Browned off at Canada's energy policy

Canada's present system of oil and gas incceme taxation is "chaotic and contradictory" charged the chairman of an independent task force organized to report on the development of Canadian natural resources.

Speaking at last week's conference on northern development, R.D. Brown, senior tax partner in the firm of Price, Waterhouse and Co., said government's direct interference in energy production through Petro-Can and government's present taxation policies are driving investors away from exploration and development of oil and gas resources in Canada's frontier areas.

"...Canada could achieve a high degree of energy self-reliance by the 1990s through investment of $47 billion on new exploration and development in energy resource industries by 1985, particularly in the frontier areas," he said.

"However, given the present tax, royalty and cost structure of the industry," he added, "it is most unlikely that private enterprise will have the resources to provide more than about $30 billion of investment."

Brown, a special lecturer in taxation at Osgoode Hall and the University of Toronto, said the only possible way to close this $17 billion gap was through government incentives and a revised tax structure.

"The era of automatic special status for resource development has gone forever," he said, "but the (energy) industry does have the right to expect adequate rates of return on new investment, and sufficient regulatory stability to revive the climate of confidence which once existed amongst the investment community."

Consumers have rights in the energy game too, Brown added.

"They should not expect to pay bargain prices for their energy supplies," he said, "prices which are less than the cost of replacing the scarce energy supplies that they are now consuming."

But, he said, consumers do have the right to demand that "these high prices will assure them of long-term security of supplies and will not simply represent transfer payments from the public in eastern and central Canada to the provincial government in western Canada and to the federal treasury."

The changes to Canada's energy policies which will give a fair shake to both consumers and investors, Brown suggested, would first include a "more rational tax and royalty structure for Canada's resource industries - one where the industry's tax burden related to actual profits."

For exploration in the frontier Canada's north, Brown argued, policies scare off new investment because they are "biased in favour obtaining early cash flow to the government, as opposed to the operator."

And he said these policies illustrate another fundamental problem, "the of Petro-Can as ... a specially favoured player in the oil and gas stakes."

Brown argued this means "additional element of uncertainty apprehension to private enterprise."

"The record of government management to date - is not such inspire one with confidence ...," he "As the crude saying has it, if you like postal service, you'll love national oil."

Brown argued for increased negotiations between federal provincial governments regarding resource management. He said there need not only for "continued dialogue between the federal and provincial authorities," but also for a "permanent consulting or co-ordinating body federal/provincial negotiation."

He said it was time for both levels government, with full co-operation private industry to produce a coherent unified national energy policy.

"Canadians have the will and resources to provide our nation adequate supplies of energy - though these energy resources will far more in the future than they have the past," he concluded.

"But the price of not going for with a rational, long-term energy is likely to be even more damaging country."

Candles conserve energy while Brown blasts government policy.
In the flickering candlelight at a MacDonald Hotel deluxe banquet paid for by the Alberta government, R.D. Brown berated federal and provincial tax policies vis-a-vis energy industry.

Mackenzie pipeline could move water

The spectre of a Mackenzie Valley pipeline as a vehicle for exporting northern water to the U.S. once arctic gas reserves are exhausted was raised last week by Northwest Territories MP Wally Firth.

"I can promise you this," he told an audience of some 500 industry and business leaders at a conference on energy and northern development, "the native people will not let this water supply go as easily and cheaply as the Canadian government intends to sell our oil and gas supplies." Firth was speaking at a panel on human aspects of northern development.

The ice cold, clear water of Great and Great Bear Lakes, and the Mackenzie River is another treasure of the north, said Mr. Firth. "The Americans can recognize a bargain when they see one and we must plan ahead."

The people of the north, Firth said, should be looking towards developing the renewable natural resources of the north - forests and hydro. "If the native peoples of the north wait for the oil companies to take away our non-renewable resources we will eventually be left with nothing and our land, in many areas, will be useless," he said.

Lumbering in the Mackenzie Valley would provide employment for unskilled workers - people who would have little chance for permanent employment on a pipeline. If wood were to replace oil as a fuel the money involved would stay in the community, Firth added.

Firth also urged the government to give serious consideration to the development of hydro in the north. There is potential for supplying "enormous energy needs in the Great Slave Lake region and in northrn Saskatchewan and Alberta," Firth said. Although the cost is considerable "it would be Canadian tax money spent to meet the energy needs of Canadians."

Firth questioned the assumption that a Mackenzie Valley pipeline would benefit Canadians. The main purpose of the pipeline is to move Alaskan gas to the U.S., he said. But because the shipment of American gas is dependent on the rate at which oil can be extracted, it will be mainly Canadian gas that will be shipped through the pipeline in the early stages.

"We would be selling Canadian gas to American consumers yet we are not certain of our country's energy needs for the near future."

Firth suggested that by the time the Prudhoe Bay gas starts to move, Canadians will have run out of gas. They would be forced into either doing without it or buying it from the U.S. - if the U.S. wants to sell it.

Firth said that as a northerner he resents "the audacity of the assumption that oil reserves must be taken from northern Canada for the use of people in southern areas." An energy policy for the north must "first and foremost take into consideration the needs of people living in the north," he said. "Anything less is simple ignorance and leads to exploitation, frustration and bitterness."

The NDP MP also challenged promises by the pipeline companies they would be provided with job opportunities. He cited the example pipeline already in operation in the where not one native person employed.

"But to be fair," he said company did employ native people help clear the brush before commencing operations."

Firth concluded his address declaration that the northern development should proceed without a just settlement of native rights pecially native land claims.

Only when there has been a and true" settlement of these claims said, should Canadians begin to the northern regions of their country "without feeling ashamed."

Firth's views were challenged vice-president of corporate affairs Imperial Oil, Douglas H. MacAlle halt to resource development north could well be disastrous well-being of all northern residents including the native peoples,' MacA said.

"Any realistic examination north must conclude that the within the native population general Canadian lifestyle is irreversible," he declared. economic growth in both native white populations in the north de an expanding economic base."

Corporations operating in the have an obligation to involve people to a greater degree than have in the past, E.M.R. Cotterill, tant deputy minister of northern told the conference in his discuss corporate responsibilities. "In the of native employment, for ex industry's record hasn't always be best," he noted.

Mr. Cotterill urged industry to developing training programs there will be skilled northerners should a pipeline be built.

He also recommended that panies involve native communi resource development projects fr beginning, to enable them to p input into the project.

Industry demands government guarantee for Mac pipeline

The Canadian government will be required to provide financial guarantees if a Mackenzie Valley pipeline is to be built, a conference on energy and northern development was told last week.

Government aid would be necessary in the event of "unexpected cost overruns," James W. Jerr, chairman and chief executive officer of Trans-Canada Pipelines told the conference session on moving energy to market. Trans-Canada is an active member of Canadian Arctic Gas Study Limited, an American-dominated consortium proposing to build a pipeline down the Mackenzie Valley.

Present estimates for northern pipelines range from $4.2 billion for the Foothills project designed to meet Canadian needs to $9.4 billion for the Arctic Gas proposal which would carry gas from Prudhoe Bay, Alaskan along with Canadian gas.

Cost over-runs are a good possibility as the Alaskan pipeline experience has demonstrated, pointed out another conference speaker, Captain Tom Pullen of Ottawa, a northern shipping consultant.

In 1968 the estimated cost of the 800-mile Alaska pipeline was $800-million. By September, 1976 its cost had soared to $8.5 billion, Pullen told the conference.

It is "inevitable" that pipelines should be considered the logical method for transportation of oil and natural gas from frontier regions, said Kerr. They are safe and reliable and have less environmental impact than other transportation systems, he claimed.

It is "imperative" that a northern pipeline proposal be approved at the earliest possible date, Kerr stated. It is needed, he argued, because the western Canadian gas reserves that have supplied eastern Canadian markets in the past are not sufficient to maintain the necessary level of Canadian domestic sales for many more years "without curtailment of U.S. exports."

Rather than proposing a reduction in gas exports to the U.S. however, Kerr suggested that in the early stages of a northern pipeline short-term exports to the U.S. be approved to help the Canadian balance of payments.

In the area of native land claims, Kerr said his consortium believes the pipeline should proceed even if land claims are still under negotiation "because of the genuine requirement" of our energy markets for frontier gas and oil.

A joint effort involving both ships and pipelines is the most economical and reliable means of moving arctic energy to market, Captain Pullen, a member of the Northern Associates of Ottawa and Montreal told the conference. His vision was one of large icebreaking oil tankers -"the bigger the better." Icebreaking bulk carriers, he claimed, "pose a minimal threat to the environment - and do away entirely with native land claims."

A third option for arctic transportation systems - railroad - was presented by John Gratwick, vice-president of Canadian National Railways marine division.