

Oil and Petroleum

Mr. Douglas (Nanaimo-Cowichan-The Islands): Mr. Chairman, I am not rising to argue with you or with any member of the committee regarding the amendment that I moved. I think the major mistake I made was to send the Chair, the minister, and the official opposition a copy of it well in advance, which gave them the chance to look up all the authorities.

Admittedly there are some difficulties about the amendment. However, I presented the amendment because I hoped that the minister, who has the power to ask for a wider royal recommendation to widen the terms of reference, would do so. I point out to the minister, and I think time will bear me out, that if there are substantial increases in the price of petroleum products which will have an inflationary effect in this country, particularly so far as farm products are concerned, and there is no justification for this other than the fact that we are going to increase the profits of the oil companies in the very shadowy hope that they will use the profits to look for oil, and it transpires that they do not look for oil and we have to come to their rescue, as we did with the Syncrude consortium, then there will be a very bad reaction in this country.

I think the minister will find that the Canadian people, who have always been fair and reasonable, will understand a government that says to them: "\$6.50 is a good price for oil, the companies are doing very well on it, and we, the government, are getting a fair amount of taxation out of it; but if you want to have oil ten years from now, you will have to put some money into a fund to search for oil and to develop the oil resources of this country". I think people would understand that, providing the government can guarantee to them that it is for this the money will be used.

I think most people know that if the government does not take some steps along this line, this money will not be used, in the main, for increased exploration and development in Canada, and once again we will simply have ripped off the consumer. The government will get far better co-operation in the very difficult days that lie ahead in respect to the whole inflationary miasma in which we find ourselves if it gives the kind of leadership that is suggested in my proposed amendment.

Mr. Baldwin: Clause 23 refers to an agreement, and I notice that by subclause (2) of Clause 22 the agreement need not be expressed in any formal document executed on behalf of the parties if the expression of the agreement is contained in reciprocal orders in council. Is it the view of the minister that a condition precedent to the governor in council fixing maximum prices by regulation is that there would have to be two orders in council passed, one by the province and one by the federal government?

Mr. Macdonald (Rosedale): Mr. Chairman, I think the correct interpretation would be that there are really two routes by which an agreement could be signified. The first is by a formal document executed on behalf of the parties; the alternative, as the hon. member suggests, is an act in council at the provincial level and an act in council at the federal level.

Mr. Horner: Mr. Chairman, before clause 23 passes I think a few words should be said to make it abundantly clear that there was a great deal of error in the rationalization of my hon. friend from the NDP. First of all he said his party was not in favour of any increase whatever in the price of oil. He then went on to suggest that oil company profits are exorbitantly high now and we cannot stop some of those profits from going out of the country into world exploration. He then sort of admitted that Canada must be considered in the world oil context. He then quoted from a document which oil company officials had placed before the National Energy Board and suggested he understood what was being said in the statement he read from the *Globe and Mail*. He agreed with it, but he wondered how to go about making certain that this money would be reinvested in Canada.

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To encourage more exploration in Canada we will have to increase the price of oil. The minister and the government owe it to the oil companies, Canadian or otherwise, to set out a formula in respect of how that price will be established under this bill, or under some other piece of legislation. These companies must know when that formula will be adopted for setting the price, if ever, in order that they can have confidence. The people involved in this industry in Canada, whether Canadians or otherwise, want a climate in which their investment can be secure. In other words, they want a climate in which they can estimate reasonably accurately what government action will be.

In recent years we have seen continuous intervention by one government or another, specifically by this government in disallowing royalties as a deductible item, by freezing prices, adjusting prices and changing the pricing system. This piece of legislation, particularly Clause 6, does not state what kind of a formula the government intends to use to bring about a climate of relative security which will encourage exploration in Canada.

There is a more secure climate in Great Britain under a socialist government for oil companies investing their money in exploration in the North Sea than there is in Canada. This is an odd situation. There is a better climate of security in the oil exploration field in countries like Indonesia than there is in Canada. This fact must weigh heavily on the shoulders of the minister, because he is the one person who has caused havoc in respect of the climate of security in the oil exploration field in Canada.

The hon. member for Nanaimo-Cowichan-The Islands stated that in the oil pricing allotment something like \$1.50 is set aside as a depletion allowance because the cost of replacing oil today is extremely high, actually something in the neighbourhood of \$4 to \$6 per barrel. Surely even the hon. member for Nanaimo-Cowichan-The Islands realizes that we have more than likely found all the easy oil, and the hard to find oil is still to be found and brought to market.

The fact that the United States is having great difficulty in getting Prudhoe Bay oil to market in the United States when it desperately needs it is an example of some of the difficulties and costs that lie ahead, even after the