

## **Hon Mel Knight, Alberta Minister of Energy**

*Lunch at Canada House, on January 18, 2008*

Welcome

Thank you. I'm very pleased to be here.

I'd like to congratulate the Canada-United Kingdom Chamber of Commerce on its 87th Year.

The longevity of this organization is a testament to the quality service you provide, and I appreciate the opportunity to be a part of today's forum.

Energy is a dynamic subject these days. Depending on who you talk to, it's a topic that can lead to heated debate, optimistic enthusiasm and dramatic predictions.

When we discuss Canada's energy, we most certainly mean Alberta's energy.

Today, I'd like to talk about Alberta's energy potential and opportunities.

And because we have recently introduced some changes to how Albertans benefit from our energy industry, I'll also outline our province's new royalty framework.

Of course, I can't talk about energy in Alberta without mentioning our oil sands.

### **Oil Sands and the Environment**

At home in Canada, not a day goes by, it seems, without a story, or a news announcement about the oil sands.

Unfortunately, much of this attention has focused on some myths surrounding development in the oil sands.

This type of attention is new to most Albertans.

To Albertans and Canadians, the oil sands offer the promise of long-term economic benefits, meaningful employment for hundreds of thousands of Canadians, a sustained source of government funding for health care, education and basic public infrastructure and investment in environmental improvements as well as research and development of alternative and renewable energy sources.

We also recognize that the oil sands industry has a record of tremendous accomplishments—something we are very proud of.

The oil sands industry has met a multitude of challenges and continues to deliver the energy North America needs in a safe, secure, reliable, affordable and environmentally-sound manner.

What people need to know about Alberta's oil sands are facts—and not just isolated facts used out of context.

One, Alberta has a highly regarded technical, environmental and socio-economic regulatory review process for any large-scale industrial project.

Two, Alberta does not approve any oil sands project until we are satisfied that all environmental concerns are addressed.

Three, when it comes to our environment, Alberta has some of the most stringent protection laws in the world.

In fact, our legislation requires that an environmental assessment process be followed to consider the potential effects of a proposed project on the environment.

Energy companies must reclaim disturbed land once production is complete. And the plan for reclamation and remediation must be filed before any development takes place.

For example, Syncrude, one of our largest oil sands producers, has so far reclaimed over 4,000 hectares and planted more than four million trees.

Bison now roam over the site of early open pit mines.

Four, responsible water use in Alberta is not negotiable and oil sands companies must follow the same strict rules, regulations, standards and penalties as other licensed water users.

Right now it takes up to five barrels of water for every barrel of oil produced.

But, let's put this into context. Of that water, up to 90 per cent is recycled—in other words, used again and again.

Of the remaining water used, much of it is saline and unfit for human consumption.

I'd like to address the very important issue of climate change and greenhouse gas emissions.

Alberta is a leader, in Canada, of climate change legislation. Some people, however, would have you believe the oil sands are Canada's greatest greenhouse gas emitter.

This statement could not be further from the truth. In Canada, the oil sands account for less than four per cent of greenhouse gas emissions.

And Canada, as a whole, accounts for just two per cent of global emissions.

Alberta takes environmental issues and climate change very seriously and work is being done to further reduce our greenhouse gas emissions.

As a government, we are keenly aware that there is a local and global demand for action to reduce greenhouse gas emissions over time.

That is evidenced by the introduction of our Climate Change and Emissions Management Amendment Act.

This groundbreaking legislation, and the accompanying regulations, established Canada's first legislated greenhouse gas emission reduction targets for large industrial emitters.

Effective July 1, 2007, large industrial facilities were required to immediately reduce their emissions intensity by 12 per cent.

Facilities have three options to meet the new target.

They can make changes to their facilities to reduce their own greenhouse gas emissions, they can purchase off-sets from within Alberta borders, or they can invest in a technology fund to develop Alberta-based technology to reduce emissions.

If companies choose to pay into the technology fund, it will cost them \$15 for each tonne of emissions.

This fund will help us as we continue to address climate change through initiatives that use research, technology and innovation to unlock our vast global reserves in an environmentally sustainable way.

Of the area making up Alberta's total oil sands deposits, about 420 square kilometres have been affected by open pit oil sands mining.

In the early years, open pit mining was the only way to get at the rich oil laden soil of the north.

The remainder of the oil sands deposits can only be recovered through in-situ or in-place technology.

Today, in-situ technologies have moved the oil sands industry into deeper and deeper plays to find and produce new supplies of energy.

To be clear: this type of technology reduces the environmental footprint of oil sands operations and proves that production and environmental protection need not contradict each other.

It also means the stories you hear about oil sands and the environment are often just that: stories.

Alberta's landscape has been and always will be dotted with the evidence of a strong energy sector.

But taking out a very valuable resource while caring for the environment is a balance Alberta works very hard to accomplish.

And the oil sands industry has built a record of accomplishment in ongoing improvements in environmental performance.

Finally, I like to tell people that effectively reducing greenhouse gas emissions is NOT a spectator sport.

You cannot point at an oil sands upgrader, and say “shut that down and all of our problems will be solved.”

Those plants supply OUR demand for energy.

A meaningful reduction in global greenhouse gas emissions means change in our personal behaviours...

In the amount of fuel we personally use every day.

These initiatives include:

The CO<sub>2</sub> projects royalty credit program under the Innovative Energy Technology Program (IETP).

This supports projects that use innovative technologies to increase recoveries from existing reserves and encourage responsible development of in-situ or in-place oil sands reserves...

The Energy Innovation Fund (EIF), which will provide \$200 million for projects focusing on energy supply and protection of the environment.

Of course there has already been some tremendous initiative by industry and it's clear that industry's expertise and experience will be invaluable in any climate change reduction efforts.

The oil sands industry has constantly innovated; expanding the boundaries of what is possible.

From transportation fuels that power our cars and heating fuels that keep our homes warm, to the plastics that go into products ranging from medical equipment to children's toys....the developments in the oil sands industry have had a profound effect on our great province.

In Alberta, the oil sands underlie just over 140,000 square kilometres. This is an area a bit larger than England, which is around 130,000 square kilometres.

But again, let's give that statistic some context.

Our responsibility—our vision—whether as government, investor, industry, researcher or citizens—must be to continue to develop oil sands in a way that supports and enhances our quality of life.

Responsible development is key to the success of the energy industry in Alberta...

A successful energy industry that is open to both domestic and international investment.

Energy Investment and Trade

Many companies from the United Kingdom have already made significant investment in Alberta.

In fact, the United Kingdom is the third largest source of foreign direct investment in Canada.

Alberta encourages investment interest and I welcome any plans to strengthen the economic connections between Canada and the United Kingdom.

Improved oil prices and the growth of new industries have helped make Alberta's economy the strongest in Canada and one of the strongest in North America.

And there are many more opportunities for growth and investment. What we call in Alberta “value-added.” This includes refining and upgrading: a priority for our government, industrial machinery and equipment.

And the environmental technologies that are intrinsic to the sustainable development of our resources.

Alberta maintains a positive business climate, has no payroll taxes and one of the lowest overall tax loads in Canada and is geographically and politically stable.

Global demand for oil is expected to increase from 80 million barrels per day, to more than 120 million barrels per day over the next 25 years.

In North America, assuming no new major technical breakthroughs, oil sands production will be the only net add to the total regional crude oil supply over the next 25 years—meaning it will play an increasingly important role in the global energy mix.

### **Stable Investment Climate**

Without a doubt, Alberta is an energy power, now and for decades to come.

And in Alberta, investment that drives our energy industry comes from the private sector.

These private companies are based all around the world...in Europe...in the United Kingdom and at home, in Alberta.

Of course our thriving energy sector provides many spin-off benefits and opportunities to private companies outside of the energy industry.

Private companies arrange financing, provide engineering and reclamation services and build the plants, mines, wells and other vessels used in the energy industry.

Private companies supply equipment like pressure vessels, industrial furnaces, cooling towers and heat exchangers.

Alberta has developed a wealth of expertise, and an unmatched rate of economic growth, because we believe in the ability of the private sector to meet challenges and provide solutions that work.

We also believe investment must benefit both Albertans and private companies and we continue the work to create policies that deliver both goals.

### **Alberta's New Royalty Framework**

We have recently announced changes to Alberta's royalty structure.... Building Tomorrow: A plan to secure Alberta's future.

Through the framework, we are encouraging long-term prosperity and stability for the energy industry so we can continue to maintain Alberta's reputation and status as a competitive place to invest.

Under the new framework, Albertans, the resource owners, will get a greater share at higher prices, and industry will be sustained at lower prices.

The New Royalty Framework is more sensitive to market prices, reflects the growing importance of unconventional oil and gas resources, and encourages value-added and environmentally sustainable production in Alberta.

It also honours our legal commitments and maintains investor confidence.

I am confident that the New Royalty Framework will do what it's intended to do—help build a stronger Alberta.

### **Closing**

To summarize, Alberta is in an excellent position to sustain and expand its energy supply for decades to come.

That means a secure, long-term supply of energy for Albertans and consumers throughout North America and beyond, and investment opportunities for the international community.

Alberta still has room to grow.

Part of that growth is embracing new ideas, exchanging information and sharing successes and challenges.

Today's gathering is one such opportunity.

I believe we can be more innovative and more successful if we partner together. Thank you.