

*Canada Oil and Gas Act*

economy. The federal government is trying to match the needs of the producing areas with the needs of the consumers.

I hope that a spirit of good will prevails in the negotiations when they get under way. We face a very serious time in this country because we are witnessing a polarization of the political parties such as we have never seen before. The governing party has no representatives west of the city of Winnipeg and the Progressive Conservative Party has only one representative from the province of Quebec. It is a time for responsible representation by the members of this House. It is very easy for opposition members from the west to exploit the situation and say the feds are trying to grab their resources. At the same time, it is easy for a Liberal government member from Ontario, Quebec or any of the eastern provinces to say Alberta is demanding too much. In such a situation, we have the two arguments by members, each supposedly a hero in his back yard. The problem will not be resolved in that way. There needs to be conciliation, serious consultation and discussion on this.

● (2120)

The bill before us tonight, C-48, is a very important part of the national energy program announced recently by the government. Regardless of what opposition members say, it is designed to reach some of the objectives set forth in that policy.

The three main things are to ensure the supply of oil and gas and its efficient utilization, and that is a part that often gets overlooked. Some say we cannot reach the target figure for reduction in consumption of oil during the 1980s, some 300,000 barrels a day as outlined in the program. That may be true, but I think it is worth a try. The kind of initiative announced by the minister last May when he said we have a scheme to upgrade the residual oil which is now either being used wastefully in many parts of eastern Canada or being sent out of the country to the United States is worth while. If upgrading of the residual oil were put in place, along with the other aspects of conservation and improved utilization, I think we would save something like 150,000 barrels a day, and that is the equivalent in production of a tar sands plant which would cost at least \$6 billion, although the price of that is escalating up to \$8 billion or \$10 billion.

The second measure is designed to strike a degree of equity in pricing between the producing and consuming parts of our country. I have already mentioned that aspect. The program is also designed to provide a maximum opportunity for Canadians to participate in the oil and gas industry of our country; this bill looks toward that objective because it sees a major role for Petro-Canada. I want to deal with that in a little more detail later in my speech.

This bill will replace the Territorial Lands Act and the Public Lands Grants Act in respect of oil and gas rights. It will put in place a new oil and gas exploration and development regime for federal lands in the area north of 60 and in the offshore areas. These are areas to which we are looking for the future. Development may not come soon but the potential is

surely there whether we are looking at the Arctic Islands or Hibernia offshore on the east coast, or other areas in the far north. This involves a massive region, some four million square miles in total.

The really important thing from the producers' point of view is that this bill will end the uncertainty which has existed. The old oil and gas regulations were withdrawn many years ago. The industry has rightfully been very concerned and disappointed that definite legislation was not put into place. I think it is really urgent that this bill be passed.

When the bill goes to the Standing Committee on National Resources and Public Works it is important that it be studied in great detail. The argument made by opposition members that the minister has too much power is one which I believe members of the committee will want to re-examine. They will want to make an examination to see whether that fear is real. Whether we are talking about ministerial power as it relates to failure to cause production to take place, or drilling to take place by Petro-Canada. Members will wish to assess whether those powers given to the minister are necessary. Certainly we will be looking at that aspect with an open mind in order to arrive at the best possible legislation not only for Canada but in the over-all context of the industry, and to ensure that production takes place. Nobody likes to be doing business with a government when the rules can be changed at someone's whim. There should be a firm legislative base from which to work.

The bill does a number of other things toward reaching the objectives of a national energy program. It will give the Crown a 25 per cent interest in all Canadian lands where production has not taken place other than for testing purposes before January 1, 1976. The bill requires a minimum of 50 per cent Canadian ownership before actual new production of oil and gas can begin, with such production licences to be valid for a ten-year period from the start of production.

The bill provides a new royalty system consisting of a basic 10 per cent royalty and an additional royalty of 40 per cent of net profits from each oil or gas field after the 25 per cent rate of return has been realized by the producer. The bill allows the Crown to order the drilling of a well following a significant discovery, and it allows the government to require oil and gas to be produced on federal lands by order if needed for use in Canada. The bill requires that information be made public in two years on exploration wells following the completion of the well. The measure contemplates a number of other actions relating to oil and gas exploration and development in the frontier and offshore regions of our country. It will also make amendments to the Oil and Gas Production and Conservation Act which will make tougher safety and environmental management provisions for frontier oil and gas activities, including a provision for absolute liability on the part of operators for any possible pollution damage.

The legislation is designed to promote exploration for frontier oil and gas and to ensure that holders of oil and gas rights get on with the exploration of their holdings to create maximum new oil and gas reserves for Canada.