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PRIME MINISTER'S PRESS CONFERENCE IN ESTEVAN

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DIMITRI SOUDAS (Deputy Press Secretary to the Prime Minister): ... Post.

REPORTER: If costs for this project exceed what...

RT. HON. STEPHEN HARPER (Prime Minister of Canada): Just a second while we get a microphone there with you, and...

REPORTER: If costs for the project exceed what's been projected, as has been the case with previous clean coal projects, is the federal government going to be there to foot some of that bill?

RT. HON. STEPHEN HARPER: The federal government's commitment is for the amount in the budget, it's for \$240 million. The federal government doesn't have plans to fund cost overruns. Obviously the province and the other partners will be watching those very carefully.

DIMITRI SOUDAS: Emmanuelle Latraverse, Radio-Canada.

JOURNALISTE: Monsieur Harper, cette technologie-là de la capture et du storage du carbone a beaucoup de promesses, mais qu'est-ce que vous répondez aux critiques qui font valoir que même un projet comme

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celui-ci sera pas prêt avant 2013, 2015. C'est déjà beaucoup trop tard, et qu'en attendant, l'argent, il serait mieux investi ailleurs dans des projets qui vont rapporter plus rapidement des réductions d'émissions de gaz à effet de serre.

TR. HON. STEPHEN HARPER: C'est une des raisons pour lesquelles nous avons établi des cibles pour l'année, l'année 2020. La réalité est que pour réduire d'une façon majeure les émissions de gaz à effet de serre, on a beaucoup, on a besoin de temps pour le développement et le déploiement de la nouvelle technologie, et c'est la réalité à travers le monde. On ne va pas, on ne va pas voir immédiatement des réductions des gaz à effet de serre, mais pour le développement de l'économie et ses réductions, on a besoin du temps pour...pour l'établissement et l'efficacité de ces nouvelles technologies.

DIMITRI SOUDAS: Continue with Jennifer Egan of Global Television.

REPORTER: Mr. Prime Minister, what do you say to critics who call this technology too expensive for what it can do and it won't help overall Canada's emission targets?

RT. HON. STEPHEN HARPER: Well, first of all, in terms of...as I just said in the answer to the previous question, to seriously reduce greenhouse gases, and particularly to do so with economic development

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over time does require time. It does require time to establish, to test and to deploy new technologies. Now, all the evidence on carbon capture and storage is that the reductions achieved, when fully implemented, are huge, they're enormous. The difficulty and the challenge that this and other projects have is to deal with the cost issue. These remain expensive technologies and more work needs to be done and comparisons need to be made – the Premier and I were discussing, comparisons need to be made between this project and other carbon and capture storage projects that are happening around the country and around the world to make sure that that technology evolves in a cost-effective manner. But in the meantime, beginning 2010, our government is imposing increasingly rigorous standards on emissions of greenhouse gases, so there will be a very real regulatory and economic incentive to deploy these kinds of technologies.

DIMITRI SOUDAS: Catherine Gignac, Radio-Canada.

JOURNALISTE: J'aimerais vous poser une question par rapport aux problèmes que rencontre Monsieur Dion au Québec. Visiblement il est très contesté. J'aimerais savoir ce que vous en pensez.

TR. HON. STEPHEN HARPER: Ah, je n'ai... évidemment je n'ai aucun commentaire sur ce sujet. Mon objectif comme Premier ministre du Canada est de gérer mon propre parti et de gouverner le

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pays, d'accomplir des choses pour des hommes et des femmes qui travaillent dur et qui payent leurs impôts et leurs taxes et c'est mon objectif et je laisse les défis de l'opposition pour les chefs de l'opposition.

DIMITRI SOUDAS: Norm Park, Estevan Mercury.

REPORTER: Yes, Mr. Prime Minister, is there any speculation yet as to when the value of CO2 will be put on that product, that commodity and moving forward from there?

RT. HON. STEPHEN HARPER: Sure, that's a good question, a question about a price of carbon. There are two distinct ways – I wouldn't say they're completely different – two distinct approaches to tackling greenhouses gases. One is to apply carbon taxes, which have the effect of establishing a definitive price of carbon, and however the downside of that is it doesn't necessarily establish a reduction target as definitively. The other approach, the approach which we are using, is not to set taxes or to establish a definitive price, but to establish a fixed objective, which is a 20 percent reduction by 2020 and 60 to 70 percent by 2050. In our plan there is a provision for the creation of a carbon market, which would set an evolving price of carbon. There are also regulatory penalties for not meeting carbon targets, which do fix some implied prices of carbon, which will rise over time.

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But our plan is fundamentally based on regulatory objectives to establish the quantity of reduction rather than to set the price, per se.

DIMITRI SOUDAS: Jason Matattee, CTV.

REPORTER: Mr. Prime Minister, obviously there's still many questions left to be answered when it comes to this type of technology. The first is if you build the technology to store it, then you have to sell it, people then have to buy it. If it enhances oil recovery, there's more oil being burned, so I guess I'm wondering, how do you deal with the catch-22 of increasing burning of fossil fuels yet reducing them at the same time? It doesn't seem to add up to me.

RT. HON. STEPHEN HARPER: Well, first of all, let's be clear. I think you're going to have an increased burning of fossil fuels in the near term one way or another. Based on all the projections we have, we continue to have tremendous global growth, even with the current economic uncertainty, uncertainty in particular from the United States, we have rapid global growth and rapid growth in the use of fossil fuels across the planet. That's going to increase in the future. So as the Premier said, the creation of CO₂ does help aid the recovery of existing oil fields and quite frankly aids us in recovering very often what are lower costs, potentially higher quality, light crude reserves. You know, I'm not sure I can say much more than that.

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Once...the purpose of carbon capture and storage is not simply to produce CO₂ for enhanced oil recovery, although it may have that as a side effect. It is to actually make sure that carbon dioxide doesn't enter the atmosphere but instead goes underground. Much of the CO₂ that will go underground, in all likelihood, will not be used for alternative purposes. It will simply be buried so that it doesn't go into the environment. And when, as I said earlier, when you have these technologies, they may be very expensive and they continue to face some commercial hurdles in that regard, but they are extremely efficient in terms of capturing carbon emissions. In fact, I think they capture up to 90 percent of emissions, so they're extraordinarily effective, and if we can over time make them more commercial viable, we obviously have a major solution for the fossil fuel and related industries.

DIMITRI SOUDAS: Jeff Leo, CBC.

REPORTER: Mr. Prime Minister, about a week ago our Premier, Brad Wall, said that you had asked him to drop the equalization lawsuit. I'm wondering if you can explain why that is?

RT. HON. STEPHEN HARPER: Well, the Premier did... told me that he had mentioned that he and I had a discussion on the matter. I had given the Premier my advice based on our analysis of the possibility of the success of such a lawsuit, but the Premier's got to make that judgement for

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himself. The only thing I would point out is the previous government talked a good game, but an awful long time went by without them actually filing a suit, so I think that should tell you something about the confidence they had. But ultimately this is a decision the government of Saskatchewan's going to have to take, and I'll give...the Premier asked my advice. I give it to him in private, not in public. (LAUGHTER)

DIMITRI SOUDAS: We'll continue with Sarah Mills, News Talk Radio. (LAUGHTER)

REPORTER: I'm just wondering what consequences you think will come. I mean, do you think the fact that the lawsuit hasn't been dropped is being used as some kind of bargaining chip or ultimatum over you to ensure we get the amount of money that many felt was deserved to us in what many have called a broken promise?

RT. HON. STEPHEN HARPER: The government of Canada, the government that I lead will treat all provinces fairly based on, and respond to the needs that exist in the various provinces. I think as you know there are provinces that have, you know, tried in a sense to blackmail the federal government to do particular things. We will not do things unless they are in the interests of the province that we're in, and in the interest of the country as a whole. And that's our position as a government. As I've said

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many times before, you know, and just to go back on this, these numbers have been thrown around. There has been a massive change in the circumstances of Saskatchewan in the past five years. Saskatchewan was, five years ago, still a significant equalization-receiving province. The new formula that we brought in in budget 2007 under those circumstances would have radically increased equalization payments to Saskatchewan. The truth of the matter is today the Saskatchewan government probably has close to if not the second best fiscal position in the entire country. There is no equalization formula that is going to pay a have province equalization, and I must say, as much as I try and stay out of provincial politics, I'm pleased Saskatchewan has a government that wants to be a have province rather than a have-not. (APPLAUSE) So I guess it isn't always bad to say something about provincial politics. (LAUGHTER)

DIMITRI SOUDAS: We'll continue with Murray Mandrell, Regina Leader-Post.

REPORTER: Mr. Prime Minister, the Saskatchewan government came down with a budget last week in which they announced a billion dollars in infrastructure and said that that still didn't meet their needs. They also said during the budget presentation that despite what you just said a second ago, that there's still \$850 million that would have been flowing to this province, had the promise been kept from the 2005-06 campaign. Given

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Saskatchewan's specific needs and understanding that you have made your statement and commitment on equalization before, do you feel any kind of obligation or do you feel any ability to help Saskatchewan with its infrastructure needs as a quid pro quo for not being able to deal with the 2005-06 promise?

RT. HON. STEPHEN HARPER: Well, first of all, as you know we have overwhelmingly, we've invested overwhelmingly in national infrastructure in this country. Our government, though its first two budgets, announced increases in national infrastructure spending of \$33 billion over the next seven years. That is the largest infrastructure investment to take place in this country at the national level since the 1950s. So it's a huge investment. The vast majority of those funds are distributed on a per capita base. It has nothing to do with equalization, one way or the other. We adopted as you know on equalization, we adopted a formula that had been proposed by a non-partisan, third party group, appointed in fact by the previous government. We modified their recommendations to square with a couple of campaign promises we'd made. That's the equalization formula we're putting in and we're not adjusting it. Anything we do outside of equalization, we do either on a per capita basis, normally, or we adjust to the particular needs that may be in effect in a particular sector, but those are the bases on which we operate. We

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don't operate on the basis of what, you know, local governments or local authorities may consider to be...may consider to be their own score card. You know, if you go around this country, every province has been short-changed and every other province is getting too much. So we're not going to play that... you know, we're not going to get into playing that game. We simply distribute money on a fair basis and based on what is in the best interest of the country.

DIMITRI SOUDAS: Stephanie Langenegger, CBC.

REPORTER: Prime Minister, if you don't penalize provinces that are suing you, do you reward provinces that have a good relationship between you and the Premier of them? (LAUGHTER)

RT. HON. STEPHEN HARPER: You know, that's an interesting question. The broad answer would be "we don't", but the reality is that more gets done when governments work together than when they fight each other. And that's just the simple reality in life. And you know, I can think of several areas of government policy where there's, you know, in fact money on the table for everyone, but where some provinces come to the table, they have ideas, they work to find common ground and that's in some cases where projects end up getting delivered, for that reason. So, you know, my...I know there's a view, there's a view in some capitals, always has been, that the squeaky wheel gets the grease, and so better to have as confrontational a

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relationship with Ottawa as possible. That's what will reward you. And that in fact, you know, if I look at the previous government, that may actually have been exactly what happened. But with this government, I can tell you more gets done when provinces and Ottawa work together.

DIMITRI SOUDAS: And we have time for one last question, Sylvia McBean who is a freelance reporter.

REPORTER: Hi Prime Minister. I was wondering, as a consumer of power, are we going to see lower power bills in Saskatchewan because of this project?

RT. HON. STEPHEN HARPER: I think that's...I think that's something that probably should be asked to the President/CEO of Sask Power rather than me. (LAUGHTER) Let me just say this, though, you know, to be fair and frank about it. All the cost pressures on energy, including admittedly cost pressures of environmental regulation, are likely to lead to upward pressure on power prices across this country in years to come, and we have said this to Canadians repeatedly, you know, we as a government have been under huge demands to reduce our greenhouse gas emissions, to tighten our environmental standards, to deal with air pollution, and we have responded to those pressures. And in fact, we've done far more than we ever committed to do in our election platform, but that's, it's clear that that's what Canadians

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want and Canadians have to understand there is a price to this. Environmental protection and environmental preservation are not costless. They do cost money, particularly in the short term. What we're trying to do with our national plans, particularly our regulatory plans, are to create incentives for the development of new technology so that not only do we feel some of those short-term costs, but in the long run we develop economic opportunity from which provinces like Saskatchewan and other energy producers can benefit. But there'd be no kidding you that the costs, that in the short-term enhancing environmental protection, reducing greenhouse gases will cost consumers money, will cost business money. That's just the reality. We believe those costs are manageable but those costs are real, and any politician who tells you they can clean up the environment with no economic costs, or in fact with strictly economic benefits is not telling you the truth. These things do cost money.

DIMITRI SOUDAS: Thank you very much, everybody.

Merci beaucoup. (APPLAUSE)

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