in October 1980: "Oil pricing policy should translate Canada's relative strength in oil and other energy into a competitive advantage for Canadian industries through prices that are below those prevailing in other industrial countries". It was on this basis that the industry committed $6 billion of investments between 1974 and 1980.

All this changed with the Memorandum of Agreement on Energy Pricing and Taxation (MOA) between the Governments of Canada and Alberta (September, 1981) in which no mention was made of the 85% price cap on Canadian oil prices. The MOA did fix gas prices at 65% of the energy equivalent price of oil, at Toronto, but it also added new taxes and other charges on both oil and gas, while continuing a regulated pricing regime for oil. The worldwide recession of 1982 resulted in energy prices falling elsewhere in the world while Canadian prices continued to increase.

As a result, the oil based industry lost the feedstock price advantage that it had enjoyed relative to its international competition, while the advantage that the gas sector enjoyed was greatly reduced from the level anticipated when the investments were committed.

The Industry Task Force that reported to government in February 1984 made several recommendations on energy pricing and taxation changes designed to make Canadian pricing more market responsive and to reduce upfront taxation. The government response of June 1984 did not implement such recommendations.

When the provisions of the Western Accord of March 1985 are fully implemented, most of the industry's recommendations on energy issues will have been met.

Provincial:

Most of the new petrochemical investment by the industry has been located in Alberta, based on that province's large reserves of natural gas.

Petrochemicals were identified by Alberta as a sector that would help it achieve provincial goals of Economic Diversification, i.e. to become less dependent upon the sale of unprocessed resources both renewable (agriculture) and non-renewable (oil and gas).

No other incentives were provided to the industry; in fact, the provincial "stepping out" policy that required new plants to locate away from large metropolitan areas resulted in significant capital cost penalties. These additional costs plus the freight cost penalty in having to serve export markets from landlocked Alberta were expected, by companies investing in Alberta, to be offset by a feedstock cost advantage. Most of this advantage was lost in 1982 but is expected to return by the late 1980's as world energy prices increase.