



Hon. Joe Ceci, Minister of Finance
Alberta Treasury Board and Finance
323 Legislature Building
Edmonton, AB
T5K 2B6

14 September 2015

Re: Government of Alberta budget feedback

Dear Minister Ceci,

The Canadian Energy Pipeline Association (CEPA) would like to thank the Government of Alberta for the opportunity to provide input and comments for both Budget 2015 and Budget 2016. CEPA members operate 117,000 kilometres of transmission pipeline in Canada, of which 59,000 are located in Alberta. This critical infrastructure transports 97 per cent of Canada's daily natural gas and onshore crude oil production from producing regions to markets throughout Canada and the US. Pipelines are by far the dominant means of transporting large volumes of crude oil and natural gas over land.

As the provincial government sets its priorities for the upcoming fiscal year, it is important to consider the relationship between policy, regulatory oversight and overall economic competitiveness and how they interact with the critical infrastructure that meets the needs of Albertans. We believe that this approach is in the public interest and promotes the government's objective to ensure overall competitiveness, market access and a strong public service.

In order for this approach to be effective, the government's energy policies and priorities must be pursued within the context of the *Canadian Energy Strategy*. This collaborative approach has the potential to achieve the best possible outcomes, to advance innovation and information, and ensure harmonization of policies and regulations among different jurisdictions. We believe the Alberta government is best placed to take a leadership role in advancing the Strategy. As the association that represents provincially and federally regulated transmission pipelines across Canada, we have a unique perspective that will help provide context and expertise to support collaborative efforts.

Below we have provided a brief overview of our industry as well as input into areas we believe will help the government move forward on a collaborative approach to effective and efficient energy policies. CEPA would welcome the opportunity to meet with you to further discuss these points and our industry's current efforts to improve pipeline performance. Once again, thank you for the opportunity to provide our input into your provincial budget consultations.

Sincerely,

Brenda Kenny
President and CEO

c.c: Hon. Margaret McCuiag-Boyd, Minister of Energy



ABOUT THE TRANSMISSION PIPELINE INDUSTRY

Transmission pipelines are the safest and most efficient means of transporting large quantities of crude oil and natural gas over land. Canadians rely on the products our members transport to meet more than two-thirds of their energy needs each and every day. In 2014 alone, CEPA members transported 1.2 billion barrels of liquids (crude oil and refined petroleum products) and 5.4 trillion cubic feet of natural gas from producing regions to consumers across Canada and the U.S. Furthermore, the majority of revenue and economic activity derived from oil and gas in Alberta is enabled by pipelines. CEPA members are custodians of this critical national infrastructure and are committed to keeping these energy highways safe for the public, the environment and to the benefits that accrue to the social fabric of our nation.

As custodians of critical infrastructure, CEPA members understand they have a duty to ensure they operate in the safest most reliable means possible. This understanding has translated into a 99.9995 reliability rate which is accomplished through a combination of industry commitments and strong regulatory oversight including:

- Technical requirements for pipelines that incorporate the most advanced knowledge and technologies;
- World class emergency planning and response;
- Regulatory inspection and compliance verification;
- Our industry commitment to zero incidents and continuous improvement; and
- Significant progress being made through CEPA Integrity First[®] and Safety Culture.

Integrity First is a formal commitment by the transmission pipeline industry to go beyond regulation and come together as an industry to improve our safety and environmental performance and build upon the trust Canadian's have in our industry. Through the program, CEPA members define leading practices and guidance for pipeline safety, environmental protection and socio economic practices based on performance indicators. These indicators are recognized by CEPA members, regulators and stakeholders as meaningful measures of performance, regardless of the scale of a pipeline company's operations or type of product transported. As part of the program, CEPA members are required to measure their performance on key indicators and have that performance verified by a third party. Our goal is zero incidents and deeper public trust is imbedded in the program. We believe that the Alberta government's role in our industry should be complementary to our industry's commitments and leading practices and the government should focus on how it can invest in its own duties, roles and leading policies.

Without continued operation and new market access the economic and social benefits of our natural resources will not be fully realized. Alberta has a regulatory environment that is conducive to a high standard for environmental protection and human safety. Furthermore, it provides opportunities for economic development that creates jobs and economic growth within the province and across Canada. However, in order for Alberta to remain competitive in the global market for natural resources, enhancements to the regulatory system are necessary. Such improvements would increase the predictability and clarity of the regulatory process. This, in turn, will enhance the global competitiveness and productivity of Alberta's energy industry.

REGULATORY EFFICIENCY AND EFFECTIVENESS

One of the key goals of the *Canadian Energy Strategy* is to "Enhance the efficiency and effectiveness of energy regulatory systems in Canada to facilitate timely regulatory decisions while maintaining the highest standards". We believe that Alberta's current regulatory structure provides the government with the opportunity to achieve this goal. Alberta's regulatory system, a single-window approach for regulatory applications and concurrent process for consultation and regulatory application, enables timely decision making, certainty for industry, directly affected stakeholders and Aboriginal communities, and predictability



in project planning. However, there are areas in which effectiveness and efficiency enhancements are required. Specifically, CEPA recommends that the provincial government look at ways to improve the regulatory review process, the harmonization of regulations across provincial and federal jurisdictions, and the province's Aboriginal consultation policies.

Regulatory review process

Commercial pipeline projects often have certain windows of opportunity in which to conclude connections and trade. We urge the Alberta government to identify ways to ensure that the regulatory reviews, including appropriate environmental assessment and consultation, be coordinated and completed in an effective and timely manner. Regulatory delays often force producers to turn to alternative modes of transportation that lack the safety record and high standards of transmission pipelines.

To this end, we encourage the provincial government to better define the coordination between the Alberta Energy Regulator (AER), Policy Management Office (PMO) and Aboriginal Consultation Office (ACO). This is especially important when considering the role of the PMO. Our understanding is that the office's role is to be the primary interface between the government and the AER and the office through which the government manages policy issues and direction of regulations in respect to resource development. We are supportive of this role and recommend that it be enhanced to include a stronger coordinating function in order to ensure that the office has the mandate to provide collective leadership and horizontal team work across government.

The PMO's mandate should focus on reconciling differences between the elements of the regulatory framework and achieving broader consistency across all departments. This should include a coordinating function that enables continuity and consistency between the regulatory requirements and processes of the AER, ACO and Alberta Environment and Parks. In order for the PMO to fulfil this mandate, it is important that it be properly resourced. We believe this function has the potential to save valuable government resources, avoid wasted or duplicative efforts, and assist the public and industry through clear, aligned processes and expectations.

The whole of government approach to energy development is essential to ensure Canada sustains a robust and comprehensive regulatory system that promotes protection of the environment, human health and safety and is conducive to economic prosperity. Furthermore, it would help reduce unnecessary delays in projects ultimately found to be in the public interest.

Harmonization of regulations

The *Canadian Energy Strategy* identifies the need to "Collaborate to identify, reduce, or remove duplication and inconsistencies between regulatory processes in Canada". The harmonization of regulatory standards is critical to ensuring regulated companies have a clear and well informed understanding of expectations, which results in a safer and more effective operating environment. This is particularly important for transmission pipelines, which cross multiple jurisdictional boundaries. Different standards and metrics applied by provincial and federal regulators complicate the ability of our members to implement consistent operating practices and standards that are in the best interest of Canadians. A high level of collaboration among federal/provincial ministries and agencies is required in order to ensure that Alberta's regulatory regime is conducive to economic growth and retains the regulatory structure necessary for the protection of the environment and human safety. This is why the Alberta government should ensure that regulatory alignment is a key priority not only in 2015/2016 but also over the long term.

A more collaborative approach can challenge industry to improve and better harness the deep expertise within industry, without compromising the independence and role of the regulator. To this end, CEPA is



encouraged by the intentions to work on regulatory alignment as outlined in the Strategy as well as work already taking place through the Western Regulators Forum. When moving forward with these initiatives, energy resources should be viewed as a strategic asset. That means getting the best possible value in the market for the benefit of Canada and its Provinces. Pipeline infrastructure is critical in achieving this objective and collaboration and alignment between the provinces and the federal government is needed. Building on the principles and objectives of the Strategy, the Alberta government should take steps towards advancing their priorities to ensure effective, efficient and fair policies that are conducive to economic growth and prosperity.

Aboriginal Consultation

CEPA is supportive of Alberta's shared initiative to "share knowledge between provinces and territories on the regulatory system to ensure the Crown respects the duty to consult," as outlined in the *Canadian Energy Strategy*. We have long advocated for the Crown to fulfill its duty to consult with Aboriginal communities and are committed to working with the Alberta government on strengthening Aboriginal relations within the province. We believe that one positive step toward achieving this goal is the government's intention to revisit the *Aboriginal Consultation Capacity Act, 2013*. CEPA has the following recommendations that will ensure Aboriginal communities have the capacity to engage with industry and government in the consultation process while also ensuring clear and well defined expectations are met:

- The proceeds of the levy should go to funding basic consultation-related staffing and training requirements. Basic funding should include the establishment of a consultation office (no capital funding for construction), basic office supplies, and wage and benefits for a consultation officer. Ancillary consultative activities such as map reviews, site visits, field studies etc. should not be funded through the levy;
- Capacity funding for Aboriginal consultation offices must be coupled with clear timelines and deliverables. With adequate support in place, Aboriginal communities should be able to respond in a timely manner, and as such, the ACO should be able to respond accordingly and deliver decisions in a timely manner.

In implementing these recommendations, the provincial government will help build predictability in Aboriginal consultation processes and will allow industry, government and Aboriginal communities to achieve desired outcomes in relation to energy development in the province.

POLICY AND LEGISLATIVE REVIEW

CEPA recommends that the provincial government ensure that clear timelines, objectives and processes are in place when moving forward with government policies and regulatory changes. Furthermore, we request that interested stakeholders are engaged in robust and meaningful consultation. Of particular interest to the transmission pipeline industry are *the Municipal Government Act* review, the review of climate change policies and the review of the Province's royalty structure.

CEPA member companies are pleased to continue engagement with Alberta Municipal Affairs to address the challenges of modernizing the *Municipal Government Act*. Prior to the election, a great deal of progress had been made on updating the Act, with input from municipal and industry stakeholders. Much of the recommendations and data provided by stakeholders remains, and CEPA recommends that government continue to review this work and apply it to an updated *Municipal Government Act*. Specific attention should be paid to increasing the fairness and transparency of municipal property taxes and assessments.

CEPA supports the government's intentions for a thorough, thoughtful and expedited process to inform the province's next steps on climate change policy. CEPA is encouraged to see Alberta connecting energy with the environment. It is important, however, that a made-in-North America solution is pursued that includes



price certainty and achievable targets. Oil sands are an incredible endowment for Alberta and we need to embrace this opportunity to harness those resources in a way that is environmentally friendly.

Price certainty and achievable targets should also be priorities in any review of Alberta's royalty structure. We urge the government to adopt the same principles used in the climate change review process (thorough, thoughtful and expedited) when moving forward with royalty review process.

CEPA supports a national approach to energy policy that includes robust consultation with interested stakeholders. We believe that the pipeline industry's interests in a stable, predictable and environmentally friendly economy are in line with the public interests of Albertans. Throughout both the climate change policy review and natural resource royalty review the government should ensure that any changes in policy direction or regulations adheres to the highest standards for the protection of the environment while at the same time ensures Alberta's energy industry remains competitive in the global market.

TECHNOLOGY AND INNOVATION

Advancing technology and science has enabled pipelines to become safer over our history of operations in Canada. Innovation and the use of those technologies is a key part of how our members manage quality assurance, pipeline integrity, leak detection and emergency response. Alberta has a long history of success and excellence, including the enabling investments in oil sands through the Alberta Oil Sands Technology and Research Authority and a range of pipeline safety initiatives (most recently the collaborative efforts to tackle leak detection using state-of-the-art technologies). Alberta is extremely well placed to continue its leadership (eg: Centre for Frontier Engineering Research, and the University of Calgary Pipeline Centre of Excellence) and to be the national collaboration hub of advancing technology and innovation in the energy industry.

As the government of Alberta implements the goals and actions of the *Canadian Energy Strategy* as it relates to technology and innovation, focus should be on leveraging initiatives that are already moving forward. The Canadian Pipeline Technology Collaborative (CPTC) will be formally launched this fall and we believe it is the ideal platform to address sub-goals and actions outlined in Goal 4 of the Strategy. This will require appropriate funding to enable Alberta's continued leadership and partnership.

CONCLUSION

CEPA is encouraged by the government's desire to work with other jurisdictions on issues that are facing Alberta and the entire country. It is critical that collaboration continues with other Premiers on implementing a *Canadian Energy Strategy*, including streamlining of regulatory processes, without compromising safety and environmental protection. This collaborative approach should be embedded in the policies and priorities that your government sets in upcoming budgets. To this end, CEPA encourages the government to take the following into consideration:

- A robust and thorough regulatory process, based on the concept of a single energy regulator with consolidated responsibilities for oversight should continue to be pursued;
- A whole of government approach to energy development, enabled by a well-resourced PMO, should be adopted;
- The government should continue work within the Western Regulators Forum, leveraging industry leadership such as CEPA Integrity First;
- Capacity funding for First Nations should be applied to funding basic consultation-related staffing and training requirements and should be coupled with clear timelines and deliverables;
- Consultation on the MGA review should continue and build upon the work done prior to the election; and



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- A thorough, thoughtful and expedited process should be used to inform the government on key policy areas such as climate change and natural resource royalties. It is important that a made-in-North America solution is pursued that includes price certainty and achievable targets.

Our industry is cognizant of the need to continually improve our safety and environmental performance. CEPA members have made significant commitments to the CEPA Integrity First[®] program and also have committed to advancing a culture of safety throughout our industry based on a strong foundation of leadership and continuous improvement leading to zero incidents. We also believe that adopting a transparent approach to our industry performance will help build trust between our industry and Albertans.