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Chair

Mr. Leon Benoit

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• (0845)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good morning, everyone. We're here to continue our study on the current and future state of oil and gas pipelines and the refining capacity in Canada. This is the last of our four meetings to take a look at this issue.

We have with us today three groups of witnesses. First, as an individual, we have Vivian Krause. Welcome back. From the Mackenzie Valley Aboriginal Pipeline Group, we have Robert Reid, president. Welcome. From the National Energy Board, we have Gaétan Caron, chair and CEO; Patrick Smyth, business unit leader operations; and Iain Colquhoun, chief engineer.

Thank you all very much for being here today. We do appreciate it, and I'm sure the information you give will add to the good information we have already received from previous witnesses.

We'll have the presentations in the order on the agenda. We'll start with Ms. Krause for up to ten minutes. Go ahead with your presentation, please.

Ms. Vivian Krause (As an Individual): Thank you very much.

Good morning, everyone.

[Translation]

I will be making my remarks in English, but I would be happy to answer any questions in either French or English.

[English]

My name is Vivian Krause. Over the past five years I have followed the science and the money behind environmental campaigns. I've written a series of articles published in the *Financial Post* and elsewhere. I also write a blog called *Fair Questions*. I'm not part of an industry, political party, or a campaign.

As I prepared to testify today, I watched a short video at the website of the joint review panel for the Northern Gateway project. In that video, the chairperson of the panel, Sheila Leggett, says the decision that the panel will be making is on whether the Northern Gateway is in the public interest of our country. She emphasizes that public participation is important, and that the panel is focused on making sure it has a process that is open, fair, and transparent. With the backing of government and the oil industry, one of the most powerful industries in the world, it's expected the proponents of the Northern Gateway will have significant resources at their disposal. This is common knowledge. When the public hears from the

spokespeople from the ministry and government, we consider the source.

What hasn't been known until recently, however, is that some of the opponents of various pipeline projects and the campaigns against the Canadian energy sector also have some deep-pocketed supporters south of the border. I believe that in order for the joint review panel to conduct its work in a manner that is open, fair, and transparent, funding on all sides should be out in the open. In my review of the American tax returns of the foundations funding the environmental movement both in the U.S. and in Canada, I've traced \$300 million that has gone from American charitable foundations to environmental campaigns affecting our country. Most of my analysis is based on American tax returns because the IRS requires greater disclosure than the CRA.

The \$300 million is from roughly 850 grants that I've traced from ten foundations. In addition to these foundations, an additional dozen or more American foundations have granted substantial funds to Canadian environmental groups. By my analysis, American funding from the foundations that I've followed has increased tenfold over the past decade, from about \$4 million in 2000 to \$50 million in 2010. Of the \$300 million in American funding that I've traced, at least \$30 million is specifically for campaigns targeting the oil and gas industry in Canada.

As I see it, the campaign against Canadian energy is one side of a two-sided coin. The other side of the coin is the creation of the renewable energy industry. In trying to understand the campaign against Canadian oil and the pipeline projects that are the lifeline of the Canadian energy sector, I think this is perhaps the most important insight that I can offer. This thinking is reflected in the strategy paper entitled "Design to Win", which is prepared by the California Environmental Associates and funded by all of the big American foundations that are funding the campaign against Canadian oil. In that document, there's a diagram that clearly spells out that consumer and voter campaigns are funded in order to influence politicians to create the context for, and I quote, "massive shift in investment capital from dirty to clean energy".

Of course, the dichotomy between dirty and clean energy is a bit of a false dichotomy in the sense that the so-called clean energy industry also has some negative environmental impacts. Underneath this dichotomy is another dichotomy, which of course is between energy that has historically been largely or partially from foreign oil imports and an industry that has been created that is primarily domestic.

The campaign to shift from dirty to clean energy, as it appears to me, is also about reducing dependence on imported oil, and increasing energy independence. In fact, if you read the fine print, you will find that American foundations say this themselves in their strategy papers, that one of their interests is in increasing American energy security and American energy independence.

In the media coverage in the public debate over the last few weeks, there have been several recurring questions. I'd like to speak briefly to each of these. The first question is, so what? Environmentalists have downplayed the extent of their American funding by saying the oil industry has foreign investors, and the environmental impacts of the oil industry are global, so it's fine for the environmental movement to source its funding globally. These are valid points. I will argue, though, that at the heart of the funding matter is not just the foreign nature of the funding; it's the fact that the money involved is big, and that it's coming from billion-dollar foundations, and in one case a hedge fund billionaire. And the funds that are funding this strategy are funding science as a marketing tactic to sway market share, to manipulate markets, and in some cases to protect trade interests. If thousands of Alaskan families say they are giving \$25 or \$30 to B.C. environmental groups, that would be foreign funding, but I don't think it would bother us, because in fact if there is a major oil spill, Alaska would be affected.

• (0850)

What we see here is the opposite of that. It's not small amounts of money from a large number of foreign sources; it's very large amounts of money from a very small number of billion-dollar foundations. Actually, my blog and most of my writing has been about the science and the money behind environmental campaigns. Really, it's the use of the flawed science and some of the exaggerated claims that are my biggest concerns. Some of what the environmental organizations are saying is simply untrue. This brings me to ask who is funding these campaigns and why.

Another question that comes up is the question of who is calling the shots. Environmentalists insist that they're in the driver's seat. However, this does not quite ring true for me, because most of the foundations funding these campaigns don't accept unsolicited proposals. In other words, they have their own ideas.

The third issue is what we might call the constituency issue. This is an important question for the joint review panel. When an organization receives a substantial portion of its funding from foreign sources, who does that organization represent? For example, RAVEN, a small first-nations group that campaigns heavily against the proposed Prosperity Mine in B.C., reported in its tax return for 2009-2010 that 83% of its funding is from outside Canada. When an organization is that heavily funded by foreign funding, whose interests is it representing? Are they Canadian interests or the interests of its foreign funders, or perhaps both?

Incidentally, I've also seen grants that mention specific mines and other specific projects. In one case, it was a ski resort, the Jumbo Glacier ski resort, in British Columbia.

When billionaire funders are involved in influencing public opinion and public policy on a major issue of national importance, I think the money should be out in the open, whether the billionaire

funders are American or Canadian. I believe that this applies to foreign investment and philanthropy, as well.

Going forward, I hope that the CRA will require the same level of disclosure as the IRS. If that had been the case, this would have been out in the open over the last ten years. I also hope, as I've said before, that government and industry will begin a dialogue directly with the American foundations that are funding the campaign against Canadian energy. These foundations give away \$1 billion a year. I don't know that they can be outspent, even by the oil industry. They've already spent hundreds of millions of dollars in our country, so I think it's clear that they're serious about what they're doing.

I think the time has come for dialogue directly between the Canadian energy industry and the American foundations that are funding the campaign against it.

Thank you very much.

The Chair: Thank you very much for your presentation.

We go now to Robert Reid, president of the Mackenzie Valley Aboriginal Pipeline Group.

Go ahead with your presentation, please.

Mr. Robert Reid (President, Mackenzie Valley Aboriginal Pipeline LP): Thank you, Mr. Chairman.

Good morning, ladies and gentlemen.

I want to thank you for the opportunity to provide you with an update on the Mackenzie Valley gas pipeline and the important role that the Aboriginal Pipeline Group is playing in the development of this very important piece of northern infrastructure.

Just 40 short years ago, the trapping industry provided northern aboriginal people with their own economic base. They were an industrious, independent, and self-sufficient people. Unfortunately, the trapping economy did not survive. As a result, northern aboriginals were forced to move off the land and depend on a cash economy, and many became dependent on government and the social welfare system.

Today our shareholders and those they represent are looking for a way to become self-sufficient once again. We see the Mackenzie gas pipeline and the associated exploration and development activities as a way to provide that economic base for the people of the Mackenzie Valley.

Back in January of 2000, aboriginal leaders met in Fort Liard in the southern Northwest Territories. At this meeting a decision was made that if there were going to be a pipeline built on their land, they would work to obtain an ownership position in that pipeline in order to maximize the benefits to their people. This led to discussions with Imperial Oil, ConocoPhillips, Shell, and Exxon Mobil, culminating in a memorandum of understanding in June of 2001 that gave us a one-third ownership position in the Mackenzie Valley pipeline.

By June 2004 the Inuvialuit, the Gwich'in, and the Sahtu formally became Aboriginal Pipeline Group shareholders. APG is a business deal negotiated by aboriginal people for aboriginal people, one that will benefit the northern aboriginal people for generations to come. Our mandate is to maximize the long-term financial return to the aboriginal groups of the Northwest Territories through ownership in the pipeline.

Through APG, aboriginal people have had and are having today a direct voice in the decision-making for this significant project. The Mackenzie gas project consists of four main infrastructure components. First, there's a gathering system north of Inuvik that gathers the gas from the three gas fields. There's a facility known as the Inuvik area facility, which will remove the natural gas liquids from the gas streams. Third, there's a 1,200-kilometre, 30-inch-diameter gas pipeline from Inuvik southward to Alberta. And finally, there's a 10-inch liquids line that will carry the natural gas liquids to Norman Wells, where it will interconnect with the existing Enbridge oil line. The project has an initial capacity of 1.2 billion cubic feet a day, which is expandable to 1.8 billion cubic feet a day by adding compressor stations along the route.

Last December the National Energy Board issued its supply-and-demand forecast, which concluded that gas from the Mackenzie Delta will be needed by about the year 2020. That's largely due to a decline in production from conventional resources in North America, combined with the increased demand for this environmentally preferable fuel.

Mackenzie is a non-controversial project that is ready to move forward now. The regulatory process is complete and an NEB certificate has been issued. There's widespread alignment for the pipeline, including strong aboriginal support. As you'll see in a few moments, there are huge economic and environmental benefits, not just for the north but for Canada as a whole.

The Mackenzie gas project is the only answer for a sustainable economic future for the Mackenzie Valley. Without a pipeline to bring their products south to markets, investment by the oil and gas firms in the north will be limited. In the past, this industry has provided contracting and employment for the people throughout the Mackenzie Valley and the Beaufort Sea region. Once the MGP is on a path to being constructed, a new basin will open up for exploration, ensuring employment and work for northerners for many years to come.

The Mackenzie gas project has guaranteed \$1 billion in set-aside work for aboriginal contractors along the pipeline. This was negotiated as part of the access and benefits agreements. This is a huge opportunity for northern companies to build capacity and compete on an equal footing with southern companies.

• (0855)

During construction over 7,000 jobs will be available in the Northwest Territories and over 140,000 will be broadly spread across Canada. That's to provide the goods and services needed for the pipeline and associated facilities. This equates to some 30,000 person-years of employment in the Northwest Territories and over 200,000 across Canada.

The project is not only good for the north, it's good for Canada as a whole. We will provide a positive GDP impact of over \$100 billion, with royalty and tax revenue of over \$10 billion to federal, provincial, and territorial governments, and our project supports Canada's course in the reduction of greenhouse gas emissions by displacing coal and oil in the power generation market. Natural gas produces one-third fewer emissions than oil and fully one-half that of coal. The power generation market is the fastest-growing market segment for natural gas, with a 40% forecast for growth by the year 2020. If used to replace coal and oil for power generation, the Mackenzie project could lead to a 600-megatonne reduction in greenhouse gas emissions.

We need to move forward with this project now. However, for this project to proceed toward construction, we need to finalize a fiscal framework with the federal government that will provide an appropriate balance of benefit and risk for both the project and the federal government. That will allow us to recommence the detailed engineering field activities and site-specific permitting necessary to meet the NEB requirement to commence construction no later than December of 2015. With four winter seasons of construction, gas could start flowing by the year 2019.

Northerners and northern businesses have been waiting too long for this project. Unfortunately, we're now about ten years behind our original in-service date of 2009. We cannot fail them now. This project will give the youth in the Northwest Territories employment and career certainty within their homeland, something that has not been available for generations.

We've endured a very lengthy six-year regulatory process. We simply can't afford more delays. We must conclude the fiscal discussions with the government in the first quarter of this year. That's to begin the developmental work, the engineering work, and so on, to allow construction to commence before that NEB certificate expires. We are optimistic that we will come to an agreement to enable this nation-building project to become a reality.

So there you have it. We have an all-Canadian project, with full regulatory approval ready to proceed, ready to create jobs—7,000 of them during construction and over 140,000 across Canada—ready to reduce the deficit by contributing \$10 billion in direct tax and royalty benefits, ready to support Canada's clean energy initiative, a 600-megatonne reduction in greenhouse gases over the life of the project, and ready to address Arctic sovereignty. Nothing says it better than real infrastructure in the north, and of course the project is ready to open a new basin to resource development to meet Canada's future energy needs.

All of this is with not just aboriginal support, but with aboriginal ownership. We see APG as a good model for harmonious aboriginal participation in our major projects. This project demonstrates that it is possible not only to work with industry, but at the same time guarantee protection of aboriginal culture and our environment. The Mackenzie gas project is truly a nation-building project, delivering clean energy we need in an environmentally responsible manner, and creating jobs and economic benefits for all of Canada. APG is proud to be a part of it.

Thank you.

• (0900)

The Chair: Thank you very much for your presentation, Mr. Reid.

We go now to the National Energy Board and Mr. Caron, if you could go ahead with your presentation, please.

Mr. Gaétan Caron (Chair and CEO, National Energy Board): Thank you.

Good morning, honourable members. *Mesdames et messieurs les députés, bonjour.*

Thank you for the opportunity to appear before you today to discuss oil and gas pipelines in Canada.

The National Energy Board, known as the NEB, looks after more than 70,000 kilometres of oil and natural gas pipelines. Pipelines that are built, operated, and maintained in accordance with our regulatory requirements are inherently safe. The majority of pipelines are buried below ground. Canadians live, work, and travel safely over them every day, and may never even realize they are there.

Pipeline materials, construction, and operations are governed by requirements set out by the Canadian Standards Association and the NEB in its regulations and conditions. These requirements place a heavy emphasis on quality throughout the life cycle of the project. From the testing of chemical and mechanical properties when the pipe is made, to the extent of non-destructive examination of welds during construction, and the type and frequency of testing when in operation, all of these are subject to NEB scrutiny.

• (0905)

[*Translation*]

The NEB holds the companies it regulates accountable for the safety of their facilities and for the protection of the environment in which they operate. Our safety programs are designed to make sure companies are effective in managing safety and environmental protection throughout the entire life cycle of a pipeline—from design to construction, operation and through to abandonment.

[*English*]

As we audit and inspect for compliance, we look for evidence of management systems that provide a strong foundation for a pervasive culture of safety, forcefully affirmed by the organization's leadership, rigorously documented in writing, known to all employees, and consistently implemented in the field.

Every year we publish a report entitled "Focus on Safety and Environment". In its most recent edition, we report that worker serious injury rates are low and are continuing to drop. No member of the general public was injured by an NEB-regulated pipeline during the nine-year period of the review and for many years before we began to publish the report. Environmental impacts of leaks have been localized and fully remediated in compliance with our requirements, guided by international best practices. This is our record when you look at the concrete outcomes of the work we do implementing the National Energy Board Act as an independent expert regulator reporting to Parliament.

We are committed to continual improvement, and we are taking further action to improve results in the four pillars of safety and

environmental protection. There is a diagram in my opening remarks you can refer to that shows those four pillars: worker safety, damage prevention, emergency preparedness and response, and integrity of installations.

Although the number of pipeline failures is very low, we send our inspectors to the site of all pipeline ruptures. We collaborate with other authorities, such as the Transportation Safety Board, known as the TSB. We also work on preventing ruptures through audits, inspections, and board orders. In a few instances, the board has ordered a company to reduce its operating pressure until such time as the company can demonstrate that the integrity and operation of the pipeline system is sound at the full operating pressure.

When the board sees an increase in incidents such as the stress corrosion cracking ruptures in the 1990s, we take a leadership role in identifying the causes and ordering that measures be taken for the continued safe operation of pipelines. As can be seen in the graph included in the opening remarks, our intervention in the mid-nineties in the stress corrosion cracking inquiry caused a significant reduction in the number of ruptures under our jurisdiction. The lessons learned have been used in other jurisdictions. The increase in ruptures in 2009 appears to have been a one-year phenomenon, but we keep a close eye on any emerging trend. Studies continue to confirm that pipelines operate more safely than any other mode of transportation of hydrocarbons.

We utilize a risk-informed approach when assessing projects and setting requirements for pipelines. We methodically assess the risk to public and worker safety and to the environment. This allows us to most effectively manage NEB resources and properly prioritize our activities throughout the life cycle of facilities.

[*Translation*]

In the application phase of the project, we assess whether the project is in the public interest. If so, we assess whether the project can be built and operated safely and in a manner that protects people and the environment.

[*English*]

In the planning phase, industry must meet our regulatory requirements in order to design and plan a project appropriately. Companies are required to demonstrate meaningful public involvement and consultation.

If we approve a project, we can attach any conditions we see fit in the public interest, and our role doesn't stop there. We monitor and verify compliance with requirements during the construction and operation phases of the project.

Our oversight also includes the abandonment of a pipeline. Companies must prove that the applied-for abandonment plan can be conducted safely while protecting the environment at the time of abandonment and beyond.

Despite our regulatory oversight, incidents, although infrequent, can still happen. This is the case in any jurisdiction for any mode of transportation. The NEB's priorities in any emergency are the safety of people and the protection of property and the environment. The NEB has an emergency management program in place and is ready to respond to an emergency situation at all times. We also have working agreements with other government departments and agencies in order to coordinate responses and communicate effectively in times of crisis.

Any time there is a serious incident, the NEB oversees the regulated company's immediate and ongoing response and cleanup. We require that all reasonable actions be taken to protect employees, the public, and the environment. We verify that the company conducts to our satisfaction a cleanup and remediation of environmental effects caused by the incident.

[Translation]

We maintain an emergency operations centre in Calgary to coordinate our field staff at the incident site, and to provide situation reports to the Government of Canada's emergency operations centre here in Ottawa.

• (0910)

[English]

We hold companies accountable for anticipating, preventing, mitigating, and managing incidents of any size or duration. NEB enforcement activities range from notification and opportunities for voluntary compliance, to reduction of operating pressure of a pipeline, potential suspension of authorizations, or revocation of operating licences. Offences can also be prosecuted.

Where the board finds that safety can be improved, it takes the necessary actions to have the situation rectified. We have the authority to shut down the pipeline company's operation. Failures or serious injuries must be reported to the board by law. The board requires companies to conduct their own investigations and submit their results. In serious cases we will conduct our own investigation.

The TSB may also investigate and make determinations of the causes of the failure. The board reviews the findings of all TSB investigations and takes action to ensure that recommendations are acted upon.

In closing, I believe that Parliament, by passing the National Energy Board Act in 1959, provided Canadians with a national institution well equipped when it comes to pipelines to ensure safety, and to protect the environment and their communities. Our record, in terms of positive trends in our key indicators and the action we take when we see the emergence of an unwanted trend, speaks for itself.

Like any serious safety regulator, we are never totally happy with our results. Every day the 400 people working at the NEB look for ways to continually improve our methods and our results. Canadians expect no less.

I will be pleased to answer your questions with the assistance of my two colleagues, Mr. Patrick Smyth, business leader of operations at the NEB, and Mr. Iain Colquhoun, our chief engineer.

[Translation]

Once again, thank you, honourable members, for the opportunity to speak to you today about the NEB's commitment to continued pipeline safety.

[English]

The Chair: Thank you, Mr. Caron.

Thanks to all of you for very interesting presentations. They were very helpful to our study.

We'll get directly now to comments and questions, starting with Mr. Anderson.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Thank you, Mr. Chair.

I want to thank our witnesses for being with us today.

Ms. Krause, I'd like to start with you. I wish we had a little more time to explore deeper some of the things you've talked about here.

Most of us assume that the battle we see against pipelines and oil sands is an ideological one. It was very interesting this morning to hear you talk about the economic aspects of that. It's also interesting that we see these socialistic obsessions being funded by billionaires.

Who are the key players in the foreign funding that's coming into Canada? Can we track the money a little bit? How does the money get into Canada? What organizations does it come through, for the most part?

Ms. Vivian Krause: The main funders are the William and Flora Hewlett Foundation, the David and Lucile Packard Foundation, the Oak Foundation, and the Rockefeller Brothers Fund. The Rockefeller Family Fund funds things south of the border. There's also the Wilburforce Foundation, the Brainerd Foundation, and the Bullitt Foundation. Those are the main ones.

The big five are Hewlett, Packard, Moore, Pew Charitable Trusts, and the Rockefeller Brothers Fund. Those foundations have \$20 billion in assets and give away about \$1 billion a year.

Mr. David Anderson: Many of them made their money from the oil and gas sector.

Ms. Vivian Krause: For example, the wealth of the Pew Charitable Trust originates from oil, as does Rockefeller's.

Mr. David Anderson: How are they able to get that huge amount of money you're talking about into Canada?

Ms. Vivian Krause: To finish up, I think it's important that there is a plan here. In fact, Tides Canada was funded by the Hewlett Foundation to develop "a strategic plan to address oil and gas development in British Columbia". That was in 2004 that Tides Canada was paid \$70,000 to develop this plan by the Hewlett Foundation. Since then Hewlett has poured in \$26 million.

I think it's fair to ask what the plan is. Does it involve funding a large number of environmental groups that campaign in concert against Canadian oil? Does it involve the creation of the Great Bear Rainforest? Does it involve funding the first nations on the strategic north coast of B.C.? Does it involve funding a particular scientist, politician, or political party? Those are fair questions. What's the plan?

Secondly, of the \$300 million I've traced, far and away the largest recipient is Tides Canada and its sister organization the U.S. Tides Foundation. I've traced \$60 million of American money that has gone through Tides Canada over the last ten years.

• (0915)

Mr. David Anderson: Do you know what percentage of that has gone into this project in Alberta or B.C.? Is that too difficult to find out?

Ms. Vivian Krause: Just to give you one example, the Hewlett Foundation and the Packard Foundation together have granted \$90 million towards B.C. environmental groups. Of that \$90 million, about \$80 million was specifically for projects to create the Great Bear Rainforest, and also to address the energy sector. It's interesting that here we have \$55 million that's specifically for the creation of the Great Bear Rainforest, but of course that isn't called the Hewlett Packard Rainforest, it's called the Great Bear Rainforest. Now, in the name of protecting the Kermode bear, environmentalists are arguing that oil tanker traffic needs to be banned on the entire gateway portion of the B.C. coast. The interesting thing about it is that the Great Bear Rainforest goes from the northern tip of Vancouver Island all the way to the southern tip of Alaska, every square inch of the coastline.

Mr. David Anderson: So were they to get their way, they would shut down any possibility of moving supplies out of that area.

Ms. Vivian Krause: Whether it was the intention or not, I don't know. But the Great Bear Rainforest has become the great trade barrier. I do find it interesting to note, though, the tax returns of the Wilburforce Foundation. Of course the Wilburforce Foundation was created by Gordon Letwin, who is one of the original founders of Microsoft. Gordon Letwin has put nearly \$100 million through the Wilburforce Foundation, some \$60 million of which came in Microsoft shares. So Wilburforce in turn has granted \$16 million to B.C. environmental groups.

One of their grants was specifically to devolve control of land on the B.C. coast to first nations and local communities in the interest of protecting the Great Bear Rainforest. I find it interesting that an American foundation saw fit to empower Canadian aboriginal people, of all the aboriginal people in the world. Having worked with the United Nations in Guatemala for six years and in Indonesia, I would have thought that there are other aboriginal people in the world who could also have used those resources. It does strike me as interesting that so much American money has gone into the creation of this park, a no-trade zone specifically on our strategic gateway to Asia.

Mr. David Anderson: It's interesting, because some of the environmental groups would agree exactly with what you're saying. I've got a quote from Michael Brune, executive director of the Sierra Club, where he said:

The effort to stop Keystone is part of a broader effort to stop the expansion in the tar sands. It is based on choking off the ability to find markets for tar sands oil.

So it sounds like that's actually the political activity behind what's really going on here.

Mr. Reid, are you familiar with some of the same activity and some of these same groups?

Mr. Robert Reid: Not directly.

Mr. David Anderson: So it's been focused primarily in British Columbia then.

Mr. Robert Reid: Yes, it hasn't been the subject of any questioning in our particular case.

Mr. David Anderson: Okay, thank you.

Do I have a little bit of time?

The Chair: You have a minute.

Mr. David Anderson: I guess, Mr. Reid, I just want to talk about approval process with you. We've been doing some work on the north, regulatory reform, and those kinds of things. Do you think a six-year regulatory process is about right, or is that a little bit too slow?

Mr. Robert Reid: It was definitely a little bit too slow.

Mr. David Anderson: Do you have any suggestions for us as to how that might be improved? We may do a report on these hearings, and I'd like to hear your suggestions.

Mr. Robert Reid: In our case, I can say the NEB got the job done in the case of Mackenzie right on schedule. They started their hearings back in—

Mr. David Anderson: Is the schedule realistic?

Mr. Robert Reid: The original schedule was perhaps a little optimistic, but the actual schedule was not sustainable.

Mr. David Anderson: Okay, go ahead. I didn't mean to cut you off there.

Mr. Robert Reid: I was just going to say that the issue in our case was the particular joint review panel that was set up to handle the environmental and socio-economic aspects of the pipeline. The NEB sat adjourned from December 2006 to December 2009 waiting for the joint review panel to complete their report. They ran way over their original allocated time and budget.

The Chair: Mr. Anderson, your time is up.

We go now to the official opposition, to Mr. Gravelle, for up to seven minutes.

• (0920)

Mr. Claude Gravelle (Nickel Belt, NDP): Thank you, Mr. Chair.

Ms. Krause, you've made some pretty serious allegations impugning the motives of U.S. charitable foundations, suggesting that they are pawns in some economic strategy.

Do you have any real evidence that there are U.S. commercial interests funding the Canadian environmental movement efforts to protect our wilderness and our coasts? Do you have any real evidence?

Ms. Vivian Krause: With respect, sir, you're putting words in my mouth that I haven't said. What I can tell you is what is written down in the tax returns—

Mr. Claude Gravelle: Can I just stop you for a minute here?

Ms. Vivian Krause: Please do.

Mr. Claude Gravelle: I just want to quote Peter O'Neil from *The Vancouver Sun*, who has you as saying, "I have seen no glaring evidence of commercial interests in the U.S. that are funding the campaigns against the Northern Gateway." Yet today you've made all kinds of accusations here.

Ms. Vivian Krause: Yes, well I understand commercial interests to be a particular company, and I don't see any evidence of that. What I do see is—

Mr. Claude Gravelle: So you haven't seen any evidence of this happening?

The Chair: Would you let her answer the question, please, Monsieur Gravelle?

Mr. Claude Gravelle: She's made some pretty serious accusations here.

The Chair: Go ahead, Ms. Krause.

Ms. Vivian Krause: I'd be glad to respond to your question.

What I do see is that wealthy Americans have the interest of their own country at heart, as, I think, do we. My impression is that perhaps what is driving this is the overall broad interest of the American economy. I think one of the best things that any country can do for itself is to give itself a good secure supply of energy and to cut the competition off from having that. So I've never suggested, and I would not suggest, that there is a particular oil company or any particular commercial interest behind this. But it is clear—and the foundations have said themselves—that they are interested in increasing the energy security and the energy independence of the United States and also in weaning the United States off imported oil.

Mr. Claude Gravelle: So what you're saying is you have no evidence.

Ms. Vivian Krause: I'm saying that I believe that the—

Mr. Claude Gravelle: Okay, so you have no evidence. You just have accusations.

The Chair: Monsieur Gravelle, do give the witness—

Mr. Claude Gravelle: She doesn't have any evidence.

The Chair: Do give the witness a chance to answer, and you can ask another question later.

Go ahead, please, Ms. Krause.

Ms. Vivian Krause: I would say I do have evidence, but not of commercial interests. I think there is evidence of the motivations. They're clearly written down. I think they are mixed and that there is a real true interest in protecting the environment and addressing the true environmental impacts of the energy sector. But I think the interest is not purely in protecting the environment, because the

foundations themselves say that they're also interested in issues of energy security, national security, and energy independence.

Mr. Claude Gravelle: So you've only targeted environmentalists with your crusade. If we look at your background, we see that you've worked for a Conservative MP, you've worked in the salmon farming industry, and you've been paid on at least one occasion by the Canadian Association of Petroleum Producers. It doesn't take much of a conspiracy theorist to claim that the real hidden agenda is coming from you.

Have you conducted any research about the remaining secret backers of the Enbridge pipeline and what interests they are silently promoting?

Ms. Vivian Krause: Well, sir, first of all let me say, just to give you the right numbers, I did work for a Conservative MP for four weeks, and I was fired.

Some hon. members: Oh, oh!

Ms. Vivian Krause: I worked for the United Nations in the poorest countries of the world for ten years.

Mr. Claude Gravelle: I'm not surprised.

Ms. Vivian Krause: I also worked for the salmon farming industry. That was ten years ago. For the last five years, I've been working on this unpaid. I'm not paid by anybody, okay?

Could you remind me again what your second point was?

Mr. Claude Gravelle: We'll go on to another question.

An hon. member: He forgot.

Mr. Claude Gravelle: Oh, we'll go on to another question.

You've been trained as a nutritionist—

•(0925)

Ms. Vivian Krause: Oh, I remember your question now.

Mr. Claude Gravelle: Never mind.

You've been trained as a nutritionist?

Ms. Vivian Krause: Yes.

Mr. Claude Gravelle: We've had some pretty highly qualified people come to our committee, with expertise on subjects like industry, labour.... We've had government officials and leading academics testify on the decline in the refinery industry and the loss of jobs. So as a nutritionist, you're not an expert. Why are you...?

Ms. Vivian Krause: Why am I doing this?

Mr. Claude Gravelle: Yes.

Ms. Vivian Krause: I'll be glad to answer your question. The reason I'm doing this, sir, is that no one else did. Frankly, the work I've done I think is important. It shouldn't have been done by an unpaid lay blogger working on her dining room table using Google. It should have been done by the media—this is investigative journalism type of work—but that wasn't happening. I felt it was an important issue, and that if I didn't do it, it just wouldn't get done. So that's why I did it.

Mr. Claude Gravelle: Do you not agree that it seems more concerning that a foreign-state-owned company like Sinopec has not only bought up large swaths of oil sands, but is now trying to push the pipeline through? You hardly even need a conspiracy theory to imagine that they aren't looking out for Canadian interests, because they also have a veto on new refineries in Canada. Don't you find that kind of odd?

Ms. Vivian Krause: If you are saying that foreign investment in a Canadian industry should be out in the open, I agree with you. When foreign funding to the critics of industry is coming from a hedge-fund billionaire and billion-dollar foundations whose expressed interest is the energy security and energy independence of their own country, I think that should be out in the open. I think all funding should be out in the open.

Mr. Claude Gravelle: If you think this should be out in the open, why aren't you researching these companies that are backing Enbridge?

Ms. Vivian Krause: Many other journalists have already done it. It's already out there. No one was looking into the foreign funding of the environmental movement, and that's why I did.

Mr. Claude Gravelle: There is a chart of the Prime Minister with Ethical Oil, the two ministers and a bunch of staffers. I think maybe your picture would fit in quite well, because that's what you're defending: Ethical Oil. I just can't believe what you've been saying.

Ms. Vivian Krause: I think it's obvious that they have used my research in their campaign, but they have done so without my permission. Frankly, in some cases they have inaccurately quoted my research, and I've insisted on having the record corrected. I'm not part of that campaign.

The point I'm trying to make is that we have money coming here from foreign billionaires. In the public debate—

Mr. Claude Gravelle: We also have money coming in from billionaires supporting the pipeline.

The Chair: Your time is up, Mr. Gravelle.

Ms. Krause.

Ms. Vivian Krause: I was just going to say that in the public debate the emphasis has been put on the fact that the money is foreign. I've been trying to put the emphasis on the fact that it's big. If you look at my blog, you'll notice that I've also drawn attention to the money from big sources in Canada. For example, the Bronfmans have contributed \$6 million to the David Suzuki Foundation: \$2 out of every \$25 of funding to the David Suzuki Foundation has come from the Bronfmans, the Claudine and Stephen Bronfman Family Foundation.

I haven't looked only at American money; I've looked at big money on both sides of the border.

The Chair: Thank you, Ms. Krause.

Mr. McGuinty.

Mr. David McGuinty (Ottawa South, Lib.): Thank you, Mr. Chair.

I want to move into a series of questions that might help Canadians understand where we're going with energy. This last

exchange is too reminiscent of things I see on Glenn Beck's show on Fox News.

Mr. Caron, can you help us understand? You're the chair of the 53-year-old National Energy Board. You have a tough job; it's a tough mandate. You're under a lot of pressure. Recently you've had ministers of the crown, to whom you report, make spurious allegations about radical groups, and that's tough. I'm sure that as a regulator it's also tough to let it roll off your back.

Can you help us understand? Maybe the most important question could be how to improve. I think Mr. Anderson alluded to this. We are all interested in improving regulatory processes. That's why successive governments have built five- and seven-year review mandates into the Canadian Environmental Assessment Act, the Canadian Environmental Protection Act, and the Species at Risk Act. We know that as parliamentarians we have to contemplate improvement.

Can you help us get a couple of ideas of how we might be able to improve? Is there an inordinate influence, as Ms. Krause implies? Maybe it's not in your regulatory process—if there is, I'd like to hear about it. I think her comments are targeted more at public influence. How can we improve the process to make sure that Canadians have confidence in the decisions we're making?

• (0930)

Mr. Gaétan Caron: The only influence that NEB is itself subject to is the influence of the records it gathers by listening to Canadians in an open and transparent way. We are a quasi-judicial board. We do not report to a minister. We report through the Minister of Natural Resources for the purpose of reporting to Parliament.

I'm not an officer of Parliament; I need a minister to report to you as parliamentarians.

Mr. David McGuinty: I stand corrected.

Mr. Gaétan Caron: The influence of public statements and opinion polls doesn't apply to us as a quasi-judicial board, because it is our duty to listen to Canadians through the processes we have, which, with few exceptions, are essentially transparent and accessible to all.

I must say that on the process we administer, I will credit the legislators of 1959. They gave us an NEB Act that is essentially unchanged, except for a few bells and whistles from the early days. My suggestion to you as parliamentarians is that the process is working, provided that the people like us are able to administer your act and to do it with the desire to keep improving the process.

If we felt happy about the process, I think you should question us hard. We should never be happy about anything, especially when it comes to public safety.

Mr. David McGuinty: Let me ask you what three fronts you think we can make progress on within the ambit, the four corners, of the parameters of your statute.

Mr. Gaétan Caron: I don't have opinions on how my statute could be improved, because—

Mr. David McGuinty: I don't mean your statute. I mean the way you operate.

Mr. Gaétan Caron: I'll give you the first one. It's actually happening already. I find that when we look at environmental impact assessments, sometimes there is too much time spent on process. I'd rather have our environmental specialists look at content.

For instance, under the Canadian Environmental Assessment Act, you have the concept of screening, comprehensive studies, and panel reviews. Those are administrative requirements that are helpful from a process standpoint. But at the NEB, it doesn't matter to us whether a project is being screened, is a comprehensive study, or is a joint panel review. The same people will look at the same thing and look at the same environment. The less time we spend on process, sir, the more time we have remaining for content.

Mr. David McGuinty: That's number one.

Mr. Gaétan Caron: That's number one.

The other improvement I've seen us administer, and we're still learning along the way, is that we now have a participant funding program. We're one of the few institutions in Canada without a program—

Mr. David McGuinty: It is sometimes called intervenor funding.

Mr. Gaétan Caron: Yes, exactly. In our case, we call it participant funding. Our act did not allow for that. Parliament fixed that a few years ago. Now we're learning the hard way to make it efficient and are going to the right people for the right amount of time. We're applying ourselves to that.

Mr. David McGuinty: I suppose you're drawing on provincial experiences across the country.

Mr. Gaétan Caron: We're drawing from best and not so best practices. That's right. We are learning from both sides.

You're looking for number three. I'd say that it is safety, pipeline safety in particular.

In my opening remarks I talked about the focus on management systems. Our recent study on offshore drilling revealed that the best way to promote safety on platforms, and the best way to protect the environment and ecosystems, is with the concept of a safety culture. Now, it may sound a little soft to talk about culture. It is a difficult concept to describe. But safety culture is driven by rigorously documented management systems that start from the top of the organization. People know about them. Safety culture is what people do when nobody else is watching. I think we can continue to progress on that.

Mr. David McGuinty: Could I ask Mr. Reid and Monsieur Caron to answer this question?

We have been hearing about, and there seems to be almost unanimous support for it, what some describe as a national energy strategy. Some call it a Canadian energy strategy. Mr. Reid, you raised greenhouse gases twice in your very succinct and good brief. Would that be helpful in terms of the work we do? How might that improve the work done in the case of a specific Mackenzie project?

Monsieur Caron, how might that be helpful in terms of the overarching responsibilities you have as a regulator?

Mr. Reid, can you start first, perhaps?

Mr. Robert Reid: Personally, I support a national energy strategy. It would establish for Canada a strategy—I hate to use the word “policy”—for energy utilization that would take into account both economics and the environment and would strike a balance for Canadians as a whole.

• (0935)

Mr. David McGuinty: It would include climate change and greenhouse gas reductions.

Mr. Robert Reid: Yes.

Mr. David McGuinty: Thank you.

Monsieur Caron.

Mr. Gaétan Caron: The existence of the content of a policy, you'll remember, is something over which we cannot have an opinion. Our job is to administer policy through the legislation.

If there were a change in energy policy or strategy in Canada, it would become one more of these things that are out there, transparently affirmed, from which intervenors and companies and NGOs and aboriginal people can draw when they speak to us. For us, what matters is what Canadians tell us in an open and transparent context.

Mr. David McGuinty: Thank you very much.

The Chair: Thank you, Mr. McGuinty.

We go now to Mr. Trost for up to five minutes. Go ahead, please, Mr. Trost.

Mr. Brad Trost (Saskatoon—Humboldt, CPC): Thank you, Mr. Chair.

My first question will be to the National Energy Board.

In some of our notes here from the Library of Parliament, they've noted that Enbridge applied in 2008 for the reversal of crude oil flow within a segment of Line 9 from Sarnia to the North Westover Station. You've just now basically started having hearings on that. That, to me, is a bit of an illustration, which I need explained to me, of why regulatory changes take so long.

Could you very briefly explain why things take the time they do? You were talking with Mr. McGuinty about how to speed it up. Quickly use this as an illustration of why it's taking this long, and tell us maybe what we could do better for you.

Mr. Gaétan Caron: Normally it's a good case study to speak briefly about. I'd like to correct a fact. The application by Enbridge called “Line 9 Reversal, Phase I Project” was August 8, 2011.

Mr. Brad Trost: Ah, so the notes are wrong here.

Mr. Gaétan Caron: It was still a good case study. It would have shown how long things can take.

What happened, honourable member, is that even before we started a process to deal with the application, we received literally 100-plus letters of comment on what we should do about our process. So we decided, as we always do, to be transparent about it. On December 5 we issued a draft scope of the proceeding, a draft environmental assessment, and we formally sought comments from parties on the process we should use.

A few days ago, on February 1.... I apologize. On December 5 we also said that we intended to have an oral hearing, which would also trigger the means for people who want to intervene to receive participant funding as part of the process, which was something that the board, when we decided, thought was a good thing.

More recently, a few days ago, on February 1 we issued our procedural update number 1, where we clarified that the scope remains that of a local project. There's no new right-of-way. The new amount of facilities are marginal. They're all within company property lines and the project is about that thing between Sarnia and the refinery just west of Toronto.

We've also clarified that, in keeping with improvements to the process, the oral phase of the hearing will be about final arguments, when people, at the end of the process, tell us what we should do. They try to persuade us to take a course of action. Everything else will be done in writing.

Our initial forecast of the hearing in the fall is being reassessed right now, and our intention is to do much better in the fall of 2012.

Mr. Brad Trost: So can I then summarize? You're working to streamline everything, but you are trying to make sure you cover every base. That's what I'm hearing.

Mr. Gaétan Caron: You're right, because the legal standard is natural justice—be fair to all—but at the same time, not have justice delayed become justice denied. As your colleague said, it's a tough job, like yours, and we try to optimize for Canadians the various components of our decisions.

Mr. Brad Trost: Thank you for correcting our notes, because that does make it look a lot more efficient than August 2008.

Turning to Mr. Reid now, like many Canadians, I've been interested in the Mackenzie Valley pipeline for a long time. I actually worked up in Paulatuk for a while as a geophysicist, so I have some idea of the geography of the area. But with the change in the North American gas market, the world gas market, with tight gas, have you missed your window? Have you missed your opportunity for this to be a commercially viable project?

You talked about a financial agreement with the federal government. Can you do this project without subsidies? I know people define subsidies differently, and sometimes agreements and ways of rebating royalties or not having them may or may not be, depending on how people describe them.

Can this project work commercially if we get non-subsidy elements taken care of between your organization, the companies, and the federal government?

Mr. Robert Reid: First of all, at today's gas prices, Mackenzie is simply not economic—there's no question about that. Today's gas prices are simply not sustainable. They're barely covering operating costs, let alone the full cycle of development costs of natural gas.

We've obtained an independent study on gas price forecasts and North American gas supply and demand balances. Those studies show that with the combination of the decline in the conventional resources and the upswing in demand for natural gas—the environmentally preferred fossil fuel—by 2020 gas prices will be there to make a project like Mackenzie economic.

The fiscal arrangement that we're negotiating with the federal government is simply to reduce the cost of capital. The largest single component of the shipping toll is the cost of capital. Pipelines are capital-intensive. So if we can get a government guarantee to reduce our cost of capital, that makes our project very attractive to incremental shippers.

• (0940)

The Chair: Thank you, Mr. Trost. Your time is up.

Mr. Calkins, go ahead for up to five minutes, please.

Mr. Blaine Calkins (Wetaskiwin, CPC): Thank you very much.

I was just a little bit concerned.... I'm going to ask you, Mr. Caron. It seems to me, when I learned of the application by Enbridge to reverse the flow of that pipeline, which has already been reversed once in the past, my understanding is...could you explain to me why that would even be a consideration for the public benefit? This is private infrastructure owned by a private company that's gone through a regulatory process. It's in the ground. Does CN come to some regulatory authority to turn its train around on its own track? Do trucking companies come to some regulatory authority to turn their trucks around on the highway? It doesn't make any sense to me at all what business it is for a regulatory agency or whatever the case might be. If it's a safety issue, fine.

Could you explain to me why simply reversing the flow of fluid through a pipeline would be a matter of public debate and public hearings?

Mr. Gaétan Caron: Honourable member, that's an excellent point.

If the application were only about reversing the flow, we'd have to find a way to have questions about it, but the fact is that Enbridge applied under section 58 of the National Energy Board Act because there are some facilities being proposed. It is the wish of Parliament that any facilities applied for be approved or denied by the National Energy Board, so we don't have discretion in that respect. The discretion we have is in the process we use and how long we take to look at it.

Mr. Blaine Calkins: So it's broader than simply turning the flow in the pipeline around.

Mr. Gaétan Caron: That's right. There are some valves and fittings, and they are all within company property lines. There's no new right of way, but the farmers and the landowners have expressed concern to us about this thing that they call “reversal”, which also has some hardware to be proposed. We have a duty in law and conscience to listen to them.

Mr. Blaine Calkins: That helps me a lot. I appreciate the explanation.

Mr. Reid, the question I have for you, sir, is that you said in your testimony that the nature of the agreement of the Mackenzie Valley pipeline would be beneficial for aboriginal people throughout the area there. Is that correct? Did I hear you correctly when you said that?

Mr. Robert Reid: Yes, that's correct.

Mr. Blaine Calkins: The question I have for you is about the nature of the agreements with the first nations, between the proprietors, and so on. Is it an equity position? Is it payment, like you would have for landowners for easements?

What's the nature of the funding model that would be putting money into the hands of aboriginal people? Does it put the money in the hands of bands, or does it actually put the money in the hands of aboriginal people on the ground?

Mr. Robert Reid: Thank you. That's an excellent question, and I'm going to break it in two.

We have a hat to wear as an owner, and then, quite separate from that, there were access and benefit agreements negotiated with each aboriginal group along the route. So with respect to our owner's hat, we have a one-third share in the pipeline, and the condition on which we have that share is that we have to pay for it. We have to finance that share on our own. There was no gift from our partners whatsoever.

We're paying our way, and in return for that we actually have two seats at the board table of the Mackenzie gas project and we participate in all of the committees—the environmental committee, regulatory committee, technical committee, commercial committee, and so on. In that way, we're able to actually influence how this project develops and moves forward. We have had a direct impact on a number of processes, where the desires at the community level have been brought to the board table and resolved successfully.

In terms of access, Imperial Oil is the project manager, and they negotiated access and benefit agreements with each aboriginal group down along the pipeline route. We, as an owner, were conflicted in those discussions, and did not take part in those discussions. They were successfully concluded with three out of the four groups, and the fourth group is very close.

• (0945)

Mr. Blaine Calkins: Thank you.

My last question is for you, Ms. Krause. I would like to know exactly what the difference is between the reporting mechanisms that you found in Canadian reporting through CRA and the tax reporting in the United States. Could you give us a little bit of detail on what the difference was that allowed you to do your investigation?

The other question I have for you is an opinion question. In your opinion, if it was found that large Canadian charitable foundations were seen to be heavily investing in charitable organizations, or transferring massive amounts of money from Canada into the United States to influence United States domestic policy, what do you think the reaction would be of the United States Congress?

Ms. Vivian Krause: To answer your first question, in what are called 990 tax returns of 501(c)(3) charitable foundations, they're required to report a couple of things. One is the grants that they make—the recipient, the stated purpose, the amount, and the date. If that information were publicly available from Canadian foundations then, for example, we'd know what Tides Canada has done with the \$60 million that it got from American foundations.

Another important piece of information is who is being paid, in terms of the PR firms and other for-profit businesses that are funded.

In the U.S., charitable foundations are required to report the five highest payees or contractors, and the amounts that they were paid. They're also required to report the names and the exact amount of the salary of the five highest-paid employees. So it's those three things—the grants and the details of the grants, the details of the highest-paid contractees, and the details of the highest-paid employees.

Perhaps I could answer your second question by telling you that in July of last year I was invited to New York by a small American think tank, the Atlas Economic Research Foundation. They convened a meeting with some of the top American journalists in the New York area who cover the energy sector—people from *Forbes*, *Fortune*, the *Wall Street Journal*, and others. They said to me, "What's going on? Don't you have any lawyers in Canada? Why aren't you suing these foundations?" They couldn't believe that we were just letting this happen. One guy told me that unless you get your lawyers down here, they're just going to be laughing all the way to the bank.

That was their reaction. As far as Congress, I don't know, but I can tell you that was the reaction of the journalists around the table when I met with them in New York.

The Chair: Thank you, Mr. Calkins and Ms. Krause.

Go ahead, Mr. Stewart, for five minutes.

Mr. Kennedy Stewart (Burnaby—Douglas, NDP): Hopefully I'll get through three questions, and they're all to experts here from the National Energy Board.

I was wondering if you could walk us through the expropriation process that may be followed when a general route is approved, yet there are local landowners who do not want to give up their land to have a pipeline laid through. If a landowner refuses to give up land, what happens? Could you just walk us through that?

Mr. Gaétan Caron: What I can do is go through the process that would happen if it ever occurred. It has not happened in recent memory. I cannot cite an example for you of when it happened.

Typically landowners, if they have participated in the certificate phase when it is a general route, will have perhaps expressed their concerns about the route or whether there will be a pipeline or not. Then if the board issues a certificate with the approval of Governor in Council, if there is a difference of view between the landowner and the company, we then administer a detailed route proceeding where the fine-tuning, if you like, of the route of the pipeline can be discussed. Again, an independent panel of board members can have the authority to change the location either within the landowner's property or around it, now affecting a different landowner. You can imagine the ripple effects this can have.

If the issue is in part or totally compensation for the disturbance on their land, there is a separate process administered by the Minister of Natural Resources Canada. We do not administer the part of the dispute, if you like, that is about money.

In the end, if all else fails, including compensation by the company to the landowner, there is an expropriation process that, honestly, I can't tell you much about today because I've never seen it in action. Either the route gets relocated, because people of goodwill find a solution, or there is enough compensation to move the topic to a different one between the landowner and the company.

I hope that's responsive, at least in part.

• (0950)

Mr. Kennedy Stewart: Yes, thanks. I might follow up in a second.

I was looking through your landowner guide that you publish on your website. I'm just trying to get a sense of a right-of-way. The landowner guide indicates that you require between 40 feet and 100 feet beside any pipeline that's laid. And then there is a safety zone that has to be 100 feet on either side of that, so it could be a swath of land of up to 300 feet.

Does the company have to own that entire 300 feet, or maybe you can...?

Mr. Gaétan Caron: I'll let Mr. Smyth supplement my answer. I'll be brief and I'll have him give you more specific numbers.

For the pipeline, you have the right to have the pipeline occupy the land of the landowner. You don't need to own it, but you must pay for the right of being on the right-of-way, and it is something over which the pipeline company can, subject to a land agreement, operate its vehicles for operation and maintenance or emergency response.

Beyond that, there is a safety zone in the act, administered by us and issued by Parliament, that is to keep people safe, and before anyone can do things on that safety zone, in some circumstances they have a duty to call the company—like a “call before you dig” kind of approach—with possibilities for exemptions for that, as long as there is a protocol approved by the board for that.

For the specific lengths, I'll let Mr. Smyth give you a bit more detail if you would like to hear it.

Mr. Patrick Smyth (Business Unit Leader, Operations, National Energy Board): As to the right-of-way itself, it's going to depend on the diameter of the pipe, the terrain it crosses through, and a number of other variables. The right-of-way itself could be from 4 metres to 12 metres, typically; and then from the edge of the right-of-way out on either side would be the safety zone of 30 metres. So for any activities that a landowner would intend to do within the safety zone and certainly in the right-of-way, there is a requirement to contact the company.

Mr. Kennedy Stewart: Could I just move that along? So we have an idea of the expropriation process and the width required for rights-of-way. For example, I have the Kinder Morgan Trans Mountain pipeline passing into my riding. I've traced it back, and it goes through 15 first nations reserves.

I wonder what the process is when it comes to reserves. I've looked at the pipeline, I've walked along a lot of it, and it comes very close to different houses, probably within this right-of-way, so there would probably have to be some kind of extension if they were going to dig the whole thing up and then lay another pipe next to it.

I just wonder how that works within first nations. There is a First Nations Land Management Act—two different ways that first nations administer their land—and I just wonder if you could fill us in a bit on how that works.

Mr. Gaétan Caron: Thank you.

For the original pipeline, it would have been something sorted out at the time the first pipeline was proposed and certified with the board, with all the protocol that was described to you of negotiating a location and compensation.

If there is a pipeline twinning proposed—we call this a pipeline loop—then the process starts over again. It is the responsibility of the company to engage early with aboriginal people and other Canadians to see whether there can be an arrangement between the people and the company in terms of the technical aspects and the compensation aspects.

NEB staff will be part of the process if we are invited to explain the rights of people, the rights they have under the legislation and Canadian laws. If a dispute occurs, then it's a panel of board members who will hear the case.

Mr. Kennedy Stewart: In the end, who has the right to decide what happens with that land? Because it is crown land on reserves.

Mr. Gaétan Caron: To the extent that it's a legal question we'll refrain from answering it. But for the purpose of an NEB Act pipeline being certified, if the Governor in Council approves a recommendation in a report to certify a pipeline, the pipeline is a necessity in the public convenience and it has the right as a pipeline to be there.

Mr. Kennedy Stewart: So you could see a possibility with Kinder Morgan twinning or with Enbridge where the crown would order land to be released from reserves for this pipeline.

Mr. Gaétan Caron: I don't know that I could speculate on that. I don't know the exact process that one would follow. I do know both the crown and the companies, and we have responsibilities to consult and engage and listen to aboriginal peoples before anything is done.

Mr. Kennedy Stewart: I always think the devil's in the details. In the end, who has the absolute say? You're saying that it's crown land and it would be the crown that has the final say over any dispute.

Mr. Gaétan Caron: I did not say that, because a better answer would be I don't know if it is a legal question.

Mr. Kennedy Stewart: But you're the head of the NEB. How could you not know that?

Mr. Gaétan Caron: I know we have the final say whether we will recommend that a certificate be issued or not.

Mr. Kennedy Stewart: I understand.

Mr. Gaétan Caron: If the certificate is approved by the Governor in Council, that's the law of the land.

• (0955)

Mr. Kennedy Stewart: Okay.

Mr. Reid, do you have any comments about who has the final say on first nations reserve land in terms of access?

Mr. Robert Reid: I would agree with Mr. Caron's characterization. In our case, Imperial Oil, on behalf of the pipeline owners, negotiated access and benefits agreements with each of the aboriginal groups. Three of the four are completed. The fourth is still outstanding.

Mr. Kennedy Stewart: I bring it up because—

The Chair: Mr. Stewart, you're out of time.

We'll go now to Mr. Jean for up to five minutes.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

Thank you to the witnesses attending today.

I do believe, Ms. Krause, that these radical foreign interest groups that you speak of threaten our economy and our national sovereignty. There's no question that I firmly believe that Canadians want an independent Canadian decision by Canadians in the best interests of Canadians. These groups' interference in our national agenda does not help anything.

I will say I am from the oil sands. I am from northern Alberta. I'm a registered trapper. I also have a science degree. My big thought in life was that I was going to be an environmental lawyer. I was a lawyer but I returned to the oil sands and practised there for many years. I have a trapline within three miles of an oil sands plant. I have a trapline cabin three miles away from Nexen, which operates up there. I can assure you, based on what I've seen, the environmental integrity of the oil sands is much superior to that found in the United States, especially in California, Venezuela, Africa, and just about any other place I've seen pictures of and visited first-hand. They are doing a great job up there.

And they are doing a great job employing Canadians. Many Canadians from right across the country work up there. When I moved there in 1967, there were 1,500 people there. Today there are over 150,000. People from the Nickel Belt, in fact... Maybe that's why Mr. Gravelle is so angry, because a lot of people from his riding have moved up there temporarily or part-time. Indeed, these people make \$150,000 per year and take the money back. In fact 5,000 Quebeckers and many others live in my riding.

I do have some questions in relation to these charities. I had a chance to meet with Tides Canada last week. They told me in no uncertain terms that they do not have anything to do with Tides USA and they did not receive money from them. I talked to CRA last week as well. They told me that on the website they have in Canada they do list the salaries of the ten highest-paid people, but not the people in particular, and they don't list contractors, which I suggested they should do.

How do they get the money into Canada? I don't know who they do it to; I'm not a forensic accountant. But I'd like to know who they get the money to, whether it's other charities, as you mentioned, or whether it's bands or chiefs or lobbyists, and how they get it into Canada. Certainly I would like to look at legislation to stop these people from bringing in the money, doing so either through disclosure or otherwise stopping them from interfering in Canadian interests.

Ms. Vivian Krause: I can show you—in fact, it's posted on my blog—the excerpts of U.S. tax returns showing that the U.S. Tides Foundation has paid Tides Canada over \$4 million. You can also go to the website of Bullitt Foundation and you can see for yourself that the Bullitt Foundation has paid Tides U.S. over half a million dollars for projects of Tides Canada.

Mr. Brian Jean: Okay. Does Tides Canada get directly involved in opposing these applications, for instance the Northern Gateway in particular? Right now we sell our oil for \$12 per barrel less than

what we should get for international pricing. As we have no other route to sell this oil to, we sell it to the United States. So we sell it at a \$12 discount, and that has to stop.

Ms. Vivian Krause: The second question you asked me was how does the money get into Canada.

What I see happening is that some Canadian charities, including Tides Canada, have equivalency status in the U.S., so essentially they're like American charities. What happens is, the American foundations make grants to Tides Canada to its U.S. side. They take money in on the U.S. side. Now, in Canada, Tides Canada has two entities. It actually has three, but two of them are active. One is the Tides Canada Initiatives Society and the other is Tides Canada Foundation. So the Tides Canada Foundation takes money in from the U.S. and then transfers it over to the Tides Canada Initiatives Society. Now, that doesn't report back to the U.S., so the activities of Tides Canada Initiatives Society, as I understand it, are not reported to the U.S., which raises another whole set of questions.

Mr. Brian Jean: So how do they disburse the money to interfere in our interests?

Ms. Vivian Krause: I see two things happening.

One, the vice-president of Tides Canada did an interview with CBC *As it Happens* a couple of weeks ago, and she said that Tides Canada does not have a position against the Alberta oil sands. I regret to say that doesn't ring true for me, because I look at the projects that Tides Canada is funding, and I also look at the places it accepted donations from. For example, Tides Canada has accepted, if I'm not mistaken, almost \$1 million, at least five grants going back at least five years, from the Oak Foundation.

Now, the Oak Foundation, just to give you one example, has funded ForestEthics to get at least ten Fortune 500 companies to disavow Alberta oil and to put pressure on American regulators to create disincentives for the Canadian oil industry. Tides Canada has received money from many American foundations that are funding the tar sands campaign, the campaign against Canadian oil. I don't see how they can say they have no position against our energy industry, yet they're accepting funding from the foundations that obviously do.

Secondly, they have funded the groups that are running the campaign. For example, just one grant to ForestEthics was for over \$700,000. Now, ForestEthics, the CEO of Tides Canada said a couple of weeks ago, is a project of Tides Canada. Another three groups are funded under the name of the Rainforest Solutions Project. Tides Canada funds Greenpeace under the Rainforest Solutions Project.

• (1000)

The Chair: Thank you, Mr. Jean.

Mr. Brian Jean: I know my time is up, Mr. Chair. On a point of order, though, I'm just wondering, if the witnesses have any solutions on what legislation to propose to stop this type of funding or disclosure, if they could provide that to the chair and it could be circulated to the members.

The Chair: Certainly. The witness is free to do that at any time.

Madam Day, up to five minutes. Go ahead, please.

[Translation]

Mrs. Anne-Marie Day (Charlesbourg—Haute-Saint-Charles, NDP): I want to thank the witnesses for being here today. It is a pleasure to have you.

Like many Quebeckers and Canadians, I obviously support protecting the environment, creating jobs and ensuring sustainable economic development for future generations. I will direct my questions to Mr. Reid.

Internal documents, obtained in January under the Access to Information Act, show that the Harper government has explicitly identified environmental and aboriginal groups as adversaries to the increase in Canada's tar sands exports. What is your take on the information in those documents?

[English]

Mr. Robert Reid: I'm not familiar with those documents. I just would like to point out that the Mackenzie Valley pipeline is a natural gas pipeline and not related in any way to the Canadian oil sands.

[Translation]

Mrs. Anne-Marie Day: How important would you say the duty to consult was to the aboriginal communities involved in the Mackenzie Gas Project?

[English]

Mr. Robert Reid: The duty to consult for the Mackenzie Valley pipeline was handled in a very thorough manner, firstly by an extremely thorough regulatory process, and secondly by the consultations resulting from the access and benefits agreements negotiated with each of the groups.

[Translation]

Mrs. Anne-Marie Day: What role do you think the duty to consult played in the success of aboriginal communities' positive involvement in this project?

[English]

Mr. Robert Reid: In our case it was handled a little differently, because it was the aboriginal people who took the initiative and approached the producing companies to obtain an ownership share in the pipeline.

The usual case is for the producers or oil companies to approach the aboriginals. In this case the tables were reversed: the aboriginal people needed to establish an economic base for the Mackenzie Valley, and they recognized the opportunity available by participating in an ownership in the Mackenzie Valley pipeline to give them a revenue stream for many years to come. So the duty to consult was actually a little bit reversed in this particular case.

[Translation]

Mrs. Anne-Marie Day: How would you feel if the duty to consult were to shrink significantly in scope or disappear altogether? As it stands now, there is a duty.

[English]

Mr. Robert Reid: We certainly do not support eliminating the duty to consult in any way. It's a very important piece of legislation

that requires anyone entertaining development on aboriginal lands to go through a detailed consultation process. We support that process, and we do not support eliminating it.

• (1005)

[Translation]

Mrs. Anne-Marie Day: Thank you.

I will now hand the floor over to Mr. Gravelle if he has any follow-up questions regarding the discussion he started this morning.

[English]

The Chair: Go ahead, Monsieur Gravelle.

Mr. Claude Gravelle: How much time to I have?

The Chair: You have a minute and a half.

Mr. Claude Gravelle: Thank you.

I have a question for Mr. Reid.

The first public information sessions on the Sarnia Terminal, Line 9, are taking place February 7 to 9, right now. Can you tell me where these sessions are taking place, what's going on, and who's testifying at these?

Mr. Robert Reid: I believe that question should be directed to Mr. Caron.

The Chair: Go ahead, Mr. Caron.

Mr. Gaétan Caron: I'd love Mr. Reid to answer this, but I don't think he can.

In fact, as we speak, our staff is gearing up towards going to communities along the right-of-way of the pipeline that was talked about earlier today. There is the pipeline reversal, Line 9, which is not only a reversal but also some facilities. All are on existing company properties, but some people are concerned, so our staff is out there to explain the process and help them identify whether they want to ask for support through our participant funding program.

This is going on as we speak, sir. Your information is correct.

Mr. Claude Gravelle: Where are these taking place?

Mr. Gaétan Caron: They're taking place in various communities along the right-of-way of the pipeline where people have expressed concern.

I could give you the names of the communities. I could send those to the clerk, if you want the specific towns. Would that be helpful?

Mr. Claude Gravelle: Yes, please. I'd appreciate that.

Mr. Gaétan Caron: Okay, we'll do that promptly after the meeting today.

Mr. Claude Gravelle: All right. That's good.

The Chair: Thank you, Monsieur Gravelle.

We now go to Mr. Hawn for up to five minutes.

Hon. Laurie Hawn (Edmonton Centre, CPC): Thank you, Mr. Chair.

Thank you to our witnesses for being here.

First of all, I want to say that I'm impressed that Mr. McGuinty watches Glenn Beck, but that's an aside.

Monsieur Caron, the duty to consult was brought up, and everybody, of course, would agree with that.

With respect to intervenors, times, and that whole process—and each case will of course be different—there's been some discussion about the number of intervenors for the Northern Gateway project, the time it's going to take, and so on. Is there a reasonable time and a reasonable number *grosso modo*? Would you have an opinion on that for a project like that? Should it be open-ended and go forever, or should it be limited?

Mr. Gaétan Caron: I will not subscribe to the “go on forever” part of your questions.

I'd say it's situational. I don't think I can provide you with the *grosso modo* perspective.

The Northern Gateway panel in fact is an independent panel, combining NEB and the Canadian Environmental Assessment Agency, so I must not talk about the content of that proceeding, because I would be interfering with their independence.

But your question is general, and to answer I think I can just say, honourable member, that our method is identical to the participant funding program administered by the Canadian Environmental Assessment Agency. It's really a “copy and paste”. Separate from the NEB panel hearing the case, we have a panel deciding how much money advisory groups will receive using transparent and open criteria for relevance and utility of the contribution to the case.

Hon. Laurie Hawn: Is the length of the process at least partly dependent on money?

Mr. Gaétan Caron: No, that has more to do with the extent to which an intervenor is supported financially.

How long a process takes is always based on an independent decision of the panel hearing the case. Three members designated by the board will decide how much public concern there is, what part of this is in fact technical as opposed to other things, and what can be addressed under the board's jurisdiction. For people's questions, the board has never had a time limit, as long as questions are not repetitive and are relevant.

Hon. Laurie Hawn: Right. I think that would be the key.

With respect to environmental assessments, how many do we need? I ask because previously we've had the federal government do one, the provincial authorities do one, and so on. It seems fairly duplicative. Is one rigorous environmental assessment enough?

Mr. Gaétan Caron: I'd say so.

I'd say in our jurisdiction, honourable member, I don't know if we've been lucky or if the NEB Act is well structured, but we seldom come across a case where a province and the NEB would conduct an environmental assessment separately. The record, so far, shows that we haven't had that.

The overlap has been more within the board itself, having a duty under its own act to do an environmental assessment, and having some of the process requirements of the Canadian Environmental Assessment Act, which I think, in my mind, was one of the answers I gave to your colleague here. I think that sometimes, within the federal family, processes that have to do with administration rather

than content distract us from looking at the environment, the remediation, and the mitigation.

• (1010)

Hon. Laurie Hawn: Good, I appreciate that.

Mr. Reid, in terms of the process, the Aboriginal Pipeline Group model—and maybe you have an opinion or maybe you don't know enough about the Northern Gateway to have an opinion—do you think that's a good model for proceeding with the Northern Gateway pipeline?

Mr. Robert Reid: I can tell you that in our case the model has worked and continues to work well. There is a difference between the model that we have—the APG model, I'll call it—for ownership, and the model that Enbridge has proposed for aboriginal ownership in the Northern Gateway pipeline. In our case, it's a true one-third ownership interest with participation on the boards, as I described earlier, and input into the various committees.

In the case of the Northern Gateway, Enbridge has proposed what's called a carried interest, where the aboriginals are given the interest, but they don't have any participation on the board or a say in the project, as we do.

Hon. Laurie Hawn: But in terms of establishing an economic base, would it have the same general impact?

Mr. Robert Reid: At the end of the day, in terms of the sheer revenue, yes, the models would be similar in that case.

Hon. Laurie Hawn: Okay.

Ms. Krause, I have a question for you, and obviously it's going to be an opinion question, or an opinion on your part. With the money that's coming into Canada to influence the process, and we've talked about who that money is targeting, is it targeting politicians—and I'll put an opinion in your mouth and you can agree or disagree—or is it targeting first nations specifically to get them to resist, because they can be much more effective resisting something like this than other groups? Who's the target for that money?

Ms. Vivian Krause: I think what I've seen is that the target is to influence politicians indirectly by shaping public opinion and by getting media coverage that puts pressure on politicians to make certain decisions. I think I have seen grants specifically to influence regulation. One that comes to mind, and I testified about it last time I was before the committee, is that the Bullitt Foundation funded the Dogwood Initiative and other projects supported by Tides Canada, and I quote, “to mobilize urban voters for a federal ban on coastal tanker traffic”.

Days after I testified to this committee about that grant, the Bullitt Foundation rewrote the grant. Since I've been doing this research, seven foundations have rewritten or removed their grant information about specific grants.

The Chair: Thank you, Ms. Krause, and thank you, Mr. Hawn. Your time is up.

We go now to Ms. Péclet for up to five minutes, please.

[Translation]

Ms. Ève Péclet (La Pointe-de-l'Île, NDP): Thank you.

I would also like to thank the witnesses for being here today. Since I have a lot of questions, I will ask you to keep your answers brief and concise. The first one is for Mr. Caron.

One of the NEB's main objectives is to ensure that Canadians benefit from the infrastructure and economic spinoff created by the energy sector. Do you study that aspect? Do you assess the economic viability of a new pipeline for the Canadian market, regardless of the project? Do you mostly assess the impact on the refining sector? Many years ago, people began to realize that these energy policies were detrimental to the refining sector.

Mr. Gaétan Caron: Honourable member, any application we receive is first and foremost a request from a company seeking our approval. Those companies have a duty to provide us with any information we deem pertinent to environmental, social and economic issues.

With respect to sustainable development, our job, under the act, is to examine the three sides of sustainable development and make a decision. We envision what approving and denying the project would mean for Canada. Then we determine which of the two scenarios—in other words, one where the permit is granted and one where it is not—as well as the conditions we could impose, would benefit Canadians more.

Ms. Ève Pécelet: Okay.

I would like to pick up on what my colleague said about barrel price. He talked about a \$12 to \$13 increase. I would like to hear your thoughts on that. Clearly, that would lead to an increase in the price of gas. Would you not say that consumers are paying enough as it is? I would just like to know where that information comes from and how it is possible to predict that the price of a barrel will go up \$12 to \$13.

●(1015)

Mr. Gaétan Caron: I will answer that indirectly. The NEB does not do separate studies on those kinds of issues. It does an overall assessment of the supply and demand market in Canada. However, if a phenomenon like the one you described were to occur, the cause would be what is known as a market imperfection in economic terms, in other words, inadequate transportation between those producing the economic or energy commodity and those wanting to purchase it.

If you impose a constraint between the two, you are creating a market distortion and thus diminishing the result you would have gotten with economic efficiency in a competitive marketplace. I would say there is a social consensus that economically efficient markets are seen as being in the public interest of Canadians.

Ms. Ève Pécelet: I agree completely. That is why energy policies should focus on the domestic market. We know that only 11.9% of refined oil in Quebec comes from Canada. The rest likely comes from Europe or countries in Africa. So I fully appreciate that we should focus on our market here at home before we develop numerous oil pipeline projects to export our crude oil and create jobs in Canada.

All that to say that I am coming back to the consultation process Ms. Krause mentioned. She talked about—

[English]

open and fair participation of the public in the process.

[Translation]

I would like to know whether the minister gave you any indication of the amendments he planned to make. In light of the current economic situation, would you not say that it is extremely important for the public to have its say? The objective is to speed up the process, but the hidden objective is to keep people from expressing their views, is it not? Have you received any indication of that?

Mr. Gaétan Caron: I can only speak for us, honourable member. Our job, in terms of applying both legal and conscience-minded principles as a quasi-judicial body, is to listen to Canadians. By the same token, we don't want to spend ages reviewing the issues that come before us. We must provide Canadians with an efficient and effective process. It is never an easy choice, but it is fundamentally important to have a process that gives the decision makers—

Ms. Ève Pécelet: So you have not received any indication as to the amendments on the way.

Mr. Gaétan Caron: I read newspapers like everyone else. As I already said, what people tell us during hearings is what we are bound by. People identify themselves as intervenors or parties wanting to make comments. We listen to what they have to say and we take it into consideration. That is the one and only way to exert influence on our work.

[English]

Ms. Ève Pécelet: My last comment will be for Mrs. Krause.

I understand your point of view, but the Government of Canada also accepted millions of dollars from big oil companies to lobby in Europe for oil sands. It would be nice, and more neutral, for you to do that both ways, for the people who want to defend the environment and for the government that accepted money from companies to lobby in Europe. We should see what that money was put into. That's it.

Thank you very much. I'm done.

The Chair: Merci, Ms. Pécelet.

Mr. Anderson, up to five minutes, please.

Mr. David Anderson: Mr. Chair, I think when we take money from companies that's called taxation. It pays our social programs, and all of that as well.

Mr. Caron, I would like to come back to Mr. Calkins' question. He talked about your involvement in the reversal of the pipeline. What is the trigger for you to get involved? Is it any physical change at all, or is it any call from the public? I'm interested in when you become involved and why. Then, are the requirements right now practical and necessary? Do they need to be that way, or are there some changes we need to make?

Mr. Gaétan Caron: The first trigger is that there be an application for a part of a pipeline. The word “pipeline” is defined in the act. We have a legal interpretation that says if you want to add valves and fittings and modify the physical configuration of a pipeline, aside from flow reversal, you must file an application. That was filed with us by Enbridge.

Mr. David Anderson: Are these only interprovincial pipelines?

Mr. Gaétan Caron: Well, in that case it's part of an interprovincial and international pipeline. Enbridge is a whole interconnected grid of pipelines all over the place, from Alberta all the way to Quebec.

Mr. David Anderson: But when I have local pipelines between wells and to storage areas and that, you have no involvement in those kinds of things.

Mr. Gaétan Caron: If it is a local work and undertaking, with the provinces of Saskatchewan, Alberta, B.C. notably, and Ontario as well, that is provincial jurisdiction. That's right.

If the purpose is to extract the resource, which is a provincial authority in the Constitution, and deliver it to a federal pipeline, that's provincial.

• (1020)

Mr. David Anderson: So you get involved when it crosses provincial lines.

Mr. Gaétan Caron: That's right.

Mr. David Anderson: So any change—they're changing three valves—requires a set of hearings in front of you.

Mr. Gaétan Caron: No, that was the second part of my answer. The choice of there being a hearing or not is a discretion that board members who sit on the case exercise. That is based in part on the degree of public concern about the project and their own expert opinion as to whether there could be environmental, safety, or economic impacts by the proposed project. It's a discretion exercised on a case-by-case basis.

There's no obligation for a section 58 application like this to have a hearing; it is discretionary. If a pipeline has more than 40 kilometres, the act says it must have a hearing under section 52 of the National Energy Board Act. So 40 kilometres is the cut-off point under the existing legislation that you passed back in 1959.

Mr. David Anderson: Can you tell me this? We had some discussion about the utilization of refineries and the level of capacity they're running at in Canada right now. We heard it's a percentage in the low 80s or 83% or whatever. I'm just wondering if you have an estimate on the utilization of our oil and gas pipelines in Canada in the present. I guess there's a difference between oil and gas because of the markets right now. But do you know what that utilization rate is for each of them?

Mr. Gaétan Caron: I'd like to give you a qualitative answer and undertake to give the clerk more specific numbers, if it's acceptable to you.

I'd say some gas pipelines are underutilized right now because of the evolving nature of the western Canada sedimentary basin. Oil pipelines, for the better part, are working at or near capacity, which explains why we have a series of applications coming our way—in the past, in the present, and I think in the future. But if it's acceptable

to the chair, we'll provide the clerk with more specific numbers on the degree of utilization of gas and oil pipelines. You mean the major ones, I suppose, not all the small pieces of pipe.

Mr. David Anderson: Yes. Do you know what utilization rate the industry likes to see? We were told that for refineries it's approximately 95%, which they see as their prime utilization rate. Do you know what it is for pipelines?

Mr. Gaétan Caron: I don't think there's a target rate. Depending on the method of tolls and tariffs, I think the market understands a pipeline cannot be always full if the demand side is variable, subject to storage. I don't think there's a fixed number. It's obvious that everybody benefits from a pipeline moving all the capacity it can, because the cost per unit of gas or oil is reduced the more you utilize it. So I'd say 100% is desirable. It's actually happening on some oil pipelines right now, including Kinder Morgan, I believe. Gas pipelines are a different story, where you've got quite a bit of space that could be occupied if there were either more supply or more demand for the gas.

Mr. David Anderson: Thank you.

I'll go back to Ms. Krause. The U.S. has an interest.... Mr. Jean made a comment about our oil going into the United States at a discount. The Alberta government has said that if we get access to another market, the difference in that amount for which we'd be able to sell our oil is going to be in the tens of billions of dollars. When you talked this morning about economic interest, you talked more about the renewable energy industry being involved perhaps in some of this discussion, about their concern about U.S. energy security. Have you heard anything, or do you get any impression that some of this lobbying is being done in order to maintain that discounted price they get on their oil?

Ms. Vivian Krause: Nothing, no.

If I may, I would just like to mention one thing. Looking at my notes in response to Mr. Hawn's question earlier, I think it's an important point for the committee. I mentioned that the Oak Foundation had made several grants to Tides Canada. In fact it was four grants since 2005, for almost \$900,000. But here's the thing. The Oak Foundation specifically funded the West Coast Environmental Law Research Foundation, and I quote, “To constrain the development of Alberta's tar sands by establishing a legislative ban on crude oil tankers on British Columbia's north coast”. Then they say: “The desired result would be a permanent legislative tanker ban and cancellation of the Enbridge Northern Gateway Pipeline.”

Also, they funded Greenpeace for something called the “Stop the tar sands campaign”. The Oak Foundation says:

This will result in the withdrawal of two institutional investors from the tar sands by 2012; the disengagement of Norway's Statoil and Britain's BP from the tar sands project; the end of tar sands subsidies from the Government of France....

The Chair: Thank you.

And thank you, Mr. Anderson.

Mr. Trost, you have up to five minutes.

Mr. Brad Trost: Thank you, Mr. Chair.

I want to follow up with Mr. Reid on a few questions about the Mackenzie pipeline.

Coming from western Canada—and I know other parts of the country always find this a bit strange—we have a bit of a labour crunch, and even with Canada's rather robust immigration numbers, that's going to be difficult to handle. You were talking earlier about how this could secure long-term employment for aboriginal populations in your area. With that in mind, what is being planned to take advantage of it? Beyond construction jobs, which will not be long-term career jobs, what would be the long-term advantages for the region involved? Because the bulk of the jobs will be construction rather than maintenance.

• (1025)

Mr. Robert Reid: Thank you for the question.

Let me give you a very specific example. Several years ago, APG was instrumental in developing the aboriginal training program to ensure that aboriginal employees would be trained and ready to operate the pipeline. This was a program that consisted of both an academic stream and a work term, on-the-job training program with two streams, one for technicians and one for journeymen.

We attracted close to 50 aboriginal students from high school. They entered the program, a four-year program, and it was planned that they would be up and ready to go in 2009, when the pipeline was scheduled to go into operation. Unfortunately, they were up and ready to go, but the pipeline wasn't.

Those 50 students who became trained pipeline operators are now dutifully employed in Alberta, so from that point of view, the program was both a success and a failure, because our objective was to try to attract and train local aboriginals to have them employed in their homeland.

We would expect to look at a similar program timed this time for the new in-service date, which is in the order of 2019 to 2020.

Mr. Brad Trost: How are you going to be able to make sure you get the skilled labour? I'll go back to my experience when I was looking for diamonds in Paulatuk in the northern tip of the Mackenzie region. We had shortages in even getting people to help us with setting up pickets. I was a junior geophysicist on the project, and I remember the day the senior guy and I were billing \$600 or \$700 a day just to write "N 25" and "S 20" on some pickets.

So I understand it; the guys who are trained and skilled are already working and hustling businesses like there's no tomorrow. But what are you going to be able to do for...? Is there going to be a large influx of outside labour that may cause social issues in those areas? What is the overall plan for dealing with the boom that may happen?

Mr. Robert Reid: There's no question that during construction there will be a high degree of imported labour from the south. That is going to happen. There are only 45,000 people in the entire Northwest Territories.

Mr. Brad Trost: Actually, there are 41,000, according to the latest census data.

Mr. Robert Reid: Okay. I stand corrected. In any case, there will be a large quantity of jobs imported, and skilled labour imported, to construct the pipeline.

The problem you're referring to is a very real problem—that is, encouraging aboriginal youth to stay in high school and complete

their high school education. It's a huge problem, the dropout rate up there. That comes back to the fundamentals of APG's involvement in the project. APG is not just a flash-in-the-pan, short-term-gain type of operation. We will produce a revenue stream for our aboriginal shareholders for as long as gas flows through the pipe. It's the intention of our shareholders to use that money to create better opportunities and a better way of living for aboriginal youth.

That goes to education. It goes to on-the-job training. It goes to creating employment opportunities, not just on the pipeline but elsewhere, because if they have the education and the training, as you point out, they'll get a job.

Mr. Brad Trost: So if environmental groups like the ones Mrs. Krause was talking about started to target your pipeline project there, that would have a negative social impact on the aboriginal communities in the area of the Mackenzie Valley—if, say, they would start to spend money to stop your project the same way they'd be going after the oil sands.

Mr. Robert Reid: Yes, that would have a very definite negative impact on not just the pipeline but the aboriginal communities along the route. The aboriginal communities have no economic base at the moment. They desperately need this pipeline to create an economic future.

• (1030)

The Chair: Thank you, Mr. Trost. Your time is up.

We go now to Mr. Stewart for five minutes.

Mr. Kennedy Stewart: Thank you, Mr. Chair.

Mr. Reid, I found a bit of your testimony earlier quite interesting. You were saying that the key difference between Keystone and Enbridge would be that those are instances of companies going to first nations and saying "We'd like to run a pipeline through your territories", whereas in the Mackenzie Valley it was the first nations going to the company and saying "We'd like to help build this project". Is that correct?

Mr. Robert Reid: Yes. The roles were reversed in our case, very definitely.

Mr. Kennedy Stewart: You said that it took six years, from beginning to end, to get this approved. Do you think that helps speed up the process, because there was this amicable relationship?

Mr. Robert Reid: The regulatory delay, as I mentioned, was due to the joint review panel that was established to review the environmental and socio-economic aspects of the pipeline. That panel ran into a number of issues. It's difficult, because under the land claims settlements, the jurisdiction for environmental review was passed from CEEA on to a number of regional land and water boards and environmental review boards. There would have been a total of about 12 or 14 different agencies, all with equal regulatory authority over the project. So they created a cooperation plan.

The NEB was involved in that, back in 2002, I believe. The idea was good. It was to amalgamate and have NEB and joint review panel hearings proceed over different aspects of the project. Where it ran astray, and I have some personal recommendations here, was that, first, the joint review panel was established as an independent review agency, accountable to no one. It needed to be administratively accountable to someone. The panel members were paid by the day, with no cap. There was no incentive for them to move along quickly.

Second, the panel members needed to be properly qualified, and in this case I think they fell short of the mark.

Third, they needed to be backed up by qualified staff. And again, in this case they fell short of the mark.

Mr. Kennedy Stewart: Thank you very much for your detail. Can I just move you along?

We've had 130 first nations in British Columbia sign a declaration on the Fraser saying that they are completely opposed to the Enbridge pipeline and they are completely opposed to the twinning of the Kinder Morgan pipeline. It would seem to be almost the reverse situation here. Not only do these first nations who signed the declaration not want the pipeline, they won't even talk to the companies.

I'm just kind of seeing how that plays out. It seems like such a stark contrast. Enbridge kind of barrelled ahead, and the first nations were an afterthought. How do you see that playing out?

I am very concerned. We talk a lot about restricting the consultation process. Coming from British Columbia, we know that there actually can be a number of tensions between first nations and others when they feel that their land is being threatened. Have you put any thought into this or reflected on this at all? I don't think I can read your blog, but I'll take your thoughts here.

Mr. Robert Reid: Well, one important difference between our pipeline and the Northern Gateway Pipeline is that they're an oil line, and we're a natural gas line. I think that probably has something to do with it.

Other than that, there are differences between aboriginals in the north and their needs and desires and aboriginal communities in the south. In fact, there are differences between each aboriginal community and their needs and desires. So it's not a one-size-fits-all solution.

Mr. Kennedy Stewart: I find it very disturbing to hear this kind of accusation that somehow American interests are pushing first nations to oppose different lines. It's totally unfounded. In fact, I've talked with a number of first nations. They are their own people. They are first nations for a reason.

You didn't experience anything like that through your process, any evidence of—

•(1035)

Mr. Robert Reid: There was nothing whatsoever.

Mr. Kennedy Stewart: —so-called foreign money coming in.

I think that's really disgraceful, but that's what one reads on the web.

If we could just move to pipeline leaks—

The Chair: Sorry, Mr. Stewart, your time is up.

We go now to Mr. McGuinty, for up to five minutes.

Mr. David McGuinty: Thanks, Mr. Chair.

I wasn't going to return to this, Ms. Krause, but I'm going to return to it. You said that Canadian environmental foundations are funnelling money through American subsidiaries. Is that right?

Ms. Vivian Krause: No.

Mr. David McGuinty: What did you say?

Ms. Vivian Krause: I've said a lot. I'm not sure what you're referring to specifically.

Mr. David McGuinty: You said that foundation money coming from the United States is actually going into receiving entities in the United States that are effectively wholly owned by Canadian environmental foundations.

Did you say that?

Ms. Vivian Krause: Yes.

Mr. David McGuinty: Under what tax structure in the United States are those foundations...what part of the code? Where is it under the United States code for tax? How are they structured?

Ms. Vivian Krause: I'll give you an example. Tides Canada—and the same applies with the Living Oceans Society—has equivalency status in the United States as a 501(c)(3) charity. Because they have charitable status, American foundations made grants to them, and as American charities, they report to the IRS. The information I have about Tides Canada's spending is all from its American tax returns.

Mr. David McGuinty: Is this illegal?

Ms. Vivian Krause: I believe so.

Mr. David McGuinty: You believe so. Are you a lawyer?

Ms. Vivian Krause: No.

Mr. David McGuinty: Are you an economist?

Ms. Vivian Krause: No, I'm a nutritionist.

Mr. David McGuinty: Are you a transfer pricing expert?

Ms. Vivian Krause: No.

Mr. David McGuinty: Are you a tax lawyer?

Ms. Vivian Krause: No. What's your question?

Mr. David McGuinty: My question is, is it illegal? You say you believe so.

Ms. Vivian Krause: I said I believe so, but that's what I believe. I'm not giving you an opinion as a legal expert.

Mr. David McGuinty: You don't know, do you?

Ms. Vivian Krause: No.

Mr. David McGuinty: Okay. You believe.

You've been asked repeatedly by Conservative members of Parliament to give your opinion. Are you an expert?

Ms. Vivian Krause: Sir, I was asked to come to this committee and provide answers to your questions. I'm doing my best.

Mr. David McGuinty: I understand. You're down as an individual; you're described as a witness who's coming here and appearing as an individual.

Are you an expert? Are you a professor of law?

Ms. Vivian Krause: I believe I've answered your question.

Mr. David Anderson: Point of order, Mr. Chair.

The Chair: Yes, Mr. Anderson.

Mr. David Anderson: This is asinine. Mr. McGuinty should know better than to try to bully witnesses. He should at least show some respect for her. She has come here with information today for the committee. He can at least have the decency to treat her in a civil manner.

The Chair: Thank you, Mr. Anderson.

Mr. McGuinty, you asked your question. It was answered. You have to be reasonable in dealing with witnesses.

Mr. David McGuinty: You're right, Mr. Chair. I think that's why it's important. I'll change the line of questioning, because we have ascertained that Ms. Krause is not appearing today as an expert on any field related to this whole question of foundation structure or American tax law.

I think she's offering opinions. It's good to know that she's offering mere opinion, which is not expert opinion.

Monsieur Caron, you said earlier that NEB is only able—

Mr. David Anderson: Point of order, Mr. Chair.

The Chair: Mr. Anderson.

Mr. David Anderson: I think out of decency Mr. McGuinty should give Ms. Krause an opportunity to respond to what he had to say there. She's done work for five years on one subject. I'd say that makes her probably more of an expert than anyone else in this country, and we've heard that today. Give her an opportunity to respond.

The Chair: Thank you, Mr. Anderson.

Okay, Mr. McGuinty, go ahead.

Mr. David McGuinty: Time is of the essence. I have some important questions for the other witnesses.

The Chair: It's up to you.

Go ahead, please. Each member directs his questions within reason. You need to give a reasonable amount of time for a response.

Mr. David McGuinty: Yes, I'd like to proceed if I could. Thank you.

Monsieur Caron, you said earlier that within the NEB you have to factor in existing policy, existing regulatory standards. I asked you, for example, if there were a national energy strategy or a Canadian energy policy of some kind, whether it would factor in, and you said you were only able to factor in what's effectively in place.

The government has a commitment to achieve 17% greenhouse gas reductions by 2020. Are you factoring that into your work at the NEB? This is a stated policy. They keep repeating that they have regulatory standards that are forthcoming. They say large final

emitters are going to be regulated. They said that five years ago. Are you factoring that in? How do you factor that in?

Mr. Gaétan Caron: Indeed, discussions occur regularly at our hearings on the topic of environmental effects, including the impact of greenhouse gases, of projects that are proposed to us by companies and sometimes supported or opposed by others. We often discuss the impact of a project on greenhouse gases and the degree to which there is a direct connection between, say, the pipeline project and a given environmental outcome.

What we have found in decisions made by board panels in the past was that the connection was not direct. But the topic is debated in front of us, and panels of board members decide based on the merits of what they hear in front of them in the hearing, on the public transcript.

So this is in keeping with what we've heard in the past. Whether it has an impact on the decisions and the reasons for the decision of the panel is something left to them as they decide independently on the case.

• (1040)

The Chair: Thank you, Mr. McGuinty. We are out of time.

Mr. Jean, you had a burning one-minute question...?

Mr. Brian Jean: Three minutes—

The Chair: A one-minute question...?

We have to deal with some business, so we'll have to end the committee a little bit early. We have a motion; I think everyone has agreed to it, but we have to go through the process.

Mr. Jean, we'll hear a short question if you have an urgent one and a very short answer from whomever it's directed to.

Mr. Brian Jean: Thank you, Mr. Chair.

All of this information can be found on the Internet.

My question is going to be for Ms. Krause, but before I start that, I just want to say that there is \$307 billion in tax revenue over the next 25 years out of the oil sands. Some 5% of the total tangible wealth that Canada has is in the oil sands, 25% to 30% of the TSX is in the oil sands, 7% of Canada's GDP is made out of the oil sands, and 44% of all oil sands employment is outside of Alberta.

Ms. Krause, you wanted to make a statement in relation to your research. I have to tell you that I have been very impressed with your knowledge of your file, and in particular your conclusions. If you want to answer Mr. McGuinty's comments, please do so.

The Chair: You have 30 seconds.

Ms. Vivian Krause: Thank you.

For many years, many journalists have looked at foreign investment in industry. They've looked at one side of the issue: they've looked at foreign money going into industry. I've simply put the shoe on the other foot, where it hasn't been put, by looking at the foreign money going into the environmental movement. Frankly, I would look at foreign money going into industries, but so many other people are already doing it. So I've just done what wasn't done.

The Chair: Thank you very much.

Thank you, Mr. Jean.

To all the witnesses, thank you very much. I do appreciate your input. It has been very helpful indeed and this has been a very interesting morning.

If you could, would you sit at the table just for three minutes? Members often like to chat with you afterwards.

We can go quickly to a motion.

Monsieur Gravelle, you have a motion that I think you would like to put before the committee. I believe we can deal with it rapidly.

Mr. Claude Gravelle: Yes. I would move that, notwithstanding the motion of December 14, 2011, the committee meet on February 28, 2012, to commence the consideration of a draft report in relation

to its study on the current and future state of oil and gas pipelines and refining capacity in Canada, and that the final report be tabled to the House.

The Chair: Okay. You've all heard the motion. I've chatted with most of you before. Is it agreed that we go ahead with that motion?

Some hon. members: Agreed.

(Motion agreed to)

The Chair: Thank you very much for your cooperation.

Thank you, members, for your great questions and discussion.

The meeting is adjourned.

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