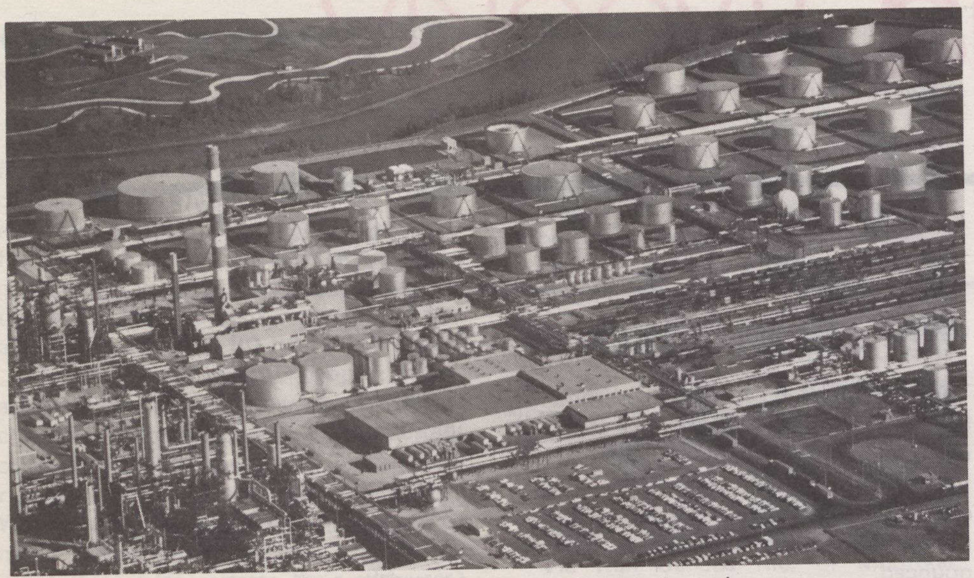

Oil and gas prices will rise steadily under a made-in-Canada formula.

the oil sands and on the Canada Lands – the agreement provides for higher prices on future oil discoveries, recognizing that they will be relatively high-cost, high-risk ventures. This "new oil" price will be closer to world prices and, with certain exceptions, will rise on a regular, fixed, made-in-Canada schedule.

"This makes Canada fully competitive in price terms with oil exploration and development anywhere in the world," Mr. Lalonde said. "The price structure should be well received by the industry, and provide significant stimulus for new tar-sands projects, conventional oil, and advances on our northern frontier and offshore areas."

Revenue sharing

Under the over-all pricing and taxation system to which both governments agreed, the federal government's revenues from oil and gas production would equal an estimated 25 per cent of all revenues from such production. By contrast, the federal share had dropped below 10 per cent in some recent years.

"This agreement will ensure that the government of Canada has the revenues necessary to discharge its responsibilities for national energy management," Mr. Lalonde said.

The agreement provides for retention of the present tax structure, with two major exceptions:

- because the "old oil" price structure will provide significantly higher prices for oil already being produced profitably at lower costs – thus inviting excess profits – the federal government will levy a special tax on incremental revenues from such oil. The tax will be 50 per cent of production revenues, after deducting Crown royalties associated with the higher prices; and
- a natural gas and gas liquids tax will continue to be applicable to exports of propane and butane. The government has agreed that the rate of tax on natural gas exports from Alberta will be reduced to zero.

Highlights

Highlights of the federal-Alberta energy price agreement are:

– a two-tiered system will govern oil prices, with one price schedule for conventionally produced oil from existing fields and another for production from new fields, oil sands plants and frontier oil;

– old oil will go up by $2.50 a barrel on October 1, by $4.50 in 1982 and by $8 a year thereafter to reach $57.75 a barrel in mid-1986;

– new oil will be at or near world prices and is slated to reach $77.48 to producers in 1986;

– the ceiling on old oil will be 75 per cent of world price, and on new oil 100 per cent of world price;

– natural gas prices will go up by 25 cents *per* thousand cubic feet every six months starting February 1;

– the federal government will withdraw its export tax on natural gas next October 1;

– the federal tax on oil and gas revenues will double from 8 per cent to 16 per cent in 1982;

– the federal government will impose a 50 per cent tax on incremental oil revenue after royalties have been paid;

– both sides will work to encourage the immediate startup of the oil sands projects that have been stalled by the negotiations;

– neither side will make tax changes that will significantly alter the revenue position of the other side or the industry during the life of the agreement; and

– Alberta will maintain production at levels consistent with sound engineering practice.

Table of prices

Wellhead oil prices ($/barrel) Year-end	*"Old" oil*	*"New" oil*	*Alberta border price, natural gas ($/thousand cubic foot)*
1981	$21.25	–	$1.82
1982	25.75	$49.22	2.32
1983	33.75	57.06	2.82
1984	41.75	63.48	3.32
1985	49.75	70.23	3.82
1986	57.75	77.48	4.32

Aircraft industry manpower agreement reached

The government has reached agreement with the aircraft industry to co-operate in finding and training enough workers in Canada to fill 13,000 job openings by 1983.

The agreement provides a detailed framework for co-operation between the Department of Employment and Immigration and the aircraft manufacturing industry to overcome shortages of skilled workers.

The government plans to spend about $5 million in 1981-82 to assist the industry in training workers in addition to funds it spends on provincial institutions which provide training.

There now are about 43,000 workers in the industry. The 13,000 openings include about 4,000 new jobs. The rest will be replacements for workers who retire or move to other fields.

The industry faces growing shortages of trained workers in the skilled trades of machining, sheet metal work, avionics, assembling and electronics, according to the Air Industries Association of Canada.