

Ric Dolphin's

Insight

into Government

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SOLIDARITY THREATENED?

A FAMILIAL RIFT DEVELOPS OVER THE ROYALTY REVIEW

While most Albertans seem happy with the royalty framework, long-time NDP friend & labour leader Gil McGowan is not. He says Notley has been duped by industry's strategy of 'disaster capitalism.' Is this the beginning of the end of a beautiful relationship?

There seemed to be real pathos in the presentation by Alberta Federation of Labour president **Gil McGowan** at his Edmonton press conference Monday morning: the *cri de couer* of a spurned lover, perhaps, or the plaint of a boy whose beloved yellow Labrador has, without warning, taken off his ear.

"Frankly," McGowan is saying (he likes that word), "I worked my backside off last spring doing what I could to help get this gov't elected. I was on the party's strategy committee, I advised on platform..."

There were no tears, but we few media members who'd bothered showing up wouldn't have been surprised to see water mustering in this bearded 48-year-old labour crusader's hurt brown eyes...

"...To make things even more complicated, many members of the gov't are not just allies, they're personal friends of mine. So it wasn't easy for me to make my decision, but I felt had no choice... We think the gov't got it wrong on royalties."

The decision made by the AFL and its affiliated unions— 177K card-carrying bros & sisses who vote NDP by default— was to reject the gov't's resource royalty framework, approved—and apparently approved of—by Premier **Rachel Notley** (*Insight*, Jan. 29) in what McGowan and his cohorts considered an act of betrayal. Was she dead to them now? Perhaps there was still hope.

"Some people say we may be stamping our feet or flexing our muscles," says McGowan, who seems boyish for his 48 years, "but that's not what's going on here. What's really going on is more like an intervention with a close family friend or a family member. We're trying to remind the NDP of who they are and why people voted for them." Intervention?

Rachel, I know you weren't expecting to find all of us here, but we all love so very much and want to help. First, I must ask you to hand over that book... No, no, you must. My God it's (sotto voce) Hayek! This is far worse than I thought. Anyone got any naloxone? Thanks, Cheryl. And we're going need to call in the big guns; who's got Naomi

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POLITICAL PULSE

P.E.T. SOUNDS

JUSTIN'S VISIT CONJURES GHOSTLY REMEMBRANCES

On Wednesday afternoon a flotilla of armoured Suburbans and Town Cars arrived in front of the Legislature, a platoon of RCMP and security staff positioned themselves around the grounds. The former *Dauphin*, now elevated to Prime Minister Trudeau II (Trudeau), is ushered along with an entourage of retainers and ministers into the building and up to Premier **Rachel Notley**'s third-floor office, where the two leaders spent an hour or so talking about God-knows-what.

Prior to the PM's arrival, various federal sources had let it be known to the media that Alberta would be receiving \$250M from some federal slush fund and that Justin would be announcing this, along with the "fast-tracking" of \$714M in infrastructure money—an amount already granted by the Harper gov't, but of course that would not be mentioned.

The brief speeches were written ahead of time, and both first ministers were fully aware of one another's positions on pipelines and climate change strategies and the need to sound like something was going to be done about the unemployed. It was all done and ready to go.

So maybe they exchanged notes on their favourite running shoes, or rhapsodized about the charms of old Montreal.

They emerged at around 5:30 p.m. and descended the marble staircase into the Rotunda, taking their places behind mic'd podiums, while two provincial and two federal cabinet ministers stood on the stairs behind their leaders as a humanoid backdrop, trying not to look dumb.

Facing the podiums from in front of the Rotunda fountain were the massed media, cameras mounted, iPhones poised, and ready to catch every moment of this first official appearance in Alberta by the new PM. In fact it was the first visit by Prime Minister to an Alberta premier since Paul Martin stopped by for the centennial celebrations in 2005.

Crowding behind the media on the main floor, and pressed against the balcony rails on the three open floors above, were groupings of Alberta civil servants, the majority women, there no doubt to catch a glimpse of this latest charismatic phenomenon—the "hottie" who had fluttered young hearts in Manila and Paris. But many in the Leg. crowd were waiting to hear what golden words of comfort and succor Justin might have for a province laid low by economic circumstance.

Oh he looked pretty enough: his trim, six-foot-two frame fitted with a charcoal suit, white shirt, and a violet tie that set off those long-lashed green-blue eyes. And he affected a look that tried for deference as Notley, a full foot shorter, delivered some vague remarks about the positive meeting she'd had with the PM and how they were aligned on climate change, the need to get Alberta's oil to tidewater "responsibly," and the plight of Alberta's unemployed. And, oh yeah,

Turn to Political Pulse on pg. 5...

Klein's cell number?...

(There's a *dark* TV comedy here somewhere.)

The AFL's problem with the new royalty framework, recommended by ATB Financial CEO **Dave Mowat's** blue-chip panel, is that it changes virtually nothing.

Outside of some systematic streamlining of rates and formulas and more public transparency on the costs claimed by corporations, the new framework will see the oil companies paying much the same rates as they've paid since the last update under Premier **Ed Stelmach**.

Especially galling to McGowan and his fellow travelers, was Notley's announcement speech wherein she recited portions of the royalty report, much of which bears the blue fingerprints of panelist **Peter Tertzakian**. This Calgary economist and investment banker is as respected by the oil barons of Petropolis as, let's say, **Naomi Klein** is respected by the **Gil McGowans** and **Rachel Notleys** of this world. (Well, still by the former at least). In this month's *Alberta Venture*, Billionaire Calgary Investor and *Dragon's Den* alumnus **Brett Wilson** calls Tertzakian "the best energy economist in the world."

Not to **Gil McGowan** and the union clan, he ain't. Keeping things as they are while oil prices are low is fine, says McGowan; the AFL would recommend the same thing. But the lack of any increase in the sliding rate when prices recover is yet another example of Albertans' fair share of royalties being sacrificed on the altar of big oil capitalism.

Under the unchanged royalty regimen for oilsands, for example, companies pay between 1% and 9% of revenue pre-payout (i.e. before capital costs have been paid), and between 25% and 40% of revenue post-payout, with the percentages indexed to the current oil price.

This seems fair to the royalty panel, fair to industry, fair to the 60% of the Albertans polled last week who supported the royalty framework, fair to **Rachel Notley**, but decidedly not fair to the AFL.

"Overall the panel's report is nothing more than 190 pages of excuses and justifications about why Albertans should never question if they're getting a fair share whether the price of oil is high or low," said McGowan. "Frankly, we're afraid that the industry is participating in another round of what author **Naomi Klein** has famously called 'disaster capitalism.' And we're afraid the panel has helped them." (Italics added.)

There she is! The Canadian left's favourite feminist, environmentalist, and, above all, anti-capitalist wrote a 2007 book called *The Shock Doctrine: The Rise of Disaster Capitalism*. It that chronicles the rise of Chicago school of free market economists, led by capitalist oracle (and later US Fed boss) **Milton Friedman**, during the Reagan/Thatcher era and beyond.

One of their great strategies, posits Klein, was "disaster capitalism" whereby corporate America plays up economic or natural disasters to game the system favour of the top 1% while the middle class gets poorer and the poor become more numerous. **Bernie Sanders** is a Naomi Klein fan.

On Monday, McGowan handed out AFL's 55-page counter-proposal to Tertzakian's royalty review. It was prepared in consultation with a couple of former Energy ministry economists including **Barry Rodgers**, who worked on the 2007 royalty review that recommended the 20% rate hike that was quickly rescinded. But Naomi's spirit is present.

"Over the past three decades," it reads, "oil companies have successfully used what **Naomi Klein** calls "disaster capitalism" techniques to convince the Alberta gov't to

continually lower royalty rates... as they did after the 2007 royalty review, oil companies use the ups and downs of the oil price to help advance their own interests." (The clamour from mostly medium sized exploration firms, persuaded the Stelmach gov't to back off on that initial hike of 20%.)

According to the AHL, it was the clamour from the disaster capitalists last fall about the "uncertainty" created by the royalty review process that resulted in the panel's recommendations to keep things the same.

The report argues that this sky-is-falling strategy has resulted in an incremental series of royalty tax concessions to oil companies that—according an impressive looking graph that McGowan projected on a screen during the press conference—has seen the province's overall share of oil profits decline from 30% under **Peter Lougheed** to 3.6% today.

(Coincidentally, perhaps, the ups and downs on the graph tend to correspond with oil price fluctuations, the implosion of natural gas prices, the decline of conventional oil, and the longer payout periods for oil sands plants.)

Tertzakian's panel contended that the glut of hydrocarbons, the entry of lower cost producers, the lifting of the ban on American oil exports, advances in oil extraction technology (notably fracking), and the added costs from climate change levies, have conspired to make Alberta a less attractive place to put one's investment money. And many of these challenges will remain even when oil prices rise.

Thus increasing Alberta's royalty rates — which the panel found to be in the middle of pack compared to jurisdictions with similar extraction costs—will increase costs to the producers, discourage investment in new projects, and ultimately result in a lower overall royalty take due to reduced production volumes.

The AFL report dismisses the panel's contentions as just more disaster capitalism. The decline in investment is the same worldwide, it says, and merely reflects oil prices; investment will pick up when prices rise, and even at reduced levels is still higher than in neighbouring provinces (\$45B in 2015). Major projects continue to be built, oil production was at an all time high in December. And despite the job layoffs, Alberta's unemployment rate has only dropped to around the Canadian average, with many high paying oil patch-related jobs remaining in construction, upgrading, and refinery maintenance.

The report quotes economist Rodgers on the current state of investment in oil projects: "The rates of return for US plays range from 20% to 50%. The RORs for the Canadian (Alberta & BC) plays range from 40% to over 100%. Associated US royalty rates range from 18% to 25%. The range for the Canadian plays is 5% to 15%."

In other words, the sky isn't falling, but the Rachelites have signed on with Chicken Little.

What will this ideological disagreement do to the relationship between the Notley gov't and its ancestral friends in labour? Could this be the beginning of the kind of rift between an NDP gov't and its base that brought down **Bob Rae's** Dippers in Ontario after a single term? That split was caused when Rae froze public service wages after racking up big deficits in the first half of his single term.

We may yet see the Notley gov't forced to do the very same, faced with the prospect of a much larger than forecast deficit in the current year.

Unless, of course, the intervention works and Rachel kicks the capitalist habit. Best not to hold one's breath.

THE NOTLEY CABINET EXPANSION

Rachel's additions to her cabinet this week, down-played some of the more traditional selection considerations (geography, for instance) and were more inspired by gender politics, destined to remain a guiding principle for everything this NDP gov't does over its next three years, three months, and two days. Half of the newbies are, of course, women—maintaining that crucial “gender balance” on a cabinet, established in May with the first dozen split chromosomally down the middle. (Things skewed slightly to the distaff side when Danielle Larivee was given Municipal Affairs in October).

Splendidly, two of this week's picks are pregnant, thus blazing another genderific trail for Alberta. But wait until the suckling begins on the floor of the House come March. National coverage, baby.

Of the three mere males, one has the advantage of being, as they say, “openly gay,” and also—bonus!—is Latino. (Fun fact: three of the 87 MLAs [3.5%] are Latinos in a province where Latin Americans comprise just 1.2% of the population. Three members of the 100-seat US Senate are Latino in a country where 17% of the (legal) population is Latinos.) Sadly, there are not yet any transsexuals, but don't rule out the possibility of a conversion before 2019. (Pardon us for a moment while we try to scrub that antic image of **Brian Mason** in a little black dress that invaded our mind's eye... ok, all gone now.)

As for geography, three of the new ministers are from Edmonton, three from Calgary, and there isn't a single soul from the sticks or from Red Deer that created some upset on Twitter). Rachel has also broke with tradition by choosing an Edmontonian as deputy premier. In the past, the deputy has usually come from the opposite cardinal zone from the premier. Or course the Dippers can't piss off Calgary any more than they already have. A late-week poll had NDP popularity down to 27% in Calgary (and 22% outside of the two cities) compared to 48% in Edmonton.

THE NEWBIES

RICHARD FEEHAN, 55, (Edmonton-Rutherford)
INDIGENOUS RELATIONS

Pre politics: Social work instructor at UofC's Edmonton campus.

Before his 10-year teaching gig, Feehan had involvement with urban aboriginal matters as program director of the Edmonton Social Planning Council and as vice-president of Catholic Social Services, but admits he has steep learning curve. He will be the province's lead when the feds launch their promised enquiry into missing & murdered aboriginal women.

The name of this ministry has been changed from Aboriginal Relations, says Notley, because the natives' latest preference is to be called “indigenous.”

CHRISTINA GRAY, 37 (Edmonton-Mill Woods)
LABOUR; DEMOCRATIC RENEWAL

Pre politics: Software developer

Having taken over Labour (previously known as Jobs, Training & Labour) from the struggling **Lori Sigurdson**, Gray will be working out the details of the contentious farm safety legislation (Bill 6) with Agriculture Minister **Oneil Carlier**, who last month announced that consultation panels will be set up with farmers and other interested parties.

Gray has chaired the Special Ethics & Accountability Committee looking into election finance, conflict of interest, and whistleblower protection, matters that now also become the province of the newly created Democratic Renewal ministry. Nothing has been said about looking at proportional representation (the federal gov't's democratic renewal focus)—possibly because the NDP would not have formed a majority gov't under a PR system.

STEPHANIE MCLEAN, 29, (Calgary-Varsity)
SERVICE ALBERTA; STATUS OF WOMEN

Pre politics: divorce lawyer

The only lawyer who did not receive a cabinet position in May, party favourite McLean was instead given the post of deputy-whip. Some assumed she had been passed over because she was pregnant.

In the gender-equity-advocating NDP universe, however, the travails of new motherhood must not be considered a bar to cabinet service. Thus the novel sight Tuesday of

an extremely gravid McLean (her first child's due Sunday) taking the oath of office as minister of both Service Alberta (held briefly by Municipal Affairs Minister **Danielle Larivee**, and before that by recently created Economic Development Minister **Deron Bilous**) and Status of Women (previously held by Environment & Parks Minister **Shannon Phillips**).

Service has always been an entry-level ministry (2015-16 budget: \$315M), and currently has nothing too pressing on its agenda, while SoW, the only portfolio dedicated to female affairs in any provincial gov't, is barely there (budget: \$1.5M) and is currently involved in “gender based analysis” of gov't departments and training senior bureaucrats to be better feminists.

Notley has said that ministers who previously held these portfolios will fill in for McLean while she's away for the week or two it may take to give birth and settle into maternity. Asked how she will cope with the demands of motherhood and cabinet, McLean told reporters “This is one of those sort of organic things that you have to figure out as you go along.”

Ricardo Miranda, 39 (Calgary-Cross)
CULTURE & TOURISM

Pre politics: flight attendant & CUPE organizer

The first openly gay Alberta cabinet minister was an inevitability in an NDP gov't and Rachel picked the least activist and most convivial of the three admitted homosexuals in caucus. (The only previous gay cabinet minister we can recall was Lougheed-Getty era deputy-premier **Dave Russell**, who was not particularly “open” about his preference.)

The Nicaraguan-born, multilingual Miranda, defeated star PC candidate and former police chief **Rick Hanson** in the ethnically diverse north-east Calgary-Cross riding formerly held by the retired **Yvonne Fritz**. He is a former board member of the leftist UofA think tank, the Parkland Institute, and recently chaired the Standing Committee on Alberta's Economic Future.

His is another of the entry-level ministries (budget: \$330M), but one that presides over one of few potential growth industries in a province where the low dollar is attracting more American and Asian visitors to the mountain tourism areas.

Brandy Payne, 37 (Calgary-Acadia)
ASSOCIATE MINISTER OF HEALTH

Pre politics: owner of a small yoga instruction business

The yoga teacher who beat former PC Attorney General **Jonathan Denis** on a shoestring budget (\$240 to \$80K) will become the second MLA/cabinet minister to give birth

Continued on next page...

Cabinet ... continued from previous page

in office (her second child is due in July).

As associate minister of Health, Payne will be backing up Minister **Sarah Hoffman**, and will be in charge of implementing the recommendations of the mental health committee, looking after primary care networks, and figuring out how to deal with the fentanyl drug problem.

This biggest of the ministries (budget: \$18.6B), typically employs an associate minister, a position with some of the perks of a full cabinet minister (an office with assistants; a seat at the cabinet table; an "Honorable" honorific), but not quite the salary (\$156 p.a compared with \$191K).

THE ALTERATIONS

Lori Sigurdson, 55 (Edmonton-Riverview)
SENIORS & HOUSING

Pre politics: social worker

Having not shone particularly brightly as Jobs, Training & Labour minister during the Bill 6 excitement, Sigurdson has been relieved of that portfolio along with the less contentious (so far) Advanced Education and given Seniors & Housing, which had formerly just been called Seniors (though housing was contained within the ministry).

Sigurdson the social worker will be more comfortable doling out housing to the poor and the elderly than she would be were she to have remained in the labour portfolio where, we suspect, there will be some unpleasantness when the first public service union is told to accept a 0%-0%-0% three-year-contract.

Sarah Hoffman, 35 (Edmonton-Glenora)
DEPUTY PREMIER (new), HEALTH (retained)

Pre politics: NDP researcher, public school board chair

Not a big surprise to see Health Minister Hoffman bumped up into the deputy-premier position. During Notley's absences from the House, Hoffman has equipped herself well in filling in for the premier in Question Period.

Although she has not yet spearheaded any major policy changes or big projects in Health, Hoffman has also kept this mother of all ministries from going off the rails—an accomplishment in itself.

SKY PALACE REDUX

A ROSER INQUISITOR RATTLES BUREAUCRATS AT PAC MEETING

At Wednesday's meeting of the Standing Committee on Public Accounts, a couple of Rosers did the unspeakable by grilling a brace of senior bureaucrats on the extent of their involvement in the misuse of gov't funds by former Premier **Alison Redford**.

Senior civil servants, blameless functionaries that they are, usually receive politely deferential treatment at all-party committee meetings, even from the PA committee (known as PAC), which examines departmental and agency finances and reviews reports on departmental systems by the Auditor General.

Wednesday afternoon was different. The committee, which is catching up on a backlog, was reviewing Auditor General **Merwan Saher's** damning August 2014 "special duty audit" on Redford's irregular expenses. These included the misuse of gov't aircraft for 50 personal flights and numerous trips by Redford and cabinet members to politically partisan events. Saher also took aim at the surreptitious construction of a \$2.7M penthouse suite for the Premier and her daughter atop the renovated Federal Building—the now

infamous "sky palace."

Staff in various departments had been cowed into doing the Red Queen's bidding, said Saher, because of what he famously called the "aura of power" emanating from the Premier's Office.

Saher had taken aim at the (unnamed) senior civil servants who should have known better. At the PAC meeting, he recited a passage on the subject in pure Merwanese: "No public servant should be excused from vigilant oversight of their compliance with policies and processes designed both to protect the public interest and themselves from bad judgment."

This was the cue for Wildrose inquisitor **Derek Fildebrandt** (Strathmore-Brooks) to take after the two senior servants present at the PAC meeting who had headed the relevant ministries at the time of the Redford *terroir*:

Deputy Minister **Ray Gilmour**, sixtyish and balding, is a veteran bureaucrat and ex-banker. He moved from Infrastructure to Finance in September of 2013 in time for the final months of Redford's airplane misuse. (The planes, since sold, were under the aegis of Finance & Treasury).

Marcia Nelson, a former Ontario bureaucrat who joined the Alberta civil service in 2002, was deputy minister of Infrastructure during the Sky Palace construction. (She's now the associate deputy minister of Executive Council and is rumored as being groomed to replace top civil servant **Richard Dicerni**, 67, whose retirement is imminent. Not the ideal time to be blotting one's escutcheon.

Fildebrandt, 30, Wildrose's scrappy finance critic, had temporarily vacated his normal position as PAC chairman that afternoon in order to play *Torquemada* to what a small-gov't libertarian like Derek must regard as a blasphemous public sector priesthood.

Heated irons might have helped. Fildebrandt is a dogged interrogator, but his repeated attempts to get what he wanted from Nelson were thwarted at every turn. He wanted to find out whether she or any other senior bureaucrats in Infrastructure were taking direction from Redford's political staff on the construction of the sky palace.

But Nelson, a dark-haired, poker-faced woman of around 50, said she was here to answer questions about the oversight procedures put in place at the AG's recommendation—measures designed to prevent future abuses of power by premiers.

"As I said, I'm here to answer questions in relation to the recommendations made by the Auditor General in the special duty report for August 2014," said Nelson.

"Yes," said Fildebrandt. "And this is clearly a part of it. The Auditor General clearly highlighted this as a very serious issue, that there was no check on the office of the Premier, that processes were circumvented, that political officials in the Premier's office could tell officials in other departments what to do, circumventing proper channels of authority. That is what I'm asking about."

On this and several further occasions, the acting PAC chairwoman, NDP MLA **Heather Sweet**, 33 (Edmonton-Manning), a social worker, intervened to block Fildebrandt's line of questioning.

"Again, I think we need to focus on the questions specific to the Auditor General's report," Sweet admonished. "You're asking around assumptions about staffing and how our public servants would be able to interact within their office space. This isn't an opportunity to bully our public servants . . ."

The back and forth went on for a while, with Fildebrandt's question never actually getting answered, and with Sweet repeatedly stepping in on the ADM's behalf.

On the subject of who knew what about the misuse of planes—in particular the 50 occasions when Redford used them for personal trips, plus the flights she and other ministers took to political events—Fildebrandt found it just as hard to extract information from the taciturn DM Gilmour.

“Were you ever made aware of the Premier’s personal or partisan use of airplanes before her resignation?”

“I didn’t monitor the plane activity personally. No,” said the DM.

“You were never made aware?”

“I didn’t monitor the plane activity,” Gilmour repeated.

Later in the meeting, Fildebrandt asked Gilmour if the “former minister of the time” (**Doug Horner**) knew that Alison and other ministers misused the planes.

Fildebrandt: “Did the former minister do anything about the partisan use of the air fleet by the Premier, his caucus colleagues, or cabinet colleagues?”

Gilmour: “I wasn’t aware.”

The Wildrose interrogator returned to Nelson for a final attempt at determining culpability within Infrastructure during sky-palace construction. There had obvious been public servants breaking the rules, he said, “My question, and I’ll ask it again: ... were they held to account?”

Nelson’s response was a quote from Saher’s audit: ‘This

was an audit of the expenses of Premier Redford and her office. It would be wrong for anyone to extrapolate our findings and conclusions to the public service of Alberta as a whole.”

“Yes, *as a whole*,” said Fildebrandt, “but individual places within the public service are clearly connected with what happened. What happened did not happen in a silo. The Premier’s office did not physically go to the 11th floor of the building we’re in and start putting up curtains.

“Clearly, there were people within the public service complying with the orders they were given when they were being given orders from people who had no authority to give those orders.

“I’m asking a clear question, and I want a clear answer. Were there people within Executive Council or Infrastructure who complied with political orders from people who had no authority to give those orders? Were they there, and if they’re no longer there, were they held to account?”

Nelson: “I think I’ve given my answer.”

And that’s as far as it got. We’ll have to wait for Saher’s audit on how well the ministries incorporated his oversight recommendations, a year hence, to see if he has any problems with senior civil servants who refuse to speak forthrightly on matters with which, as heads of their ministry, they should have had at least a glancing knowledge.

POLITICAL PULSE ... from Page 1

thanks for the \$250M and the fast-tracked infrastructure money...

In Trudeau, though, one could detect just the slightest hint of the patrician condescension that older Albertans remember as his father’s trademark. It manifests in a fixed smile that wanders ever so briefly into smirk territory.

The media had reported on the \$250M in aid and the \$704M in infrastructure money a few days before. Pundits and hoi polloi alike had dismissed the federal largesse as peanuts for a province staring an \$8B-plus deficit in the face, a province that hit 73K unemployed in 2015, highest in 20 years.

Of more concern to the reporters taking their turns at the microphone, was the delivery of Employment Insurance payments to the legions of laid-off Alberta workers.

That same day, the Alberta Federation of Labour had issued a press release complaining that workers in Newfoundland only need to work 420 hours to be eligible for EI, while Albertans needed 630 hours. Because of this “patently unfair” situation, wrote AFL president **Gil McGowan**, only 37% of idled Albertans could claim.

Asked if he would fix this horrendous inequity, Trudeau didn’t exactly shrug—we expect he received electrotherapy to rid him of that notorious Trudeau-*père* reflex. Instead he offered what is shaping up to become the Trudeau- *fils* equivalent: the *empathetic obfuscation*:

“This is certainly something we’re aware of, listening to the folks in Alberta who are really facing challenges. And it’s certainly something the Premier emphasized in our meeting, and I assured her that we are looking at this and working to move forward on it as rapidly as possible because indeed we do know that there are families that are looking at the coming weeks with a certain degree of trepidation and we are endeavoring to be there for them.”

I.e.: we feel your pain and we’ll get back to you on that.

Of more concern in the mid to long term is the fate of the Energy East and the TransMountain pipelines, projects that Trudeau has further delayed through the imposition of a lengthier and more stringent National Energy Board approval process. (*Insight*, Jan. 29).

To many Albertans, the stalling of Energy East pipeline looks like to do for this Trudeau what the National Energy

Program did for his dad: pitting the West— well, Alberta and Saskatchewan—against the East. Unlike the Alberta of the early-1980s oil shortage, however, the province today lacks the same leverage. Oil and gas are plentiful. Were we to turn down the taps, the easterners have many other sources. We can’t freeze ‘em in the dark any more.

Trudeau Jr’s position on the pipeline is that, of course, it is always the job of the prime minister to ensure Canada’s resources get to market, and that, naturally, he fully supports pipelines to tidewater, he is also obliged, in this day and age, to make sure all the “stakeholders” (i.e. Indians and enviros) are “fully engaged” in the process and that the climate change ramifications... Well, we’ve heard the spiel.

Cutting through the bullshit, it appears very likely that this Liberal gov’t is determined to craft a system that pushes pipeline construction ever further into a crepuscular future. Once again, we have a fed gov’t guided by the politics of Ontario and Québec—and to an extent British Columbia. None of them, it seems, want either our oil or our pipelines.

Ipsa facto, neither do the Federal Liberals. This week in the House of Commons, the Conservatives introduced a non-binding motion for the House to recognize the importance of the Canadian energy sector and support the Energy East. Every Liberal MP present (along with the NDPers) rejected the motion in a whipped vote.

Towards the end of Trudeau’s appearance in the Leg., Calgary Sun columnist **Rick Bell** asked him a simple question: “If the NEB green-lights the Energy East pipeline project, after all the consultation and all the environmental assessments, will your cabinet approve it?”

“We’re in a situation where we’re not going to predict or shortcut any of the processes going through,” Trudeau replied, warming to the subject. “One of the things that Canadians understand is that we need rigorous processes that actually evaluate and engage with concerned citizens, with scientists, with indigenous groups, and that’s exactly what we’re empowering the NEB to do properly. And we look forward to the process and we will continue to live up to the expectations that Canadians elected us to do which is to grow the economy and protect the environment and understand that those two things do go together.”

By now about half of the audience had left. Trudeau’s talking points, although delivered forthrightly with hair held high, were wearing thin. Winsomeness, it appears, can only go so far.

Talk in the Corridors

Old boy Watson moderately bullish...

● A couple of weeks back, while Montreal Mayor **Denis Coderre** was trashing the Energy East pipeline and delegate after delegate in Burnaby was telling the National Energy Board panel to scrap the TransMountain pipeline, Alberta's former top bureaucrat **Peter Watson**, now NEB CEO, was delivering a not *un-optimistic* presentation on the future of Canada's energy industry to the Toronto Board of Trade.

Watson, 63, was appointed to the NEB 18 months ago after a 31-year career as an Alberta civil servant that culminated as deputy minister of Executive Council (2012-14) but had included stints in Environment and Energy where he deployed such green initiatives as the establishment of North America's first greenhouse gas emissions standards (the \$15/tonne levy) and the initiation of carbon-capture projects (which faltered when the economy went south in '09').

In Toronto, Watson was presenting the highlights of the NEB's comprehensive "flagship document," *Canada's Energy Future 2016: Energy Supply and Demand Projections*, which he described as "the only publicly available Canadian long-term energy outlook covering all energy commodities and all provinces and territories." Along with the NEB's economists, 158 other experts from a variety of fields were consulted. (You'll find the 122-page document at <https://www.neb-one.gc.ca/nrg/ntgrtd/ft/2016/2016nrgft-eng.pdf>)

[neb-one.gc.ca/nrg/ntgrtd/ft/2016/2016nrgft-eng.pdf](https://www.neb-one.gc.ca/nrg/ntgrtd/ft/2016/2016nrgft-eng.pdf))

Various projections on the future of the energy industry to 2040 are made based on a number of possible variables including high and low long-term oil prices; the continued dominance of hydrocarbons for heat, transportation, and industrial power (the report sees consumption growing by 20%); and a Canada with or without pipelines to tidewater.

If Brent crude prices approach \$80/bbl by 2020 and \$105/bbl by 2040 (which Watson, along with other respected agencies, believes they will), Canadian oil production will increase by 56% to 6.1M barrels a day (b.d.) by 2040. If, by chance, oil only reaches \$55/bbl by 2020 and \$80/bbl by 2040, oil production would plateau at around 4.8M b.d. for the next two decades (it's currently at about 2.2M b.d.)

If no export pipelines are built and oil prices rise to the levels Watson expects, he believes the higher cost of rail shipping will reduce production by only 8% to 5.6M b.d.

Watson admits, however, that the report does not take into account climate change initiatives, such as Alberta's, that are not yet law. Thus next year's projections might be rather different.

The week ahead ...

Feb 7—Wildrose nomination application deadline for the as-yet-unannounced Calgary-Greenway byelection to replace deceased PC MLA **Manmeet Bhullar**. At press time two candidates had filed papers (along with the required \$500 donation to the constituency association, A \$1,000, half-refundable deposit, and 75 local member signatures): previous candidate **Devinder Toor**, a liquor store owner who placed third in May, and **Robin Martin**, who runs an investor relations consultancy. The nomination election is tentatively scheduled for March 5. Applications can be requested by emailing: nominations@wildrose.ca

Feb 7—PC Super Bowl fundraiser at Ceili's Irish pub on 4th Ave, starting at 4 pm, and put on by MLA **Rick Fraser** and his Calgary-South East constituency association. Tickets are \$50.

Feb 8—Another conservative "grassroots forum" with a view to getting the conservative "family" together is taking place at Cochrane's Rancho House Auditorium at 7 pm. Like the similar event organized by former PC Attorney General **Jonathan Denis** in Calgary a couple of weeks ago (*Insight* Jan. 22), this one, organized by local conservative **John Williams**, hopes to start a dialogue between PCers and Wildrosers with a view to creating a merged party to run against the NDP in 2019. More details can be obtained from: nomorendp@gmail.com

Feb 10—Auditor General **Merwan Saher** will release his February report, which will include audits of post-secondary institutions in Advanced Education, the "economy and efficiency of cash management" in Finance, and the Energy ministry's royalty reduction systems (i.e. the revenue-minus-costs system whereby companies pay token royalties until they are making a profit). The report will be available online at 10 a.m. at: <http://www.oag.ab.ca/reports>

People ...

Appointments...

● **Andre Tremblay**, formerly ADM of Social Policy in the Policy Coordination Office of Executive Council (headed by deputy minister **John Heaney**), as Deputy Clerk of Executive Council and Deputy Secretary to Cabinet. As such Tremblay, an Alberta civil servant since 2008, heads the cabinet coordination office and replaces **Christine Couture**, a former ADM of strategic services at the Alberta Energy and Utilities Board who was appointed to the post a year ago by Premier **Jim Prentice**.

● **Maryanne Doherty**, a UofA academic staffer, **Sameer Verma**, an IT professional with AIMCo, and **Ralph Westwood**, chair of the Tri-County Health & Wellness Foundation in Spruce Grove, as public members of the Naturopathic Doctors of Alberta, for 18-month terms.

● **Nancy Ellen Brook**, an Edmonton novelist, as a public member of the Conduct and Competency Committee of the College of Midwives of Alberta for an 18-month term.

● **Judy Todd**, a Calgary social worker, and **Jennifer Wheaton**, a paramedics manager with Alberta Health Services, as public members of the College of Opticians of Alberta for 18-month terms.

Orders in Council...

● Approval of the annexation of 1,675 acres of land from Red Deer Country to western boundary and northeast of the Town of Sylvan Lake to accommodate industrial and residential growth over the next 30 years.