

*The Budget—Mrs. Erola*

eligible for a conversion grant from oil to wood, the new wood stove or furnace must displace at least 50 per cent of the previous oil heating capacity.

Work in the Department of Energy, Mines and Resources has been ongoing and has concentrated on the general area of efficiency and design of wood stoves and furnaces. The work has been conducted for the past two and a half years at the Canada Centre for Mineral and Energy Technology, known more popularly as CANMET. I would recommend to hon. members that they apply to the CANMET for further information on wood stoves and furnaces. We have quite an ambitious program. Also, they have done work with the Canadian Wood Energy Institute in an effort to standardize codes and building designs.

This government is committed to the principle of Canadian control in the Canadian industry, and its Canadianization measures are designed to bring this about without excessively overburdening the Canadian consumer. As stated in our national energy policy, Petro-Canada will be charged initially with the task of acquiring the Canadian operations of one or more multinational oil companies. As in the past the financing for such acquisitions will be obtained in large part by borrowing in the foreign capital market.

But additional infusions of equity capital may be required. To provide that capital the government will establish a Canadian ownership account. Revenue for the account will be provided by a Canadian ownership charge imposed on all oil and gas consumption in Canada, which will come into operation as the acquisition program progresses, and set at a level to ensure that the program will be totally self-financing and in no way affect the government deficit.

We have already heard the gloom and doom predictions of the possible repercussions of our Canadianization proposals. The industry is proclaiming that it will not have enough capital to finance expansion, and there is the muffled threat that the industry would indeed flee Canada. Well, I for one remain optimistic that the industry will remain. Canada offers very significant investment opportunities for all of the major oil companies, opportunities that are not available elsewhere in the industrialized world.

Clearly, Canada is late to arrive at the idea of national control over such a nationally vital industry as that of petroleum. Most OPEC countries have state-owned oil firms which are the main, if not sole oil producers. Most European countries have established state corporations of mixed ownership companies that are engaged in the entire spectrum of oil activities. In Norway, for example, Statoil now dominates oil production, and BNOC in Britain is of growing importance.

The potential of significant new finds on "Canada lands" in the north and on the north shore are very promising, but we must not place our future on a promise. Action must be taken now. The fact that the Canadian government has not been an active participant in the petroleum industry has had a detrimental effect on our economic vitality. Indeed, in the past the effect of OPEC price increases was to create a massive transfer of wealth from consumers to producers.

In our case most of these producers were foreign owned and, therefore, the wealth transfer was away from Canadians. In general, Canada's tax and pricing policies have provided the industry with the cash flow necessary to finance its expenditures. This means that the oil consumer and the Canadian taxpayer have financed virtually all of the substantial expansion of the industry, and the industry has been expanding into many diverse fields, most notably that of the mining sector.

The Canadianization initiative of the petroleum incentives program will reduce the relative cash flow of the foreign owned multinationals and will therefore place a constraint on their capacity to take over other firms. Thus, the spread of foreign ownership in Canada and in Canadian mining will be restrained by the measures in the national energy program aimed specifically at the oil and gas sectors. By placing Petro-Canada in the forefront of the Canadian petroleum industry and by instituting the provisions of our Canadianization package and our Canada lands provisions, we will be better able to control our own energy future.

Of primary concern to all Canadians is, of course, the fact that they will continue to enjoy a Canadian price for oil and gas that is substantially below that of international pricing. We have given the assurance that at no time will the Canadian price be allowed to rise above 85 per cent of that of world price. From my perspective, as the Minister of Mines, the national energy program, by maintaining this lower domestic price for oil, will support a generally higher level of economic activity and, consequently, will benefit the mineral sector.

While there has been some concern that activity in the energy sector will tend to put upward pressure on the external value of the Canadian dollar, a development that would hurt export oriented industries such as mining, there are indications that countervailing pressures will be at work. On the one hand the inflow of financial capital for the energy sector will tend to raise the exchange rate. On the other hand much of the machinery and equipment for new energy projects will be imported, and this will act to depress the external value of the Canadian dollar. Most forecasters think that the net effect will be a slight upward pressure, but a gradual one with the Canadian dollar rising to about 90 cents U.S. by 1984-1985, and stabilizing around that level.

However, over the next year or two the national energy program will tend to hold back this rise. It is agreed that foreign investors will be cautious about energy investment in Canada due both to the lower energy price under the national energy program and to the continuing energy debate between the federal government and the provinces. Moreover, the national energy program's Canadianization measure will involve acquisition of several large, foreign owned petroleum companies by the government, and this will exert downward pressure on the exchange rate.

The purchase of foreign oil and gas firms will have a direct, downward impact on the external value of the dollar, and there will be the further psychological effect that nationalization usually has on foreign investors. But since the Canadian mineral industry is essentially geared to world prices, the cost