duction would be depleted within a short time. At the same time, it also became apparent that alternate sources, in particular the Athabaska oil-sands, would probably come "on stream" at a slower rate, and a much higher cost, than we had assumed. The Canadian Government, therefore, decided, in the absence of new supplies becoming available, to gradually phase-out oil exports over the next ten years -- which means, in effect, oil exports to the United States.

We recognize that this policy involves some difficulty for the United States. The decision to phase-out our oil exports gradually reflected our awareness of the problems posed for some areas of the United States. But I think you will agree that it would be both economically and politically unsound for the Canadian Government to continue to supply markets beyond its borders at the expense of domestic requirements.

We also recognize, however, that there is a special problem for the oil-refineries in the northern Mid-West states -- the so-called "northern tier" --, which are completely or mainly dependent on Canadian oil. We remember that these refiners were the first customers for our oil in the Sixties. We certainly want to minimize the impact on them of changes in our export capability. We have told the United States Government that we are ready to explore possible ways of alleviating this problem, and indeed discussions are under way. We feel that some accommodation should be made for these refiners.

Natural gas poses another potential problem in our bilateral relations.

On January 1 of this year, the Canadian Government raised the export price of Canadian gas to $1.00 a thousand cubic feet. This step was taken because it was found that Canadian gas was substantially under-priced in United States markets. The Canadian position is that gas exports should be priced in a competitive relationship to other energy commodities in the United States. Also, it has to be understood that inordinately low prices lead only to wasteful use and future shortages. The United States Government has recognized the need for a rise in price. The two governments appear to have adopted similar policy objectives.

The question of volume of export is more difficult. At present Canada sells about 1 trillion cubic feet of natural gas a year to the United States, which amounts to about 40 per cent of Canadian production. The problem is that, given the availability