

# Patricia Nelson

**Date and place of birth (if available):** Calgary, Alberta

**Date and place of interview:** Thursday, June 28, 2012; Patricia Nelson's office, Suncor Centre on 6th Avenue SW, Calgary, Alberta

**Name of interviewer:** Brian Brennan

**Full names (spelled out) of all others present:** N/A

**Consent form signed:** Yes

Initials of Interviewer: BB

Last name of subject: NELSON

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BB: My name is Brian Brennan. Today, on Thursday, June the 28th, 2012, I am speaking with Ms. Patricia Nelson for the Petroleum History Society Oil Sands Oral History Project. I am conducting this interview at Ms. Nelson's office in the Suncor Centre on 6th Avenue SW, in Calgary, Alberta. Ms. Nelson is the vice-chair of IOSA, the In Situ Oil Sands Alliance. Before returning to private life in 2004, she served in the Provincial Government of Alberta for 15 years and she held several senior Cabinet posts. They included: Minister of Energy, Minister of Economic Development and Tourism, Minister of Government Services, Minister of Finance and Provincial Treasurer. Before that, she worked in the oil industry for 15 years. Did I get that right?

NELSON: You did.

BB: Good. Well, maybe we can just start with you just giving a quick biography of yourself. Where you born, where you went to school, that kind of thing?

NELSON: Well, I'm a native Calgarian. I was born here in the Holy Cross Hospital and lived in northwest Calgary my entire life. I've never really left Calgary. I love the city dearly. I went to the University of Calgary and took a Bachelor of Commerce degree at U of C, and went immediately from the university to work for Sun Oil. And it was there that I had my first introduction into the oil industry. Well not, actually. My dad had a small company called Calmena Oil and Gas. And, they were drilling in Alberta and Manitoba when I was a child. But, I never really was allowed to go out to site because I was the youngest, and you just didn't get to do that. So, it was really when I went to Sun Oil that I started.

BB: And, that was here in Calgary?

NELSON: In Calgary, yes. I had the fortune of being the first female manager at Sun, and it was quite a change for them. And, I was lucky to be picked to be part of the team to create Suncor. I think it was because I had a fair bit of background in systems design. And, we created what was

called the NOW Project, so it merged entities together. It got me into the land side, and the field activities, and up to what was called Great Canadian Oil Sands, which was their oil sands investment side. It was very exciting for me, for someone in my 20s, and I was just there at the right time, to have that chance. So, I stayed with Sun for six and a half years. Then I moved over to a smaller company that had just been purchased by Jack Pirie; he had been one of the key people in Dome. He moved over to purchase Sabre Petroleum, and I was the first one he hired. I was hired as his controller. And, it gave me a whole new horizon to look at as how you have a start-up. It was Jack and myself, and hundreds of boxes of files. And so, we created the office, and I probably learned more from him in one year than I had during the previous six years.

So, I got hands-on experience from an absolutely brilliant man. He's probably the smartest man I ever met in the industry: Jack Pirie. He had a brilliant, brilliant mind. And, I just took a gamble again, as a female going into the industry at that stage. It wasn't that popular, and there were not very many. We women were not allowed in the Petroleum Club until after 4:30, and all that sort of stuff that was back then. So, it's come a long way. So, I stayed there and then took a little bit of time off to have my son. I then went back, and I was with **Petroterra Natural Resources**, and they were doing some work with **Capital Engineering**. So, I got into the engineering side, and I was a controller in that organization. And then, Jack phoned, and I went back to Jack. And, I stayed there until I ran for public office in 1988. I ran, because I was a ticked-off taxpayer. We were spending out of control, we were in debt up to our eyeballs, and it was an outrageous situation in my view.

I'm a very, very right-wing conservative. And, I thought this has to end because otherwise my son was going to be burdened with an unwieldy debt that he had no say in, and that was unconscionable as far as I was concerned. So, I went there thinking it would be about a six-month job to fix it up because we knew how to do that. We'd weathered the National Energy Program and the downturn in the mid-80s, so we knew how to get things in fiscal order so we could survive and actually excel. So, I thought, this won't take very long. Well, true to form, I ran into the wall when I got there. Nobody was interested in changing.

BB: And, this would have been?

NELSON: 1989.

BB: So, that was when Getty ...?

NELSON: Don Getty was in his second term as premier. And, I sat beside a dear, dear friend of mine in the caucus room, our former mayor, Ralph Klein. We sat beside each other. And, I kept saying, "This is outrageous, Ralph. If you ever get a chance, you've got to run for this and put that 'yes we can' attitude we had in Calgary into the province and take it forward." And, one day out of the blue, Don Getty came in and said that he was retiring. I sat beside our ... I called him "our short, perfect premier" ... and I said, "Put your runners on! You're going for this!" And, of course, he wasn't establishment, and neither was I. And I said, "We're going to break the mould, and we're going to go and do it." And, so he phoned me a day later and I went down to McDougall Centre and he asked if I would be his campaign manager for Southern Alberta. I said, "Love to. Let's go and get it done." He won, and I wasn't going to run again in the '93 election as I had basically had it. And, he said, "I want you to be part of my cabinet, I want you to be there." And, I had a choice of portfolios and at the end of the day, I picked Energy. And, I said, "I'll do Energy but we've got to change the structure. The regulations are outrageous, it's out of control." And, I was on the Treasury

Board from day one, and Agenda and Priorities. And, I sat right beside Ralph like we did at the cabinet table, as we did in the caucus. And, he was the most wonderful leader that we've ever had, as far as I'm concerned.

He really took hold of the reins of the fiscal side of this province. We had \$32 billion of debt for a province of less than three million people, it was outrageous. And, growing at a huge pace that was going to be spiralling out of control, and we were in severe jeopardy. So he took control of it and he came up with the plan and we followed that plan and today, we're the only debt-free province in Canada. And, actually even the federal government has spiralled out of control again. So, we've got a lot to be proud of. I stayed in politics. I was the energy minister. I was put in there in December of '92 and then re-appointed after the '93 election. I was there almost five years. I think I'm the longest serving energy minister in the history of the province.

BB: Right, and the first female.

NELSON: And, the first female which, by that time, I never kept track of those things. So, after that, after '97, I was sent over to Economic Development and Tourism. And you forgot Gaming, Liquor, Horse Racing and Lotteries, which were all added into there. And, I'm thinking, "Oh, oh, this is a mammoth portfolio." So, I was there for, I guess, three years and then, in the new government services area, to put the registries out there and things like that, and then right into Finance. And, I agreed that I would stay until the debt was gone because politics was not a career for me. So, I stayed until we paid the debt off on July the 11th, 2004.

BB: You still remember the date?

NELSON: I do, exactly. I went to my boss and said, "I'm now done. I'm going home. I'll wait until the election, but I'm not coming back." Because, it wasn't a career for me. And, of course, I had a whole year cooling off. I was conflicted in everything I did because I'd been on the Treasury Board all that time, and Agenda and Priorities, and the Treasurer. So, everything I touched put me in conflict. So, I had to cool my heels for almost a full year. It was brutal, just brutal.

BB: You were ready to go, but after leaving politics, you had to ...?

NELSON: I had almost a full year of cooling off to go through, which is unbelievably tough to do. And, so I did some volunteer work and charities and things like that. But, I couldn't engage in anything. So, it was difficult. My first love, of course, right from the beginning when I came out of university, was the oil sands. To me, it was ninth wonder of the world, and the jewel of Alberta, and it didn't happen anywhere else. And, I met some wonderful people when we used to fly up there in the early days. I'd go up with the engineers. In those days, women couldn't go for overnight trips, but you could go up for a day-trip. So, I'd go up with the engineers, and have a look at it. And, it was just something that was out of this world. It was unbelievable.

BB: And, this is when you were with Sun Oil, wasn't it?

NELSON: Sun, yes. **Manley Frith** was one of the top engineers and **Ed Bohoko**, and they were just brilliant people that went up there. And, of course, it was just a big bucket-wheel operation. And, this thing was so large, and the hundred ton and two-hundred ton trucks were something we'd never seen. Well, today they're four-hundred ton trucks and it's amazing the development.

BB: So, you got lots of trips to Fort McMurray then, during that period?

NELSON: I did. Roy Cruickshank was our pilot and I'd go up with them, and sit up in the co-pilot seat while the engineers would work in the back. And, they'd let me fly up with them for the day and back. And, it was just an opportunity that made me fall absolutely in love with GCOS.

BB: Were the oil sands moving into being commercially viable at that point?

NELSON: Well, the hope was there. But, were they paying? No. I mean, we were getting \$5.00 a barrel for crude.

BB: And, it was costing, what, \$25.00 or \$30.00, to take out the oil?

NELSON: \$36.00 a barrel to produce it. So, no, it wasn't paying. But, the Pew family from Philadelphia, they had this vision. And, bless their souls, they were committed to the oil sands. Sun had the largest Arctic holdings of anybody, and so Sun farmed out their Arctic holdings to the Canadian Arctic Islands Group for development up in the Sverdrup Basin. And, those dollars were then dedicated to GCOS, to go into the oil sands development. And, they could see the very long-term vision on oil sands development. In the meantime, there were others trying to put government groups together to get involved. But Sun did this on their own. They were the only entity that stepped up to the plate. And, I give them a lot of credit because there were some pretty dark years in there. And, high risk, but they knew that there was an opportunity to go in. And, I remember the first time I saw the [Karl] Clark process. And, heard the story of how he had developed it with his wife's ringer-washer. And, it stuck in my mind. I was only in my 20s and it was an amazing scenario to hear the story and the commitment that he had. Well, the Pew family also had that commitment.

BB: Did you meet any of the Pew family during that time?

NELSON: Yes, not the father, but the sons. They came up every so often, not too often. And, of course, the head office for Sun was in Toronto, so we were on the frontiers so to speak. We had Sunray DX Canada, Sunray DX Northern, Dallas, GCOS and Calgary. That was the western area. That was our domain at that point, and, of course, the Arctic side when we were up there. But, we had some brilliant engineers here; unbelievably brilliant people, who would come up with ideas when working up there. And then the conditions were tough. There wasn't a lot there in those days.

BB: So, J. Howard Pew the patriarch, of course, was entirely committed to the oil sands. Did you get the sense that the next generation was as committed to developing the oil sands?

NELSON: Well, keep in mind that part way through that our federal government, of course, came out with FIRA [Foreign Investment Review Agency] and said you could only have a certain amount of foreign investment in your organization. So, we had to move that relationship over here, and create what was called Suncor. So, it wasn't long after I went to Sun that we started to have to create Suncor, to fall in line with this nonsense out of Ottawa, imposed by the Liberals. That moved the family relationship back, so we didn't see the family like we had originally.

BB: Once Suncor was established ...?

NELSON: In Suncor, because their relationship pushed them away from us. Suncor became a Canadian entity. Now, the Sunoco end, which was the service stations, and I think there have only

ever been two Sunoco stations in Western Canada. The rest of them were down east and throughout the US, the marketing side. So, that was another area that was separate and apart. But, Sun was a wonderful company, just a wonderful company. The people in there were so long-term committed people to that organization. And, they took a lot of pride in what they did.

BB: So, during that period, did you ever see yourself moving to Fort McMurray? Making that your base of operations, perhaps?

NELSON: Well, no, because I was in the finance area. So, I was the manager of financial control for Sun. So, that would've been still in Calgary. All of the short-term investments, we did out of Calgary, and all of the financial records we did out of Calgary. And so, my involvement was because of doing this NOW Project, to bring the different entities: Sunray DX Northern, Sunray DX Canada, GCOS and Sun Oil. I think they were something like 13 different employee systems that had to be merged to create this entity called Suncor. So, we took a lot of time on the systems side, which got me into a situation where I talked with people who were land people and field people, who never really got together. And, technology was starting to become a key thing. I remember I introduced (this is now going to date me), a suitcase that could go to the field offices. We used to get the charts from all of the production, and they'd come in by courier. But, half the time they'd be late, and so the royalty payments would be late, or the calculations. Or you'd get them over the phone and nobody could understand the words. Or they'd write up the numbers from the well numbers, and, you'd have amendment after amendment. So, this suitcase came in, and it had a machine in it that you could put to a phone, and it was called a Telecopier. And, I looked at this thing and I thought, wow, could we ever use that in our field offices for efficiency from our Saskatchewan plays and our Alberta plays, to get information into the office with a hard copy of an accurate report from the field. And, we wouldn't be reliant then on the whim of a courier bag. And, that took six minutes to transmit a piece of paper. But, that was a blessing compared to three days.

About two months later, a new one came that could receive 24 hours a day, and it only took four minutes. And so, I put one of those in all the field offices so they could have a direct link into the corporate office that we were in. And, I got to know the people in the field, and they started to allow the females to go to the field. Women couldn't go to the field back then, only the men could go. So, that was the beginning of the reaching out, and technology was really the opening of the gate for me. And, of course, those suitcases then became the fax machine, which eventually gave way to emails, etc. So, technology was really coming into play. And, of course, I was familiar with it because I took my minor in computer science. So, I loved it. I could write little basic programs on weekends that would merge things together. So, it was quite interesting. I was just at the right time, in the right place with the right people around.

BB: So, then when you moved to Sabre, were you more on the conventional side of the oil industry?

NELSON: We were on the conventional side. We were involved in a number of oil and gas leases. We got involved, and we built the Williston Green nitrogen plant up at Willy Green, and that was for secondary recovery. And, this was the brilliance of Jack Pirie. I mean, his mind was unbelievable. He could see that if we took the nitrogen out of the atmosphere and compressed it, we could inject it into the ground – it's inert – and it would push the oil forward out of the formation for additional recovery. So, we built this plant and took half of the nitrogen and froze it, and the other half compressed it. The frozen part we sold to Canadian Liquid Nitrogen and they used it for mining and

hospital uses, etc., and the rest we put down the hole. And then, he figured out how to vent it back up to the atmosphere, so it was a full cycle.

Of course, this process was way ahead of its time. And, the plant we made, of course, was portable so you could actually move it to different plants. And, we built the Brazeau plant, so for me it was an opportunity again to get out to the field. And, we didn't have any engineers other than Jack. We had contracted project managers in the field that we hired for that particular project. But, I would get out to the field to see things. And, as I say, I learned more from him on procurement processes, contracts, we went through every page of every contract and I learned how to see how contracts needed to be written. He was just a marvellous, marvellous mentor.

BB: So, when you went into politics and Mr. Klein gave you the opportunity to have the cabinet portfolio of your choice, why did you choose Energy?

NELSON: Well, he gave me three options. He gave me Treasury, he gave me Economic Development, and he gave me Energy. And, I wasn't sure I was going to pick anything. I said to him, "I need some time, Ralph, to figure this out." I had a five-year old son. And, I said, "I don't know that I have the time to do this. So, I've got to go home and talk to my family." And, I thought they were going to die, because nobody ever says, "Can you give me a week to make up my mind?" And, he said, "Well can you do it in about four days." I said, "Okay, that's fair enough, but I've got to go home and talk to the family and see how we're going to work this." Because, it would mean a lot more time in Edmonton, and I had a little person. So, my priority was my son not going to Edmonton.

So, anyway, I came back and I thought, well, I wasn't really familiar with the workings of the government itself because I hadn't been in cabinet. And, in Economic Development, there were a lot of industries, like forestry and petrochemicals and things that I had no background in whatsoever. And, then there was this Gaming, Liquor, Lottery and Horse racing, which I knew nothing about. And then, Tourism, I knew nothing about. So, I thought, no, I don't think that's going to be so great. The portfolio that I had the most familiarity with, and probably could fit into easiest, would be Energy. Finance I could do. However, I thought if I do that, I don't know what they've got for financial records, and obviously it's a mess. So, I said, "I'd like to be on the Treasury Board, and I'll be there, but Energy is probably a better fit for me." And, that's how I ended up Energy as opposed to the other two. I had my choice.

BB: Did Ralph give you any marching orders, then, when you took over Energy?

NELSON: Oh, yes, absolutely, he sure did.

BB: So, what was your mandate?

NELSON: Well, I can remember my first one. Because, remember, energy involves more than oil sands. It had things such as electricity and mining. And then there was alternative energy, conventional oil and, of course, the non-conventional. We were trying to create a fiscal framework that was conducive to clearing our deficit, being fiscally responsible but also, at the same time, attracting investment into Alberta. We were under three million people; we didn't really have a lot of investment coming into the province. Because, first of all, we were over taxed, we were over regulated and we didn't have a very good record as far as getting applications through on the

regulatory side. So, we needed an overall fiscal structure that would be seen to be friendly to investors to come here.

So, that meant revamping the regulatory process; that meant looking at a structure that showed how we could do land sales. For some reason, we had these silly rules in place that somebody created, I have no idea who. Our cost of power was huge and I thought, that doesn't make any sense. And, Ralph came to me one day and he said, "I want you to get rid of EEMA." And I thought, EEMA? And, I didn't want to say, "I don't what it means." I thought it was a bird, actually.

BB: One that doesn't fly.

NELSON: And so, I went back and said, "What's an EEMA?" And, no, it wasn't the Australian bird, Emu. It was the Electrical Energy Marketing Act. And, it was where back in the 80s, early 80s, pre-Getty into the Lougheed years, they decided the government could diversify the economy. Well you know how that didn't work. So, they were blending power rates from ... I think Alberta was compensating Northern Alberta to the tune of about \$1.3 billion a year. So, the cost of conventional play and even some of the play up in the oil sands, the cost of power is a huge item. And, that was a disincentive because it was so high. So, Ralph said, "Get rid of EEMA." And I thought it's not an area I have any experience in.

And, this is a true story. I went to the electrical industry and I thought I don't know how to do this and I don't really know anything about it. So, I called all of 22 stakeholders together and I said – keep in mind I'm 38 years old at this point, and bold as can be – "I have a job to do and I need your help. We have to restructure the electrical industry in Alberta, and you're all competitors. So, I'm going to ask you to park your Scud missiles at the door and sit down and come up with a new framework that is going to improve the marketplace, put competition in it, and will be effective in delivering and securing power requirements for today and for the future." And, they weren't very happy. And, I said – this is a true story, you can ask some of the old guys – "Let me just tell you, if I was asked that by the government and I was in industry, I'd take on the job. And realizing that I know nothing about your industry, you have a chance to shape your industry so it will be successful economically for the industry." And, they still were griping.

So, I went over to the wall, and there was a light switch. And I said, "Let me show you how much I know about electricity, on and off." And so, I said, "If I were you, I would take the challenge because, rest assured, I will restructure this, with or without you. So, I'm going to come back in six months, and I expect you to bring a plan forward and a recommendation to move forward that we can flush out. But this is going to happen." And, I could hear them saying, "Someone's going to have to talk to her." And, I left the room. And, so at the end, they gave me a plaque that has a light switch on it, from those meetings. They were wonderful. They were brilliant people who made some really tough decisions, but they made good decisions. Because what happened, which was critically important, is that it recognized, with the industrial development to take place, that we would need to have a power structure that would allow that industrial development to take place. By creating campuses without interrupting our residential and commercial use, particularly at peak time; so, how do you do that? Well, you do it through co-generation. And, there were rules that said, groups couldn't come together. The rulebook – I always called it, section one, two, three, four of the rulebook – said you couldn't do that. Well, we're going to erase that rulebook and we're going to go with reality. So, today, of the 13,000 megawatts of power that we produce, 5,200 of that is co-generation, from clean-burning, natural gas.

So, the industrial campuses have been most effective; if a little tough getting there. And then, the balance of it is coal-generated, basically, with a little bit of renewable in there. And, we have not seen a disruption in our power as a result of that. The other thing that they recognized, and they were really good about coming forward on, was it wouldn't be a good plan to deregulate transmission; because other jurisdictions like Florida and California had a number of transmission lines going down the same corridors. And, they should have been blended into one so you don't have people exposed to a multitude of transmission lines. So, generation was fully deregulated, distribution was fully relayed, and transmission was shared. And, that's what we have today, and now you have oil sands projects, when they make their application, put in an application for co-generation so they can create their own power. They can then, any excess power, be able to retail wheel it into the grid to the benefit of Albertans.

Now, the only thing that it's missing, which is the one little blip, is the power lines aren't up there. They've got to get those power lines through so that wheel into the power line can be achieved, and then Albertans will get their reduced power cost. So, that's the last step to take place, and it's a bit of an awkward one because there was a political interference with that Bill 50, and it's caused a huge setback. So, hopefully that will straighten itself out.

BB: I'm interested to hear you say that the regulatory framework was a bit of a mess when you went in.

NELSON: Oh, it was a huge mess.

BB: Because, the conventional wisdom seems to be that the Manning government had done it exactly right, and that Lougheed had built on what the Manning government had done, and that we had wonderful regulations in this province. But, you found it differently?

NELSON: Well, you've got to remember that from '79 through '86 and then to '89, there were EDAPs, DDAPs, and giveaway programs, and holiday this and holiday that. All that did was cause paperwork and work. So, when you look at a structure, you have to say, "What are you trying to accomplish?" And, when we looked at the file, we realized that every time a new regulation came in nobody took the old one out. So, they just built on top, and on top, and on top. So, there was a lot of redundancy, overlap, duplication. And, you had two entities; one was the Public Utility Board and one was the ERCB. And, so you'd get approval at the ERCB and you get rejected at the PUB. Or, you'd get accepted at the PUB and get rejected at the ERCB. The cost of compliance was so high that it became horrific for someone to move a project forward. So, that's why we created the AEUB, Alberta Energy Utility Board. We kept the two Acts, but we put an umbrella over top, which enabled them to have a joint hearing and come together. So, you didn't have to do it twice.

We also went through their regulations. And, again, the industry worked with me extremely well. They were my kitchen cabinet and I went back and would say, "Okay, you guys have told me about the regulatory burden. I need your best and brightest from your offices to come in here and go through these regulations, and identify those that are redundant, those that are duplicated, those that are overlapped and those that are just not appropriate for today." And, so we went from nine hundred and something regulations to 450. We cleaned them out, and they did a tremendous job, and all I did was bring it together. And, they were awesome. The other thing was in the structure, it said, you could only have a land sale twice a month. Well, if the demand is for every week, why wouldn't we have it every week? Well, the rulebook said, twice a month. So, I said, "Well, we're



going to tear that up and we're going to meet demand." So, if there is demand to have it every week, then we're going to have it every week. We're not going to hold people back from development.

And then, we looked at the different royalty structures. Someone said to me, "You have got to have royalty relief on all of the new projects like horizontal re-entries and horizontal drilling." And I said, "Why?" "Industry won't come in and do that if there's not a royalty holiday there." I said, "If it makes economic sense, the industry will come in." So, I cancelled all of those programs. And, the only one we did is a pure exploratory one-year holiday, because most of the developments taking place were on development wells. It wasn't pure exploration. So, I cancelled all of those and we had 23 horizontal wells that had been drilled. "It will all stop," the department was telling me. And I said, "No it won't, the industry will recognize the economic opportunity that goes with it." And, so they did. And, we drilled 3,600 horizontal wells and never missed a beat. And, they did it because it made sense. Their evaluation was there and it made sense. So, anyway, we had an era of change like that.

Then, we got to the oil sands. And, I found that everybody had a different structure, depending when you'd started. Some didn't pay any royalty at all, some had structures where they were getting capital back ... I said, "We can't go out to the world and say, 'come to Alberta and invest, but we'll make up the rules as we go along.'" So, you need clear, concise structure. So, we fixed the regulatory, Jim [Dinning] was working on the tax side, we were fixing the tax side. We were putting in place government reduction in debt, well, our deficit to start with. Then we had to do the oil sands. And, we were working on it with Eric Newell and Dee Parkinson from Sun, and **Howie Dingle** from Esso. They were the key players that had been there a long time. And, they all had different agreements. And, in all fairness, they had realized there had to be change. And so, we sat down, and we hunkered down, and started to go through a program. And, of course, all the naysayers were lined up over there so we left them out of the room and we came in. And this is a true story, we were down in Venezuela, we had been invited down by Pedvesa to go down and see their Orinoco Project and talk to them, this was pre-**Chávez**. And, we were sitting there with the Pedvesa people and they were telling us that they had got their hands around what they thought was \$60 billion of capital investment to go into their Orinoco Project. And, I thought, oh my goodness me if they're getting that, we're going to get nothing. It's the same players we're trying to attract, and we're still arguing over the structure. So, I got out of the meeting. I said, "Get the plane. We're going home right now." So, we flew home that day and called everybody in and we finalized the generic royalty scheme right then and there, and we went to market with it. We were hoping to get to \$25 to \$30 billion of capital infusion.

Well, that scheme was so solid, and it was built to attract investment. We knew if we got investment, then the long-term benefit would come from the corporate tax and the individual tax side. It was never intended to be a massive royalty grab. So, it was built on a hockey stick, where we recognized risk up-front and took advantage of the revenue on the slope of the stick to 25%. And, we ended up with \$150 billion coming. So, it was really positive for the industry. So, the whole fiscal structure was then completed. So, we had the new tax regime, we had the schedule for paying off our deficit, we had the fiscal framework on the royalties, we'd done the regulatory review, and we had a clear concise package we could take to the world. That's when we named it the Alberta Advantage. This is what we have here; we're open for business. So, every one of us: the Premier, Jim, myself...

BB: Jim?

NELSON: Dinning.

BB: Jim Dinning, yes.

NELSON: Jim was Treasurer, I was Energy. And so, we were all on the road, out selling the province.

BB: How long did this take to get that point?

NELSON: '93 to '97 to put that structure in place, and it was great. We actually had something like 103 head offices move to Calgary as a result of that. They saw the opportunity, and no other place was serious. No other province had a consolidated financial statement. When I got on the Treasury Board and we were sitting with the guys and I'd been the controller, so I'm looking at the financial statements saying, "Where's the debt servicing costs." "Well, we don't record it." "What do you mean you don't?" How do you go and tell the boss that we didn't have a \$2.4 billion annual deficit, we had a \$3.7. He just about dropped right on the floor, oh my Lord, what are we going to do? Well, we've got to fix it. So, we've got a bigger problem than we realized. We need to be fully consolidated. So, that was step one, to find out what we had so we could figure out what we were going to do, because nobody knew. And, it wasn't there. So, it was a total reworking of the whole structure and it was tough. We went to the polls in '93 and said to the people, "If you vote for us, we're going to put the fiscal house in order, and there will be some really tough calls." And, they gave us a huge majority. And, we'd go out on speeches and they would say, "You dirty rats, why are you doing this?" We said: "We're broke. We're broke, people, and so we have to fix it." And that's what we did. And, Albertans got behind us, supported us and said, "Yeah, we've got to do it for the next generation; it's not fair to pass this on." And, they did and they should be very proud of what they accomplished.

BB: And, Alberta has set an example for the rest of the country, really, through that process.

NELSON: Yeah, and so few of them have followed. You look at Ontario today; I think they've about \$250 billion of provincial debt. Quebec's got \$275 billion. And you go, where is that going to end? How are you ever going to get out of it? Someday you have to pay the piper, everybody does. So, how are you going to do that? At least now, Alberta has to be careful. But, when we left, we left them clean with a huge sustainability fund. That was my baby too: Fiscal Management Commission. We set up the post-deficit and debt-retirement, so that was great. But they've spent it.

BB: Tell me about your first trip to the Underground Test Facility?

NELSON: The first and ONLY trip to the Underground Test Facility, the UTF. Well, I was fascinated. We were doing a 25-year strategy for oil sands development. And, I had a fairly good knowledge compared to most political people on what the mining side was like. But, we knew that we couldn't mine a lot of the land because of the depth of the formation. And, I was well familiar with AOSTRA from before I got into government. And, I knew they were working on underground testing with steam. SAGD had been going on since about '82 or '83, the concept. So, it had moved forward quite substantially by the time I got into office. And, they were testing it in the UTF. And, I said, "Well, I'd like to see what they're doing." I always like to get on equipment. I love big equipment. And, they said, "Well it's underground." I said, "Well, that's okay, if you're going down I will go down."

BB: And, it's dark.

NELSON: So, we got there and we went down in this elevator that looked like it had come out of an old horror movie. And, it sort of rattled, banged back and forth. And, I thought, my Lord, where are we going? Well, we went down to the limestone. I think it was about 300 feet below ground, that we went down. And, I thought, what have I done? I'm going to be a drop of oil a thousand years from now. And, it had, you know that chicken wire stuff?

BB: Yes.

NELSON: That's what they had up against the dirt and, I thought, I hope there's more than chicken wire holding this thing up. And, of course, they were drilling up into the sand with two wells. And, injecting steam ... the concept of the SAGD they had worked out: Inject the steam, drip down to the second well. But they were drilling up and, of course, the sand was soft then and the wells weren't secure. So, the minds again, these brilliant minds that are in these organizations. The engineers that get together and realize, well if we can drill up, we can drill down. But, the depth and the length were huge. So, how do you get down to the formation and across? Well, of course we were doing horizontal drilling in conventional play. So, they were able to adapt the horizontal well, supersize it for the in-situ side, and put two wells down at that time and giant pumps. Like the pumps we used to have – they made them big there – out at **Nisku**.

So, it was quite an experience when I went down in that UTF and saw all of this stuff. I thought, if I get out of here alive I'm never coming back. And, I never went back down again. I was terrified of it. I just don't know how people could have been working down there; it frightened me to death. But, you could see the commitment that had taken place by people in AOSTRA and the companies from all over the world that had been involved in that process. So, when the 25-year plan for oil sands development came through, of course, we were already starting to drill some SAGD wells. The plan was that it would move up and the perfection of that, from into the horizontal surface really was the turning point for SAGD. It was just tremendous.

BB: Yes, indeed. So, during your time in the ministry, in the energy ministry, were you always a fan of AOSTRA?

NELSON: I was a fan of AOSTRA because I thought they were critically important. I think what we saw there was that Alberta Research was also another entity, and were they coordinating with AOSTRA? And, they had evolved to a point where the next step would be to a full research centre. So, that's how they came together into the Alberta Energy Research Centre. Which seemed to combine a number of things together, so they had a better sharing. It was a recommendation from my department to see that merger take place. I thought AOSTRA was the "be all and end all," to be honest with you. But, anyway, it also made abundant sense to combine it so they had the advantage of the minds from both ends. Because, there were a lot of foreign countries involved in that development: China was involved right from the beginning. Japan was in there, Korea was in there. Somebody said to me recently, "Oh, China is a new entry into the oil sands." No, about 40 years ago. They've been around a long time.

BB: So, it wasn't so much a phasing out, then, of AOSTRA at the end of the day?

NELSON: No, it was taking advantage of two entities together, to make sure that everybody had the advantage of both, and of sharing. Because, there seemed to be a feeling that research at the university belonged to the university, that research at PRI belonged to PRI, and that research at AOSTRA was over here. And, we had to bring it together because we didn't have the money to fund everything; it was a financial situation. So, we thought if we brought it together, we could get the best of the best. And, I think they've done that.

BB: What would you consider to be some of the main achievements or highlights of your involvement with the oil sands, particularly during your time in government?

NELSON: The number one thing was the generic royalty scheme, the structure to attract investment. That brought people into Alberta. That was the number one thing. We signed that declaration of opportunity with Ottawa to recognize the oil sands as a mining operation. When they actually changed the taxation policy they finally recognized that this was a mine. I don't know why it was such a surprise; I guess they'd never been out to see it. So, they did recognize that. [Federal cabinet minister] Anne McLellan and I brought all of the oil sands players together and we signed that declaration of opportunity. So, the generic scheme was critical for that.

BB: And this was all about making Alberta more industry friendly?

NELSON: Well, you needed somebody to do the work, and it had to be the industry. There's no point in making an enemy out of the people you're depending upon to do the work. So, to me, bring them to the table right away. And they were very good, the industry. I took the view that no one could expect me to know everything about the industry. So, I created a kitchen cabinet that I relied on heavily. I had people from pipelines, I had people who were contract drillers, I had people that were water haulers, I had people in conventional play. Every aspect of the industry: I had land people I would bring in and they would be part of this kitchen cabinet, and we would meet every Saturday morning.

And, they would sometimes just beat me up fiercely, and at other times I could go to them and say, "What do you think of this?" and they'd either say, "Perfect!" or "Oh, my word. You better have a look at this, this and this." I was very lucky to have key people like the Jack Piries of the world, the David Toors of the world, the Ron Parsons of the world, **Walter Saponja**; all of these people were fundamentally key to helping with the change that we went through. And, I've always been eternally grateful to them, to be honest with you, because I couldn't have done it on my own.

BB: So, what were some of the challenges, then, associated with oil sands development that you recall from your time in government?

NELSON: I think the recognition that the oil sands development, compared to the conventional development, was a much longer-term commitment. So, we were, as a government, a partner in Syncrude. And, I had to go to the Premier and say, "As much as it breaks my heart, we can no longer be a partner in Syncrude." Because we were going to have to invest a minimum of \$50 million a year into development of the Syncrude mine, at the same time that we were cutting programs on the social side over here. We couldn't do that. It's not the role of the government to be there, in any event. We couldn't be there because we were becoming a burden to them. And so, for the sake of the project to move forward, I felt it was important, that we exit and that we let another industry player take over from us. And so, we went through an evaluation process, outside

evaluation, to find out what our interest was worth, et cetera, et cetera, and put someone in place that would move forward and carry it forward. So, some of the tools that we looked at, because we were trying to see again how we could bring the market in, is we created the Athabasca oil sands royalty structure as part of our deal with Torch Energy, which bought our interest in Syncrude, for cash.

They then financed part of that with Athabasca Oil Sands Royalty Income Trust. And, that was a wonderful vehicle for long-term patient capital needs because it gave Albertans the opportunity to be able to buy in as an owner of the site, and get a return every quarter, but leave their money in there for the long-term. Because, you need patient capital in those situations, so it's not a flip like you can get into with a conventional play. There, you go in and invest, take the aftermarket, get out and leave. In an oil sands project, you've got to stay. So, the Oil Sands Royalty Income Trust was critical. So, we introduced this, and I can remember some of the senior investment houses saying, "It'll never sell." Yeah, it will, Albertans ... do you remember the Alberta Energy one?

BB: Right.

NELSON: When we were in university, my dad got us all got into Alberta Energy, the maximum. Well, for many of us that became the down payment on our homes. And, we held onto that long-term patient capital. Well, the same scenario I felt existed with the Syncrude sale, and it was a phenomenal opportunity for people, and they took it up. But, that was pushing the boulder uphill. Because, there were people saying, "We've got to be there. Only the government can be there." And, I'm saying, "No, the government will be a burden for the industry. We need to cut the ties and let them grow and excel." And that's what we did.

BB: Was Alberta the only government left in Syncrude at that point?

NELSON: Yes, Alberta was the only government in there. The others walked. Now, the upgrader, the Husky Upgrader, it had the feds, Saskatchewan and ourselves, and I got us out of there. And, I negotiated for **Anne McLellan**. And, we were worked very well together. Anne was a tremendous proponent of what we were doing. Even though she was a federal Liberal, she had the same philosophy. She knew that we had to get out. It was quite a process. We had to unbundle a lot of things. Government had got involved in everything you could imagine. I unbundled 62 files and it was an arduous job, but it had to happen. So, it was quite amazing.

BB: Well, let's talk a bit about the In Situ Oil Sands Alliance. I heard, not too long ago, that somebody was complaining about the fact that "in situ" is a word a lot of Americans don't understand.

NELSON: Nobody knows what it means. It figures that we should have a name that nobody can understand what it is. So I always blame the engineers. "Oh, you guys you would pick something that no one knows what it is. Good communication!" That's why IOSA brought me in. I call it drillable oil sands.

BB: Drillable oil sands?

NELSON: That's how I refer to it: drillable oil sands. We mine over here, and it's drilling over there.

In situ is a name that, I guess, the technical guys thought was cutesy. But, for a communication package, I will say, “Well, who is your audience? If you’re talking to the Society of Petroleum Engineers, they’ve got it. You’re talking to **Mr. and Mrs. Grundy**; they haven’t a clue what you’re saying. You have to pick where you’re going.”

BB: Is part of the mandate of IOSA to counteract some of the negative publicity that has emerged around the oil sands in recent years? Is that part of your job?

NELSON: Well, these companies came together. They’re all members of CAPP. But, their whole focus is on in situ development. And, they have different processes amongst them. Our little group of five companies has 25 billion barrels of recoverable oil. That’s a lot of oil, in anybody’s terms. So, what they brought me in for was to, first of all, let the government know that the in situ side of the business was important because the focus had been on mining, which is only 3% of the development. And to, again, look at the regulations, which have built up again. The old ones didn’t come out, so now we’ve ramped them up, and they’re not consistent. And so, we’ve been able to take brilliant engineers from our member companies and have them serve on advisory teams for various ministers. So, I’ve been able to go to the ministers and say, “Here are some young brilliant minds that probably could help you with some of your decisions on regulations. Or, if you’ve got a project that you need unbundling, these are young people, the up-and-coming ones.”

And so, we’ve been fortunate to be part of most of the ministers’ advisory teams. But, it took about a year and a half to get that in place. We sit in on a number of groups. I sit in on the US Energy Board’s Clean Energy meetings out of Dallas, and that’s with all the producing and refining states and the Congressional people. That gets us into a mode of where we’re talking about the oil sands in a positive frame. I also talk positively about the mining side, because I’ve been on both. And, the initiatives and the innovation on both have been substantive. But, the future is with in situ.

BB: Right, and that was going to be my next question.

NELSON: My focus is on the in situ side and where it’s going from this point forward. And, that’s why they brought me in, because I have such a passion for oil sands. I often tell people when I started off, you could go up to the mine, you could put your hands in that sand and pick it up and squeeze it, and it’s the richest crude in the whole world. And, it doesn’t happen anywhere else. We can’t lose sight of that. People talk about the negatives. I automatically say to them, “Well did you see the baby buffalo?” And, they say, “No!” And, I say, “You didn’t land the helicopter did you?” No, they never will. “Did you see the play in the forest?” “No.” “Then you didn’t go to an in situ site.” The people who are writing the myths and the nonsense really don’t know anything about it. They’ve never been. If they come and see, firsthand, they go away with a totally different view.

They come and look at our big blue sky in Alberta ... When I was a child, my parents used to tell me it was blue because it was conservative, but the reality is it’s blue because it’s clean. And so, we don’t have that huge smog and build-up that they have in areas where they don’t look after their environment. And, I can honestly say to people, because I know intimately the regulations, there isn’t any jurisdiction in North America and maybe even worldwide, but I can’t say that for sure, that has tougher regulations and structure than we have in Alberta. It’s very tough but it’s fair because Albertans demand that we look after our pristine environment. We will not sacrifice that for anything; so, the two have to go hand-in-hand. And, that’s been a big key of the messaging that we’re doing with the IOSA group: the initiatives that they’ve taken to reduce greenhouse gas

emissions. Using non-potable water, we don't use any fresh water. And, that process has been really good.

BB: That's a great line, by the way. The reason we have a blue sky is because we've got clean air.

NELSON: Well, it's true. Go to Beijing and have a look at their sky.

BB: Oh, I know, and Hong Kong too.

NELSON: And, put eyewash in three times a day so you can see. You don't experience that here. When people from these countries come here, they look out and they go, "Wow, you've got big blue sky." Well, yes we do. We don't have spewing things all over the place. We don't allow that as Albertans. We never have and we never will. And so, I sometimes take offence. I was just in Energy Council meetings in New Brunswick and I said, "You think that we would jeopardize the environment for our kids and our grandkids to live in? Not a chance! That's not going to happen." So, when someone talks about, "Oh, your fracking wells, you're going to perforate aquifers." We've been fracking wells for 35 years and haven't done that. We won't. Our practices are such that there are tough guidelines and tough rules. But, they're fair because that's what Albertans expect.

BB: Is the media getting the message, you think?

NELSON: They're starting to, and they're coming back more and more. I just got back from a tour in Ontario – we were in Windsor, Sarnia, and London talking to the folks. Some of those folks down there have 38% unemployment; it breaks my heart. And so, the benefit of the oil sands development is truly the economic driver for Canada. And, we should be reaching across to the relatives in Ontario and recognizing that these guys have relied upon different industries that are now shutting down. But, the talent base there is huge, so we want to engage them in this process. I'd much rather engage someone in Ontario then bring in a lot of people from around the world. And, go to the relatives and the cousins in Ontario and say, "Make sure this next generation has some hope and has a place to go. I think that is what we're about, and I think Canadians want that."

So, we went there and I went into the factories and shook hands with the young people who only have a week left in their steel fabrication because they have no steel manufacturing going on. They're importing steel from other places. Wow, that's sad. And the media came and they were so positive that we did that. I said, "Well, you know what, I've got six cousins living in Oshawa, all of them unemployed. And, all of them very good engineers that could be reconfigured or retrained to do things, but their kids need jobs too." So, I think that's what we're all about in the oil sands. We need to reach out and bring people together.

BB: Looking ahead to the next generation seems to have been a driving force in your life for quite a while. When you went into politics in the first instance, you didn't want your children and grandchildren to be saddled with debt. And now, with the oil sands, you don't want the children or their grandchildren to be dealing with environmental hazards that could take generations to clean up.

NELSON: No, why would you? If you do it right the first time, you don't have to do the cleanup. And, this is where the industry is important, because the industry is harder on themselves than anybody else is. So, make sure they're involved and that they recognize the responsibility because, ultimately, they have to deliver. And, I've found over the years, that they are tougher on themselves

than we ever were, and I think that's a huge benefit. Because, they have kids too, and they're not going to ruin it for their kids.

BB: Yes, and it's really unfortunate when a bunch of dead ducks or a pipeline spill become the only news that is coming out as far as the industry is concerned. It's really unfortunate, because the other side of the story just doesn't seem to be told a lot of time.

NELSON: I think the industry has dropped the ball on that, in all honesty. I think the industry should have been out there, telling the story. Eric Newell was probably one of the best communicators I ever met in the oil sands industry. We went on the road for two years, we went out there and sold Alberta's Advantage, and I mean we sold it. We were all through Asia, all through South America, all over the place selling the Alberta Advantage, and getting investors and people to come and look at what we were doing. And, during that time we created an old VHS tape that was called, "The Canadian Success Story," which was about the development of Syncrude. And, we went out and sold the benefit of the oil sands, and what it would mean for the long-term security of supply. Now, you look at what we've got in Alberta. We could supply the energy needs for the next 40 years for the North American continent. Why wouldn't we do that? Why are we importing oil in Portland, Maine and paying \$15.00 to \$25.00 a barrel more for Brent Crude than we are Canadian oil for the east coast. Their businesses can't run and take that burden, so why would we keep doing that?

So, we have to park the political Scud missiles at the door and deal with the reality of what's there for the people. I was just down in New Brunswick and I look at their price of fuel. They say, "Why is it so high here?" I said, "Because you're importing Brent Crude, you've got to pay for it, \$15.00 to \$25.00 a barrel more. And they went, "What?" and I said, "Yeah." So, you need to deal with that and say, we want to buy Canadian crude. And, we'll ship it to you. We've got pipe, we'll just extend it out and we'll deliver. That's not a hard thing to do. We've got all these transportation corridors from one side of this country to the other, already in place. Let's use them and make sure we cover it. We can do that. We can also service the Pacific Rim market and we could wheel into the European markets. We move from two million barrels to six, we need excess capacity to get out.

It's a beautiful industry, so we need to not be negative about it, we need to be positive.

BB: Final words on the oil sands for the record?

NELSON: Well, it's still a jewel of Alberta for me. I think of it as the ninth wonder of the world. It's the one thing that will give economic stability for all of North America. That's where the action is.

BB: Indeed.

NELSON: And, I love it.

BB: And, that's why some of us are here.

NELSON: That's why we're here.

BB: Indeed. Thanks, Pat. I appreciate that.

NELSON: Thank you, my pleasure.



**[END OF INTERVIEW - 1 hour - 11 minutes]**