

As a result of recent changes in Canadian energy policy, increased activity is anticipated in those areas where oil can be explored for and produced at costs justified by the world markets. The recent drastic decline in oil prices, combined with the general levelling of prices which has occurred since 1981, has made frontier and other non-conventional oil exploration increasingly uncompetitive, though it has been actively maintained because of the continuance of Petroleum-Incentive Payments. These, however, are scheduled to expire in 1987. Traditionally when the domestic market goes flat, Canadian companies turn to the international arena. The oil patch is no exception and opportunities to export both goods and services are now actively being pursued.

#### (ii) Natural Gas

Canadian production of natural gas is in the order of 200 million cubic metres per day, of which one-third is exported to the US. The five largest natural gas producers in Canada are Dome, Shell, Petro-Canada, Amoco, and Pan Canadian, and the 25 largest producers account for 70% of daily natural gas production. Ninety per cent of Canadian production comes from Alberta and 9% from British Columbia. Current production of natural gas is far below the level that Canada could produce. An estimated 10,000 developed gas wells in western Canada have been capped pending improved domestic and export market growth.

#### A.2 The Petroleum Processing Industry

There are currently 13 companies operating some 30 processing refineries in Canada. Canadian crude oil refining capacity is currently around 300 thousand cubic metres per day (compared to 2.5 million cubic metres per day in the US). Canadian refining production includes everything from asphalt to turbine fuel. Ten of the refineries provide feedback to the petrochemical and fertilizer industries which then turn this feedstock into materials such as ethylene, polystyrene, polyvinyl chloride, methanol, and fertilizer. (In western Canada, natural gas and gas liquids are the primary feedstocks for petrochemical and fertilizer plants.)

Canada currently has excess refining capacity.

#### A.3 The Pipeline Industry

Being the second-largest country in the world, it is not surprising that Canada has world-leading expertise in the petroleum pipeline industry. Over 200,000 kilometres of oil, oil products, and gas pipelines crisscross Canada and this amount is growing daily as natural gas pipeline projects in British Columbia, Alberta, Saskatchewan, Quebec and the Maritimes progress. In view of Canada's huge reserves of natural gas, most recent pipeline construction has been for gas.

The Canadian pipeline industry is dominated by four companies with two of these, Trans Canada Pipelines and Nova Corporation, both having an interest in China. Stelco and Ipsco are two of their major pipe suppliers.