Oil and Gas

Oil and gas, the fuel behind Alberta's expanding economy, have heated up the province's relations with Ottawa. Under the BNA Act, the provinces have jurisdiction over resources, but the federal government exercises control over interprovincial and international trade. Sales of Alberta's oil or gas to other parts of Canada or to other countries are regulated by the federal government through the National Energy Board (NEB), but provincial permits are necessary before oil and gas can leave Alberta.

Before 1973, when international oil prices were below Alberta oil prices, the Canadian National Oil Policy guaranteed a market for Alberta's oil industry by reserving all markets west of the Ottawa Valley for Alberta crude oil. In 1973 the federal government, like the United States, established a policy of equalizing Canadian prices across the country and maintaining the domestic price of oil below world levels in order to allow the Canadian consumer to adjust to rising OPEC prices gradually. Premier Lougheed has termed the province's agreement to stage-in domestic oil price increases "the greatest contribution ever made by a single province to the good of the Confederation."

The policy of maintaining domestic prices below international levels has resulted in tough negotiations involving Ottawa, Alberta and the consuming provinces. Initially the domestic price was set at $6.50 a barrel at a time when world oil prices were $10.00 a barrel. The current domestic price of Alberta's oil, $12.75 a barrel, was scheduled to go up $1 in January 1979, but the federal government decided to postpone the increase in order to avoid fueling inflation. Premier Lougheed agreed, with further $1-a-barrel increases to be added in July 1979 and January 1980.

Because of the need to encourage development of new domestic oil sources, the Canadian and Alberta governments have adopted favourable taxation, royalty and pricing policies for synthetic oil from Alberta's tar sands, including allowing it to be sold at world price levels.

The federal government's policies on the pricing and export of natural gas have also been the subject of intense federal-provincial discussions. At present, gas prices in Canada are 85 per cent of the equivalent energy cost of domestic oil, or $2.00 per thousand cubic feet (mcf) at Toronto's city gate. Export prices are based on several criteria, including the cost of international crude oil, the cost of replacement fuels and marketability. They are now set at US$2.30 per mcf. No new long-term export licenses have been issued since 1971 because Canada's domestic market protection formula indicated no surplus. Since 1975, however, higher prices have resulted in record gas drilling and exploration rates.

On February 28, 1979, the NEB issued a report on gas supply and requirements. It indicated a surplus of about 2 trillion cubic feet that could be exported over the next eight years. Alberta has linked increased exports of gas to improved markets for Alberta's petro-chemical and agricultural exports.

Alberta Gas Trunk Line has 6,640 miles of pipeline. This section, being wrapped and coated, was added near Peace River last fall.

An Alberta oil rig at Quirk Creek.