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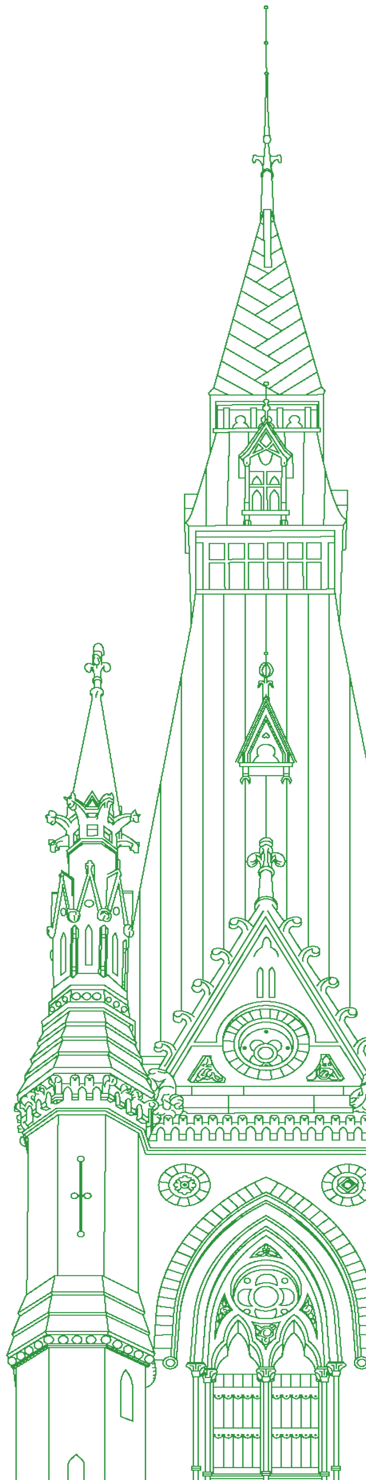

Chair: Mr. George Chahal

Standing Committee on Natural Resources

Wednesday, October 2, 2024

● (1630)

[*English*]

The Chair (Mr. George Chahal (Calgary Skyview, Lib.)): I call this meeting to order.

Welcome to meeting number 107 of the House of Commons Standing Committee on Natural Resources.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, June 6, 2024, the committee is resuming its study of the Trans Mountain pipeline expansion.

Today's meeting is taking place in a hybrid format. All witnesses have completed the required connection tests in advance of the meeting.

I would like to remind participants of the following points.

Please wait until I recognize you by name before speaking. All comments should be addressed through the chair. Members, please raise your hand if you wish to speak, whether participating in person or via Zoom. The clerk and I will manage the speaking order the best we can. I do use these two cards. The yellow is a 30-second warning, and the red means the time is up. I'll try not to cut you off mid-sentence.

Now I would like to welcome our witnesses for today's study. We have, as individuals, David Detomasi, professor, Queen's University; David Gooderham, lawyer, by video conference; and Dr. Trevor Tombe, professor of economics, University of Calgary, by video conference. From Project Reconciliation, we have Stephen Mason, chief executive officer and senior managing director.

You'll have up to five minutes for opening remarks, after which we will proceed with rounds of questions.

I will begin with David Gooderham via video conference.

You have five minutes, sir.

Mr. David Gooderham (Lawyer (Retired), As an Individual): Thank you to the committee for inviting me to appear today.

Canada's declared goal of achieving net-zero emissions by 2050 was incorporated into law in June 2021.

Mr. Chairman, I submit that the existing legal framework is wholly inadequate to address the extreme gravity of the challenges we are facing. That is the framework of the existing legal set-up. Canada's net-zero plan envisions that by 2050, Canada's remaining annual emissions will be offset or balanced by carbon capture and storage and by carbon removal, or CDR, technologies that will have the capability to remove massive amounts of CO2 from the atmosphere by negative emissions.

A crucial unknown in this scheme is the level of Canada's remaining emissions in 2050. The plan is based on the presumption that by 2050, the remaining emissions, whatever they are, will be fully offset by CCS and CDR. The political promise is that large-scale CCS deployment, for example, will allow us to defer any near-term deep cuts in Canada's oil and gas production.

Developments since 2021 compel us to reconsider this policy framework and its assumptions. The International Energy Agency released its global “Net Zero by 2050” scenario in May 2021. The IEA concluded that to give us any realistic chance to limit increased warming to 1.5°C, global oil production must decline 50% by 2040 and 73% by 2050.

The Canada Energy Regulator's 1.5°C-aligned scenario published in June 2023 accepts the accuracy of that finding by the IEA. The CER acknowledges that to align with 1.5°C, Canada's oil production must decline from 5.5 million barrels in 2030 to 2.8 million barrels by 2040.

Further, in the fall of 2023, the IEA and several other research bodies published a series of new studies that have examined in detail the feasibility of achieving, by 2050, large-scale deployment of envisioned carbon dioxide removal technologies. They conclude that on a global scale, annual CCS capacity could possibly increase to as much as three billion by 2040 and as much as six billion per year by 2050. With respect to envisioned CDR technologies that have the capacity to remove CO2 from the atmosphere, the IEA has cautioned that the annual removal of 1.7 billion tonnes per year are likely close to the upper bound of what is practicable by 2050. Other sources accept that it might be as much as three billion per year.

In contrast, the annual level of emissions from oil, gas and coal use reached 37 billion tonnes CO2 in 2022. Under the IEA's steps scenario, the projected annual level declines only slightly by 2050, to 29.5 billion tonnes. Measured against those numbers, negative emissions in the range of six billion to eight billion tonnes per year are inconsequential.

The opaque character of the net-zero emissions concept has unfortunately allowed us to put aside any detailed public scrutiny of the hard reality, which is that meeting net-zero by 2050 pledges, in the absence of deep near-term reductions in oil, gas and coal production, would require deploying CDR technologies on an extraordinary scale by 2050—a scale that the IEA has described as “inconceivable”.

I would urge this committee to undertake a full reconsideration of whether Canada's legal framework for net zero by 2050 should now be redesigned. The existing single goal, which subsumes both future reductions and removals, would be disaggregated to provide separate goals. Targets and timetables for achieving negative emissions would be separately and explicitly set out, leaving us with a separate emissions reduction target for 2050.

To conclude, promises that the CCS and CDR deployment in Canada can protect our children from warming above 1.5°C while we continue to increase our oil production in line with rising global demand are untethered from the reality we are facing.

● (1635)

The essential and immediate requirement to give us any remaining chance to limit warming to 1.5°C is that global oil production must be sharply reduced by 2040. Equivalent cuts must be achieved in the case of natural gas.

To conclude, if that does not happen, no feasible amount of CCS technology or CDR deployment can alter the outcome.

Thank you, Mr. Chairman.

The Chair: Thank you for your opening remarks.

We'll now go to Dr. Trevor Tombe.

You have five minutes, sir.

Dr. Trevor Tombe (Professor of Economics, University of Calgary, As an Individual): Thank you, Mr. Chair and members of the committee, for the opportunity to speak with you today about the Trans Mountain pipeline expansion.

I'm going to focus my comments today on the financial and economic implications of the project. This expansion was a considerable undertaking that took about 11 years from initial application to completion, more than six years behind schedule. It also came with significant cost overruns, rising from an estimated $5 billion in 2013 to about $34 billion today.

It's such a high price tag that the question really is: Was it worth it? In my view, the answer is clear: Yes, it was, and it's not even close. There are really two key reasons why I say that.

First, taxpayers are not on the hook for the pipeline in the way that many fear. I'll clarify that in a moment. Second, the pipeline's broader economic benefits to Canada far exceed its costs.

Let me start with the impact on taxpayers. There has been widespread concern that taxpayers will suffer significant losses from the government's ownership of the pipeline given those cost overruns, but recent financial data suggests otherwise. Oil producers will cover a material portion of the cost overruns through higher tolls of roughly now about $11 per barrel. While that's much higher than initially expected, to be sure, it's still better than relying on more expensive rail transportation options, which were the alternative.

Also, much of the cost overruns for the project were financed through debt, and that's important for two reasons. First, any future buyer of the pipeline would not need to literally pay the full $34 billion to prevent taxpayers from losing money. The buyer instead could assume those debt obligations. Second, the interest on this debt is manageable relative to the pipeline's projected future revenues. It's anticipated to generate about $3 billion in annual revenue soon, with operating expenses well below $500 million. Even after covering the $1.6 billion in interest, there is still enough left over to start paying down that debt. Over time, interest rates will fall, revenues will rise, and the pipeline's profitability will increase for many years to come.

In valuing the pipeline today, I think we need to account for the time value of money. If we apply, say, a discount rate of 8% on future projected earnings from the pipeline's recent financial filings through the CER, it suggests that earnings—depending on the scenario that you look at over the next 20 years before depreciation and interest—are valued at between $26 billion and $38 billion. If you subtract expenses, interest payments, debt repayments and so on, it leaves you with a residual of between about $4.2 billion at the low end to $8.6 billion at the high end at the end of that 20-year horizon. Again, that's in present value terms.

There are risks with any forecasts, of course, but even with the cost overruns, the pipeline could quite easily, depending on the scenario, be worth more than the $4.5 billion that the government paid for it in 2018.

The broader economic benefits of the pipeline for Canada are also substantial. As a piece of critical infrastructure, these broader economic benefits cannot be neglected. For oil producers, the advantages are obvious. The expected pipeline can now transport nearly 900,000 barrels per day, and that's the equivalent of about 1,300 railcars. That provides lower-cost access to international markets, and that tends to boost prices for Canadian producers.

Even producers not directly using the pipeline will benefit from the narrowing of the price differential between Canadian oil and global prices, and it's difficult to say exactly by how much. I'm not going to provide my own estimates here, but recent analysis from the CER estimated that adequate pipeline capacity could shave about $9 per barrel off that differential. Given Canada's daily oil production, these gains add up fast.

Using the 2016 energy future report, for example, from the CER, you can estimate that, between now and 2040, the cost to Canada's economy would be nearly $240 billion in today's dollars if we hadn't expanded pipeline infrastructure, so projects like Trans Mountain avoid those large costs. These economic gains suggest that the pipeline will more than pay for itself in terms of higher GDP, and those benefits accrue far beyond Alberta as well.

● (1640)

In closing, Mr. Chair, I'll note that none of what I've said here justifies the major cost overruns, and investigations into the causes to avoid repeating the same mistakes are important to undertake. Despite the delays and added costs, the pipeline remains an incredibly valuable asset and a crucial piece of infrastructure for Canada's economy.

Thank you. I look forward to the questions and conversations to come.

The Chair: Thank you for your opening remarks.

We'll now go to David Detomasi.

You have five minutes, sir.

Dr. David Detomasi (Professor, Queen's University, As an Individual): Thank you again to the committee for inviting me here and allowing me to speak.

My name is David Detomasi. As mentioned, I'm a professor at the Smith School of Business at Queen's. I recently published a book entitled *Profits and Power: Navigating the Politics and Geopolitics of Oil*.

It's within the context of that book that I'm writing my second one, and will offer the comments to you today based on what I'm writing now. I would like to begin speaking about why our economic bounty in Canada offers us a luxury of choice that most other countries in the world simply do not have.

There are clearly many people in Canada, many Canadians, who either wish we perhaps did not have them or we didn't develop them. I would like to offer some insights into the global system that they might consider while they make those judgments. I would like these arguments to be put in the record for our consideration of Trans Mountain.

First of all, there's the reality of the current energy system, which I think increasingly means that Canadians need to focus on the world around us. Canada's current abundance in energy, along with its abundance of food, timber and other resources, is a historical rarity. The idea that we would voluntarily constrict them is as modern an idea as our idea of restricting food intake to reduce obesity. Almost nobody else in the world has this concern.

I would argue that the biggest problem the world energy system has today is that far too many people have too little energy—not enough of it. Of the world's eight billion people, two billion live in dire energy poverty on a day-to-day basis. There are four billion people in the world who have access to energy, but it's not regular, it's not predictable and it doesn't allow them to develop their full potential.

If an overriding general goal or a Canadian value is the alleviation of human misery, then any progress toward that goal must pay attention to solving the energy problem for the world's poor and the increasing energy demand from the rapidly industrializing world.

To do that, we need to recognize some clear facts. Energy use is going to grow, and I believe carbon energy will grow in volume, as well. Many parts of the world, including the continent of Africa—with two billion people—are just beginning their growth and industrializing journey. My last figure says the entire continent of Africa uses less energy than the state of California.

India's energy profile today resembles what China's was in the year 2000, and it shows every intention of following China's path. In 20 years, its energy use will likely be very close to what China's is now, and China will continue to grow.

Carbon now sits at about 83% of the world's energy mix. Even if we're able to reduce that percentage to, say, 70% by 2050, or 60%, it would still be a large percentage of a very large pie. Carbon use is not going anywhere in the world. In fact, it's going to increase substantially.

Third, energy production is a critical element of geopolitical competition. Canada's impact on the broader geopolitical affairs might seem modest—we only have 40 million people in our country in a world of eight billion—but we punch way above our weight in hockey, in maple syrup and in oil and gas development.

Recent world events in Ukraine, particularly, as well as others, indicate that the security of energy supply is paramount both to the people I've just mentioned and to our allies, who have asked us repeatedly to provide them that security. Countries that are well supplied with energy worry less about acquiring more of it, worry less about their neighbours, spend less money on defence, fight fewer wars and have fewer civil conflicts. I can show you the research to back all of that up.

Energy production is critical to the economic welfare of our country, which is showing some worrisome signs currently. I'm sure the committee is very much aware of Canada's lagging productivity challenge. The value of our output per worker is dropping. The problem is recognized by our current finance minister in repeated budget documents, and the deputy governor of the Bank of Canada recently went so far as to label the productivity problem as a full-blown national crisis.

To put it clearly, 20 years ago, Canada's productivity level generated an income per capita that was roughly equivalent to that among the wealthier American states. Today, we are slightly behind Alabama in GDP per capita, which is one of the United States' poorest states. Generating high and growing living standards with Canadian energy development, I think, is a key part of that puzzle.

We're losing ground in the ability to generate wealth and prosperity. At present, the Organization for Economic Co-operation and Development predicts that Canada will be the worst-performing economy of its member states and will remain that way for the next three decades. Our debt levels continue to rise, our debt servicing costs are growing, and even former Bank of Canada governor, David Dodge, has drawn attention to this being worrisome at best.

● (1645)

Canada's most productive and profitable export-driven industry is oil and gas and mining. These generate the highest amount of wealth per hour of labour worked, and they are also by far our most valuable export. As recently reported by Jock Finlayson in The Globe and Mail, without energy exports, our cumulative trade deficit over the past decade would measure well over a trillion dollars, but with oil and gas we are more or less at balance.

Exporting resources generates the earnings we need to purchase the benefits of goods and services the world over and helps generate the money we need to fund the social programs that Canadians increasingly rely upon across the country. If we do not have these industries and we do not develop them effectively, the results will be devastating for the Canadian economy and our social programs.

The final point I'll make is that developing natural resources responsibly can be an expression and reaffirmation of Canadian values. Simply, Canadians clearly want economic activity to occur in a sustainable, environmentally aware way, one that acknowledges and respects the rights of indigenous peoples. Let me be clear: This is not always the case in oil and gas development around the world. In fact, it is rarely the case this is so. Increasingly, as people become wealthier and as—

● (1650)

The Chair: Mr. Detomasi, I would ask you to wrap up. We are over time.

Dr. David Detomasi: —our capacity to export the things we have learned in the production of the Trans Mountain pipeline and our relationship with indigenous peoples will serve Canada well as we export and work our magic abroad.

Thank you.

[*Translation*]

Mr. Mario Simard (Jonquière, BQ): Mr. Chair, I would like to kindly remind our witnesses to speak a little less quickly, because it can pose a challenge for interpretation.

[*English*]

The Chair: Thank you, Monsieur Simard, for that reminder. I think it has been pretty good overall, but I would ask the witnesses to slow down for interpretation purposes.

We will now go to you, Mr. Mason. You have five minutes.

Mr. Stephen Mason (Chief Executive Officer and Senior Managing Director, Project Reconciliation): Thank you, Mr. Chair and members of the committee, for the opportunity to speak to you today about the future of Trans Mountain.

As I was introduced, I am the founder and managing director of a vision called Project Reconciliation, which has been, for seven years, looking at a need to change the model of how, under the constitutional duty to consult, to get major infrastructure projects like Trans Mountain permitted. It's not a conversation about promising jobs while we're building and that go away once the project's built, but it's a conversation about having material equity ownership.

I'm also the chair and CEO of a company called Reconciliation Energy Transition. We hold a major carbon hub in the Calgary area, and all of that has material indigenous partnerships.

Project Reconciliation has a clear and bold vision in that we are finance-, governance- and ownership allocation-ready to facilitate up to 100% indigenous ownership of Trans Mountain. This is about creating a path towards economic reconciliation, where indigenous communities are not just participants, as I just pointed out, but leaders in major projects through material equity ownership.

Project Reconciliation will have no ownership of Trans Mountain. We are ready to facilitate the purchase from Canada at commercial value—and I underline “commercial value”. This is not an ask to give this to indigenous peoples. The indigenous peoples—and we are finance-ready—will purchase this asset from the federal government at commercial value, and this is to go to 120-plus impacted nations. This would establish a foundation for indigenous generational wealth, weaving indigenous governance with corporate governance to foster economic independence and stewardship.

Our plan ensures that indigenous communities impacted by the pipeline will benefit economically. The sale of Trans Mountain to indigenous ownership is not just an economic transaction: It is a significant step towards financial sovereignty for indigenous nations. This ownership would enable communities to reinvest in housing, education, social services and the training and development of indigenous youth, and to invest in other infrastructure projects, addressing long-standing challenges as well as the reinvestments.

At the heart of this vision is the indigenous sovereign wealth fund. It was a vision that came...that the ownership would lead to a generational wealth base. Much like what Norway did in creating the Norwegian sovereign wealth fund, this would be the creation of a generational indigenous sovereign wealth fund whereby indigenous populations thrive and all Canadians benefit. Prosperous indigenous communities strengthen local economies, contribute to a more robust workforce and foster national unity. By enabling the indigenous participation early in major projects, we ensure that development is sustainable, inclusive and aligned with Canada's broader goals of economic growth, social justice and environmental responsibility.

I tabled the first offer to purchase 51% of Trans Mountain on July 2019 to former finance minister Bill Morneau. I had the National Bank of Canada and the chairman of Project Reconciliation with me at the meeting. Minister Morneau liked the proposal that was addressing a commercial value transaction, an ownership model that gave an allocation of ownership reflecting the individual nation's proximity to the right-of-way and a population weighting, and a governance structure that provided the voice at the table. Minister Morneau basically stated the Government of Canada was going to just build it first and then look to divest it, and here we are, seven years later. Well, actually, if I do the math, it's five years later—seven before we got ready to table the offer. He stated that material equity ownership needed to be the solution.

The divestiture of Trans Mountain is an opportunity to not only fulfill a commitment to reconciliation—and, really, to make an active verb out of that noun “undelivered promise”—but also to create a future in which indigenous communities are full economic partners in Canada's prosperity. Real economic reconciliation will take all of us, indigenous and non-indigenous, working together to create indigenous capital for future projects. In doing so we can change the existing business model, grow annual distributions, and support community services for future generations.

● (1655)

As TheFutureEconomy.ca report notes, closing the gap in opportunities for indigenous communities would boost Canada's GDP by $27.7 billion annually, which is an increase of 1.5%.

This sale is more than just an economic benefit. It's about building a new table where indigenous communities are leaders in decision-making, helping to build a stronger and more inclusive Canada.

While Project Reconciliation has been in a holding pattern, waiting for the completion of the pipeline, we have moved forward with Reconciliation Energy Transition as the basis to facilitate material indigenous equity partnerships and energy transition projects. RETI was awarded the CCS project for the greater Calgary area. The project also includes a sustainable aviation fuel project that will provide sustainable aviation fuel to Calgary International Airport. RETI has partnered with Sumitomo Corporation of the Americas in the hub.

The Chair: Mr. Mason, I'd just ask you to wrap up. You're at the end of the time.

Mr. Stephen Mason: I'm done.

The Chair: Thank you.

To all our witnesses, I'll just remind you again at the end of the meeting that if there's anything you missed, you can provide a brief to the committee clerk as well.

We'll now proceed with our first round of questioning. We'll begin with Mrs. Stubbs.

You have six minutes.

Mrs. Shannon Stubbs (Lakeland, CPC): Thank you, Chair.

Mr. Stephen Mason: For anything in French, we're not getting any translation.

The Chair: We'll suspend for a moment.

● (1655)

(Pause)

● (1655)

The Chair: We are back.

Now we'll proceed with Mrs. Stubbs.

The floor is yours.

● (1700)

Mrs. Shannon Stubbs: Thanks, Chair.

Thank you, all of the witnesses, for being here today.

Thank you in particular to the witnesses who spoke so eloquently and powerfully about the way that TMX, pipelines in general, and oil and gas development benefit all of Canada. This essential infrastructure is crucial to Canada's national interest and is also crucial to helping support allies around the world.

Thank you for so accurately explaining the ways in which energy development in oil and gas is absolutely critical to human flourishing around the world and also for outlining the reconciliation opportunities related to this essential infrastructure.

Dr. Tombe, I might start with you related to the cost overruns, given your focus in your presentation.

As you have outlined, of course, the government has overseen just a staggering, ridiculous cost overrun on the expansion, which started with a private sector estimate of about $5.4 billion and, as you explained, has ballooned to $34 billion today.

Could you give the committee some insights on how these cost overruns occurred and how this estimate got so out of whack?

If you have any comments on any of the government's anti-resource development policies that contributed to those cost overruns, which ones were they and how did that happened?

Dr. Trevor Tombe: It's great question. I won't be able to provide a precise quantitative answer to that.

I think much more investigation is warranted into what the precise factors were behind those cost overruns, and there were many. I think of the regulatory barriers that have ratcheted up in recent years. I say this not just because of recent changes in federal policy, but early on in the pipeline's efforts to get off the ground, there were challenges with the British Columbia provincial government, for example, as Kinder Morgan was trying to get that project over the line.

There were non-regulatory barriers as well. The simultaneous construction of Site C and Coastal GasLink, for example, does represent some competition for resources and skilled labour, if you will, that can increase costs of all of those projects together. Conditions on the ground also turned out to differ significantly from those initial estimates.

On top of all of this, COVID-19 and associated rapid price increases for certain key materials in the construction sector overall are also a factor.

I'd say that a lot of unfortunate challenges did face the project, but regulatory delays are certainly a big one. These kind of very large projects do incur considerable costs prior to any construction activity at all. Thinking about not just the regulatory burden that proponents need to overcome, but also the rapid and uncertain changes in the regulatory environment also make it more difficult to plan and navigate these kind of large infrastructure projects well.

Mrs. Shannon Stubbs: Thank you, Dr. Tombe.

Of course, one of the key failures was that the government could have declared the Trans Mountain expansion in the general advantage of Canada. There were certainly things the federal government could have done to clear the way for that pipeline, which had been approved to get built by the private sector in the first place. I thank you for that insight and your comments on the issue.

I also noted you made a comment about adequate pipeline capacity. I'd ask you if you think Canada has enough pipeline capacity right now—and, of course, we common-sense Conservatives are very pro-pipeline on this side, and we know there actually isn't sufficient pipeline capacity right now to continue to be able to expand production and exports.

Could you expand a bit more on this issue around tolls? They're expected to be charged to recoup costs. Can you give any insight into how much higher you expect those tolls to be? The CER has said they won't be finally decided on until 2025. If they're expected to be higher, what factors and impacts will drive that?

Dr. Trevor Tombe: That's a complicated question. I won't speculate on where the final tolls will end up.

Right now, the interim tolls, at about $11 per barrel for a full shipment from Alberta to the coast, are roughly double what the initial estimates were. A portion of that is tied to the construction cost increases. For certain components of the project, there is scope to pass through construction cost increases to producers in the form of these higher tolls. What the CER is going to look at, to dramatically oversimplify it, is what the tolls need to be to ensure the viability of the pipeline itself. That's typically how we approach these kinds of regulated assets.

● (1705)

Mrs. Shannon Stubbs: Could you expand on your comments about implications for taxpayers, either out-of-pocket or in tax revenues?

Dr. Trevor Tombe: Sure.

The debt that was used to finance the construction does represent a risk to taxpayers in the form of future revenues of the pipeline not being enough to cover the interest and repayment obligations of that debt. I do tend to be fairly optimistic for the oil and gas sector in Canada overall and anticipate that this is a project that will be used for several decades to come. If the pipeline is used, then it will generate sufficient revenue to cover these debt costs, both interest and future repayment.

If we use the pipeline, then taxpayers will not be on the hook directly for these increased costs. That really will be shifted, in large part, to producers in the form of higher tolls.

The Chair: Thank you, Dr. Tombe.

We'll now go to Viviane Lapointe.

The floor is yours.

Ms. Viviane Lapointe (Sudbury, Lib.): Thank you, Chair.

My first question will go to Professor Detomasi.

The Indo-Pacific region as a whole is becoming a bigger player in the global economy. In your opinion, how can Canada leverage the TMX pipeline to become a significant player in the Indo-Pacific's economic development, and what industries beyond oil and gas might benefit from this infrastructure?

Dr. David Detomasi: There are a couple of things that are critical about that question.

You're absolutely right. The bulk of the world's chunk of economic growth and energy growth is going to come from that region, and that's going to be true for the next several decades. There is a strong case for why we should be getting Canadian oil and gas to tidewater. It's a shorter route, and it's cheaper from that, and it's less expensive to liquefy the natural gas. There are all kinds of reasons, economically speaking.

Geopolitically speaking, I think it'd be better to widen their supplier base. What I'm noticing right now in the case of Russia is their economy is actually rebounding very strongly, even after all the sanctions western countries have put on them because of the Ukraine war. They're doing that primarily by selling oil and gas to the Indo-Pacific region, roughly from India all the way to China. That is collecting, in them, an infrastructure network that binds them ever more closer to Russia. Geopolitically, that's a mistake.

You can view oil and gas and resource development as a bridge to a new region. Canadians have always been known for resource development, and that's always what we've been thought of as. We've been working very hard for decades to say that we do other things too, but nobody ever quite believes us. One of the things we should perhaps do as we develop more advanced technology in oil and gas is sell it to that region. The technologies we develop will be our linchpin for the higher value-added stuff, and hopefully our green technologies can then be used so that their oil and gas and use can be sold and developed in a way that's cognizant of Canadian values.

Ms. Viviane Lapointe: Thank you.

My next question is for Dr. Tombe.

How does the TMX pipeline strengthen Canada's position as a global energy player? How important is this in the context of evolving geopolitical dynamics, particularly with regard to energy security?

Dr. Trevor Tombe: That's a great question.

We should keep in mind that prior to the Trans Mountain pipeline expansion, the overwhelming majority of oil production in Canada was shipped to the United States. Largely, we're effectively the supplier to just one market.

This expanded pipeline, which is the first new pipeline to the west coast in over 70 years, allows for a much broader set of potential markets and buyers for Canadian oil. With this project, and potentially others in the future, expanding the number of potential buyers beyond the United States strengthens Canada's economic position. It also dampens the risk that we face, given the potential for policy changes in the United States. Diversifying the set of markets means that we have a much more secure set of options for our industry here.

● (1710)

Ms. Viviane Lapointe: What are the economic implications of the TMX pipeline for Canadian provinces in ensuring stable access to energy resources?

How might this affect domestic energy pricing and availability?

Dr. Trevor Tombe: The main economic implication of this pipeline expansion and export infrastructure in general is to shrink the gap between prices received by oil producers here and world prices abroad. It's projects like this that shrink that differential, which increases the amount received per barrel by producers here.

This flows through to benefit Canada's economy through several channels. First, to the extent that it facilitates more investment and production in the sector, it's going to mean greater input purchases of goods and services supplied to the sector by businesses located all throughout Canada. There are large interprovincial trade implications. There's also government revenue that is earned federally, primarily through higher corporate income taxes in Alberta through both income taxes and also royalty revenues and personal income taxes paid with the higher earnings of both owners and workers within the sector.

There's various research on how different provinces benefit from oil prices. Of course, provinces like Alberta, Saskatchewan, Newfoundland and Labrador benefit more, as these are larger sectors as a share of their economy, but nearly all provinces benefit from higher oil prices. There is the notable exception of New Brunswick, just because of the much higher share of refining activity that occurs there. It's purchasing oil as an input, but that's kind of unique. Other provinces, including Ontario, Quebec, Manitoba and British Columbia benefit when oil prices are higher.

Ms. Viviane Lapointe: Thank you.

The Chair: Thank you.

We'll now go to Monsieur Simard, for six minutes.

[*Translation*]

Mr. Mario Simard: Thank you, Mr. Chair.

Mr. Tombe, I'd like to ask you a question, and bear with me, because I'm not an economist. In fact, my friend Jean-Denis Garon, who is an economist, finds that I make dubious arguments when I talk about economics.

I read the 2022 report of the Parliamentary Budget Officer, which stated that at $21.4 billion, the Trans Mountain pipeline is not profitable. Now you're telling us that it can be profitable even if the investment is $34 billion. Did I understand correctly?

[*English*]

Dr. Trevor Tombe: These are all based on future projections of revenues of the pipeline, anticipated costs and debt service implications.

I note that the PBO's analysis that I believe you are referring to was completed prior to the latest financial projections filed with the Canada Energy Regulator by the Trans Mountain pipeline corporation earlier this year. My comments were based on those filings, which themselves are based on the interim toll rate—that we now know but didn't before—and much more precise projections around revenues, interest costs and operating expenditures of the project itself.

[*Translation*]

Mr. Mario Simard: Okay, I appreciate that. In any case, I believe the Parliamentary Budget Officer will soon table a new, more up-to-date report that will mention the $34 billion cost of the pipeline.

However, I would like to come back to something. As I told you, I don't have a background in economics, but something is bothering me. It seems to me that in economics, there is a basic principle that when a project is considered, the risk is considered. When it comes to the Trans Mountain pipeline, it seems to me that no one was willing to take on the risk except the state. This makes it difficult for me, with my limited economics background, to understand how a project that no one wants to take a risk on can become profitable. Maybe you could explain it to me.

[*English*]

Dr. Trevor Tombe: That's a very good question.

There are two broad types of risks that we should keep in mind. One is the regulatory risks, the construction hurdles that the project proponent needs to overcome and the uncertainty around the regulatory environment. If we think back a few years ago, it was a fundamentally different type of risk that a private proponent faced prior to the completion of the project, which the government itself doesn't face in the sense that it is—again, to oversimply it—the source of a lot of that risk.

Now that the project is complete, all of that risk is no longer relevant. What's relevant is the risk to the pipeline's utilization rate in the future. What does oil production look like? How much of the pipeline is actually utilized, and over what future time horizon? That's much more of a risk, if you will.

● (1715)

[*Translation*]

Mr. Mario Simard: To get an idea, I'm going to ask you a fairly simple question: Without the participation of the state, would a project like that be possible?

I just want to get a sense of it. My question is not meant to trap you.

[*English*]

Dr. Trevor Tombe: In a stable, predictable and sensible regulatory regime, a project like this put forward by private proponents is possible.

[*Translation*]

Mr. Mario Simard: I like your answer. I don't want to put words in your mouth, but we could apply the same logic to clean energy. A stable regime is one that involves putting a price on carbon. If we want to develop clean technologies, carbon has to have a price.

[*English*]

Dr. Trevor Tombe: I think we could apply the same logic throughout the economy. A stable, predictable, sensible regulatory regime does provide an incentive for businesses to proceed with investments in large-scale projects.

[*Translation*]

Mr. Mario Simard: Thank you.

Mr. Detomasi, you talked about energy security as well as the possibility of selling technologies that could be developed. I'm thinking of carbon capture and sequestration strategies.

That raises a question. The people at Suncor are withdrawing from research into these new technologies. Do you think there is sales potential for these technologies when the big companies now seem to be very cautious about them?

[*English*]

Dr. David Detomasi: Does your question relate to the carbon world or the clean-tech world?.

[*Translation*]

Mr. Mario Simard: I'm talking about clean tech.

[*English*]

Dr. David Detomasi: I would have to look up exactly how much is being done.

My sense is that there is a fair amount of research being done in the clean-tech world, but a lot of it isn't commercialized yet. A lot of it exists very heavily.... In fact, if I were God and told you what to do, I would say that you need vesting in primary research at universities. Of course, that's where I work. It's probably the number one thing one can do to increase our ability to compete in the clean-tech space. Once we have better knowledge and skills, entrepreneurs will take it and run with it, just like they did in Silicon Valley, which led the tech revolution.

[*Translation*]

Mr. Mario Simard: Isn't there something in there—

[*English*]

The Chair: Mr. Simard, we're over time. I didn't want to cut off Mr. Detomasi, so maybe we'll get to your question in the next round.

Thank you. We'll now proceed to welcome to committee, Mr. Boulerice.

It's great to have you. You have six minutes. The floor is yours.

[*Translation*]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Thank you, Mr. Chair.

In the opening remarks I would like to make to the committee, I would be remiss if I did not mention how shocking some of the comments and answers I heard from the witnesses were. It seems like wilful blindness or blatant ignorance of science. I get the feeling that some people have never heard of the meeting of the Conference of the Parties or the report from the Intergovernmental Panel on Climate Change. While the planet is burning and our children's future is at stake, people are saying that we're heading straight for a wall and we need to speed up.

I'm really a bit unsettled. There seems to be a lack of awareness of how serious climate change is and what the science is telling us year after year. This is, in fact, nothing new. Once again, this year will be the hottest year in history, with higher temperature increases and all the repercussions that has on our forests, droughts, floods and ocean acidification. Still, there are people who are happy to produce more oil and use more fossil fuels. It's quite shocking.

Mr. Gooderham, you laid some groundwork that is, quite frankly, the most reasonable here. To reach a net-zero plan by 2050, there must be a significant decline in fossil fuel production. You're saying there has to be a 50% reduction by 2030, which is six years from now, and 80% by 2050, if we're serious about this. Otherwise, we're not being serious, and good luck to our children and grandchildren.

However, how is this plan compatible with the purchase of a pipeline that will triple its capacity, increasing by 600,000 barrels a day?

● (1720)

[*English*]

Mr. David Gooderham: I'm terribly sorry. I'm not getting the interpretation. Although I get the gist of the question, I'm not getting the interpretation.

The Chair: Okay, we'll suspend for just a moment.

● (1720)

_____________________(Pause)_____________________

● (1720)

The Chair: We are back.

Mr. Boulerice, I'll hold your time for a second.

If you could ask your question so that it goes to the interpreters, then we'll go from there.

[*Translation*]

Mr. Alexandre Boulerice: After my opening remarks, Mr. Gooderham, I asked you the following question.

You presented us with a net-zero plan for 2050, which includes a significant drop in oil production of 50% by 2030 and 80% by 2050. Today, we are studying the consequences of the Trans Mountain pipeline purchase and expansion, which triples its capacity and adds 600,000 barrels a day to oil production.

In your opinion, how can the purchase of a pipeline to triple oil production be compatible not only with the Paris Agreement targets, but also with the plan you have laid out for us?

[*English*]

Mr. David Gooderham: All right, I think that part of the answer is to link it to the broad question of your meeting.

A moment ago, I think that Mr. Tombe said that risks to pipeline utilization lie in the future, and one would be, in effect, I would suggest, the level of global oil demand. If we see a drop in global oil demand in line with the IEA 1.5°C scenario, or indeed the Canada Energy Regulator's global net-zero scenario, global demand will drop dramatically between 2030 and 2040. Exactly how that translates into the utilization of the TMX pipeline and the valuation of it, I'm not in a position to answer, but it would seem to me that it is an extraordinarily dramatic change in circumstances.

For that reason, when I began my submission, I commented that I did not think that the existing legal framework is adequate to address the extreme gravity of the challenges we face. I'm looking at two challenges. One is the climate challenge and the requirement for very dramatic action in the very short term, and the other challenge is the economic challenge, because, if we respond to that, it will have a dramatic effect on many, many aspects of the Canadian economy and the oil and gas industry. I don't discount the seriousness of those impacts, so I'm saying that we should have our eyes fully open to at least consider the possibility that the world will respond within time to the crushing impacts of climate change that are coming upon us.

To conclude my answer to you, the global carbon budget for 1.5°C is about 207 billion to 270 billion tonnes of carbon. That's all that's remaining to allow us to stay within 1.5°C, and that will be exhausted within the next seven years. After that, all emissions from global fossil fuel production will go into the atmosphere. I mean, it will go on after 2030 at some rate, some level, even declining. All of that's going into the atmosphere, and it will all be driving the temperature above 1.5°C, which means that, if we ever want to get back to a safe level of warming in the world, we will have to have massive capacity to remove carbon from the atmosphere. Essentially what we're doing at the moment is deferring the cost and possibilities of that to our children and grandchildren. After 2050, they will pay the cost if it's feasible.

It seems to me that a true economic analysis would take these two problems and look at them together to truly understand what it means if we keep producing more oil.

I hope that's answered your question.

● (1725)

[*Translation*]

Mr. Alexandre Boulerice: Thank you. That was very clear and informative.

Going back to the purchase of the pipeline itself, which is costing Canadian taxpayers $34 billion, don't you think it's actually a huge direct and indirect subsidy to the oil industry in this country?

[*English*]

Mr. David Gooderham: If you're addressing that to me, I do. In my view, it is because, in effect, the oil industry gets the benefits of what might be, say, another—I hope it's not—10 or 15 years of very high levels of oil production. The industry gets the economic benefit of that. Our children and grandchildren will pay for the true cost of that, which will be, if it's possible, carbon removal, which isn't conceivably going to begin until after about 2050, so we're basically shifting the economic benefit to the present generation and all of that benefit is going to come out of the pockets of the next generation.

The Chair: Thank you.

We'll now go to our next round of questioning. We'll begin with Mr. Falk.

You have five minutes.

Mr. Ted Falk (Provencher, CPC): Thank you, Mr. Chair.

I want to thank all of the witnesses for coming here this morning.

Before I ask the witnesses any questions, I just want to make sure that the record registers what Mr. Simard and the Bloc's position is on clean tech. It's that the only way that clean-tech energy is affordable is if fossil fuel energy becomes unaffordable through a carbon tax. Let's have a carbon tax election and decide that right now.

Anyway, thank you for stating your position.

I would like to start with Mr. Tombe.

Mr. Tombe, thank you for your comments. You talked about tolls. Could you tell the committee what the tolls on the TMX were prior to 2019?

Dr. Trevor Tombe: Off the top of my head, I don't know, but I would say they were on the order of $3 to $4 per barrel, plus or minus a dollar here or there.

Mr. Ted Falk: They were three or four dollars, and you said they're currently at $11. Is that correct?

Dr. Trevor Tombe: Yes, for the incremental interim tolls. Those aren't the final tolls that will be determined later by the CER.

Mr. Ted Falk: Okay, and I know they've indicated in 2025 they're going to make their decision on what that final toll will be, and that will be based on, presumably, the final cost, which we really don't know. The latest figure we know is $34 billion, but we really don't know what the final cost will be at this point.

If it's $34 billion, what do you expect the tolls will have to be?

Dr. Trevor Tombe: That's not an answer I would like to speculate about. I suspect, though, that the interim tolls are informative about what the final tolls may end up being—something on that order of magnitude.

Mr. Ted Falk: Okay, thank you.

You had also talked about the significant cost overruns in the last five years by that project. How do we determine what those costs overruns are?

Dr. Trevor Tombe: That's something I would hope the future investigations will be able to shed a lot more detailed light on, with, for example, the Auditor General potentially taking a look at it.

Mr. Ted Falk: Do you think the Auditor General would be a good place to start for doing an investigation into cost overruns?

Dr. Trevor Tombe: Speaking personally, yes, I would value such a report.

● (1730)

Mr. Ted Falk: Okay, thank you.

Mr. Mason, I would like to shift a few questions over to you. Thank you for your comments.

You said your group would be prepared to buy the project at commercial value. What is commercial value?

Mr. Stephen Mason: That's a very good question, Mr. Falk. It will come down to what the tolls ultimately settle out at; that will then drive the determination of what the commercial value is. I just want to stress in my comments that this is not about looking at the government as a giveaway to indigenous Canadians.

Mr. Ted Falk: I understand that. I just wondered if you had already earmarked funds, because you said your financing is in place. To what level are you expecting to finance this project?

Mr. Stephen Mason: We are expecting to finance a 100% purchase based on what the tolls ultimately settle out at, which will then drive what the commercial value is.

Mr. Ted Falk: You're looking at the commercial value not on a construction cost basis but on an income valuation approach. Is that correct?

Mr. Stephen Mason: That's really what drives it. There were some acts of God that contributed to the cost overrun, like fires and floods and COVID.

Mr. Ted Falk: I understand that, Mr. Mason, but I want to back up to a comment you made. You said you were in discussions with Mr. Morneau to purchase the pipeline.

Mr. Stephen Mason: That would have been 51%.

Mr. Ted Falk: Okay. At 51%, you were obviously happy with the $4.5-billion price tag at that time and with the $5-billion projected cost to build the expansion.

Mr. Stephen Mason: At the time we tabled the offer to purchase, the estimate of the capex at that point was $12.6 billion.

Mr. Ted Falk: Yes. It had grown by about $2 billion.

Mr. Stephen Mason: It went from $5 billion to $7 billion and then jumped to $12.6 billion and then jumped again to $21.4 billion.

Mr. Ted Falk: Have you been following the construction costs? I cut you off and I apologize for that; you were talking a little bit about some of the cost overruns, but the acts of God that the project experienced don't account for nearly all of the cost overruns. We know that some of the contractors were replaced midstream. There would have been some severance packages paid out and single-source contracting to some preferable contractors.

Can you talk about that a little bit?

Mr. Stephen Mason: We weren't at that level, but certainly what caused a significant portion of the cost overrun was the permits getting pulled at least three times because they were challenged in courts on the constitutional duty to consult not being thorough enough.

Mr. Ted Falk: Who pulled the permits?

Mr. Stephen Mason: The regulator pulled the permits by court order until they were satisfied that the constitutional duty to consult with the landowners, meaning the indigenous peoples, met its full obligation. That pipe was sitting on the ground—

Mr. Ted Falk: Regardless—

Mr. Stephen Mason: —for many years while the permits were in a holding pattern.

It looks like we're getting the red flag here from the Chair.

Mr. Ted Falk: Oh, man, I wasn't nearly done.

The Chair: You'll get another round to ask more questions. Thank you, Mr. Falk.

Now we go to Mr. Jowhari for five minutes.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair.

First of all, thank you to all the witnesses for coming here today and for your testimony.

Most of my questions are going to focus on the economic benefit, and I'm going to start with Mr. Detomasi. In a 2021 article, you said:

> Canada must cultivate a positive but realistic energy relationship with the United States. The U.S. still absorbs over 90% of Canada's oil exports. This is too much customer concentration.

What do you really mean by “customer concentration”, and what's the impact in Canada not only on dependency but also on economic GDP?

Dr. David Detomasi: There are two or three answers to that question.

What we teach our business school students is that it's never wise to have one customer for your product, because that customer exerts power over you in a way that you don't want.

The second thing I talk about in my course is that one of the biggest myths in Canadian economic thought is that the Americans are always our friends. Sometimes they are, and sometimes they aren't. It's up to them which role they play.

We have U.S. election coming up, and it's a wild card now who will win, but to automatically assume that the U.S. will take decisions at least thinking about us is wrong. I don't think there's evidence that it does that. In fact, when we originally negotiated the Free Trade Agreement in 1989, 1990 and 1991, the Americans were interested in our energy; that's what brought them to the table. Now they're not because they have plenty of their own.

Mr. Majid Jowhari: Can you break that down to dollars per barrel, with that 90% customer concentration and with our dependency of having only one customer? How did that translate into dollars per barrel?

● (1735)

Dr. David Detomasi: I'd have to work through about how much that was costing then. I was more worried about the power they could exert over our economics.

Mr. Majid Jowhari: Is there any range you can share with us? Is there any range between *x* amount in dollars to *x* amount in dollars?

Dr. David Detomasi: Perhaps it's $15 or something like that.

Mr. Majid Jowhari: Great. Thank you. $15 a barrel....

I'm going to switch now to Mr. Tombe.

In your article on The Hub, you emphasized that the economic benefit of the Trans Mountain pipeline far exceeds its cost. Could you expand on how these benefits will manifest across Canada, particularly the region outside of Alberta? If we assume the $15 a barrel, how does that translate? In your benefit analysis, did you take that into consideration when you looked at the economic benefit, inasmuch as an opportunity loss, if we hadn't built the Trans Mountain pipeline?

Dr. Trevor Tombe: In that article, I used a $9 per barrel estimate of what the effect of sufficient pipeline capacities would be on that differential. That would be on all oil produced, on average. That translates into considerable increases in revenue received by that sector and directly into GDP overall, not just Alberta. In 2019, for example, which unfortunately is the latest year of data that I have on this—

Mr. Majid Jowhari: My apologies for interrupting, but can you give me a number, a range? You mentioned billions of dollars. I think it was $245 billion.

Dr. Trevor Tombe: That's right. If you look over the 25-year period between 2016 to 2040, when I did this analysis, that would add up, in today's dollars, to about $240 billion overall to Canada's economy from having—

Mr. Majid Jowhari: Just for clarification, on $9 a barrel, that's $245 billion.

Dr. Trevor Tombe: That's right—in total.

Mr. Majid Jowhari: If we're talking about $15 a barrel, now we're talking about nearly $500 billion.

Dr. Trevor Tombe: Potentially. It would certainly be higher if you thought the effect on the differential was larger.

Mr. Majid Jowhari: Great.

I did interrupt you, but I was asking you to also talk about the economic benefit—the broader economic benefit—outside of Alberta.

Dr. Trevor Tombe: Just to provide an example of how much the oil and gas extraction sector in Alberta purchases from others elsewhere, if you add them together with refined product producers here in the province, Alberta purchases about $13 billion per year in goods and services from businesses outside of the province—$5.5 billion, for example, from Ontario alone. Those supply chain connections are an important way that the province—

Mr. Majid Jowhari: I'd like to close by saying that we basically saved an opportunity cost of $245 billion by building this pipeline.

Thank you.

Dr. Trevor Tombe: I agree, yes.

The Chair: Thank you, Mr. Jowhari.

We'll now go to Mr. Simard for two and a half minutes.

[*Translation*]

Mr. Mario Simard: Thank you, Mr. Chair.

Thank you to my friend Mr. Falk. I agree with him: I would really like to see an election on carbon pricing in Quebec. It would be fun, especially since carbon pricing doesn't apply in Quebec. Maybe we won't see his leader then, who knows.

Mr. Detomasi, you talked about the possibility of selling new technologies. I'm still thinking of the visit I made to Siemens in Berlin with Minister Wilkinson. Siemens clearly told the minister that we would never see the day when we produced hydrogen from gas with a carbon capture strategy, since the technological cost was much too high and no one wanted to go there. Those words got me thinking. When it comes to these new technologies, a lot of promises have been made, but I get the feeling that not much comes of it in the end.

When it comes to the movement of businesses, Quebec's problem is a nice one to have: everyone wants to set up there, but there aren't enough energy blocks. Quebec is very attractive to large energy-intensive businesses, but I don't see the same thing for other businesses, such as those that would set up in Alberta to produce aluminum or steel with a carbon capture strategy.

Isn't it selling a dream to talk about all the new technologies that will make it possible to reduce the carbon footprint of the oil and gas industry?

● (1740)

[*English*]

Dr. David Detomasi: Thank you very much for the question.

I think there are a couple of things. The history of innovation is probably helpful to look at here. They said exactly the same thing about fracking for 50 years, that it would never work and never be profitable. One determined entrepreneur spent tens of millions of his own dollars and proved that it could.

There are numerous examples of technologies. Now, innovation is a messy business. Innovation is a slow business, until it's not. I would reference Matt Ridley's work on this. It's messy and slow until we hit something, and then it takes off. We just don't know when that's going to be.

[*Translation*]

Mr. Mario Simard: I like your answer. We don't know where things will go, but it's possible that innovation will lead to the oil and gas sector being left out. It is possible that wind and solar energy will develop fairly quickly and that the oil and gas sector will be set aside. What do you think?

[*English*]

Dr. David Detomasi: No—

The Chair: Please be very short because we're out of time.

Dr. David Detomasi: —I mean, not by itself because we still have problems with intermittency, and we still have problems with reliability. It gets damn cold in Canada, so we need a backup.

The Chair: Thank you.

Mr. Boulerice has shared his time with Mr. Morrice.

Mr. Morrice, you have two and a half minutes.

Mr. Mike Morrice (Kitchener Centre, GP): Thank you, Mr. Boulerice.

I'm a business grad myself. I understand we have some business profs in this room. What I learned at Laurier, in my business training, was that we have to listen to experts and that we have to think long term.

I'd like to introduce a quote from an expert in this area on climate science, Professor Jim Skea, co-chair of the IPCC, the Intergovernmental Panel on Climate Change, working group III. This is from back in April 2022. Dr. Skea says, “It's now or never, if we want to limit global warming to 1.5C. Without immediate and deep emissions reductions across all sectors, it will be impossible.”

I think part of why climate scientists like Jim Skea have spoken about this urgency, with my understanding of the climate science, is that we have feedback loops. Last year, in Canada, our emissions were 702 megatonnes. The emissions from the wildfires, wildfires that become more extreme and more frequent because of the climate crisis, don't show up in our climate balance sheet, but they were 647 megatonnes. That's before the Jasper wildfires and all the devastation that was there.

Part of how we try to make sense of that is there's the social cost of carbon. The social cost of carbon attempts to reflect the reality of the damages from carbon in the atmosphere at this stage of the climate crisis. It's used by countries around the world, including Canada and the United States. ECCC estimates the social cost of carbon to be $294 per tonne.

To Dr. Tombe, my question for you is this: In your assessment of the TMX's being worth every penny, have you included the social cost of carbon in that assessment, yes or no?

Dr. Trevor Tombe: Yes, and I'm happy to expand on that.

Mr. Mike Morrice: Okay. The social cost of carbon is $294 a tonne. The TMX pipeline is 84 megatonnes. That's another $24.7 billion added to the cost of the $35 billion from before.

Is your math different?

Dr. Trevor Tombe: Yes.

Mr. Mike Morrice: Do you want to share it?

Dr. Trevor Tombe: Certainly. Much depends on who takes up the slack of the barrels of oil that we don't supply. If the production shifts, for example, to certain fields in Saudi Arabia, then you can get roughly equivalent to about $1,000 per tonne in economic costs incurred in Canada for the net avoided emissions. In that sense, blocking pipelines is a very high-cost way—and higher than the SCC approach—to lower emissions.

The Chair: Thank you.

We'll now go to Mr. Patzer for five minutes.

Mr. Jeremy Patzer (Cypress Hills—Grasslands, CPC): Thank you very much.

Mr. Mason, I have a couple of quick questions for you first.

We heard earlier today that we're looking at about $11 per barrel on the toll rate right now. I'm wondering what you think the commercial value of the pipeline would be at $11 a barrel on that toll. What would that commercial value be?

Mr. Stephen Mason: That's a really good question, and I should have my finance guys with me.

I'm not here to pick what the number of the commercial value is today. It really has to get down to what ultimately the CER decides the shippers have to bear in terms of those cost overruns.

I think a big chunk of those cost overruns, as I started to mention before I got pulled, was the delays on the permits. That pipe sat on the ground for five-plus years. The standby cost contributed significantly, beyond the acts of God, and when places like Jasper burn, the taxpayer steps up and helps to rebuild. There is a basis that some of that cost overrun, when it is attributed to floods, fires and COVID, shouldn't necessarily all be borne by the shippers. There's a capped and uncapped portion of the existing contracts. There needs to be a regulator opinion on how much falls into each category.

In terms of the original tolls, it was brought up at $3 for line 1. That line was built over 70 years ago. That capital has been fully depreciated, and the key piece to that was really driven by the operating costs, not by a return on capital that's been fully depreciated.

I would like to add one more comment. As we got into the finance readiness, we had the banks and had a series of bonds planned. I was in and out of New York three or four times, talking to bond desks. We had the bonds priced as support by the National Bank of Canada. What got to that point of what was left? What does it mean for you as an indigenous owner? It amounted to about $430 million a year of available free cash flow for distribution.

I was sitting with the chief of Tkemlups—which is very close to Shannon's riding—and was explaining what it would mean for Tkemlups Nation to own it. I was going through the math in this indigenous sovereign wealth fund, and she said, “Steve, I've just got to stop you because I want to ask you a question. Do you have any idea what my nation earns from annual revenues for the surface lease on the existing pipeline?” I said, “Chief, I don't have any idea.” She said, “It's $1,200 a year.” That is what that nation was earning for surface lease rentals, when there are hundreds of millions, billions, of dollars of oil going through that pipeline every year.

This is key to the piece. I'm sorry to segue away from your question. I don't have the answer on what those tolls will be. The regulator will decide on what percentage of that $35 billion will be factored into the tolls.

● (1745)

Mr. Jeremy Patzer: Thank you.

Really quickly then, do you know the number, or have you looked at what the number would be for those rates to get a $34 billion valuation? Do you have that number, or no?

Mr. Stephen Mason: I have a view on that number, but it's not something I would like to share in public.

Mr. Jeremy Patzer: Okay, that's—

Mr. Stephen Mason: I will say that the shippers have other alternatives to having to pay that, and that's to continue to put it by rail.

Mr. Jeremy Patzer: Thank you.

Mr. Stephen Mason: One of the strongest negotiators in the industry has been charged with negotiation. That might be a guy called Murray Edwards, so it'll be an interesting negotiation.

Mr. Jeremy Patzer: Thank you very much.

Mr. Detomasi, given that we've heard what this means to the economy, from the pipeline, and given what the benefits of the oil and gas industry writ large mean to our economy, do you think that Canada could and should be building more pipelines to expand what we have?

Dr. David Detomasi: I think Canada should take a strategic approach to building more and greater infrastructure projects related to energy and resource across our natural resources base.

This is largely for a couple of reasons, as has been mentioned earlier. Our reputation out there is that of a place that cannot do things and won't do things, and capital goes elsewhere. Secondarily, I believe doing so would foster a national sense of pride in the development of our overall resources, which I feel is lacking now. In my ideal world, the kid in Ontario would take as much pride in the Alberta oil sector as the Alberta kid does, and vice versa; the Alberta kid knows about Ontario mining, agriculture and forestry. I think we should develop a national sense of pride in these things.

Mr. Jeremy Patzer: Thank you.

The Chair: Thank you.

We'll now go to Ms. Dabrusin for five minutes.

Ms. Julie Dabrusin (Toronto—Danforth, Lib.): Thank you.

I thought it was interesting just to talk about the need to make sure that we're getting Canadian energy out to our allies and to other countries as a point, but I think it's an important point. It gives me a moment to mark a bit of a celebration, I think, on this side that Bill C-49 has passed, which means that our offshore wind industry in our Atlantic provinces is going to have many great opportunities. I know that our European allies have certainly shown a big interest in what that might provide for us as far as green hydrogen is concerned, so we just take that moment to talk about the varied forms of energy that are available from Canada and what those opportunities might be.

I was hoping to start, if I can, by asking Mr. Gooderham just one question because we've been talking a bit about regulatory certainty. We've been talking about some issues around the impacts on emissions and have been hearing a lot of conversation about this. I was reading the Canadian Climate Institute report analyzing Canada's emissions for 2023. It showed some very promising signs for Canada's emissions dropping. I was wondering if you had a chance to review that report.

• (1750)

Mr. David Gooderham: Is that directed to me?

Ms. Julie Dabrusin: Yes, I'm sorry. That was for you.

Mr. David Gooderham: No, I have not. I'm aware of the general findings. What I wish to say, and it's another important aspect of this whole question—

Ms. Julie Dabrusin: I'm sorry. If I may, I just want to jump in. I just wanted to check to see if you had read it because I only have a few more minutes. The reason I wanted to ask you about it was that they had found that the largest source of emissions dropping—the largest regulatory piece—was actually carbon pricing. Both the consumer and industrial versions were projected to reduce emissions by as much as 50% by 2030. I was wondering if you were aware of, and if you agreed with, that analysis.

Mr. David Gooderham: No, and the answer is I haven't read it. The problem is that all of heir numbers totally ignore our downstream emissions from our oil exports, so that makes this whole discussion totally unreal. You can't go on talking about reductions in various sectors in Canada, in the sense that it's getting us anywhere, if we're increasing the downstream emissions from our oil production at a greater rate every year than any reductions we're getting in Canada, so the net result to emissions—

Ms. Julie Dabrusin: I hear your point there, but what I'm just trying to get to is what we've been talking about: regulatory certainty. There is an issue of whether carbon pricing is seen to be the largest source of emissions reductions. I'm just telling you that it's actually in the report. That's what they say, that carbon pricing is projected to be the largest source of emissions drops, but you haven't read the report, so I—

Mr. David Gooderham: No, but I'm saying that the emissions drop is insignificant in the context of the climate discussion.

Ms. Julie Dabrusin: Maybe I can go to Mr. Tombe, please. I also wanted to talk with you a little about carbon pricing, because I was taken by that study from the Canadian Climate Institute, and also about the fact that we're talking about regulatory certainty or uncertainty.

I saw that you had done some studies, I think drawing on Statistics Canada information, about the impact of carbon pricing on Canadians and about the carbon rebate. I just want to make sure I have that correct, but I think you were saying two things. One was that, for Canadians with low- to median-incomes, the carbon rebate provides more back to them than they would get if there were no carbon pricing system. Is that correct?

Dr. Trevor Tombe: That's correct in terms of the fiscal flows, which abstracts from the broader economic implications of carbon pricing.

Ms. Julie Dabrusin: Right. If I understood your comments about the economic piece—and I just want to clarify that piece because that comes up a lot as well—you were saying that any analysis right now, for example by the Parliamentary Budget Officer, doesn't take into account that the alternative is not to do nothing, and that there isn't a scenario where you would remove carbon pricing and would then have no kind of regulatory scheme to deal with carbon. Is that correct?

Dr. Trevor Tombe: That would ultimately be a choice for the government of the day to decide what type of climate policy it wished to pursue or not.

• (1755)

Ms. Julie Dabrusin: All right. Thank you.

The Chair: Thank you, Ms. Dabrusin.

As chair, it's my prerogative to ask a question of clarification of Mr. Tombe. Have you looked at the impact on royalty revenue for the Province of Alberta, and have you done a cost-benefit analysis looking at the direct and indirect benefits of the pipeline, including the jobs and all of the benefits that come with building the pipeline, and what that would look like?

Dr. Trevor Tombe: It's really hard to overstate the financial implications of the pipeline for the Government of Alberta, where every $1 change per barrel in the value of what's produced here translates into about $630 million per year to the Government of Alberta's bottom line. Therefore, if we just take the $9 per barrel reduction in the differential, just for illustration, that's a little over $5 billion in additional resource revenues for the Government of Alberta. That would just be the direct royalty implications, not any kind of the indirect gains through income taxation of a boosted level of economic activity.

The Chair: Thank you, Mr. Tombe.

If you do have more information on all of the indirect benefits, I think that would be a benefit to committee members. I know if would benefit me, and to folks across the country as well, particularly in my home province of Alberta. Thank you.

We will now go to Mr. Dreeshen for five minutes.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): Thank you very much, Mr. Chair.

Thanks to all of the witnesses.

First of all, I'd like to direct some questions to Mr. Detomasi.

You have expertise in international business, which is something I think we read when we went through your brief earlier. You talked about the global issues and the fact that we have 2 billion people who have no real access to energy and 4 billion who have a little, and the rest of us act as though we are going to manage the whole world for them. I think that's really part of it. How we solve energy for the world's poor is something that we should recognize and be careful about.

There was also discussion about the sanctions as far as Russia is concerned. I spent some time with the OSCE, and we were talking about energy security, food security and, of course, security in Europe. On the discussion on sanctions and what that had done, it had taken any European industrial base and had reduced it to ruin. If the world is going to buy anything, it had to be bought from China or India. Therefore, we supported the war effort that way, so the concept of sanctions was not really something that was going to solve a lot of problems.

You also talked about our American neighbours who, on the first day of the last administration, shut down Keystone XL, thus stopping another source for our energy.

These are some of the issues that we deal with, and of course, we have people who talk about how you have to get rid of the oil sands. Mr. Birol from the International Energy Agency indicated that the difference between the heavy oil in Fort McMurray and conventional oil, if you took that differential as far as carbon is concerned, would be the equivalent of one day's emission in China. Therefore, does it matter if China gets its act together on January 1 or January 2? Yet, we are able to demonize an industry that means so much, not just for the world, as I had spoken about, but also for Canadians. I wonder if you could comment on some of the global aspects of Canadian energy.

Dr. David Detomasi: Sure. You've mentioned a couple of things.

One is that I think energy development has to be taken in the context of everything else, of which climate is one, security is another, economic growth is another and future generations is another. Sometimes I also think our focus on climate obscures some of these other questions to us, things we might be paying attention to, including the one about energy poverty among the world's poor.

It strikes a lot of those I talk to as just another form of neo-colonialism. Given that we've just had indigenous reconciliation day, I think it's something we should think about. This appears to be yet another attempt to stop them from developing in the way that they deem, and it's leading to a lot of resentment. Economic growth is what leads people to care about increasingly green policies. Rich people care about these things. Poor people, the evidence indicates, do not.

That's one, but there are many ways in which we should be thinking about this globally. I've mentioned the Americans, who are unpredictable at best, but we also used to have a very independent capacity in international affairs. Canada was called a middle power. We won a Nobel Peace Prize for introducing the concept of peacekeeping. We had independent values that we stood for and that the world saw. One of them is the clean provision of energy and others that might hearken back to...I wouldn't say the good old days, but it's at least something that I think is worth remembering.

Those are a couple of comments. It's a very big canvas you've opened up, but I'll start with those.

● (1800)

Mr. Earl Dreeshen: Thank you very much.

One of the discussions had to do with innovation and commercialization and the way people say, well, that'll never happen. In my hometown of Innisfail there is a company called Deep Sky Labs, which has just opened up its operation. It will take about $100 million over the next 10 years. There is no government support for this; it is simply a commercial venture. They're talking about different types of projects. It is a lab that will look at different ways of capturing CO2 and different things that can be done with it. I think that's one of the important aspects.

Just in closing, I've said that the colonialism we speak about is environmental colonialism. Some people argue that it doesn't exist, but I do believe it does.

Thank you very much.

The Chair: Thank you, Mr. Dreeshen.

We'll now go to Mr. Badawey.

Welcome to committee. You have five minutes.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Mr. Chairman.

I'll direct my questions to Mr. Tombe with respect to the economic side of this project.

Mr. Tombe, you've been asked many questions today about the capital costs, the financing of debt and how it will impact the operational side of the balance sheet. One thing you didn't speak about is the extended costs related to managing the asset between the life cycle, the repair and maintenance over time, and ultimately at the point in time when there will be replacement.

I would first like you to speak a bit about that, especially taking into consideration the escalating costs from the building side that we've experienced to date. As well, have you factored that into your overall costing of the project five, 10 and 15 years down the road?

Dr. Trevor Tombe: That's a good question.

My analysis is based on the financial filings from the Trans Mountain pipeline in February of this year to the Canada Energy Regulator, which does include the costs of operating the pipeline but also sustaining capital investments year by year, initially starting at around $50 million and rising to a little over $80 million by the 2040s. It's looking at that 20-year horizon and does include all of those other types of expenditures associated with the project itself.

Mr. Vance Badawey: How would you evaluate the economic impact on Canada's oil sector and broader economy, taking into consideration the expected increase of exports and export capacity, market conditions, global demand for oil and its profitability? The flip side of it is the direction the country has taken with respect to the greening. Do you see some sustainability there? What is the longevity of it, and with that, of course, the profitability of it into the future?

Dr. Trevor Tombe: That's a great question.

I think it is important to keep in mind that the different ways in which the world might use less oil in the future have very different implications for Canadian oil production and the prices received here. If there is a reduction in the use of oil globally through supply-side policies that restrict production elsewhere, then that could be a world in which we have a lower use of oil globally but higher oil prices. That would tend to be associated in Canada with a trajectory of potentially rising oil production even if global oil demand is falling. In that kind of world, it would be where Canada is among the final producers of oil globally in the future.

Alternatively, if there's demand-side policies, then that might be a state of the world where prices are lower, associated with lower oil use. It's really hard to say which of these two scenarios we might be in.

In terms of the Canada Energy Regulator's more recent projections, even in a Canada net-zero world their baseline projection has oil production still rising in Canada out into the 2030s, and even as far out as 2050, producing still in Canada a little over four million barrels per day.

I'd say that climate policy and making progress on lowering emissions globally are not necessarily at odds with the viability, sustainability and financial returns that this project comes with.

● (1805)

Mr. Vance Badawey: In terms of the project itself, how do you see it lending itself to transitioning?

Dr. Trevor Tombe: It produces revenue for governments, not just the provincial government in Alberta, but federally. The smaller differential translates into, potentially, on the order of about two billion additional dollars per year in corporate income tax revenues, for example. Governments can use these financial resources in different ways to, as you say, facilitate the transition. In Alberta we use a portion of revenues raised from the industry in support of clean-technology subsidies and research and development, for example.

The additional economic and financial returns that come with the pipelines give us flexibility and more options. That's true for economic growth in general. If we have a stronger economy, we just have a greater ability to tackle important future problems.

Mr. Vance Badawey: Thank you, Mr. Chair.

The Chair: Thank you, Mr. Badawey.

We'll now go to our next speaker. I believe Monsieur Simard has given his time to Mr. Morrice.

Mr. Morrice, you have two and a half minutes.

[*Translation*]

Mr. Mike Morrice: Thank you, Mr. Simard.

[*English*]

Dr. Tombe, we didn't have a chance to finish that exchange. I thought it would be reasonable to give you the opportunity to do that.

I guess going into this conversation, I have these words from the UN Secretary-General in mind: "Investing in new fossil fuels infrastructure is moral and economic madness." You're telling us this is worth every penny. You were cut off earlier by time. Can you maybe finish your thought?

As well, would you be open to sending to this committee your analysis that includes the social cost of carbon that leads you to the conclusion you've shared publicly and at this committee?

Dr. Trevor Tombe: First, I would be very happy to share that analysis, no question. It's also based on the 2016 CER's energy future report at the time that thought about scenarios of pipeline capacity constraints and not.

I guess more directly to your initial question, I don't think about this as a binary choice. Emissions have environmental costs. That's the social cost of carbon. We should be willing to incur costs up to the social cost of carbon to avoid emissions. Lowering emissions by blocking new pipeline construction has higher economic costs than the social cost of carbon.

I think we need to think about, at the margin, cost versus benefit rather than everything just in terms of lowering emissions at all costs as appropriate policy.

Mr. Mike Morrice: Great. I think it would be helpful for this committee to see that analysis. If you're willing to share it, please feel free to do that. I think it would help inform us of the full costs and implications of this pipeline.

I have about a minute left, so I'll turn to you, Mr. Gooderham. You mentioned the downstream emissions. We don't often talk about the reality that while our emissions are around 700 megatonnes, the wildfires, as I mentioned earlier, were around 647 megatonnes last year. The emissions exported, the oil we send to other places through actually diluted bitumen, in the case of TMX, to other countries is about 954 million tonnes. I think you had started to get to that.

The other reality we have in this country is that if we want to have a chance of staying below 1.5°C, even a 50% chance, we need to leave 86% of our fossil fuel reserves unextracted. You're one of the few people willing to actually talk about the production of emissions as opposed to only emissions themselves.

I'm pretty much out of time, but perhaps you can briefly share the implications of conversations like these if we don't talk about production as well.

Mr. David Gooderham: Yes.

Recently, on December 7, 2023, the government issued its public discussion paper on a new scheme to move to how we put a price on emissions in the industry. It talks about the reductions this will achieve in our total emissions in Canada from oil and gas production in Alberta. We can reduce the emissions by so much without interfering with the growth of oil production so we get a net reduction in the Canadian emissions.

Meanwhile, that increased production— 85% of the emissions occur overseas, coming out out as tailpipe emissions overseas—and those emissions warm the climate in Halifax and northern Alberta, just as if they were emitted in Canada. Quite frankly, it's a fake game to say that we're going to lower production emissions in Alberta, but we're going to increase them overseas. It will warm our climate more. So that's my answer.

● (1810)

The Chair: Thank you, Mr. Gooderham.

We'll now go for two and a half minutes to Mr. Boulerice.

The floor is yours, sir.

[*Translation*]

Mr. Alexandre Boulerice: Thank you, Mr. Chair.

[*English*]

My first intervention is directed to Mr. Gooderham. It's not a question, but a request.

In August last year, you published a study titled “Driving Global Heating to 1.7°C and Above, The New Canada’s Energy Future 2023 Report and Canada’s Projected Oil Production to 2050”. Is it possible to submit that study to the committee for the benefit of the analysts and the future report?

Mr. David Gooderham: Yes, I will submit you a copy.

I will just comment that earlier one of the witnesses mentioned the Canada net-zero scenario, but what's not being mentioned is that scenario will drive warming to 1.7° or 1.8°. That's not disputed.

I will submit that, yes.

[*Translation*]

Mr. Alexandre Boulerice: Thank you.

Mr. Mason, in your opening remarks about Project Reconciliation, you said that you met with the then minister of finance Mr. Morneau and submitted a proposal to him. It's been a number of years now. Have you had more recent meetings with the current Minister of Finance or people from her office?

[*English*]

Mr. Stephen Mason: No, we haven't. As Minister Morneau said when we tabled that first offer to purchase in July 2019, we're just going to build it first. The federal government did open a consultation with 120 nations in a meeting in Vancouver a year ago in August, and we were asked not to attend. They just wanted each of the individual communities to be there. But we basically got back that there was no deal tabled. Until there is, we're waiting.

The key really goes back to my other comment: the tolls need to get settled. We went through the exercise. As I mentioned, I was in and out of New York a few times. We had a rating agency give us a rating on a series of bonds. The debt service coverage ratio was well within the line of 1.8 times. That made it financeable. Once we get the final tolls, we will come to the federal government and table a value that reflects the tolls, and the commercial value around those.

[*Translation*]

Mr. Alexandre Boulerice: One of the concerns we have on our side, Mr. Mason, and I speak on behalf of the citizens of this country….

I'm sorry, I see that my time is up.

[*English*]

The Chair: Thank you.

We will now go to Ms. Stubbs for five minutes.

Mrs. Shannon Stubbs: Thank you, Mr. Chair.

Thanks again to all of the witnesses here.

Thanks for all of your great explanations grounded in reality about the benefits of oil and gas development, in this crucial economic infrastructure, to all three levels of government, to every community in Canada, to every province and to every region, especially as an opportunity to move indigenous people from managing poverty to managing prosperity. Thank you for being here to tell the truth, too. The reality is that the majority of indigenous communities in Canada support, in some way or another, responsible oil and gas development, and resource extraction.

I'm also glad to hear some recognition of the reality that, of course, it's the oil and gas sector in Canada, far and away, beyond every other part of the private sector, that is putting the most investment in clean tech and innovation in the Canadian economy.

Thank you all for raising those points.

I would like to move my motion quickly. I'm hoping that our committee will move on it immediately, and then I'll cede the remaining time for more questions.

That motion, as colleagues will note I have distributed, says:

> Given that the committee is hearing from prospective buyers of the TMX pipeline in this study, and given that one of the prospective buyers is being heard by the committee today—

for which we are grateful

> —the committee invite representatives from Western Indigenous Pipeline Group, Natural Law, and Iron Coalition to provide their testimony at their earliest convenience.

I certainly do hope, if I'm missing any other possible proponents, that the analysts will insert that. I assume that all members will see the necessity of hearing from all prospective proponents on this topic. I would anticipate that we would all support this motion immediately so that we can go on for my colleague can continue questions.

● (1815)

The Chair: Thank you, Mrs. Stubbs.

We now have a motion on the floor.

I have Ms. Dabrusin next.

Go ahead, Ms. Dabrusin.

Ms. Julie Dabrusin: Thank you.

I'm just a little surprised by the need to bring a motion to add witnesses to the list. As a committee, we add witnesses to the list all the time, and we have more meetings scheduled. It's not the type of thing where a motion would be required. We keep on adding witnesses, as do the other parties.

I have no problem with adding those witnesses to the list, so I'm not opposing the motion. I'm just not sure why a motion was required.

The Chair: Thank you, Ms. Dabrusin.

We will now go, through the speakers list, to Mr. Patzer.

Mr. Jeremy Patzer: Thank you very much, Mr. Chair.

Very quickly, these are some fantastic witnesses, and I think we could make sure they come to committee. Again, if we could make sure that they come at their earliest convenience, I think they would have very valuable insight to add to what we are doing here with this particular study.

With that, I would move that we go to a vote so that we can get this addressed and can continue on with our witnesses here today.

The Chair: Thank you, Mr. Patzer.

I'll exhaust the list, and we'll try to do that as quickly as possible.

We'll now go to Mr. Simard.

[*Translation*]

Mr. Mario Simard: Far be it from me to muddy the waters, but, as I recall, when the Parliamentary Budget Officer appeared before this committee, he told us that he was going to produce a second report, with a deadline around mid-October. The analysts will tell us if I'm wrong.

I don't want to interrupt the debate and Ms. Stubbs' proposal, which may be very useful, but I definitely think we could talk about it again next week. We could have a meeting where we hear from the Parliamentary Budget Officer on his update and we could call other witnesses. That might be wise.

However, before we debate that, we should contact the Office of the Parliamentary Budget Officer to find out whether it will actually be able to produce its second report by mid-October. If Ms. Stubbs was prepared to wait and debate this motion next week, we could add the Parliamentary Budget Officer to the witnesses and then we would have something useful.

[*English*]

Mrs. Shannon Stubbs: I would support bringing the PBO regardless.

The Chair: Are you requesting an amendment to include the PBO?

[*Translation*]

Mr. Mario Simard: No. I'm just asking Ms. Stubbs if we can wait and debate this next week with all the information in hand.

I'm not sure if it was during the Parliamentary Budget Officer's testimony or in a private conversation I had with him, but as I recall, he said he would table his second report on Trans Mountain—the update we asked for—in mid-October. I would like to check whether that deadline will be met before we go any further. If that were the case, we could schedule a meeting so that he can present his report to us and we can hear from the additional witnesses.

If we postpone this discussion until next week, everyone will have time to do their homework, which would be the smartest thing to do.

[*English*]

The Chair: Thank you, Mr. Simard, for that.

I'm going to go to Mr. Boulerice next.

[*Translation*]

Mr. Alexandre Boulerice: Thank you, Mr. Chair.

I was going to propose an amendment to add a first nation to the list of witnesses in my colleague's motion, but it might be more appropriate to do so next week if we agree to postpone the discussion.

● (1820)

[*English*]

Mrs. Shannon Stubbs: I just confess that I don't necessarily see the holdup here. I think we can all immediately agree that we will, in an inclusive way, invite all of these other proponents. They will have important things to say on exactly these issues that we are all discussing, on whether or not the government has made this an asset that's difficult to buy. They could talk through all of that. I, obviously, support the PBO's coming here. I don't know that those things necessarily have to be together, and I don't think we need to really.... It would surprise me if colleagues here wouldn't want all the potential indigenous-led and indigenous-owned proponents to be here.

The Chair: Thank you, Mrs. Stubbs.

Mr. Boulerice, you have the floor. I'm not sure what you want to move forward with.

Colleagues, if you do want to discuss this, we can continue on with the debate on the motion, or you can take this off-line if you believe there's some other resolution you want.

I'll go back to you, Mr. Boulerice, if you have an amendment or....

[*Translation*]

Mr. Alexandre Boulerice: My amendment is simple. Its purpose is precisely to get a diversity of views and see what the first nations concerned have to tell us.

I think there are two first nations that are already in the motion. I would like to add the Tsawout First Nation to the list.

[*English*]

The Chair: Okay, we have an amendment by Mr. Boulerice, so I want to....

Ms. Dabrusin, go ahead on the amendment.

Ms. Julie Dabrusin: Again, until now, for our studies we have always been able to submit the names of witnesses without having to move motions. It's not a necessary part of the process. I mean, I would think that we could also have an amendment that all of the parties can submit the names they want for witnesses for this study. If you want to do an extended date again, a rolling date, we could say until—I don't know—next Tuesday if we want. However, we don't actually have to name the witnesses in a motion to get them invitations. That's not a rule of this committee or of the House to my understanding.

The Chair: Thank you, Ms. Dabrusin.

I'm going to go to the next speaker. Is that okay?

Okay, I'm going to go to you, Mr. Simard, and then—

[*Translation*]

Mr. Mario Simard: Naming witnesses in a motion is a practice we've followed before. In fact, we used it this summer in the case of the thorny issue of caribou. We wanted to hear from Boisaco, which was named directly in the motion. However, I understand what Ms. Dabrusin is saying.

If we agree to hold additional meetings, we could meet the demands of all members. In my case, it would be the Parliamentary Budget Officer, and in Mr. Boulerice's case, the Tsawout First Nation. The same goes for Ms. Stubbs and the witness she named in her motion. We could agree to hold two additional meetings, knowing that we could also discuss it in subcommittee. Maybe we could find a way to break the deadlock and get this done quickly.

[*English*]

The Chair: Thank you, Mr. Simard.

Before I go to you, Mrs. Stubbs, I just want to clarify to Mr. Boulerice that this witness has been invited. They are on our witness list, as the clerk has just mentioned to me. I wasn't aware of that, but the clerk did bring that to my attention.

[*Translation*]

Mr. Alexandre Boulerice: In that case, my amendment becomes moot and I withdraw it.

[*English*]

The Chair: Thank you.

Mrs. Shannon Stubbs: Thanks, Mr. Chair.

Can I go now?

● (1825)

The Chair: Yes.

Mrs. Shannon Stubbs: Well, we have five minutes left, and what I want to allow is more questioning of the witnesses. So, what I was about to say is that, given all of this—commitment, support for extra meetings and working this out—yes, let's deal with it next week, and let's go on for the last five minutes with the remaining questioning for the witnesses who have given their time to us today.

Also, *merci*, Monsieur Simard, for explaining that my motion is actually totally in line and all—

The Chair: Do we have unanimous consent to proceed back to the witnesses and to debate this next week?

We do. Okay. It's across the board. That's great.

Okay, let's go back to the witnesses. Thank you.

We're going back to you, Mr. Falk.

Mr. Ted Falk: Thank you, Mr. Chair.

Thank you, witnesses, for your patience.

Dr. Tombe, I'd like to ask you a few more questions, particularly about the tolls and the pricing differential there of about $1.50. Can you talk a little bit more about that: where you think it should be and why it is where it is?

Dr. Trevor Tombe: Sure. There's really no sense where I think the differential should or shouldn't be at any particular level—the lower the better from the perspective of Canada's economy. It's going to tend to reflect the marginal cost of exporting a barrel. When producers need to resort to higher-cost transport modes like rail or even sometimes truck, then the differential can rise quite considerably with implications for producers right across the board, even those who are using pipelines themselves.

I don't know if that really answers your question, but kind of generically, that's how I think about it.

Mr. Ted Falk: Have you done any preliminary-type or surface level investigation as to some of the cost overruns in the pipeline project?

Dr. Trevor Tombe: No. I would simply defer to whatever the CER comes up with. It's much more detailed information than I would have access to.

Mr. Ted Falk: The CER will base its decision on the cost of the construction, as well as on providing an adequate debt service level. Is that something that it considers, or does it not consider that? Does it just look at world markets and world pricing?

Dr. Trevor Tombe: No. In setting the toll, it looks at many factors, but it does want to ensure the viability of the project itself. The idea is to set tolls that allow for sufficient returns, to have a reasonable rate of return on the investments made in the project and no higher. It's meant to avoid the kind of market power that a pipeline would otherwise have. Think of it as setting a toll that just allows for a reasonable rate of return.

Mr. Ted Falk: Okay.

Whom would that toll benefit?

Dr. Trevor Tombe: That toll covers the costs of the pipeline: operations, debt service and so on. Therefore, the existence of the pipeline is of great benefit to both the sector and Canada's economy overall. To the extent that the tolls actually allow for the existence of the pipeline, then the benefits accrue right across the board for Canadians in general, even those not directly involved in oil and gas.

Mr. Ted Falk: So, it would benefit Canadians.

You made a comment at one point that the Canadian taxpayer is not on the hook for the pipeline. However, the reading I've done has shown that the Trans Mountain Corporation was provided with a $17-billion loan directly from the government and another $18 billion in financing from traditional banks but completely backed by the government. Really, the taxpayer is on the hook for the full $34 billion, the way I read it. Would that be accurate?

Dr. Trevor Tombe: Thanks for allowing me to clarify that. I mean, they're not necessarily on the hook. They face risk. The risk is that the pipeline's lifespan and capacity utilization wouldn't provide enough revenue to cover debt service and debt repayment. However, there are many scenarios where revenue is sufficient to cover that, so taxpayers would, at the end of the day, not be facing that cost.

Mr. Ted Falk: Thank you.

The Chair: Thank you.

We'll now go to Mr. Badawey to finish us off.

Mr. Vance Badawey: Thank you, Mr. Chairman.

I'll go back to to Mr. Tombe with my questions.

We spoke earlier, and near the end of our discussion, you talked about the transition costs and the accrual of some of the monies that would go to a cleaner social cost of carbon. I want your to expand on that and get your thoughts on how relevant carbon pricing—sometimes known as the carbon tax—is to lowering the social cost of carbon.

Dr. Trevor Tombe: The carbon pricing system that's most relevant for oil and gas in this discussion is Alberta's provincial large emitter system, called the TIER program. This is a program that works fairly well. Prices for industry emissions are currently at $80 per tonne.

That's an example of something that.... It's not to make predictions about future policy. It's something whose continued existence and stability are important for investment in the sector. The revenues from that flow in part to the government, but also provide subsidies to research and development and technology adoption in the sector.

● (1830)

Mr. Vance Badawey: That's great. Thank you.

The Chair: Thank you, Mr. Badawey.

Thank you to all of our witnesses for joining us today.

As I mentioned earlier, you can submit an additional brief if there are questions you need to further expand on or if you have other information you think would be beneficial to the committee. You can send that directly to the committee clerk.

Thank you so much. It's been a pleasure having you, and I look forward to seeing you again sometime in the future.

The meeting is adjourned.