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• (1620)

[English]

The Chair (Mr. John Aldag (Cloverdale—Langley City, Lib.)): I call the meeting to order. Welcome to meeting number 10 of the House of Commons Standing Committee on Natural Resources.

The committee is meeting today to hear from the Minister of Natural Resources and officials in consideration of supplementary estimates (C), 2021-22. We are also going to be studying supplementary estimates (B), 2021-22, but only the subject matter. It's only supplementary estimates (C) that are under consideration for votes by this committee.

In the interest of time, I'm going to skip through all the usual opening comments. Online we have departmental officials who have all, hopefully, been part of the process before. I would just ask that you address your comments through the chair.

Interpretation services are available. You can use floor, English or French. For anyone online, you will control your own muting and unmuting. We ask anybody who is not speaking to be muted.

With that, I think we're ready to jump into it. We had a discussion before the meeting started. In order to save time again, we're going to pass on the minister giving his five-minute opening statement, so that we can go right into questions and answers and get through as many rounds as we can.

I will ask, though, that the opening statement we had be entered into the official record. That way, it will be part of the reporting for today. The opening statement has been distributed to all members by the clerk. With that on the official record, we will get right into questions and answers. We're going to do four rounds of six minutes. With the minister's schedule, we should be able to fit that in, and then we'll see where we're at.

First up is Mr. McLean.

We're going to start the clock. You have six minutes.

[See appendix—remarks by Jonathan Wilkinson]

Mr. Greg McLean (Calgary Centre, CPC): Thank you very much, Mr. Chair.

Welcome, Minister and officials.

I'm going to start with a little leeway here, unless I have to reference something with this question.

Minister, I asked you a question in the House two days ago about oil that comes in from Russia to Canada at this point in time and the approximately \$500 million per year that we are funding Russian oil, Russian oligarchs, the Russian economy and Russian war machine—

Mr. James Maloney (Etobicoke—Lakeshore, Lib.): On a point of order, I hate to interrupt, but I'm not sure this has anything to do with the estimates necessarily.

Mr. Greg McLean: Okay. Let me reference, as I said I would, the—

Mr. Charlie Angus (Timmins—James Bay, NDP): On a point of order, the member has the right to ask the questions he wants. If it bothers the Liberals, that's their problem. They can counter in their questioning, but to interrupt the member when he's asking questions is not acceptable.

The Chair: Generally I've allowed a fair bit of latitude in the questions, letting each person control the direction in which they want to take the questions. That said, we are here to study supplementary estimates (C) and (B), and if we can keep within—

Mr. Greg McLean: Mr. Chair, let me be relevant here.

We'll refer to the net-zero accelerator funds that are being allocated here, and we'll talk about the net-zero carbon emissions that would be provided with cleaner energy than we have coming from Russia at this point in time. Therefore, we can address the amount of oil that's coming from Russia to Canada.

I know you tried to correct me in the House and said that we haven't imported crude since 2019. I rose on a point of order today to make that correction. I was hoping to give you the opportunity to say that you actually meant that we're not going to import any Russian oil into Canada.

Minister, would that be case, first of all?

Hon. Jonathan Wilkinson (Minister of Natural Resources): What I said in the House was that we have not imported crude oil from Russia since 2019. That is true. Subsequent to that, we have banned the import of Russian oil.

We added to that the import of petroleum products that are derived, that are either partly or wholly refined, including things like lubricants and motor oils. We now have put in place, or are in the process of putting in place, a ban on those as well.

Mr. Greg McLean: Thank you, Minister. That's much appreciated.

The issue, of course, is that with the ascent of Russian oil production, large international companies have vacated Canada and sought opportunities elsewhere, including in places like Russia, because of a restrictive regulatory environment imposed by this government on Canadian resource development.

Do you see now the folly of the position of restricting responsibly developed, environmentally produced oil in Canada and what will fill that void on the world stage and the impact of the money flowing from that void being filled?

Hon. Jonathan Wilkinson: I would take issue with the restrictive resource development. We've put in place a better environmental assessment process to ensure that good projects actually can proceed, but we are looking at environmental impacts in a manner that the previous system did not. There are many projects across this country in all kinds of natural resource areas that are moving either through that process or through provincial processes.

I'm sure you will have noted that, in Russia, most of the majors are pulling out of Russia. Shell, BP, Equinor and others are moving their assets out of Russia because of political instability, and there obviously will need to be conversations on a global basis. We started having them with the International Energy Agency ministers yesterday about how we address the concerns that Europe has.

Mr. Greg McLean: Thank you, Minister. That's a good answer. I just wonder why we didn't have the foresight to look at that prior to this event.

I recognize as well that Shell and BP are now pulling out of Russia, but they largely pulled out of Canada when your government was elected and developed more restrictive policies on resource development here. You look at the amount of investment that has flowed out of the Canadian resource development industry, and it is very illustrative of a restrictive policy, where they cannot see the outcome of the dollars they spend.

I'll let you comment on that before we go further.

Hon. Jonathan Wilkinson: As you will expect, I don't agree with what you've said. In the current context, both industry and Canadians generally want to ensure that there is an appropriate thinking about resource development and economic opportunities but also about environmental impacts, and most particularly about climate change. If you ask the CEO of Shell or the CEO of BP, they would not agree with your characterization.

Mr. Greg McLean: I think they would actually, especially in Canada.

Let's analyze that as far as the amount of finance that's coming out of the resource. If we take depreciation out of the equation, we are net negative as far as our capital stock in Canada goes, and that's been a consistent downturn since your government has been in power. How do you address that and suggest that we're actually

facilitating natural resource development in this country? It has been the backbone of our development in this country for a long time.

• (1625)

Hon. Jonathan Wilkinson: Natural resources have been and will continue to be an important part of the Canadian economy. Of course, we are going through an energy transition and the nature of those resources is going to change over time. I will tell you that critical minerals are an enormous opportunity for this country going forward, and hydrogen is an enormous opportunity for this country going forward.

We also have to address carbon emissions and that is something that, unfortunately, the Conservative Party seems to not understand.

Mr. Greg McLean: Minister, thank you. Let me move towards carbon capture, utilization and sequestration.

As you know, in the last Parliament, I put forward a bill to get an investment tax credit for CCUS in Canada. I understand that the discussions are ongoing regarding whether we include enhanced oil recovery as part of the investment tax credit for carbon capture, utilization and sequestration. We are hearing many noises from your department that they are not going to include enhanced oil recovery. May I suggest to you that excluding enhanced oil recovery will make us uncompetitive with the 45Q regime that is just south of our border in the United States?

Having to pay for this as you get the investment tax credit, which is uneconomic, is words on paper only. The money is going to flow where the economic opportunity arises. We've already seen that over the last handful of years, when more and more direct capture technologies are being developed, projects are being implemented in the United States and not as much in Canada, where we have sunk a lot of money, both public and private, into the development of this technology.

Would you please assure this committee that you're not just dancing against the wind here, but you're actually going to implement an investment tax credit where we will get some economic benefit in Canada?

Hon. Jonathan Wilkinson: As you well know, the investment tax credit is the purview of the Department of Finance. I would tell you that, globally, the International Energy Agency and other experts have said that it is an important component of a comprehensive approach to dealing with climate. It is not a climate plan, but it is an important component.

We intend to move forward. We have made investments in this space. The Department of Finance has been consulting on what that investment tax credit should look like, and we certainly see carbon capture and sequestration as being an important tool going forward.

The Chair: With that, we're out of time on the first round of questions.

We're going to go to Ms. Lapointe now for six minutes.

Ms. Viviane Lapointe (Sudbury, Lib.): Thank you for being here, Minister.

As you're aware, critical minerals and mining are a major sector in my riding of Sudbury, so I'm sure it won't come as a surprise to you that I would like to focus my line of questioning on the development of a critical mineral value chain. Last year's budget allocated funds to establish a critical mineral centre of excellence based in Sudbury. I can tell you that the innovation and research and development being done by this centre will be transformative to our future energy sector.

Minister, in terms of the additional funds being requested for the centre, what will this \$10.32 million investment be used for?

Hon. Jonathan Wilkinson: First of all, thank you for the question. I think the critical minerals space is an exciting one for Canada going forward. I want to thank the member for her work on this file and the discussions that we've had about this, and certainly for the continued advocacy on the part of her constituents.

In supplementary (B)s, we requested \$10 million, as you noted, to advance our early work on the development of a critical mineral value chain. That initial investment supported the creation of the critical mineral centre of excellence and also targeted research and development relating to upstream critical minerals processing and battery precursors. The funding provided and the work being done in this sector represents an enormous economic opportunity not just for extraction and processing but also for downstream applications around batteries, electric vehicles and other things.

Certainly we see the centre of excellence playing an important supporting role in Canada's critical minerals strategy that is presently under development. I look forward to talking about that a little more as we move forward.

Ms. Viviane Lapointe: In developing Canada's critical minerals strategy, the enhanced environmental, social and governance standards seem to differentiate Canada's critical minerals development from other nations. Why is this policy important?

Hon. Jonathan Wilkinson: It's important to ensure that we are responsibly developing our resources. We have to address GHG emissions. We have to address other impacts on our environment, and we have to look at the social issues in the process of developing these kinds of resources. As we were speaking about earlier, a number of the mines that are being developed in Canada are being developed as net-zero mines.

Canada has some of the highest environmental and labour standards in the world. Some of that is the result of the work of governments, but some of it is the work that has been done by the Mining Association of Canada, which has been thoughtful in this regard. Because of these standards, I think we have an important opportunity to play a very significant role in providing key materials that other nations are going to need, and certainly, from a geopolitical perspective, increasingly many of our partners and allies in this country and in this world are going to need.

• (1630)

Ms. Viviane Lapointe: Does the critical minerals strategy work that we're currently doing pertain to local value chains as well as global value chains?

Hon. Jonathan Wilkinson: Yes, absolutely. I think they will support local economies and the value chains associated with them. Certainly in communities that are historical providers and developers of minerals, there are real opportunities for us as we look to how we develop further access to some of these critical minerals.

There are processing opportunities, which again will exist in a whole range of communities across this country. There is also, as I said, the downstream production of batteries, for example—which the governments of Quebec and Ontario are very interested in—in the manufacturing of electric vehicles, which certainly we and other countries in the world are very interested in. Absolutely, there are local value chains that extend to almost every province and territory in this country.

Ms. Viviane Lapointe: What type of policy development do you see as important to securing Canada's position in global value chains?

Hon. Jonathan Wilkinson: One of the things in my mandate letter was the development and the launch of Canada's critical minerals strategy, which is really about looking end to end at how we ensure we are thoughtfully developing these. That involves engagement with communities, but it certainly very much involves engagement with indigenous peoples.

How do we ensure that we are doing this quickly? Can we incent the development in certain ways? How do we actually ensure that Canada captures the processing value, so we're not simply digging up minerals and sending them offshore? How do we ensure that we're building downstream so that we're securing the mandates with respect to things like battery production? How do we actually build this, from an international perspective, in a manner that responds to the geopolitical issues, where we have things like the processing of many critical minerals that are concentrated in one country in the world?

I think we are increasingly going to be looking to try to ensure we are moving that into areas where there is going to be security of supply.

Ms. Viviane Lapointe: As you develop the critical minerals strategy in your role as minister, what would you identify as a successful outcome of that strategy?

Hon. Jonathan Wilkinson: I think a successful outcome is a very clear and transparent strategy that includes engagement with the provinces and territories, which are also very interested. Almost every one of them is developing their own strategy, but it has to be actionable. It has to be something that is going to allow us to move.

Let me take just one example. If we want to supply nickel sulphate in the context of battery production in Canada for the vehicles that are going to be utilized in Canada, we need probably four or five processing facilities in this country that don't exist today. There is a lot of work that needs to be done in order to enable the work that we're doing on many other files in the climate area.

I think it has to be actionable, and ideally it is very much collaborative with provinces and territories, with industry and with labour, and very much with indigenous communities.

Ms. Viviane Lapointe: Thank you.

The Chair: I apologize, but that's the end of the six minutes. We're going to keep moving on.

We'll go over to you, Monsieur Simard, for your six minutes.

[*Translation*]

Mr. Mario Simard (Jonquière, BQ): Thank you, Mr. Chair.

Thank you for joining us, Minister Wilkinson.

I seriously doubt that oil production emissions can be lowered solely with the industry's financial resources. I think that this requires strong government support. I'll provide the example of the two major carbon capture projects in Alberta. In total, 57% of the costs are covered by the Alberta government and the federal government. I'm saying this because, in the breakdown of expenditures document provided, the largest grants and contributions amount, \$91 million, consists of funding to advance clean fuels markets and carbon capture strategies. That's the lion's share.

During question period, the Prime Minister does something that I appreciate. It's just one thing, and it's when he refers to science. The science and the people who appeared before the committee said that all these carbon capture strategies, the data on the topic, mostly came from people with close ties to the industry. When we look at external sources, the scientific data shows that this isn't only unprofitable, but also undesirable.

Lastly, isn't this \$91 million being invested to make Alberta happy, despite the fact that it won't affect the environment or the energy transition?

• (1635)

Hon. Jonathan Wilkinson: I disagree.

First, two-thirds of this spending concerns hydrogen and biofuels. Only one-third involves carbon capture.

Many scientists and agencies, including the International Energy Agency, say that carbon capture is a key tool for reaching the net-zero emissions target by 2050. It isn't a climate plan, but a very important tool, not just for the oil sector, but also for cement, fertilizer and some other sectors where greenhouse gases are difficult to reduce.

Mr. Mario Simard: Since I'm generous, I already told you a bit about what I would be discussing before the meeting started.

The Minister of the Environment said that, by 2023, we'll see an end to ineffective subsidies. I'm still wondering about what constitutes an effective subsidy in terms of oil. However, one helpful indicator is the energy return rate. This rate shows that blue hydrogen

has an index of four. If we take the hydroelectricity products, meaning what we invest compared to what we receive in terms of energy, we have an index of 100. To me, that's a fairly big step.

On that note, do you find that your hydrogen strategy, which doesn't clearly set a carbon target, is an example of effective subsidies?

Hon. Jonathan Wilkinson: As we discussed, I agree with some of what you said.

I think that it's critical to measure the carbon in the fuels produced. Of course, I don't like the use of "green" and "blue" and other colours. I think that we must measure the carbon in the fuels. We're working on that now, so that we can have this measurement in the future.

As I said, the ineffective subsidies speed up fossil fuel production and exploration. We've promised to eliminate these subsidies by 2023.

Mr. Mario Simard: That's what I wanted to hear.

I gather that you'll agree that the rhetoric about reducing greenhouse gas emissions without reducing production doesn't hold water. You can't just say that you'll reduce emissions. You must also reduce production.

Do you agree?

Hon. Jonathan Wilkinson: No. The atmosphere absorbs greenhouse gas emissions. We must work to reduce these emissions.

In the future, zero-emission vehicles will be rolled out. However, it will be decades before we see a reduction in the use of oil. The current priority is to reduce greenhouse gas emissions, because this is what causes climate change. We need to address this issue.

Mr. Mario Simard: Thank you.

[*English*]

The Chair: We're out of time there.

Mr. Angus, let's get your six minutes started.

Mr. Charlie Angus: Thank you, Mr. Chair.

Thank you so much, Mr. Minister, for joining us.

One of the more dramatic statements at COP26 was the Prime Minister's promise of an emissions cap. Where is it? When does it start?

Hon. Jonathan Wilkinson: Thank you for the question. The emissions cap is something on which we said we would consult with provinces and territories, with industry and with labour, and that is something that is ongoing. We intend to bring that forward during the course of this coming year, but we have promised consultations and we intend to honour that promise.

Mr. Charlie Angus: There's an Alberta cap, which would allow for about a 30% increase in production. Is that where you're going or are you going to go where, it was said in 2019, we needed to go, with a dramatic ratcheting up?

• (1640)

Hon. Jonathan Wilkinson: I'm not going to get ahead of myself, but what we have said is that it will be capped at levels that reflect current production. It is not the same cap as Rachel Notley's cap, which is significantly higher.

Mr. Charlie Angus: The Canadian Energy Regulator tells us they're expecting an increase of at least a million barrels a year by 2030 and that in 2050, we'll have basically the same production we have today. That's the federal regulator. The Canadian Association of Petroleum Producers came here and told us their plan is to vastly increase production.

How does your cap work if the regulator and the industry are planning to increase production?

Hon. Jonathan Wilkinson: I would say a couple of things. The first, as I said to Mr. Simard, is that the focus for us is on emissions. It's on reducing emissions in line with what we have committed to do, which is by 40% to 45% by 2030 and to net zero by 2050. That is the primary focus for us.

As for the Canada Energy Regulator, what I have asked them to do, as I think you probably know, is to provide us a scenario that is in line with 1.5°C in the same way that the International Energy Agency has done that, and I expect them to bring that forward this year.

Mr. Charlie Angus: Will your cap get us to or keep us at 1.5°C? They're talking about major increases in production. I guess the thing I find hard to believe, which I'm being told as we sit around this committee table, is that production and emissions have nothing in common, whereas I think that is just a fallacy of logic. If you're bringing in an emissions cap, are you targeting production?

Hon. Jonathan Wilkinson: The CER assessment did not include, for example, all of the commitments that were made at this year's COP. Of course everybody knows that we have to accelerate the work that is being done not just in Canada but around the world. That includes the deployment of zero-emission technology for vehicles, which will affect the demand for oil. It goes across all sectors. That needs to be built into the work that the CER is doing.

Mr. Charlie Angus: Okay. One of the other things that came out of COP was that Minister Guilbeault used the term "weasel words" for fossil fuel subsidies and said those would be ended in 18 months. Are you planning on keeping that as a standard?

Hon. Jonathan Wilkinson: We have made a commitment to eliminate inefficient fossil fuel subsidies by the end of 2023. I would say that's two years in advance of the rest of the G20, and we will be the first country to do so.

Mr. Charlie Angus: The Canadian Association of Petroleum Producers said that they wanted \$75 billion. These guys aren't shy. They have met with your government 6,800 times. They're pretty comfortable with you guys. I'm surprised they're not sitting here. They want \$75 billion to implement carbon capture technology and they want the public to pay for 75% of that. If you're going to be using carbon capture technology to reduce our usage, will there be a clear statement that it can't be used to increase oil production?

Hon. Jonathan Wilkinson: As I said in response to the Conservative member's question, the investment tax credit, which is, I think, probably what they were largely referring to, is something that is being driven and developed by the Department of Finance. What I will tell you is that we are very focused on ensuring that we are aiming measures at reducing emissions. That is true for CCUS in the oil and gas space, but it's also true for the investments in electric car technology in the steel manufacturing space.

Mr. Charlie Angus: I get that. It's just that the Canadian Association of Petroleum Producers isn't asking for cement; they're saying they want \$75 billion of taxpayers' money.

My question is based on the letter of the 400 scientists who have written to you. They said that this will be used to vastly increase production. Are we going to be getting a guarantee—or are these going to be the "weasel words" that our environment minister warned us about—that if we are capturing carbon across all sectors that this will not be used to enhance production in the oil sector?

Hon. Jonathan Wilkinson: What I will say, Mr. Angus, is that the focus for us is on reducing emissions in order to achieve our climate targets and doing so in a manner that will ensure strong economic opportunities across this country. We will continue to do that in the areas of CCUS, hydrogen, biofuels, steel manufacturing, aluminum and everywhere else.

Mr. Charlie Angus: Thank you.

The other area that's key for what's being done with net zero is to increase exports and send them offshore, because, as you know, none of that is counted on Canada's emissions.

Key to that is TMX. The Canadian public was told it will cost \$5.4 billion to build, then \$7.4 billion, then \$ 9.6 billion, and then \$16 billion. We're at \$21 billion, which would be an extraordinary amount of money to spend on anything, and this is all predicated on a vast increase in bitumen exports offshore.

Is the taxpayer on the hook for this \$21 billion? Are we going to continue to pay for this?

• (1645)

Hon. Jonathan Wilkinson: I think the Minister of Finance was quite clear that the additional capital that's going to be required to finish that will be raised from private sources.

The business case for the project remains strong. It will continue to do what it was supposed to do, which is to take oil off of rail and ensure that we are addressing the discount we get on our resources in the United States, because we have no ability to ship oil to other parts of the world.

Mr. Charlie Angus: And helping with the export market that CAPP says is going to allow them the extra at least million barrels a year. You're giving them the technology to do that.

Hon. Jonathan Wilkinson: Mr. Angus, we are moving through an energy transition. It is not like you can flip a switch overnight.

Mr. Charlie Angus: I totally get that—

The Chair: We're out of time on this now.

Hon. Jonathan Wilkinson: With regard to the cars on the road right now in this country, 96% of them use gasoline.

Mr. Charlie Angus: But you're spending the money on this, and we don't see the switch getting turned.

The Chair: That's the end of the six minutes.

Thank you, Minister, for being here. I know we're up against that hard stop time, so you're going to have to pack up.

We have the officials who will stay with us. I've been told we have the room with the interpretation and staff until 6:30, if we want to make up a bit of the time we've lost. I'll leave it to the will of the committee. We'll also need to go through the vote process.

We can now get into our second round. I jumped through the pleasantries that we usually offer, so I would like to take a moment to officially welcome the officials who are here.

From the Department of Natural Resources, we have John Hannaford, deputy minister, in person, which is a huge thing; as well as Shirley Carruthers, assistant deputy minister, corporate management and services sector, and chief financial officer. Welcome to both of you.

Online joining us, we have Glenn Hargrove, assistant deputy minister, fuels sector; Mollie Johnson, assistant deputy minister, low carbon energy sector; Jeff Labonté, assistant deputy minister, lands and minerals sector; Beth MacNeil, assistant deputy minister, Canadian forest service; Drew Leyburne, assistant deputy minister, energy efficiency and technology sector; Frank Des Rosiers, assistant deputy minister, strategic policy and innovation sector; and Angie Bruce, assistant deputy minister, major projects management office and indigenous affairs and reconciliation sector.

It's quite a strong support group from departmental officials. Welcome to each of you.

With that, we're ready to go into our second round.

I also want to welcome Mr. Zimmer, who's here today, and Mr. Morrice, who has joined us.

Our next round is for five minutes. First up, I have Mr. Maguire.

Mr. Maguire, if you're ready, we'll go over to you.

Mr. Larry Maguire (Brandon—Souris, CPC): Thanks, Mr. Chair.

There are a number of questions that I'd like to ask, and I'll let the department determine who should answer them. I appreciate that they're all here today and appreciate the minister for his time here today as well.

I'm thinking of Atomic Energy of Canada. There are some funds that have been put forward from the Department of Defence to various organizations in the Canadian safety and security program. With the supplementary estimates, as I mentioned, there's DND, for the Canadian safety and security program. In January, the Swedish Security Service announced an investigation of drones at three of its nuclear power plants. There have also been reports over the years of other unknown drone-type flying objects over Canadian nuclear facilities.

With the security that we're in today, it's been recently announced in the United States that legislation has passed in their National Defense Authorization Act for the Nuclear Regulatory Commission to report "the number of reported incidents, and descriptions thereof, of unidentified aerial phenomena or drones of unknown origin associated with nuclear power generating stations, nuclear fuel storage sites, or other sites or facilities regulated by the Nuclear Regulatory Commission."

I'm wondering if any of the department officials are aware of the legislation that was just passed in U.S. Congress regarding these specific clauses.

Mr. John Hannaford (Deputy Minister, Department of Natural Resources): Thank you very much for the question.

I must admit I am not familiar with that. I can say, however, that overall security of our nuclear facilities is obviously something that's of extraordinary importance, including through the functioning of the regulators.

Mr. Larry Maguire: Thanks. I'll send you the information. We'll make it available to you.

Have you received reports of these drones or unidentified aerial phenomena in or near Canadian nuclear facilities?

Mr. John Hannaford: I have not.

Mr. Larry Maguire: Can you ask your officials to inquire and report back to the committee in writing anything they know about them?

Mr. John Hannaford: We can do so, yes.

Mr. Larry Maguire: Thank you.

Are reports of violations in or around nuclear facilities publicly disclosed?

Mr. John Hannaford: I'm sorry, Mr. Chair, but perhaps I could turn to one of my colleagues who is more directly responsible for nuclear. Mollie Johnson may have more detailed information with respect to that question.

Mollie.

• (1650)

Ms. Mollie Johnson (Assistant Deputy Minister, Low Carbon Energy Sector, Department of Natural Resources): Thank you.

I would say that safety and security are, of course, among our top priorities when we're considering nuclear.

We can check and confirm on the drone issue specifically and on the reporting available and get back to you.

Mr. Larry Maguire: Thank you. I would appreciate that.

I'm confident that the department is aware of the funding of \$10.3 million for the development of Canadian critical mineral value chains. Which specific critical minerals are the focus of the developing value chains that my colleague from the Liberals was just asking the minister about?

Mr. John Hannaford: Thank you very much for the question.

As the minister said, the development of our critical minerals is of extraordinary importance not only for our domestic economy but also due to the broader geopolitical dynamics that exist right now with respect to this area and resource development. We've identified 31 critical minerals as part of our exercise in defining our focus with respect to this area. I would say though that there are different kinds of considerations with respect to different sorts of minerals.

As the minister said, on the one hand we will be looking at a certain set of minerals with respect to, say, batteries, for which our domestic supply chain is of critical importance to us not only, again, economically and geopolitically but also in terms of developing low-emission vehicles. There is a second set, which overlaps to some degree and which is of particular interest to international supply chains. As I said, we have an overall envelope of 31.

Mr. Larry Maguire: Thank you, Mr. Hannaford.

In the natural resources committee's report on critical minerals, there was a recommendation that identified the intermediate processing industry as the weakest link in Canada's critical mineral value chain. Will any of these funds address the issue of the short-fall?

Mr. John Hannaford: At this stage our focus has been on creating the centre of excellence and doing some research and development with respect to some areas of particular importance in the development of critical minerals.

As the minister said, however, there is a real recognition that there are a series of stages that are of critical importance in the development of critical minerals. Right now processing is an area on which there is a concentration geopolitically, which is of significance, and that is something we are mindful of as we develop our strategy.

Mr. Larry Maguire: These funds will help then.

It's recommended that the government work to develop a strategic vision for developing Canada's critical minerals by assessing the benefits of establishing an office of critical minerals within the Government of Canada, made up of multidisciplinary experts who would work on developing critical minerals supply and value chains, according to the report.

The Chair: I'm sorry, Mr. Maguire. I hate to interrupt you. You still have half a minute here, but a new set of bells have just gone. Once bells start, we do require unanimous consent to continue.

We have the officials here and I need to ask the committee whether we want to continue and we are willing to, as we did last time, stay in the room, vote remotely and then get going.

Some hon. members: Agreed.

The Chair: We'll go back to you, Mr. Maguire, for your last half-minute.

Mr. Larry Maguire: Will any of the \$10.3 million in funds go to assessing the benefits of establishing this office?

Mr. John Hannaford: The intention of the funds in the supplementary estimates is really, as I say, twofold. There is the creation of the centre of excellence or the elaboration of the centre of excellence, and also some degree of research and development.

This is pursuant to the—

Mr. Larry Maguire: I have just a short amount of time here.

With the U.S. National Defense Authorization Act, the government has talked about "Coordinating with allies and partners of the United States, as appropriate, to better assess the nature and extent of unidentified aerial phenomena."

I believe it would be prudent for Atomic Energy of Canada to proactively reach out to their American counterparts to discuss this legislation and to inquire regarding how they are handling these reports and investigations. Would you be open to reaching out to the American Nuclear Regulatory Commission to start this important conversation?

Mr. John Hannaford: I will certainly take that under advisement.

The Chair: That's the end of the time.

What I'm doing here with the yellow card is giving you a 30-second notice for your time. The red card means your time is up. Don't stop mid-sentence, but wrap up your thoughts. Then we'll move to the next person.

We are now in our second hour of questions with the officials. In this round, everybody gets six minutes.

We'll now go to Ms. Dabrusin, who will have six minutes.

• (1655)

Ms. Julie Dabrusin (Toronto—Danforth, Lib.): I think it was Ms. Jones.

The Chair: We'll go to Ms. Jones.

Ms. Yvonne Jones (Labrador, Lib.): Good afternoon, everyone. Thank you for joining us. I'm really happy to hear the comments and the presentations here today.

There are a couple of things I want to raise. First of all, in the estimates, there have been allocations to look at off-diesel programs in remote and rural communities across Canada. Can you tell me if there's been much uptake on that program, what the interest level is like and whether we are having success in doing those transitions in communities, either partly or wholly?

Mr. John Hannaford: Thank you very much for the question. This is, obviously, an important part of our overall suite of climate measures, and it is an opportunity to look at a more sustainable set of energy supplies for our northern and remote communities.

The program is currently advancing more than 90 renewable energy and capacity-building projects in 131 communities, 123 of which are indigenous communities. The program has signed 55 agreements in announced projects for British Columbia, the Northwest Territories, Yukon, Nunavut, Alberta, Ontario, Quebec, and Newfoundland and Labrador.

Ms. Yvonne Jones: Thank you.

My next question is about the estimates and the funding we saw allocated for wildfire resilience. We've heard the stories in the news, especially out of western Canada, about how climate change is contributing to wildfires. Can you tell me what that money is actually targeted for and what the intended use of it is?

Mr. John Hannaford: I might turn to my CFO on the specific funding in this case.

Ms. Shirley Carruthers (Assistant Deputy Minister, Corporate Management and Services Sector, Chief Financial Officer, Department of Natural Resources): The funding in the estimates for the wildfires is \$2.88 million this fiscal year. The investment is actually \$29.3 million over five years. It will support the increased mapping of areas in northern Canada at risk of wildfires and enhance the capacity of the Canadian Interagency Forest Fire Centre, which is jointly funded in partnership with provinces and territories.

Ms. Yvonne Jones: Has that been advancing or is that a completely new initiative that's just getting started?

Mr. John Hannaford: I'll turn to the Canadian Forest Service to give a bit more of an update on that.

Beth, please go ahead.

Ms. Beth MacNeil (Assistant Deputy Minister, Canadian Forest Service, Department of Natural Resources): Thank you. It's a good question.

This is money to enhance the mandate of the CIFFC, as we call it in Winnipeg, the Canadian Interagency Forest Fire Centre. Work is under way.

One of those enhancements is a very important program called FireSmart Canada. It will allow us, in Canada, to reduce the risk of fire. It's on the prevention end. The other important piece of work that's under way with this funding is the establishment of an indigenous working group and bringing indigenous knowledge to the table when it comes to risk reduction and prevention for fire.

Ms. Yvonne Jones: Thank you. I love that program.

The other piece I saw in the estimates was around funding for the polar continental shelf program. I'm wondering if you can tell me what this is doing. Is it supporting employment, training and new opportunities for indigenous people and northerners? If so, can you provide me with some information on how that's going to work and how they'll be engaged?

Mr. John Hannaford: Yes. The polar continental shelf program is a long-standing science platform that has facilitated research in a

whole range of different areas that pertain to the north, including the effects of climate and issues pertaining to mammals and shoreline in the north. It also includes a specific facility, a hub in Resolute Bay, in Nunavut, and is, as I say, an important convenor with respect to science.

There are specific programs that are part of the overall program that target training of indigenous peoples, so it therefore provides employment opportunities in the north. Obviously the facilities in the north also support local communities, and the specific science that is done attaches particular importance to indigenous-related activities.

• (1700)

Ms. Yvonne Jones: It's building on the existing investments and commitments that were already there.

Mr. John Hannaford: That's correct, and it is continuing to push ahead with respect to this critical area of science and also with respect to this area that is critical to our sovereignty.

Ms. Yvonne Jones: Good. I have another question.

Also in the estimates, there was some funding that was allocated for transition of diesel, specifically for indigenous communities.

Can you tell me how the federal government is working with those communities and those partners to ensure they can reduce the emissions in their area? Are they the people coming forward with this program, or are we outreaching to them in terms of looking at what the options are?

The Chair: We need a very brief response on this as we're out of time, and we need to move to our next person.

Mr. John Hannaford: I'll turn to Ms. Johnson to respond quickly on the process there.

Ms. Mollie Johnson: You bet.

These projects are effectively clean energy projects. We have two streams to the program. There is capacity building, where we work with communities so that they are able—it's almost like predevelopment—to prepare for the kinds of clean energy projects we will be building in communities to get off of diesel. The other part is building those projects in partnership with communities.

Those are sort of the two sides of the house as we are trying to work to reduce reliance on diesel but also prepare for the clean energy projects that will be built in communities.

The Chair: Great. Thank you.

Now we're going to move to Monsieur Simard for his six minutes.

[*Translation*]

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

I don't know whether my question is for Mr. Hannaford or Ms. MacNeil. I want to address something in the document provided, namely, the contribution to help manage the mountain pine beetle in Alberta.

In Canada, Quebec is probably the province with the largest forest industry. It's followed by British Columbia, then Ontario and Alberta, which is far behind.

In Quebec, the spruce budworm is currently wreaking havoc. The area of damage has increased by 23% in the Bas-Saint-Laurent region alone. I'm not seeing one penny from the federal government to fight the spruce budworm.

I'll give you some background on the situation. The Quebec government invested \$55 million in 2021 to stop the infestation in the Saguenay-Lac-Saint-Jean, Bas-Saint-Laurent and Gaspésie regions. The federal government's most recent investment to fight the budworm was in 2018. That investment was \$75 million for the Atlantic provinces only. Did the Irving family have anything to do with that? I'm not that cynical.

My question is very straightforward. Why was Quebec left out?

[English]

Mr. John Hannaford: I will refer to Ms. MacNeil in a second.

I would say, though, that the government has been very clear in its support for the forest sector across the country. There are more than 200,000 people and over 300 communities that rely on the sector. Since budget 2017, the government has committed over \$345 million to support the sector in terms of innovation and transformation.

I think there has been a significant level of support across the country with respect to these areas of development, but I'll turn to Ms. MacNeil with respect to the budworm in particular.

Ms. Beth MacNeil: I would like to mention a few things. First of all, the investment we made in the mountain pine beetle in Alberta is to protect the forests in eastern Canada. It's to stop the eastward spread of that particular forest pest.

I would also like to make a correction to the honourable member's comments. We invested \$11.6 million in the spruce budworm. We reprofiled unspent monies, which was announced in the economic update in December 2020. That \$11.6 million went specifically to the spruce budworm spraying in the province of Quebec.

With regard to the comments on the early intervention strategy in Atlantic Canada, we recognized, among the federal expert researchers, that trying to intervene early on in the spread of the spruce budworm from the Quebec region into Atlantic Canada was the best way to identify those hot spots and control the pests from damaging the spruce and fir trees in most of Atlantic Canada. It is cost shared. The participation is 60:40 for federal and provincial investment.

• (1705)

[Translation]

Mr. Mario Simard: I'll briefly step in to redirect the conversation.

Many communities in Quebec depend entirely on forestry. As far as I know, Alberta's economic driver isn't forestry. You're talking about \$11 million in 2020. If I recall correctly, this \$11 million wasn't only for Quebec, but also for the Maritime provinces. It's out of line with the \$25 million that I'm seeing now.

Above all, this overlooks the very precarious situation of the forest sector in Quebec resulting from the spruce budworm crisis. I can't believe that the information presented today doesn't include anything to address the spruce budworm crisis.

[English]

Ms. Beth MacNeil: I would like to point out that the province of Quebec and the forest sector in Quebec are extremely important to the forest sector writ large in Canada, particularly in advancing the bioeconomy.

Since 2019, we have invested \$38 million in FPInnovations, headquartered in Pointe-Claire, to produce tomorrow's fibre-based forest products. We've also invested more than \$25 million—

[Translation]

Mr. Mario Simard: I'll interrupt you because this is a new topic.

If you want to talk about innovation in the forest sector, I'd like to remind you that the 2021 budget included \$54.8 million over two years for 2021-22.

I don't know why, but I don't see it in your current breakdown.

[English]

Ms. Beth MacNeil: I believe you are seeing, in the supplementary estimates this year, a proportion from the announcement of \$54.8 million in budget 2020-21. Through our calls for proposals, we have already started to fund projects, for instance Anomera's bioplastic project in Quebec.

I would also like to point out that \$43 million of our \$65 million spent on two billion trees this year alone has been in the province of Quebec.

The Chair: That's the end of the six minutes.

Mr. Angus, we will go over to you for your six minutes.

Mr. Charlie Angus: We thank you so much for gracing us with your presence and your expertise. This is really important for us.

I want to begin by discussing the issue of strategic metals and the need for a strategy. In the little town I live in, when it rains we see pink on the hills. That's cobalt, but cobalt is a very rare metal. It is at the heart of some of the worst human rights abuses on the planet in the Democratic Republic of the Congo. It is the blood metal. Unless we find alternatives, we are going to continue to perpetuate horrific human rights abuses. Lithium is another key metal. There is horrific environmental devastation caused by it.

We're looking at these alternatives in light of a geopolitical struggle with China, which is controlling more and more of the market. In Canada right now, just over the hill and down the road from me, we have the first cobalt processing facility, which would be good but the feed is still coming from the DRC. In terms of the government's commitment, we have mines, but in terms of having a strategy to ensure control of strategic metals like cobalt and lithium, I'm concerned that we're not taking steps that are important. For example, the selling of the Neo Lithium company to a Chinese state-owned enterprise strikes me as...

Why would we sell a Canadian-owned company to the Chinese when it's about lithium? They are trying to control the market. Was there an assessment done by your department on this?

Mr. John Hannaford: Thank you very much, Mr. Angus.

I'll turn to my colleague Mr. Labonté for more detailed comments, but I would say a couple of things. First of all, as I mentioned earlier, the government recognizes the critical importance of the development of these assets for economic reasons, for environmental reasons and for geopolitical reasons. There are obviously a range of different other suppliers in the market with respect to a number of these goods, but I think that one of the real assets that Canada has is its ESG reputation, and this is an opportunity for us to further elaborate the soundness of the environmental and governance practices that result in the development of these assets.

I'll turn to my colleague Mr. Labonté for further elaboration.

• (1710)

Mr. Jeff Labonté (Assistant Deputy Minister, Lands and Minerals Sector, Department of Natural Resources): Thank you for the question.

To build on the comments by Deputy Hannaford, I would say that very clearly you've struck on two very important minerals, and of course the development of how those minerals reach market and what they're used for is extremely important. In view of that, certainly when, as you said, there's an acquisition, there is the Investment Canada Act, under which a review is conducted about the investment, and that review is headed by the Department of Innovation, Science and Economic Development.

Departments like Natural Resources and others around the federal family contribute to the review and are part of the reviewing process that takes a look at each of those transactions. Therefore, we do bring our expertise to bear on those and provide—

Mr. Charlie Angus: I guess what concerns me is that the United States has raised a huge red flag. China is trying to control the market, and we just let them buy a lithium company. The argument I've heard from the government as well was that they weren't really a Canadian company anyway. That's because Canada has 75% of the world's mining companies registered here, and they're registered here because they get corporate protections. They get tax incentives, and they get to sell their stock.

If you ask me, if they want to use our advantages, then they're a Canadian company. The fact that we let a Chinese company take over one of the most critical assets, which is in such short supply, and we gave it to a Chinese government company without raising a flag is really concerning.

I hope that Natural Resources would have at least put up some of those flags.

Mr. Jeff Labonté: I think, as has been referenced, that transaction happened in the market and it was an acquisition of a Canadian-controlled company. Under the Investment Canada Act, like all investments, it was reviewed. In that act, there is the requirement that state-owned enterprises that acquire a Canadian company be reviewed and there are actually guidelines that provide further requirements for the review when it relates to critical minerals or critical mineral—

Mr. Charlie Angus: I'm sorry to interrupt. Would you consider the fact that, since we are in a geopolitical struggle with China over these key minerals, we should maybe actually rewrite the Investment Canada Act? We're letting a state-owned company take it. This isn't just a market acquisition. We allowed a Canadian company that used all of our corporate protections to be given to a Chinese state company. Do we have to look at rewriting the act?

Mr. Jeff Labonté: I think that's perhaps a question for Innovation, Science and Economic Development Canada, but certainly the act has all the provisions that are necessary for Canada to take a look at acquisitions, as I said, that happen by state-owned enterprises, as well as those that require critical minerals.

Your reference was to lithium. There are 20 different lithium projects under development in Canada. Canada does have lithium resources that are being developed domestically and there is a market growing in terms of electric vehicle production, as you would know. The two largest lithium producers in the world are the United States and Chile, followed by China.

Mr. Charlie Angus: But China controls the cobalt market. China is trying to control these—

Mr. Jeff Labonté: China has the largest—

Mr. Charlie Angus: I'm sorry to interrupt. It's just that if we are going to allow a Chinese state company to take critical assets, we can't really say that we have a critical minerals strategy.

Mr. Jeff Labonté: The honourable member may take that position, but I'm not sure I'd take the same view.

Mr. Charlie Angus: Fair enough.

Mr. Jeff Labonté: All of the things are reviewed.

What I was pointing out on lithium was just that there's the production of lithium and the processing of lithium, and that difference is quite profound. In terms of the production of lithium, the two largest producers, which dominate some 45% of the market, are the United States and Chile. The processing, of course, as you pointed out, happens more predominantly in China and it is significant and is certainly something that the market is responding to.

As I mentioned, there are some 20 different projects under way in Canada around lithium. They're in Quebec, Alberta and Saskatchewan, and they're using new and different ways of developing lithium so that there will be lithium supply to feed the value chains that we expect will emerge.

• (1715)

Mr. Charlie Angus: Thank you so much for that.

The Chair: Folks, we're out of time.

We now have seven minutes before the vote. I'm wondering what the committee would like to do. We have the voting part on the supplementary estimates, so we could release the officials and move to the vote.

How much time do we want to do the other vote? We could start on the discussion. It will be seven minutes or so before we get into it. At this point are willing to let the officials go?

Some hon. members: Agreed.

The Chair: All right. I would like to thank all of the officials.

Mr. Charlie Angus: Thank you so much.

The Chair: This is the first time since I've started chairing that we've had all of you together. It's great to have you here.

Deputy Minister Hannaford, thank you so much. Ms. Carruthers, thank you for joining us today.

If everybody wants to log off, we've appreciated your time.

For the members, we have instructions on voting—and I'll keep an eye on the clock here—for supplementary estimates (C) 2021-22. The order of reference for the committee to study the supplementary estimates (C) expires not later than three sitting days before the final sitting day of the supply period ending not later than March 26, or three sitting days before the last allotted day of the current period, which has not yet been allotted.

Five votes were referred to the committee. Do we want to vote on the supplementary estimates (C) at this time? I can seek the unanimous consent of the committee to group these five votes together for a decision. Is there unanimous consent to proceed this way?

Some hon. members: Agreed.

The Chair: Shall all votes on supplementary estimates (C) carry?

DEPARTMENT OF NATURAL RESOURCES

Vote 1c—Operating expenditures.....\$46,224,383

Vote 5c—Capital expenditures.....\$150,000

Vote 10c—Grants and contributions.....\$96,742,105

(Votes 1c, 5c and 10c agreed to on division)

ATOMIC ENERGY OF CANADA LIMITED

Vote 1c—Payments to the corporation for operating and capital expenditures.....\$39,100,000

(Vote 1c agreed to on division)

CANADIAN ENERGY REGULATOR

Vote 1c—Program expenditures.....\$200,000

(Vote 1c agreed to on division)

The Chair: Finally, shall I report the votes to the House?

Some hon. members: Agreed.

The Chair: With that, we are done with the committee business for today. There was hope to go in camera for some committee business to finalize some work of the subcommittee from Monday. There's nothing pressing there. We can carry that forward until we come back in a couple of weeks after our constituency weeks.

If everybody is okay with it, we will simply adjourn at this point and let you go to vote.

Mr. Charlie Angus: You did a wonderful job.

The Chair: Enjoy your couple of weeks. We'll look forward to a good three-week stretch when we're all back here.

Take care. We're adjourned.

SpeakingNotes-JohnathanWilkinson-e

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