

Foreword

The policy initiatives resulting in the 1975 creation and subsequent development of Petro-Canada have been and remain controversial. The 1984 directive by the present government that Petro-Canada conduct its affairs as a private-sector company – ending its pursuit of public policy purposes – has been followed by the February 1990 budget announcement that the government intends to privatize our national oil company. In the spring of 1989, this Committee decided that more attention should be paid to the question of Petro-Canada's role as a state oil company, particularly in the broader context of Canadian policy development, and sought a reference from the Senate to study this matter.

As a national oil company, Petro-Canada's operations reflect various Canadian issues – balancing national and regional interests, reconciling consumer and producer interests, and weighing free market operation against government objectives, to name but three. This report attempts to gauge Petro-Canada's accomplishments of the past in both its business and public policy roles, and presents the Committee's views regarding appropriate choices for its future.

The following subjects were considered in the context of this study:

- (a) Canada's high per capita use of energy by reason of climate, geography, industrialization and lifestyle;
- (b) the international price of oil is not based on a freely functioning market – OPEC supplied 46% of the 52 million barrels of oil consumed daily in the non-Communist world in 1989 and holds almost all of the world's surplus producing capacity, allowing it to set production quotas and determine market conditions;
- (c) the increasing dependence of the United States on imported and in particular OPEC oil, and the degree to which the U.S. weakness in oil supply has the potential in a continental market which it dominates to create a problem for Canada should the U.S. Government deem that intervention in the energy sector is necessary;
- (d) the commitments that Canada has made in the Free Trade Agreement;
- (e) the opportunity Canadians have to preserve a preferred position in energy supply in a market-based environment, with a policy which has that as an objective; and
- (f) the growing recognition of the impact that energy development is having on the environment.