



ALBERTA

ECONOMIC DEVELOPMENT AND TRADE

JUL 04 2017

*Office of the Minister
Deputy Government House Leader
MLA, Edmonton-Beverly-Clareview*

AR 66814

Ms. Lisa Holmes
President
Alberta Urban Municipalities Association
300 Alberta Municipal Place
8646 - 51 Avenue
Edmonton AB T6E 6E6

Dear Ms. Holmes, *Lisa!*

Thank you for your letter dated May 11, 2017, following the spring Mayors' Caucus. I valued the opportunity to participate in this event organized by the Alberta Urban Municipalities Association. It provided an opportunity to hear the perspectives of the municipalities and elaborate on the actions the Government of Alberta is taking to make Alberta's economy strong and competitive.

Please find the Government of Alberta's responses to the questions included in your correspondence. I consulted with my cabinet colleagues in preparing the responses to the questions that fall under their respective ministry. I look forward to future opportunities to engage with members of the Alberta Urban Municipalities Association, and our continued work together.

Sincerely,


Deron Bilous
Minister of Economic Development and Trade

cc: Honourable Shannon Phillips, Minister of Environment and Parks
Honourable Oneil Carlier, Minister of Agriculture and Forestry
Honourable Shaye Anderson, Minister of Municipal Affairs
Honourable Margaret McCuaig-Boyd, Minister of Energy
Honourable Lori Sigurdson, Minister of Seniors and Housing
Honourable Stephanie McLean, Minister of Service Alberta
Honourable Marlin Schmidt, Minister of Advanced Education

Attachment

Responses to Questions from AUMA Following the Mayors' Caucus on March 7, 2017

Resource Sector

1. Does the province have any plans to encourage industry to use municipal waste water for fracking instead of treated water, thus enabling municipalities to transition funds for facility upgrades?

Lead Ministry: Environment and Parks

Industry is able to use treated municipal wastewater for hydraulic fracturing and other secondary uses according to the 2015 Interim Guidance to Authorize Reuse of Municipal and Industrial Wastewater. Under Interim Guidance, some municipalities are providing effluent for fracking use. Municipalities that wish to enter into such an arrangement with a fracking company will need to get a letter of authorization under *the Environmental Protection and Enhancement Act* (EPEA). Two letters of authorization are needed – one for the municipality and one for the fracking company. An amendment to the wastewater release provisions in the municipality's EPEA approval may also be required. The municipality's *Water Act* license will also need to be amended to reflect changes to the return flow requirements on their license. These decisions are made on a case-by-case basis.

2. Would the Minister consider converting existing coal plants to new coal technologies which use different technology and infrastructure that drastically reduce emissions? Given the desire to diversify the economy and reduce emissions, will the Minister encourage these conversions?

Lead Ministry: Environment and Parks

The previous government committed billions of dollars to carbon capture and storage (CCS). This included hundreds of millions of dollars to retrofit one coal unit with carbon capture and storage, sometimes called "clean coal" (known as Project Pioneer on Keephills 3).

Project Pioneer was expected to cost over \$1.2 billion. It received nearly \$800 million in commitments of public subsidy, and taxpayers were slated to cover two-thirds of the cost. Even with the commitment of public dollars, the plant owner could not realize the economic feasibility and cancelled the project in 2012.

Other jurisdictions that have undertaken coal CCS projects are struggling. For instance, Saskatchewan's Boundary Dam has encountered significant time and cost overruns in spite of the \$240 million in Federal subsidies. Emissions reductions from the plant are expected to cost on the order of \$90 per tonne of CO₂ reduced. Subsequently, no new CCS projects have been announced in Saskatchewan, rather Premier Brad Wall has instead announced a plan to have 50 per cent of SaskPower's capacity to be renewable by 2030 – similar to Alberta's approach.

The coal transition agreements our government has secured with ATCO, Capital Power and TransAlta (also known as off-coal agreements) are proving to be some of the lowest-cost emissions reduction options available. At less than \$10 per tonne of CO₂ reduced, phasing out coal emissions is much more cost effective than the public subsidy typically required to

make coal with CCS work. Our government is moving to create opportunities to pursue tried, tested and cost-effective alternatives that use energy resources we have in Alberta: a mix of natural gas, biomass and other renewables.

3. How will the Minister ensure the sustainability of the communities where the coal plants are being shut down?

Lead Ministry: Economic Development and Trade

Canada is one of the many countries moving away from coal-powered electricity. In 2012, the federal government passed regulations requiring coal plants to meet a strict performance standard or retire when they reach a regulated end-of-life between 46 and 50 years of operation. Because of the cost of the technologies that would be necessary to meet the standard, it was expected that units would close, starting by 2019, at the latest, for the oldest units. At the same time, the federal government was also developing regulations that would have prevented these coal plants from converting to natural-gas generation.

Then in 2016, the federal government announced further regulatory requirements for coal plants to meet the performance standard or retire when they have reached their end-of-life date – or by the end of 2029, whichever was earlier.

This aligns closely with our government's Climate Leadership Plan, which will see emissions from coal-fired electricity generation phased out by 2030 and replaced with natural-gas fired electricity and renewable energy.

During visits to coal communities earlier this year, I have heard first-hand how these changes create a lot of uncertainty for many Alberta families. We are working respectfully and collaboratively with workers, labour leaders, power companies, the federal government and local governments to provide stability and build an economy for the future in your community.

Our government is committed to supporting communities and workers in this transition. Through our respectful and collaborative approach with the federal government, we are working to ensure a transition away from coal that works for Alberta.

One of our first steps was to work with the federal government to secure an exception that could allow affected coal plants to continue operating past the federally mandated end-of-life dates, by converting to non-coal-fired generation where it makes sense – including the option of converting to natural-gas generation. We will keep working with the federal government and power companies to make sure the best approach for Alberta is allowed under the federal government's development rules.

Our next step was to reach agreements that will provide transition payments to the three electricity companies previously slated to operate beyond 2029 – TransAlta, Capital Power and ATCO. As part of these agreements, power companies have committed to:

- fulfilling their existing and future legal obligations to affected employees, including severance and pension obligations;
- keeping their head offices in Alberta; and
- continuing to generate power for Alberta's electricity market.

These agreements provide options for the three companies to transition to new electricity generating methods that would create long-term economic opportunities for the communities they operate in.

We have appointed an Advisory Panel on Coal Communities to consult with economic development organizations, workers, labour, and local leaders about the community impact of the coal phase-out – and how to best support the communities through this transition. The panel is also examining information, resources and current programs to explore opportunities for workers and communities, such as opportunities for new types of generation, and retraining into other trades. In the coming months, the panel will submit a report to government with options, advice, and recommendations for supporting communities and workers throughout this transition. The panel's findings will be reviewed with local leaders in your region to develop a made-in-Alberta plan for the communities.

4. What is the status of Energy East and what can municipalities do to advocate for this important project?

Lead Ministry: Energy

The Government of Alberta supports this project. It is the right project for Alberta and the right project for Canada. This pipeline will bring jobs and opportunity to Alberta and across the country.

We are keeping a close eye on the National Energy Board (NEB) proceedings; however, decisions on the project are outside of the provincial government's purview. On May 10, 2017, the NEB released a draft list of issues for the Energy East project and is sought public input on the list; public comments were open until May 31, 2017.

We will continue to advocate for increased market access by working with other provinces and the federal government to continue to get Canadian pipelines to tidewater.

We encourage municipalities to work with their counterparts across the country to educate on the benefits of increased access to tidewater for Alberta's oil and to advocate for Energy East.

Other Economic Development

5. How will the Alberta government coordinate the commercialization of industrial hemp to ensure the economic opportunity is realized?

Lead Ministry: Agriculture and Forestry

Industrial hemp is a multi-purpose crop that has the potential to provide diverse and significant revenue streams and rotation options for Alberta's farmers. The industrial hemp industry in Alberta is providing jobs, is profitable, and is expanding. Hemp is renewable, requiring low levels of chemical inputs. It can remediate soil, and provides significant carbon benefits to contribute to Alberta's Climate Leadership Plan, as it absorbs carbon dioxide five times more efficiently than the same acreage of forest, and can mature in three months.

The Government of Alberta is actively supporting economic diversification opportunities and views industrial hemp as a valuable industry to advance agribusiness and the bioeconomy

in Alberta by assisting a number of companies in advancing commercial plans for processing and manufacturing of hemp fibre in Alberta. The Government of Alberta is also working with many regions throughout the province that are advancing plans for regional economic alliances based on industrial hemp as an economic driver.

Agriculture and Forestry is the lead ministry in the Government of Alberta, working with InnoTech Alberta, to develop the industrial hemp industry in the province. Agriculture and Forestry supports the Canadian Hemp Trade Alliance's discussions with Health Canada to modernize the *Industrial Hemp Act*. The simplification of the Act for hemp licensing, announced in November 2016, was welcomed by Alberta farmers and industry. We look forward to continued advancements in these discussions.

6. Will the province develop the support needed in creating rural community incubators that help create local opportunity in our small communities?

Lead Ministry: Economic Development and Trade

Through the Alberta Entrepreneurship Incubator Program, our government is investing \$10 million into incubators across the Alberta. Support for regional and community-based small business incubators may also be available through an application to the Community and Regional Economic Support (CARES) program.

7. Are there resources, or funding, available to assist the Tsuu T'ina Nation for a residential development opportunity as a non-profit under the Societies Act?

Lead Ministry: Seniors and Housing

The Government of Alberta, through Seniors and Housing Alberta, is currently developing an Indigenous Off-reserve Affordable Housing program that will provide funding for affordable housing units off-reserve. Seniors and Housing will extend an invitation to the Tsuu T'ina Nation to participate in engagement sessions in Calgary, in June 2017. The new program is expected to be developed in the fall of 2017.

The residential development would only be eligible for provincial funding if it is being built off-reserve. The federal government has announced there will be funding available for on-reserve projects, however at this time there is no information on this program.

First Nations are also eligible to apply for supports under the CARES program. However, each application must meet the program's objectives and guidelines.

8. Does the Minister have any information on the review of regulations surrounding registry offices?

Lead Ministry: Service Alberta

Currently, Service Alberta is not looking at any changes to regulations that may affect registry agents. As Alberta's registry needs evolve, Service Alberta will continue to listen to stakeholders to ensure that the modernization of registry service delivery proceeds in the best interest of Albertans.

9. The Minister said that the province is creating jobs. What and where are these jobs?

Lead Ministry: Economic Development and Trade

As part of the Alberta Jobs Plan, many of our initiatives are going a long way to help build a diversified, strong, resilient economy all Albertans can count on. Over the past two years, we have been listening to Albertans to determine what we can do as a government to help diversify the economy, stimulate growth and support Alberta's job creators. By investing in infrastructure, enhancing access to capital for job creators, attracting investment, promoting diversified products and markets, and providing Albertans with new training opportunities, we are doing our part to create a resilient and diversified provincial economy that will set up Albertans for success in the long term. For detailed information on initiatives under the Alberta Jobs Plan, please see: <https://www.alberta.ca/documents/Alberta-Jobs-Plan-2016.pdf>.

For information about the number of jobs created, Alberta relies on data provided by Statistics Canada, according to which approximately 20,400 new jobs were created in the province between May 2016 and April 2017. You may be interested to look at the statistics we publish on the Alberta Economic Dashboard at <http://economicdashboard.alberta.ca>, and the Alberta Regional Dashboard at <http://regionaldashboard.alberta.ca>. The dashboards compile important economic indicators for businesses in one place and help answer questions about living, working and doing business in Alberta's diverse regions.

Our government has made a historic investment in hospitals, schools, roads, bridges, transit and water infrastructure. This investment is providing the foundation that will help stimulate our economic recovery. The \$29.5 billion *Budget 2017* Capital Plan invests an additional \$1.4 billion over *Budget 2016* in projects across the province, putting an average of 11,000 Albertans to work over each year for three years.

These types of large-scale investments help spur the economy in Alberta, create jobs during construction and permanent jobs across sectors, contributing to the overall growth and productivity of the economy.

10. Given that many small communities have older buildings that are vacant and potential investors view these properties negatively, would the government commit to working with small municipalities on a subsidy program to bring these aging buildings up to code, or to be reclaimed?

Lead Ministry: Municipal Affairs

Municipal Affairs provides a funding program for small municipalities to bring aging buildings up to code. This program provides significant funding to municipalities through the Municipal Sustainability Initiative for infrastructure priorities, such as land betterment and cosmetic activities on municipally owned buildings and facilities.

Regional Economic Development

11. Given that Black Diamond and Turner Valley are being excluded from participation in the Regional Economic Development Alliances (REDA) for their area due to their

inclusion in the growth management board for the Calgary region, would the Minister advise as to which REDA these communities will belong to?

Lead Ministry: Municipal Affairs

While the membership of the Calgary Growth Management Board (GMB) is being finalized, please note that GMB membership does not impede Black Diamond and Turner Valley to continue membership in the Calgary Regional Partnership (CRP). In fact, all municipalities should consider membership in a REDA which they are most geographically or economically aligned with. REDA membership is voluntary, and not directed by government.

12. Given that the grants for broadband planning studies were only made available to REDAs and not every region is a member of a REDA, will the Minister consider making grants available to other collaborative partnerships outside the REDA structure?

Lead Ministry: Economic Development and Trade

The government's partnership with REDAs for broadband planning studies is intended to address regional planning challenges, as identified by REDAs. Our support for REDAs is reflective of the leadership role REDAs play in provincial economic development. The grants for these studies build on my ministry's partnership with REDAs and the University of Alberta aimed at increasing awareness and understanding of broadband issues in the economic development context, which resulted in the *Understanding Community Broadband: The Alberta Broadband Toolkit* available at <https://era.library.ualberta.ca/files/c247dw24x#.WS2GOOSGNCq>.

With the CARES program now available, non-REDA members are able to submit applications for broadband planning.

13. Can the Minister clarify the items under section 8 of the grant agreement in relation to the Community and Regional Economic Support (CARES) program as it relates to media releases? It would appear that all media releases must be first approved/discussed with the Minister.

Lead Ministry: Economic Development and Trade

This is standard language for many Government of Alberta grant agreements. As my ministry is funding 50 per cent of the initiative, we are requesting that successful CARES applicants notify the ministry's CARES program staff when announcements or press releases are being planned.

14. Would the Minister comment on Red Deer's withdrawal from the Central Alberta Economic Partnership (CAEP) which will most likely cause its dissolution, even though Red Deer has benefited as much as any of the other participants?

Lead Ministry: Economic Development and Trade

REDAs are independent not-for-profit corporations or societies, whose vision, mission and mandates are driven by their members. The City of Red Deer Council's notice of intent to withdraw membership from CAEP does not change our government's commitment to partner with CAEP in support of regional economic development.

Post-secondary Opportunities

15. What is preventing the provincial government from granting the request to Red Deer College to become a degree granting institution, a polytechnic university?

Lead Ministry: Advanced Education

Alberta's publicly funded post-secondary institutions are differentiated through the six-sector model, based primarily on research activity and range of programming offered at institutions. In the past two years, six post-secondary institutions, including Red Deer College, have requested a change of role, mandate, or governance. To ensure that the decisions on these requests support overall system success, the Ministry of Advanced Education is addressing these requests within the context of a system review of all post-secondary institution roles and mandates. Changes to the roles and mandates of one post-secondary institution can impact other post-secondary institutions in a number of ways, including competition for enrolment and funding.

Advanced Education is expected to complete the review of roles and mandates in fall 2017. A decision on Red Deer College's request to become a polytechnic university will be made at that time.

16. Do you see a role for Colleges and Universities in the province's economic development strategy?

Lead Ministry: Advanced Education

Alberta's post-secondary institutions play an essential role in the province's economic development. Post-secondary research is integral to entrepreneurial activity as a driver of technology creation, development, and transfer.

Economic Development and Trade works closely with Advanced Education and the post-secondary institutions to foster coordinated, complementary research, innovation and training capacity of the post-secondary system, as it relates to economic growth and job creation.

Broadband

17. When will the last mile on broadband happen for small communities?

Lead Ministry: Service Alberta

Citizen expectations for access to high-quality and affordable broadband internet are continually growing, especially in rural Alberta. Our government is looking at what role, if any, the new model for SuperNet should play in supporting rural broadband in Alberta, within our existing budgets, and how that would help better align us with federal announcements and funding opportunities.

While our government is looking at approaches and strategies to advance broadband availability for all Albertans, the internet is delivered through private sector Internet Service Providers (ISPs) and is the jurisdiction of the federal government, through the Ministry of Innovation Science and Economic Development Canada (ISED) and the Canadian Radio-television and Telecommunications Commission (CRTC).

Service Alberta continues to be the voice of Albertans in working with the federal government and has advocated the need for a national broadband plan, and for Alberta municipalities and ISPs to be able to access federal funding for broadband expansion. To that end, Service Alberta recently supported a number of communities and ISPs in their funding applications under the federal Connect to Innovate Program.

On December 21, 2016, the CRTC declared that broadband internet access services are now considered a basic service for all Canadians. They are also setting ambitious speed targets and creating a fund that will invest up to \$750 million, over and above existing government programs, to support broadband infrastructure projects in areas that do not meet these targets. In order to finalize the details for their newly announced broadband funding mechanism, the CRTC launched a public consultation. Details are available at <http://www.crtc.gc.ca/eng/archive/2017/2017-112.htm>.

18. Given the fact that many small communities are entering into agreements with AXIA for fibre optic internet, and that their system is tied to the SuperNet, can the Minister confirm that AXIA is or is not being considered for renewal when the contract expires in 2018?

Lead Ministry: Service Alberta

Following an open and competitive process undertaken by Service Alberta in early 2016, three companies have been selected as Pre-Qualified Respondents to enter into confidential discussions with Service Alberta regarding potential future SuperNet services and contracts. The three Pre-Qualified Respondents are Axia, Bell, and Telus.

As a result of being named a Pre-Qualified Respondent, Axia will have the opportunity to compete in order to be awarded a new contract for SuperNet, once government has determined the direction for those services.

As has been communicated to community leaders across the province, while the current SuperNet operating agreement with Axia SuperNet Ltd. is expiring on June 30, 2018, government recognizes that many communities are making efforts to improve broadband at home. While SuperNet is not the internet itself, and primarily connects public sector sites in the province, it is also one of the networks used by municipalities and ISPs to bring internet into rural Alberta. We need to take action, and our government is considering the valuable stakeholder insights shared with us in looking at options for moving forward.

While this process unfolds and we confirm government's direction, we want to caution communities on signing long-term agreements with ISPs. The landscape and arrangements for SuperNet could change, and we want to position communities for success. Our government has been actively discussing our approach for the future of SuperNet and potential rural broadband supports, and we remain committed to sharing decisions regarding this matter with municipalities, once they are finalized.

19. What role does the Minister see municipalities taking in relation to the provision of broadband infrastructure? Does the government view broadband infrastructure as municipal infrastructure?

Lead Ministry: Service Alberta

While most Albertans have access to some basic internet services, our government is fully aware of the internet challenges facing rural Alberta, and the increased demand and expectations for high speed and performance. We have been listening and actively working with stakeholders, including Alberta municipalities and the federal government, to better understand these challenges and become part of the solution.

There are many different approaches to broadband challenges being considered by municipalities across Alberta, including leaving service delivery to the private sector, partnering with an ISP, collaborating with neighboring municipalities and looking at options for regional services, applying for funding to build and own infrastructure, and even offering services themselves.

While the Government of Alberta is not in a position to direct the role any municipality may choose to take in the provision of services for their constituents, Service Alberta will be following the CRTC public consultation to ensure that Albertans have an equal opportunity to participate in this new broadband funding. Our government will be watching for final assessment criteria to understand how Alberta communities can benefit, and what our government can do to support those efforts. Service Alberta is collaborating with both the AUMA and the Alberta Association of Municipal Districts and Counties (AAMDC) to promote awareness on the details of the public consultation, so that interested municipalities have an opportunity to follow or participate in the proceedings.

I encourage you to stay informed and understand what opportunities may be available to your members, and reach out to your respective REDAs and the Northern Alberta Development Council (NADC), who are actively exploring internet challenges and opportunities to address them.

20. What specific actions will the government be taking to facilitate the build out of broadband to rural Alberta?

Lead Ministry: Service Alberta

See response under Question 17.



May 11, 2017

Honourable Deron Bilous
Minister of Economic Development and Trade
425 Legislature Building
10800 – 97 Avenue
Edmonton, AB T5K 2B6

Dear Minister Bilous:

Thank you for attending our spring Mayors' Caucus.

As you'll recall, there were a number of written questions that we collected from our members in the room. Some of the questions were asked of you on stage but we did not have time to address all of them. We have included a listing of all of the questions, written out as submitted, and ask for your response which will then be shared with our members.

Sincerely,

Lisa Holmes
AUMA President

Enclosure

Questions for Minister Bilous from AUMA's Mayors' Caucus: March 7, 2017

Resource Sector

1. Does the province have any plans to encourage industry to use municipal waste water for fracking instead of treated water, thus enabling municipalities to transition funds for facility upgrades?
2. Would the Minister consider converting existing coal plants to new coal technologies which use different technology and infrastructure that drastically reduce emissions? Given the desire to diversify the economy and reduce emissions, will the Minister encourage these conversions?
3. How will the Minister ensure the sustainability of the communities where the coal plants are being shut down?
4. What is the status of Energy East and what can municipalities do to advocate for this important project?

Other Economic Development

5. How will the Alberta government coordinate the commercialization of industrial hemp to ensure the economic opportunity is realized?
6. Will the province develop the support needed in creating rural community incubators that help create local opportunity in our small communities?
7. Are there resources, or funding, available to assist the Tsuu T'ina Nation for a residential development opportunity as a nonprofit under the Societies Act?
8. Does the Minister have any information on the review of regulations surrounding registry offices?
9. The Minister said that the province is creating jobs. What and where are these jobs?
10. Given that many small communities have older buildings that are vacant and potential investors view these properties negatively, would the government commit to working with small municipalities on a subsidy program to bring these aging buildings up to code, or to be reclaimed?

Regional Economic Development

11. Given that Black Diamond and Turner Valley are being excluded from participation in the Regional Economic Development Alliances (REDA) for their area due to their inclusion in the growth management board for the Calgary region, would the Minister advise as to which REDA these communities will belong to?
12. Given that the grants for broadband planning studies were only made available to REDAs and not every region is a member of a REDA, will the Minister consider making grants available to other collaborative partnerships outside the REDA structure?
13. Can the Minister clarify the items under section 8 of the grant agreement in relation to the Community and Regional Economic Support (CARES) program as it relates to media releases? It would appear that all media releases must be first approved/discussed with the Minister.

14. Would the Minister comment on Red Deer's withdrawal from the Central Alberta Economic Partnership (CEDA) which will most likely cause its dissolution, even though Red Deer has benefited as much as any of the other participants?

Post-secondary Opportunities

15. What is preventing the provincial government from granting the request to Red Deer College to become a degree granting institution, a polytechnic university?
16. Do you see a role for Colleges and Universities in the province's economic development strategy?

Broadband

17. When will the last mile on broadband happen for small communities?
18. Given the fact that many small communities are entering into agreements with AXIA for fibre optic internet, and that their system is tied to the SuperNet, can the Minister confirm that AXIA is or is not being considered for renewal when the contract expires in 2018?
19. What role does the Minister see municipalities taking in relation to the provision of broadband infrastructure? Does the government view broadband infrastructure as municipal infrastructure?
20. What specific actions will the government be taking to facilitate the build out of broadband to rural Alberta?