

Canada Oil and Gas Act

Program, especially the positive aspects of such elements as the cash incentive grant program. I can say that in discussions I have had with various representatives of the industry in the last couple of weeks, they have indicated very substantial interest in investing in the Canada lands under the new regime.

Some hon. Members: Hear, hear!

Mr. Lalonde: In any event, I would be hard pressed to name any area of the world today where a more favourable exploration situation could be found, both from the standpoint of geological promise and investment climate.

In the United Kingdom, for instance—and I will not talk about the recent 20 per cent tax which the U.K. government has imposed on the oil and gas industry in England—one would encounter a far more severe taxation system involving, in fact, four levels of taxation of petroleum production. In addition, there is one U.K. state enterprise empowered to purchase up to 51 per cent of all oil production, and another one with a monopoly in respect of all gas production. In Norway, there is a Norwegian state enterprise empowered since its inception in 1973 to be a 50 per cent carried-interest holder in oil and gas rights throughout the exploration stage. The percentage share can go higher on the basis of the productivity of a field with the maximum rate attained to date being 80 per cent.

In the case of producing areas such as Indonesia, where the production sharing type of contract is the general mode of doing business, the rate of return obtainable under that system is considerably less favourable than will be the case under the fiscal terms set out in the proposed Canada oil and gas act. As regards moving south to operate in the U.S.A., the limited extent of the areas that do remain available for exploration in the United States are by no means in the same category as Canada's vast frontier regions. The elements of the new oil and gas regime for Canada's frontier, together with the geological promise of these regions, constitute a situation attractive to a degree difficult to find anywhere else in the world.

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For some years now industry has been concerned with the need to establish certainty regarding the tenure of oil and gas rights in the frontier regions, as well as the applicable fiscal regime. Industry reaction following the announcement of the National Energy Program has centred on the timing of the proposed new legislation and the opportunity for industry to make its views known.

I share industry's desire for a speedy resolution of these questions. I am introducing Bill C-48 for second reading today so that we can quickly move to the committee stage where interested parties will have the chance to be heard. I might add that if, after having heard witnesses, the committee feels that some appropriate adjustments are required, the government will be open to the possibility of some modifications in order to meet the justified concerns.

[*Translation*]

I should like to add a few words in my own language concerning Bill C-48, a bill to regulate oil and gas interests in Canada lands, which I have just introduced for second reading. People are not particularly aware of the wealth and resources which Canada lands mean for all Canadians. These lands include the Northwest Territories and the offshore regions where Canada has submarine mining rights. When we make the sum total of all these areas, we end up with a surface which is nearly double that of the ten provinces put together.

As a matter of fact, it is a huge area which is enormously rich in terms of oil and mineral resources generally. In fact, all geologists agree that the Canada lands are the most promising for the future in terms of oil and natural gas. Following the exploratory work which has been carried out off the coast of Newfoundland, in the Hibernia field, as well as in Beaufort Sea, there are already very encouraging indications that within the next few years Canada may count on major reserves of conventional oil similar to those which are now being tapped in the west.

Up to now, Canada had granted exploration permits for some 300 million acres of this territory which covers some four million square miles. And Bill C-48 which we are looking into today will make it possible for the Canadian government to update all its current regulations governing the exploration and development of oil resources on Canada lands.

In fact, we have several main objectives in mind with this new system. First of all, exploration agreements will contain stricter project requirements and provide for firm drilling commitments. Also, the government of Canada, on behalf of Canadian taxpayers, will keep a 25 per cent share of oil and gas rights in the Canada lands, which will be handed over to Petro-Canada or some other designated Crown corporation.

All agreements will also specify that at least 50 per cent of the interests developing those reserves will have to be Canadian, from either the public or the private sector. Fourth, through these agreements, we will ensure that the projects to develop oil and gas in the Canada lands will employ as many Canadians as possible and use the greatest number of Canadian goods and services. There will also be provisions to guarantee Canadians a fair share of the returns accruing from the resources committed on their behalf in the oil and gas industry through a basic 10 per cent royalty with an additional 40 per cent royalty on the net profits from a particular deposit.

Finally, Bill C-48 contains several other clauses enabling the minister to ensure that the rate and volume of production are adequate to satisfy the future needs of Canada. It also contains a whole series of provisions so that the government can be sure that exploration in the north and offshore is ecologically sound, and that exploration work and the actual projects are respectful of the environment which, as everyone knows, is extremely fragile in those regions.