince Albert Northcote

Mr. Doug Steele
Cypress Hills

[The committee met at 17:01.]

The Chair: — All right. Welcome, everyone, to the Standing Committee on the Economy. I'm Colleen Young and I'll be chairing the meeting this evening. With us this evening we have Ms. Betty Nippi-Albright sitting in for Jennifer Bowes, Ryan Domotor, member Daryl Harrison sitting in for Ken Francis this evening. We have member Delbert Kirsch, Alana Ross, and Doug Steele.

So pursuant to rule 148(1), the following supplementary estimates no. 1 were committed to the Standing Committee on the Economy on November 29th, 2022: 2022-23 supplementary estimates no. 1, vote 1, Agriculture; vote 23, Energy and Resources; and vote 35, Saskatchewan Research Council.

**General Revenue Fund
Supplementary Estimates — No. 1
Saskatchewan Research Council
Vote 35**

Subvote (SR01)

The Chair: — We will now consider the supplementary estimates. The committee will begin with estimate no. 1 for Saskatchewan Research Council, the Ministry of Energy and Resources, and the Ministry of Agriculture. And we will have consideration vote 35, Saskatchewan Research Council, subvote (SR01).

Minister Harrison is here with his officials. And if you would please state your names before speaking to the mike the first time. As a reminder, you don't have to touch the mike. They will be turned on when you start to speak.

Minister Harrison, you may begin by introducing your officials and then any of your opening remarks.

Hon. Mr. J. Harrison: — Sure. Well thanks very much, Madam Chair. And thanks to members of the committee for being here this evening to consider supplementary estimates.

And it is a pleasure to be before the committee for estimates with regard to the \$20 million in additional funding for the expansion to the Saskatchewan Research Council, or SRC, rare earth processing facility. And joining me here I have Mike Crabtree, SRC's chief executive officer, and Ryan Hill, SRC's chief financial officer and senior vice-president of mining and minerals — no strangers to the committee.

SRC is the second-largest research and technology organization in Canada, and they're located right here in our province. This year SRC is celebrating a major milestone. For 75 years we've been providing valuable research, development, and demonstration to Saskatchewan industry and beyond.

Over the last 75 years, SRC has been a part of many important firsts for the province. One of these firsts is the development of a first of its kind in North America rare earth processing facility, a project stemming from our government's 2030 Saskatchewan Growth Plan, as we identified and prioritized the importance of strategic metals and the opportunities they provide for the

provincial mining sector.

Rare earth elements, or REEs, are naturally occurring minerals that are essential to the modern economy. They're found in electric vehicles, electronics such as phones and tablets, and in renewable power generation.

SRC's foresight in rare earth technologies dates back more than 12 years. As a global leader in rare earths, SRC is now internationally known for its expertise in extraction and processing technology, which will play an important part in the innovation solutions needed to reach net zero around the world.

In August 2020, our government announced \$31 million for SRC to develop the SRC rare earth processing facility, laying the foundation for an REE supply chain in Saskatchewan and forming an industry model for future REE resource expansion in the province.

When first announced, SRC's rare earth processing facility was to include a monazite processing unit which first concentrates ore before moving into a second phase that includes a separation unit which provides individual rare earth oxides.

In June 2022, our government announced an additional \$20 million in funding for the facility to expand its capabilities and move further down the rare earth element value chain with the addition of a metals unit that will produce rare earth metals, a key ingredient used to manufacture permanent magnets.

The funding also addresses increased costs in the project that have arisen over the past two years as a result of various global supply chain challenges. With the expansion into metals production, the SRC rare earth processing facility not only delivers on but now exceeds a key element of the 2030 growth plan.

Our government is proud to provide our continued support to a facility that is enhancing domestic production to reduce reliance on foreign imports and supporting economic growth in this burgeoning sector.

SRC has already made significant progress on the facility with the detailed engineering, design, and procurement for the first stage, the MPU [monazite processing unit], wrapping up in the fall. Procurement for the second stage, the separation unit and metals unit, will begin shortly. In addition SRC received a large shipment of monazite this past spring, which will be used as the feed stock for the MPU once operational.

The newly expanded and fully integrated three-stage rare earth processing facility will be producing REE products for sale on the international markets in 2024, including individual rare earth oxides and didymium metals. Furthermore I am pleased to share that the impacts from this facility and this additional funding are already being demonstrated. In August 2022, SRC announced it had produced the first-ever rare earth metal ingots made in Canada, potentially the first in North America. Saskatchewan is now one of four jurisdictions in the world with this capability.

SRC also recently designed and built proprietary separation cells, which will be manufactured in Saskatchewan going forward,

making us one of only three locations outside of China capable of manufacturing and operating this key technology for rare earth production. Under SRC's current planned production, SRC's facility will generate enough product to produce 300,000 mid-size electric vehicles, a small but also significant percentage of the current market.

Speaking of impacts, for two decades now SRC has been measuring their economic impact within the province. SRC's 2021-22 economic impact assessment boasts impacts of more than \$1.2 billion in direct economic benefits to the province, the highest year on record. In addition the work done at SRC contributed to the creation or maintenance of over 10,700 jobs, valued at an additional \$627 million.

This means that for every dollar invested in SRC by the provincial government, a 59 times rate of return was achieved in 2021-22. These record numbers were also accompanied by a record annual revenue of \$277 million generated by SRC in '21-22, demonstrating continued strength and resilience.

In closing, it's clear that SRC continues to add value to the Saskatchewan economy through the responsible application of science and technology for the mining, energy, environmental, ag-biotech, and now rare earth sectors in the province. I look forward to taking questions.

The Chair: — Thank you, Minister. I'll open the floor to questions from members. And I'll recognize Ms. Nippi-Albright.

Ms. Nippi-Albright: — miigwech, Madam Chair. Thank you so much for giving an overview of what SRC is doing. Just in case that you don't have the answers available, readily available today, I would like to just let you table the questions.

Just including this 20 million, what's the total funding commitment to date, and how has that been deployed?

Hon. Mr. J. Harrison: — Total funding to date is \$51 million and maybe, Mike, if you want to speak to the deployment?

Mr. Crabtree: — I'm going to hand that over to Ryan, who'll take that.

Mr. Hill: — Within the \$51 million, approximately about 30 million of that is related to the monazite processing unit and the remainder is related to the separation unit to the metals.

Ms. Nippi-Albright: — Wonderful. So what's the projected cost for this project, and has that increased?

Hon. Mr. J. Harrison: — Yeah, I can speak to that. I mean the original \$31 million was an allocation for the original non-metal component. What we've added to it though with the 20 is going to be the actual metals production part of it, and you're likely going to hear a bit more about that as well.

You know, we're under consideration about how we can move forward even more assertively on different elements there, but the original 31 was for the first part. There have been escalations in cost, I would say, probably in line with what we've seen in other construction projects, whether in the province or around the world, just simply owing to supply chain issues. But the vast

majority of the additional resources being deployed are to expand the scope of the project.

Ms. Nippi-Albright: — Okay. Thank you for that. I'm just wondering, over time like how do you anticipate that change to be in terms of scope?

Hon. Mr. J. Harrison: — Well I mean ultimately, you know, where we would like to probably end up . . . and this, you know, might not be this year, it might not be next year but we would like to get to the magnet production part.

And really if you kind of look at the three different stages of the project . . . And it was really how we scoped it out when we were doing the original work on this. And it's not kind of overnight that we've got to this place. It's around the monazite processing component, which is where you separate out the 17 different rare earths from the raw material.

The next stage is around the metals production, so you would take that refined oxide and turn that into actual metals, and we're at that stage now. And we're going to be in production in 2024. And then the final stage is where you get into the magnet production.

And each step along the stage adds value to the product that you're actually producing. So you know, we would like to get to that magnet stage. That's not going to be right now but, you know, that will be a goal that I think the company has for where we seek to go.

Ms. Nippi-Albright: — So how often are major projects like this, developments, categorized into phases? Like how often is that?

Hon. Mr. J. Harrison: — Yeah I mean, I think it would be fair to say . . . I mean Ryan can probably speak to this, but I mean it's not at all unusual where you have a multi-phase sort of development. It de-risks the project. And there are a variety of management reasons for doing it that way. But maybe, Ryan, if you want to speak to it.

Mr. Hill: — Yeah. Ryan Hill. I apologize, I didn't say that the first time.

Within the company we actually generally take a staged approach with regards to all of our capital projects. We do that for the purposes of ensuring that we take and spend the capital appropriately but also plan out each of the phases appropriately within the organization.

Ms. Nippi-Albright: — So when you do that . . . So help me understand how when you do take that approach, how do you avoid conducting environmental assessments when you take that approach of phases rather than a huge development like this?

Mr. Hill: — We're subject to the environmental assessment process within the province with regards to any of those major projects, so it's not avoiding.

Ms. Nippi-Albright: — So how often have environmental assessments been conducted in the work that you have done thus far?

Mr. Crabtree: — I can take that. In order for us to progress to the implementation stage, which is where we are at the moment, then we have had to make the necessary applications for environmental permits, and those have been made and granted. I think it's worth saying that . . . Sorry, I apologize. Mike Crabtree.

The Chair: — We got it.

Mr. Crabtree: — You got it. I think it's worth saying that this, as the minister indicated, this is a vertically integrated plant from minerals to metals — three stages. We've deliberately designed that to be the most environmentally sustainable plant in the world. So it will utilize vast quantities of water and chemicals, but not one single litre of chemical or water will be discharged to the environment. So that is a core part of the ethos of this plant.

Hon. Mr. J. Harrison: — And I would just add as well to Mike's specific response in that, you know, as a general proposition, general statement, SRC takes this very, very seriously. In fact, you know, we're one of the leading remediators in the province in that we have been responsible as a company for remediating all of the northern uranium mines, for example, which is a project that continues.

And you know, I look forward to kind of speaking about that at estimates. We often do there. But you know, this is something that the company takes extremely seriously and the company has a huge amount of experience in managing as well from kind of both a proponent and also from a remediation context.

Ms. Nippi-Albright: — So just kind of help me understand that. So the environmental assessments, I know that there are environmental groups. Like who do you consult when you deem a part of the phase not applicable to an environmental assessment? Who do you . . . I know you make application and you're granted that. Who outside of the ministry grants that? And do you consult with others, whether it is environmental scientists or other stakeholders?

[17:15]

Hon. Mr. J. Harrison: — Well I would just say kind of as a statement of policy, I mean, we comply with the legislation as it exists. As far as kind of the, you know, what goes beyond or what is in the legislation or not in the legislation, those are really questions that the Ministry of Environment would be better positioned to respond to during either estimates or other forum.

Ms. Nippi-Albright: — Thank you for that. So that could . . . Perhaps then I would table that question to be answered from that ministry.

Just around the regulations, I know that regulations are, you know, somewhat checked. But what I wanted to know was more about . . . I was reading in here and I thought, oh, this is really interesting, very good information to read. And what I was wondering is, how often are environmental regulations assessed for effectiveness?

Hon. Mr. J. Harrison: — You know, again, I mean, just not trying to be evasive, but these are really questions that are better put to the Ministry of Environment and really kind of outside the scope of estimates.

The Chair: — And they can't be tabled here because they are part of the Ministry of Environment. So you can just save them and then when you are in the meeting with the Ministry of Environment, you can ask them then.

Ms. Nippi-Albright: — Right. Yes, okay. And the reason I was asking, I was just looking at your document here and the frequently asked questions. And that's kind of where I was coming from with that question, because it is in your document here about the environmental regulation standards in place. So that's why I was asking that question based on the information that I have in this estimates meeting here.

So how often do you consult with potential impacted stakeholders when projects like this, developments like this, are occurring?

Hon. Mr. J. Harrison: — Well I mean, I would say for this particular project this was not kind of an overnight sort of thing. The company has been doing research in this space for well over a decade now, and we have a team that is really, you know, a world-leading team.

And you know, we got the questions at different points about, you know, why is it SRC that is doing this and not BHP or something like that? And the answer to that question is that it's really hard to do this. It's really, really hard to do this.

And up until this point almost the entire industry has been located in one country, and that's China. And there are, you know, 90-plus per cent of the industry is in China of production of metals, and magnets come from that one jurisdiction. So there really is not a ton of expertise outside of China in this space. And that's really something that we initiated and started working on before we were even at the point of making decisions about go, no-go on either the MPU or metals production or magnets ultimately.

So I mean, we worked hard internally with our experts in the space about what was possible. You know, we did a lot of research as far as market. And it's important to remember in this context, you know, SRC is a company that is operating in the marketplace. SRC's revenues, you know, a minority, a significant minority come from government. The vast majority of SRC's revenues are from contracts and from other partnerships in the open market and from what SRC sells. And SRC is a company that is a going concern in the market, and government is . . . treasury board Crown corporation, but government does not provide the majority of funding or not even close to the majority of operating funding.

So you know, we operate in that market environment. And Mike runs the company, and you know, Ryan's our senior VP [vice-president]. And you know, we're making market decisions working in that space about what's going to be successful in a commercial context. So you know, those were kind of the considerations that we had to go through. And you know, ultimately we made a decision as a company to move forward with this project. There was a lot of work that went into it and a lot of research that went into it.

Ms. Nippi-Albright: — Oh, no, thank you for that. In terms of procurement, what, I guess, stakeholders . . . And I think about

Indigenous stakeholders that have had an opportunity to bid on some of these contracts. Do you have a percentage of how many Indigenous-owned — and when I say Indigenous-owned, I'm saying like 51 per cent Indigenous and 49 per cent non-Indigenous — that have been successful in the procurement contracts?

Hon. Mr. J. Harrison: — I'll maybe let Mike and Ryan speak to some of the details of that. Obviously I'm not involved in procurement or contract selection. But you know, one of the things that we have had to do through this project has really been, you know, a lot of in-house work for example on the separation units which, you know, could only really be procured from China.

There were a variety of reasons we made the decision to actually develop this ourselves, and we're building them in-house right now. SRC as a company is building them in-house right now. And there's a couple other examples of that in this project as well. But I'll maybe turn it to Mike and Ryan.

Mr. Hill: — I can't speak to specifics with regards to the number of Indigenous entities that have taken and applied within the RFP [request for proposal] process or the RFQ [request for quotation] process. I just don't have all that information on hand. I can say that approximately about 10 per cent of the total procurement value to date has been to majority Indigenous-owned organizations. We do work very, very closely with SaskBuilds and follow all of their processes with regards to all that.

Ms. Nippi-Albright: — So have you ever signed any IBAs, impact benefit agreements, with Nations that are within the vicinity or in that geographical area? Because Indigenous people are always talking about, we're talking about economic reconciliation. Help me understand. Is that something that your company does do, and are there any IBAs out there, and is there Nations out there that are part of the economic reconciliation?

Hon. Mr. J. Harrison: — I mean, I would say important to understand what we do and what we don't do. I mean, we're not a mining company, right? We're not out there operating any physical mines for monazites or anything of that nature. What we do, or will do, is the processing of the monazite and turning that into metal in our facility in Saskatoon. So I mean, we're not really operating on a big footprint. We're, you know, not having a, you know, a large geographic impact in any way, shape, or form in that space.

But you know, I would say though as a matter of a kind of long-term objective in this space, I would see there being significant Indigenous engagement once we get to the point where we are going to have mining operations in this province at some point, I think, for rare earths. And there's a bit of a challenge kind of when we get to that point. We're very fortunate that we have significant rare earth reserves in the province, but we're not quite at that point where I think the economics are going to work for mining.

But you know, I would see in the longer term there being significant Indigenous engagement in this space, and you know, we really want to see this industry. And we hope and we believe and I think we can say we're very confident this is going to be the catalyst for a major industry in the rare earth space. It won't

all be done by government by any stretch of the imagination, though. That's not our objective. We're creating the conditions for the private sector to make investments into this space and have the confidence to make those investments and be successful.

So you know, one thing we always encourage those who are, you know, considering making investments is to make sure that they have, you know, very good conversations with potential partners, Indigenous partners, because we think that that's an important thing. And you know, I expect once we have more investment into this space from private industry you're going to see that happen.

Ms. Nippi-Albright: — Wonderful. Well that's good. I understand that SRC will not own the building, so who is that leased from and at what cost?

Mr. Crabtree: — The facility is leased from a well-known Saskatoon landlord and it's at competitive commercial rates.

Ms. Nippi-Albright: — Okay. I'm just going through . . . I've been going all over the place with my questions here. It would be interesting to know how the engagement piece to further down the road or relatively soon have discussions with the Indigenous community stakeholders, since it is in Saskatoon that . . . do you have like a plan of how that's going to roll out other than . . . Like, do you have kind of a time frame of when that would be so that the Indigenous community can kind of look forward to having these discussions around inclusion, being included? Is there a time frame that you have in mind?

Hon. Mr. J. Harrison: — Well I mean, like I said in kind of an earlier response, I mean those who are in the private sector looking to make investments into the space right now — and there's a number of companies that are having deliberations around that — like I said, we always encourage those companies to have conversations with potential Indigenous partners in those investments.

As far as this project right now, I mean this is a Government of Saskatchewan project. It's an SRC project, but treasury board Crown project, for which we will be the owner and, you know, we are making the investment into it. So you know, what we want to do though is this be the catalyst for an industry that is going to see, you know, significant Indigenous engagement, involvement, employment, all of those things. That is our hope and expectation.

Ms. Nippi-Albright: — Oh, thank you for that. So in 2021, the project was said to be completed in two to three years. Is that on track? And if it's delayed, what is the economic impact on the sector?

Mr. Hill: — The project is currently on track to complete within the time frame that's stated.

Ms. Nippi-Albright: — Oh, good. Well first of all, thank you so much for taking my questions and answering them. And any questions that you weren't able to answer hopefully will be tabled. Somebody will answer them. So thank you again, Minister, for answering the questions. Thank you.

Hon. Mr. J. Harrison: — I appreciate it, and thank you very

much for the questions. And thanks to committee members for being here tonight, and thanks to our officials.

The Chair: — Seeing there are no further questions, we will vote 35, Saskatchewan Research Council, page 13. Saskatchewan Research Council, subvote (SR01) in the amount of \$20 million. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Saskatchewan Research Council, vote 35 — \$20 million. I will now ask a member to move the following resolution:

Resolved that there be granted to His Majesty for the 12 months ending March 31st, 2023, the following sums for Saskatchewan Research Council in the amount of \$20 million.

I recognize Mr. Domotor.

Mr. Domotor: — That this fourth report of the Standing Committee on the Economy be adopted as . . . sorry.

The Chair: — Okay. Okay he just so moved. Is that agreed?

Some Hon. Members: — Agreed.

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

Hon. Mr. J. Harrison: — All good.

The Chair: — Thank you for attending this evening and providing information.

[The committee recessed for a period of time.]

[17:30]

**General Revenue Fund
Supplementary Estimates — No. 1
Energy and Resources
Vote 23**

Subvote (ER05)

The Chair: — The Standing Committee on the Economy will now consider the supplementary estimates no. 1 for vote 23, Energy and Resources, energy regulations, subvote (ER05).

Minister Reiter is here with his officials, and I would ask that officials please state their names the first time before speaking at the microphone. And you don't have to touch the mike. The recorder will turn it on when you begin to speak.

Minister, please introduce your officials and begin with your opening remarks.

Hon. Mr. Reiter: — Thanks, Madam Chair. With me today I have behind me my chief of staff, Carter Zazula. To my left is Susanna Laaksonen-Craig, the deputy minister. To my right is Scott Kistner, who is the assistant deputy minister of lands and

corporate services.

We're here today to discuss a special warrant of \$15 million for Energy and Resources. This additional funding is necessary to support the accelerated site closure program. The ASCP [accelerated site closure program] is disbursing millions of dollars to conduct abandonment and reclamation work on inactive oil and gas well sites and facilities across Saskatchewan.

This program has been tremendously successful, helping Saskatchewan companies and workers through a challenging time in the oil and gas sector. As of October 31st, 2022, approximately \$338 million has been paid out to Saskatchewan-based contractors for completed program work, supporting an estimated 1,566 direct full-time equivalent jobs. Eight hundred and fifty-two Saskatchewan-based service companies have worked on the program. This translates to completion of over 7,400 well abandonments, 3,400 flowline abandonments, 60 facilities decommissioned, and 11,500 site remediation or reclamation activities in Saskatchewan.

The Ministry of Energy and Resources is also proud to have supported Indigenous participation with \$80 million in program funding. This includes 50 million spent on eligible First Nations and Métis contractors and 30 million to support site closure work on reserve lands under the First Nations Stewardship Fund. The Saskatchewan Research Council administers the program on behalf of the Ministry of Energy and Resources.

Based on direct feedback, the ASCP has been well received by both oil and gas licensees and the oil and gas service sector as being timely, efficient, and administratively simple. The performance of the ASCP compares favourably to our counterparts in Alberta and British Columbia, where similar programs appear unlikely to spend all available federal funding.

Saskatchewan intends to deploy all \$400 million in ASCP funding prior to the program's end on March 15th, 2023. A special warrant was approved to provide the Ministry of Energy and Resources with an additional \$15 million, allowing for the full \$400 million spend on program activities and 15 million for administration costs for SRC. This funding will continue to support Saskatchewan's oil and gas service sector and its workers.

Thank you, and we'd now be prepared to answer any questions.

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

Ms. A. Young: — Thank you, Madam Chair. Thank you, Minister. Just a quick clarification question off the top. You said, I believe, it was \$338 million had been spent as of October 2022 and with \$400 million being the full budget for this. Can you walk the committee through how that remaining — I'm not going to do math on the spot — but 62-odd million dollars is going to be spent in that timeline? Is that something you're concerned about?

Hon. Mr. Reiter: — I'm going to get either Scott or Susanna to elaborate on that in a minute, but just for clarity for everybody, you're absolutely right: \$400 million will be the total amount that would flow out for the program, 338 has flowed out as of the end

of October, and it's continuing to flow as we go. So the target for the ministry is to get it as close to possible as the 400 million of flow-through money from the feds. As far as that last 62 million, I'll get — I'm not sure — Susanna or Scott. Susanna? I'll get you to do that.

Ms. Laaksonen-Craig: — I can start and Scott can do some further detail. Susanna Laaksonen-Craig, deputy minister, Energy and Resources. So as the minister talked about that as of October 31, 337.7 million has been paid out. However that is the amount of invoices that have already been invoiced. The same date, October 31st, 2022, 430 work packages have been issued and a total value of these work packages is \$395.7 million. So we have essentially allocated already the full amount.

And then we are going to go through a process to ensure that if there are licensees and contractors who can't spend the full amount, we collect the money back and we reallocate it again. And maybe, Scott, you want to say a few things about that.

Ms. A. Young: — I'm curious just with that, you know, ensuring all of the money from this federal program is spent, what the timelines are on that process to ensure that it is allocated.

Mr. Kistner: — Sure, yeah. Hi. Scott Kistner, assistant deputy minister, lands and corporate services. So to ensure we're spending all the money, December 31st is a hard deadline for licensees to have their invoices in and the payouts starting to take place through the SRC.

And then from January to the end of March we'll go through a closeout process, which will recover the funds that may not have been spent by service companies and licensees. And then we'll reallocate that funding to some of the service companies and the licensees who have shown successful delivery of their projects up until date — I think there's a list of about 15 companies that will be in that — to then make sure that we allocate that funding back out, get the closures done, and have that spend happen as close to the \$400 million as possible.

Ms. A. Young: — Thank you. And within that period from, I believe you said January to March, where you'll be evaluating potentially, you know, having to have some dollars flow back into the program that have not been spent, do you have a number for what you're expecting? You know, of that \$338 million that's been invoiced for, is the ministry confident that that money has been then spent and that's no longer kind of a liability in terms of unspent funds for the program? Does that make sense?

Mr. Kistner: — Yeah. So the \$338 million has been spent. It's gone out in service company and they've paid all their suppliers, vendors. All of those things are complete. So we're really dealing with the last \$62 million, of which is only up until the end of October. So we already have November's invoicing that we're getting numbers on shortly.

In terms of how confident we feel on the \$62 million, we're anticipating around a 3 to \$5 million return after the \$62 million is complete. And we've worked . . . we have a number of tables that we sit at with industry as well as Indigenous groups to be able to work through the program. And that's why we feel it's been so successful because of the inclusivity that we've had from industry and Indigenous service companies, as well to talk about

the closeout of the program and get agreeance from licensees in those groups. So we're very confident in the groups and the companies that we have remaining, in the 15 number, to be able to spend that 3 to \$5 million in that time frame.

Ms. A. Young: — Okay, perfect. So what I'm hearing is then loud and clear, real confidence that every dollar that can be flowing through this program is going to be.

Mr. Kistner: — We're working hard as we can to make sure we spend it all, yeah.

Ms. A. Young: — Awesome. Great to hear. Thank you. So the \$15 million then for the supplementary estimate, that is then, just to be clear for the record, above and beyond the \$400 million from the program? This is provincial money.

Hon. Mr. Reiter: — That's true. It's provincial money. It's for the administration of the program, and it's directly to SRC.

Ms. A. Young: — Perfect. And anticipating my next question, is that \$15 million the full administrative cost of the program?

Ms. Laaksonen-Craig: — That is the intention. We will have to still work with SRC to ensure the proper closeout of the program. We also fully expect that that magnitude of a program, that there could be, for example, audits and so on. So we want to work with SRC with a very rigorous closeout for the program, so they might be — I don't know, hard to say — but it is going to be very close to 15 million, the cost.

Ms. A. Young: — Perfect. But what I'm hearing is there's not any kind of anticipation that next year there will be a request for, like, another pick-your-large-number millions of dollars for further administration and closeout.

Ms. Laaksonen-Craig: — No, it will be closed out this fiscal year.

Ms. A. Young: — Great, thank you.

Mr. Kistner: — Just a quick update. The November numbers are in. They're \$363 million. So we have a \$25 million month again, which is showing as we get closer and closer to the end.

Ms. A. Young: — Look at that, real-time numbers.

Mr. Kistner: — I know, hey?

Ms. A. Young: — Thank you, appreciate it.

Mr. Kistner: — Texts are great.

Ms. A. Young: — Good work in the Ministry of Energy and Resources here. Maybe just to circle back to a couple of the metrics that the minister listed off the top, I believe you said — and please correct me if I was just scribbling frantically here — 1,566 full-time equivalent jobs have been created by the program to the October 31 deadline.

You know, I think this has by all accounts been an incredibly successful program, certainly for the province and those impacted parties and service companies. And I believe

previously a number around 2,100 full-time jobs was thrown out as an expected measure for the success of this program. And now 15-, you know, 1,600-odd jobs isn't anything to sneeze at by any stretch of imagination, but I'm curious if there's any comment that could be offered for the discrepancy of about 500 jobs in there?

Hon. Mr. Reiter: — So Scott tells me he has more real-time action going on here. So again, because that was as of the end of October, 300 and . . . was it 30 million or something? There'd be more FTEs [full-time equivalent] created.

The money that Scott was just talking about — November, again December, January, February, March — so we think it's going to be reasonably close. Again, we won't know until the program wraps up, but we think it will be reasonably close.

Ms. A. Young: — There is anticipated some sort of public reporting now of the program following its cessation. Okay, awesome.

Mr. Kistner: — Yeah, everything's posted on the website, on our ASCP website.

Ms. A. Young: — Oh, look at that. Great.

Hon. Mr. Reiter: — If I could . . . Sorry, if you'll just indulge me. The program has been hugely successful, as I've talked to industry folks not just here but from other provinces who've praised it. And the credit would go to our ministry officials you see here and other ministry officials, and also to Saskatchewan Research Council, who I'm told has done a tremendous job in the administration.

Ms. A. Young: — And the role in that administration, that's, I assume, working to identify projects with the ministry, bringing together like-minded partners from operators in industry to the appropriate . . . Help me understand SRC's role.

[17:45]

Mr. Kistner: — Yeah, so I can jump in. Do you want me to go ahead? So it's really the service package pieces that they'll get from licensees. So we'll allocate the funding and then licensees will start by putting together their service packages forward and saying, we want this level of funding. Then we'll evaluate that with the SRC. They continue to monitor and measure that service package work to make sure that it's been done. They get all the invoices. They do all of that type of work of behalf of . . . [inaudible].

Ms. A. Young: — Project management, essentially.

Mr. Kistner: — Yeah.

Ms. A. Young: — Okay great. Thank you.

Mr. Kistner: — That's at a very high level. Yeah.

Ms. A. Young: — You know, Minister, you noted the success of this program in comparison to some neighbouring jurisdictions, and I'm wondering if yourself or your officials can talk about how deployment of our ASCP funding here in Saskatchewan is

compared to other provinces in the program.

Hon. Mr. Reiter: — Just a minute. I'll see if Susanna or Scott can add to that, but I would say just anecdotally, since I've had the file I've done a number of round table with different industry folks who, a number of them as I said earlier, have praised the way SRC's been administering this program. You know, I don't want to delve too much into neighbouring provinces, but I would say I've been less impressed with what's been going on there with how it's been administered than how it is in Saskatchewan. So I don't know if we have any numbers from other provinces or not. I'm not sure.

Ms. Laaksonen-Craig: — We don't have with us any numbers. We can . . . Others post also some of the numbers on the website so it is possible to go and compare. All three provinces of course received different amounts of money. Alberta's was significantly more than our \$400 million. But as it appears right now, we likely are the only province that will be able to fully utilize the amount that was allocated.

Mr. Kistner: — What the service companies share with us is the clarity, the conciseness, the regularity of the communication, their involvement in helping to build and design some of those pieces as well. So very positive things coming from licensees in industry.

Ms. A. Young: — Okay yeah, thank you. That was kind of more to my question in terms of if there's like, you know, real successes in terms of the management and administration of the program here and what that looks like for — you know, recognizing it's a bit unique — but for other kind of federal flow-through dollar programs. And obviously hearing this has been a real success from folks on both sides.

You know, going forward with this obviously winding down, and you know, not in any way dismissing the good work that has been done, you know, the number of wells and site closures, flowlines that the minister referenced, truly great. I'm scrambling here for the numbers. I thought I had them in front of me. But I also know, you know, 7,400 wells, even if it gets up to say 9,000, whatever that number may be by the end of the program, is not close to the number of well sites, flowlines in the province that eventually will need to be addressed.

Is it possible to get some comment on, you know, a potential continuation of the project from either the minister's perspective or if there have been talks or any indication that this is something we can anticipate continuing to flow through from federal government?

Hon. Mr. Reiter: — So kind of two components here, I would say to the question — the part about, kind of, where do we go from here, and then also the part of your question about the federal government. If there's any more . . . I'm going to just briefly talk about the one part, and then I'm going to get Susanna to just elaborate a little bit more.

As far as federal money flowing through, this was essentially a, you know, I think their terminology would be different. But from the federal government, this was essentially a COVID program to get people to work, kind of for the economy to recover after that. It was a program that was well received. We used it, you

know, I think to the advantage of an industry that desperately needed it at the time.

So we don't anticipate any, sort of, more money for this program or type of program flowing from the federal government, not imminently anyway. But there are some other things that are happening provincially to your, I guess, broader question. And I'm just going to get Susanna to comment on that.

Ms. Laaksonen-Craig: — So government has brought forward in June 2021 the financial security and site closure regulations. Under those regulations there are a number of different components, but those components together will manage the existing industry liabilities in the province much more tightly than we have in the past. So there are going to be, for example, requirements for them to retire a certain percentage of the inactive wells on an annual basis. So we have gotten a very good start towards managing those liabilities and then we are going to, from the regulatory perspective, continue to make sure that good progress continues.

And I always of course also want to, you know, remind that the regulations in Saskatchewan are such that even in the cases when, if companies go bankrupt and those wells end up orphans, that is not a provincial responsibility. Taxpayer dollars are not used towards that. It is the orphan well fund that will then fund the retirement, the reclamation of those wells.

Ms. A. Young: — Thank you. And I think . . . I believe at some point I reviewed some of the *Hansard* from the spring where I think some of these changes were being discussed with former Minister Eyre and yourself. And so just to be clear, because it could be my brain, but reading through that I felt like there was some flipping between the language of like orphan, inactive, abandoned, which I know is very different. And so when you talk about this legislation, managing industry liabilities, specifically for abandoned and inactive?

Ms. Laaksonen-Craig: — The language is interesting, I would say, because in this case abandoned is a good thing. Abandoned well means that it has been fully reclaimed and put to a safe state. So unlike in many other areas, abandoned is a good thing. Inactive means simply a well that is currently inactive. It might be that it is a well that the licensee wants to then remediate and abandon. But there are also wells that it's just a question of economics. For example, if oil prices go higher, those wells come back to life, yeah.

Ms. A. Young: — Okay, understood. So in terms of then going forward . . . so that helps, thank you. Because I was confused. I felt like some of those terms were being used interchangeably. And it's been years, and I was like . . . cemented-in casing?

So going forward, in terms of looking at the impact on Saskatchewan, hearing that this is, you know, clearly a federal program, there's not really any intention that anyone's aware of to continue to provide federal dollars to deal with, you know, assisting any type of accelerated site closures. I guess when you talk about managing industry liabilities, do we have the appropriate revenue streams to ensure that it's not Saskatchewan taxpayers then on a go-forward basis? Am I hearing it's going to be industry?

Hon. Mr. Reiter: — Yeah, right.

Ms. Laaksonen-Craig: — The government will not pay for managing those liabilities.

Ms. A. Young: — Okay. Fully industry going forward.

Hon. Mr. Reiter: — Right. The two approaches that Susanna was talking about, the site closure regs that's . . . Industry are given, I guess annually, a percentage that they're going to have to deal with. And they'll deal with it. And on the orphan wells side, as you also mentioned, there's a fund paid for by industry that's used for that.

Ms. A. Young: — Yeah. Perfect. And on both counts I'm hearing that, you know, comfortable with the amount of funding revenue that's present there to ensure that, you know, the necessary liabilities are being covered off by industry.

Ms. Laaksonen-Craig: — Particularly when industry is doing well. There are funds to usually also manage the liability.

Ms. A. Young: — Yes, and that's kind of to the heart of my question. It's a better time now than it certainly was in 2015. So in a good place is what I'm hearing. Seeing nods, for the record. Okay. Thank you.

Madam Chair, no further questions. Thanks, folks.

The Chair: — All right. Seeing no further questions, we will vote off vote 23, Energy and Resources, page 11. Energy regulation, subvote (ER05) in the amount of \$15 million, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Energy and Resources, vote 23 — 15,000,000. I will now ask a member to move the following resolution:

Resolved that there be granted to His Majesty for the 12 months ending March 31st, 2023 the following sums for Energy and Resources in the amount of 15,000,000.

I recognize Ms. Alana Ross. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

All right. Thank you, Minister, and thank you, member, for the questions. If you have any closing comments that you would like to make?

Hon. Mr. Reiter: — Sure, thank you, Madam Chair. I'd like to thank you and the committee members for your time tonight. I'd like to thank Ms. Young for the respectful and interesting discussion tonight, as well as our ministry officials and the officials from the Legislative Assembly for their time tonight. Thank you.

The Chair: — Thank you. We will now adjourn for a few

minutes to change out people, change out our ministry folk.

[The committee recessed for a period of time.]

**General Revenue Fund
Supplementary Estimates — No. 1
Agriculture
Vote 1**

[18:00]

Subvote (AG10)

The Chair: — All right. The Standing Committee on the Economy will now resume for consideration of supplementary estimates in Agriculture.

We will move to consideration of vote 1, Agriculture, business risk management, subvote (AG10). Minister Marit is here with his officials, and I'll ask the officials, if they're speaking, to state their name and position before they speak the first time. And you don't have to touch the mikes. Hansard will turn it on for you.

So, Minister, if you'd like to begin by introducing your officials and making your opening remarks.

Hon. Mr. Marit: — Thank you, Madam Chair. Obviously I'm joined by Brady Peter my chief of staff. Rick Burton is the deputy minister. Jeff Morrow is the acting president and CEO [chief executive officer] of Saskatchewan Crop Insurance Corporation. Christine Virostek is executive director of financial accounting at Saskatchewan Crop Insurance, and Rob Pentland is acting executive director of corporate services branch at the Ministry of Agriculture.

The Ministry of Agriculture is currently forecasting total expenses of \$534.1 million. This is an increase of 71.7 million from budget, largely due to a couple of pressures. First there is an increase of about 52 million in crop insurance premiums, and this is a result obviously of increased insured acres and crop prices.

We're also expecting over 19 million increase in AgStability program payments based on the summer forecast prepared by Agriculture and Agri-Food Canada for the 2022 claim year, and estimates from Saskatchewan Crop Insurance based on recent processing of claims for previous AgStability claim years.

The final fall farm income forecast, due in late December, will be used to finalize AgriInvest and AgStability program payment estimates for the 2022 program year.

The business risk management programming we offer helps to ensure farmers and ranchers can meet the challenges inherent to agriculture, while also positioning the industry for long-term success. Through the Ministry of Agriculture and Saskatchewan Crop Insurance Corporation, our government is focused on supporting a successful and sustainable agriculture industry.

I welcome any questions, Madam Chair.

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

Mr. Wotherspoon: — Thank you, thank you very much. So AgriStability, the supplementary estimates before us today are not impacted by . . . Am I correct? I guess I'm seeking a response. Am I correct that they're not impacted by the payment level adjustment which I think will come into effect on April 1st, is that correct?

Hon. Mr. Marit: — Do you mean the changing in the percentage?

Mr. Wotherspoon: — That's right, the 70 to the 80.

Hon. Mr. Marit: — Yeah, that does not come into effect until the new program in April.

Mr. Wotherspoon: — Okay. And so this is a product of a higher level of subscription to the program?

Hon. Mr. Marit: — Yeah, I think it'd be probably a combination of that and the reference margins levied onto as well.

Mr. Wotherspoon: — Right. So when you're looking at these programs here, there's nothing specific to the protracted drought in the Southwest and west central Saskatchewan yet on the livestock side. I know we've brought this to the Assembly throughout the fall session here. I know producer groups have been engaged in looking at what kind of support program could be meaningful and practical and allow those that are enduring a protracted drought, a very serious one, the support to get through the winter on the feed side.

I'm just looking I guess for a response from your ministry. We don't see any dollars allocated on this front right now. We know the need is out there. Thankfully we see some snow, as you would know well, in some areas that hadn't seen any moisture for a long period of time. But that doesn't get many livestock producers throughout the Southwest out of the woods here yet. So what can we anticipate or when can we anticipate some support to be extended to producers throughout the Southwest and the West that have been impacted so dramatically?

Hon. Mr. Marit: — Yeah, I'm going to turn it over to Jeff here shortly. But I guess really, you know, to kind of answer your question in the higher level is, we definitely saw an increase in participation in especially the forage insurance. And I know full well of examples even from ranchers in my constituency that went into the program this year that weren't in it before. So we obviously saw an uptake. Jeff will probably give you a more accountable level of just what kind of increase that was. But that's probably where you're seeing the significant numbers there.

Mr. Morrow: — Jeff Morrow, acting president, CEO for SCIC [Saskatchewan Crop Insurance Corporation]. So specifically to what the minister said on the forage side of things, we have a couple of main programs for forage producers or livestock producers in general.

Our traditional forage insurance, which is a yield-loss program for tame hay, we saw an increase of approximately 80,000 acres in that. And our more popular forage program is called forage rainfall insurance program. In that one we saw almost an 800,000 acre increase, up to just under 4 million acres. In that program,

producers can insure native and tame grazing and tame forage under that.

From the AgriStability side for 2022, I think the estimates that the minister spoke of from Ag Canada, certainly one of the drivers would be the increased cost of feed and the dry conditions.

Mr. Wotherspoon: — Thanks for that information. I know producers are in a real tough spot down there right now. Certainly the backstop of solid insurance programs are important. I know I've put it on the record and made the advocacy and pushed in the Assembly this question of equity within the agricultural insurance market. And you know, I think programs like forage insurance and livestock price insurance, largely I hear that these are valued programs and important ones but that we're not going to likely have the subscription to them that we need to ensure they're the backstop that livestock producers deserve, unless we address the equity piece which is on the crop side.

Of course you've got the federal and provincial governments that through their agreements are contributing the lion's share of that premium. But on the livestock side, we have good insurance programs that have been built out, but I think it's now a matter of advancing the equity and of making sure we have the federal and provincial contributions.

We don't see that obviously here. It would be an undertaking with the federal government. I'm interested in how much of a priority this is for your government right now and what sort of timelines and actions you've undertaken to effect change and ensure equity on this front?

Hon. Mr. Marit: — Yeah, obviously it's been a major concern. In fact we were probably the first ones to put it on the table. That's why we actually changed the name. It's no longer western livestock price insurance; it's livestock price insurance.

I actually had a call this morning with a few of my counterparts from across the country talking about this very issue and how to continue moving it forward. I just want to make it very clear though that all the other programs for the livestock, the forage and all that, are all cross-subsidized with the province and the federal government. They all fall under that stream. The only one that doesn't is the livestock price insurance. Obviously there's other challenges around that as well, but we continue to press the federal government on bringing this into the program and subsidizing it as well.

Mr. Wotherspoon: — Thanks for that. It's certainly important to producers to have that backstop they can count on in equity on this front. What would be the sort of working estimate for the provincial portion of that premium?

Hon. Mr. Marit: — Yeah, I think that would be a very difficult question — well it is a difficult question — because we wouldn't know obviously participation level. We have no idea what the future premiums could be. We have no idea what the participation levels would be. So very difficult to answer at this time.

Mr. Wotherspoon: — Okay. Thanks for the information. It's certainly important that we get to equity within that program. Just

back to the question about the drought that folks are continuing to endure through the Southwest and west central. Of course you would know the various agriculture groups and livestock groups and SARM [Saskatchewan Association of Rural Municipalities] are engaged in conversation and advocacy around what kind of appropriate program could be most impactful at this time.

We don't see any dollars on that front right now. What sort of timeline would you be looking to, to work with producer groups to build out a program that provides some aid in face of this drought situation through the Southwest, for example?

[18:15]

Hon. Mr. Marit: — Thanks. You know, we've always prided ourselves on having the right business risk management programs in place, and we've obviously communicated that with the industry, with all the sectors of the ag industry. And obviously they've really responded to that.

When you look at what we have put out over the years with the farm and ranch water program, and how we really supported the livestock sector through the drought last year with increasing the availability for those operators to get to 150,000, of which we as the government were contributing 70 per cent and the producer was at 30 per cent. But you look at everything we did on the forage side, the rainfall insurance and even the corn heat unit . . . But we were just looking at the numbers, and we saw a 25 per cent increase in the rainfall insurance and the forage insurance last year. That's a big number. That is a huge number.

And when you see that kind of an increase in the program, it tells me, is there more to do? Probably we can look at things with the new programs and how that works out, but it tells me that we've got the right programs in place and the producers are taking every advantage of that.

So we're pretty happy with the programs we have in place. We've always been very clear with the industry, with all sectors of ag, that we have the programs in place to cover their risk and mitigate that. Did we have issues in some parts of the province with drought? We did, but for the most part there was lots of feed around and opportunity for ranchers to access that.

Mr. Wotherspoon: — We won't belabour at that too much further. I've been on the record pushing for support and a program to respond on this front. I think ultimately that needs to be built directly with those that are impacted and certainly with the producer and livestock groups and with the leadership in SARM.

I've certainly witnessed, first-hand, grass that's just in a horrible situation, very serious feed challenges that folks are facing. And you chat with proud, strong producers that just don't know how they're going to sustain. And then of course the cascading impact on reduction in beef herd, and that will set back operations for many, many, many years. So it seems that, you know, a lot of the province was able to escape that horrible drought, a once-in-a-generation sort of a drought, or for some the worst drought in our history.

And it's just I would really urge the minister to really continue to work with these producers that are facing such horrible hardship

and producer groups as we head into winter, and making sure that they have some support to get the feed that they need access to. Because otherwise, to devastate this beef herd and some of those operations sets back not just them and their families and their proud operations, but our whole province.

I'd like to just shift to one question here, or maybe a couple. Might just be the one if we can, depending on the response. I'm just interested with the new carbon tax that's going to be delivered through the province, the changes for collection and oversight. I'm wondering how this is going to impact producers. I know we've advocated for a long time around the fact of how agricultural producers really pay a serious price on this front with very few options and the need for some sort of carbon offsets, for example, or recognition for their work as stewards when it comes to grass and when it comes to wetlands, as well for carbon sequestration.

So I'm just interested, now that the province is administering this carbon tax, I'm wondering how are you going to structure it to recognize the invaluable role of producers, the hardship that they face? You know, when you look to other areas like grain drying, of course we've pushed for a long time for producers to be exempt on grain drying as well. So just looking for comment on that front.

Hon. Mr. Marit: — Thank you. Madam Chair, I guess for me that's more of a question for the Minister of Environment and really doesn't really have much to do with these estimates here tonight.

Mr. Wotherspoon: — Okay, thanks. I would just urge that as Minister of Agriculture, please be involved in those conversations because, you know, producers are really left in a tough spot here. And we know that leaving the design of these sorts of programs to . . . Well we certainly know Ottawa doesn't, you know, get the reality at the farm gate on many fronts, and I think as well just leaving it over at Environment in Saskatchewan would be a miss.

I would urge you as Ag minister, along with producer groups and organizations and your incredible officials, to be real leaders in structuring a program that provides some relief and recognition for the role of producers.

I don't have any other comments, I don't think, Madam Chair, here tonight. Thanks to the minister and to his officials for their time here tonight.

The Chair: — Seeing no further questions, we will vote on Agriculture, vote 1. Business risk management, subvote (AG10) in the amount of 71,698,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Agriculture, vote 1 — 71,698,000. I will now ask a member to move the following resolution:

Resolved that there be granted to His Majesty for the 12 months ending March 31st, 2023, the following sums for Agriculture in the amount of 71,698,000.

I recognize Mr. Harrison. Is that agreed?

Some Hon. Members: — Agreed.

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

Hon. Mr. Marit: — Thanks, Madam Chair. No. Thanks to the member of the opposition, for the critic for Ag for the questions. And just want to take this opportunity to thank my entire team for putting this all together and really looking after the ag industry here in the province of Saskatchewan. Thanks to my colleagues, the committee members for being here as well, and thank you to you, Madam Chair. Thank you.

The Chair: — Thank you. You're welcome to leave if you'd like, and your officials. You're welcome to leave and your officials if you like at this point in time.

Committee members, you have before you a draft of the fourth report of the Standing Committee on the Economy. We require a member to move the following motion:

That the fourth report of the Standing Committee on the Economy be adopted and presented to the Assembly.

I recognize Mr. Domotor.

Mr. Domotor: — I do move:

That the fourth report of the Standing Committee on the Economy be adopted and presented to the Assembly.

The Chair: — Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That concludes our business for today, and I would ask a member to move a motion of adjournment. I recognize Mr. Steele has moved that we adjourn. All agreed?

Some Hon. Members: — Agreed.

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

[The committee adjourned at 18:26.]