

In the Fifties and Sixties, as Canada's oil-and-gas industry developed, these resources were exported in increasing volumes to United States markets (to the extent permitted by American quotas), while significant imports of American coal supplied (and continue to supply) much of Ontario's industrial and energy needs. These were years of increasing prosperity in industrialized countries, accompanied by complacency about secure and seemingly inexhaustible supplies of low-cost oil and gas.

By 1972, however, easy confidence about the extent of Canadian energy resources had given way to increasing concern. The Arab oil embargo in the next year, with its large price hikes and shortages, accelerated a reassessment of Canada's energy-export trade and led to a regime that more systematically addresses two basic questions. The first is: Are the resources being exported truly surplus to reasonably foreseeable Canadian needs? Then, are they being sold at a fair price in relation to alternative fuels and in relation to the capital needs for ensuring adequate exploration and development to meet future energy requirements?

The decisions on export levels, particularly of crude oil, and the decisions on export prices flowing from these criteria, have created difficulties for Americans accustomed to importing Canadian energy. Nobody likes to pay more for such essential products, especially when availability at any price is also a potential problem. However, higher prices and concern about energy supplies have become a feature of the international energy market to which Canadians too are having to adjust.

Despite the Canadian Government's attempts to mitigate, through staging, the problems of adjustment, substantial price increases will continue as both our domestic and export oil and gas prices move towards the international levels now being paid for the nearly one million barrels of OPEC (Organization of Petroleum Exporting Countries) oil imported daily into Eastern Canada. As we must pay international prices for our substantial imports of oil, it is imperative that we obtain international prices for our exports -- in fact, we are now a net importer of oil. These are facts of energy life with which Canadians, and American users of Canadian resources, must live. Phased price increases and staged reductions in exports aside, in the short term the basic problem of increasing shortages and high cost of replacements face both our nations and our policies designed to meet the needs of our peoples are, in the circumstances, essentially the same.

Increasingly, Americans have understood the basis for Canada's decisions, and they have appreciated the Canadian Government's efforts,