

in the Prairies in 1961 was lower than in 1960, while demand in British Columbia increased only slightly. This reflects unusually mild climatic conditions in these parts of Canada, and a relatively poor grain crop in the Prairies. The growth in the use of Canadian crude in Ontario reflects an increase in basic demand, but also a considerable reduction in imports of foreign crude and products and in the transfer of products refined in Montreal. During 1961, the importation of foreign crudes into Ontario, except for minor quantities used for specialty purposes, was completely eliminated. Direct imports of products were reduced by approximately 40 per cent, while transfers into the target area in Ontario were cut by over 5 per cent.

"At first sight, the increase in the use of Canadian crude in our domestic markets, even after some allowance is made for climatic and crop conditions, could be taken as somewhat disappointing. Because I am very conscious of the many difficult decisions which had to be made by many companies serving Eastern Canadian markets, decisions usually involving considerable cost, I want to congratulate those who made possible our achievements in this area of the programme. It is easy to underestimate the problems which are involved in switching supply-lines and making the marketing adjustments which are implicit in the National Oil Policy. Such a process involves modification of contracts, negotiation of new ones, and the planning and implementation of refining and marketing arrangements which call for substantial investment. It is difficult to single out any one feature of the efforts of the industry in this part of our programme, but one of the most important events in the national oil programme in 1961 was the firm commitment of refiners in Ontario for expansion totalling 55,000 barrels a day, at a cost of approximately \$40 million. These increases in capacity will come into effect partly in 1962, and in entirety, it is expected, by the late summer of 1963.

"This expansion in refinery capacity underlines the permanent nature of the policy of expanded use of Canadian crude in Eastern Canada. It also makes clear the willingness of the industry to go well beyond normal financial limits in implementing this policy because, in undertaking this programme before it would normally do so, the industry has incurred considerable cost in terms of reduced usefulness of existing refining facilities and supply-lines built to serve the old pattern. The Government of Canada appreciates the very high degree of co-operation which it has received from those concerned in the implementation of this part of the National Oil Policy.

MORE USE OF DOMESTIC CRUDE NEEDED

"However, the position is not one which allows any sense of self-satisfaction, and in 1962 we must look for a substantial further adjustment of the supply position in Ontario to bring the achievements of the industry more in line with the stated objectives of the National Oil Policy.

"The use of Canadian oil in our domestic markets cannot reach a satisfactory level without a major

effort in 1962 to substitute in the target areas products refined from Canadian crude for those manufactured from foreign crude. This applies whether the products of foreign crude are imported directly or indirectly or are refined in Canada from these crudes for subsequent transference into Ontario west of the Ottawa Valley. This is a task which can and must be carried out.

"I invite all those who participate in supplying and distributing products in Canada to make, forthwith, their maximum possible contribution to this most important part of the Government's oil programme.

"We have not set specific target figures of oil production in 1962 and unless it is absolutely necessary, they will not be introduced, so that what now appear to be unnecessary inflexibilities can be avoided. However, let me say emphatically that the Government remains determined to take any necessary measures to ensure that real progress is made in securing an expanded use of Canadian crude in Canada. I look for progress of an order which will substantially correct the contribution of this part of our programme to the total increase in oil production.

IMPORTS CONTINUE TO GROW

"...It is of some interest to note that imports of foreign crude into Eastern Canada increased in 1961 in spite of a reduced market in Ontario for crude or products from these sources. Crude-oil imports into Eastern Canada in 1961 increased by approximately 24,000 barrels a day, or 7 per cent. This increase was partially offset by a decline of some 8,000 barrels a day in products imports. There was thus a net increase in crude and product imports of some 16,000 barrels a day or 4 per cent. A major reason for this increase was the abnormally cold weather in the eastern part of Canada. While this quirk of the weather 'beclouded' the growth of the use of Canadian crude in the target area, the resulting continued high level of imports to Montreal and the Maritimes is at least consistent with our desire to achieve our target levels with the least possible disturbance to relations with the many countries with which Canada trades.

"On all accounts, it would appear that the Canadian oil and gas industry enjoyed an excellent year in 1961...There has not only been a substantial increase in oil production but there has been an even greater rate of growth in natural-gas production which, in the first nine months of 1961, increased by over 27 per cent. The Government's export policy on natural gas, predicated upon exporting gas surplus to Canadian requirements, in accordance with the National Energy Board Act, has been largely responsible for the increased activity in the Canadian gas-producing and related industries. The number of export licences granted in the last few years has effected an increase in exports from less than 11 billion cubic feet in 1956 to approximately 170 billion cubic feet in 1961, a fifteenfold increase. With the recent completion of major export projects, gas exports are expected to increase substantially, with exports in 1962 anticipated in the order of 380 billion cubic feet, or more than double the 1961 export volume..."