

## FOREWORD

The Standing Committee on Energy, Mines and Resources initiated this study of future oil availability in Canada to dispel the complacency brought about by global oil oversupply and depressed petroleum prices. Almost 60% of the world's reserves of conventional crude oil lie in the politically volatile Middle East, where the Iran-Iraq War is now engaging military forces of the major powers. More than 330 attacks by Iraq and Iran on merchant shipping in the Persian Gulf have led to the convergence of American, French, British and Soviet naval forces in the region. The possibility of an expanded military confrontation in the Gulf poses a growing threat to international oil trade. Of potentially greater consequence is the continuing attempt by Iran to intimidate and destabilize moderate Arab regimes in the Gulf.

This report considers Canada's future availability of domestic light crude oil and the likelihood of a re-emerging dependence on foreign supplies of petroleum. Canada holds less than 1% of the world's proved reserves of conventional crude oil and, for most of the postwar period, has been a net importer of oil. The Committee therefore opens its report with a broad look at world patterns of oil availability and use. Thereafter the study focusses on oil supply and demand in the United States, our principal trading partner in energy, and then on the situation in Canada. In the concluding section, the report discusses the notion of "security of oil supply" and considers, in the context of long-term energy planning, policy options available to the federal government.

The Committee presents 12 recommendations arising from its study. These recommendations are included in the Summary which follows on page 4. The report also contains information which should help Canadians become better informed about domestic and international energy affairs.

The adequacy of Canada's future oil supply cannot be discussed in isolation from other aspects of our domestic energy system. In particular, energy conservation and the potential for substituting other energy forms for oil bear on the future oil supply/demand balance. Therefore the Committee's remarks encompass some of these related matters. The central role of the provincial governments in determining the character of Canadian energy development must also be acknowledged.

The testimony received by the Committee has revealed wide divergence of opinion on what role, if any, the Government of Canada should play in influencing the evolution of Canada's energy system and the petroleum sector in particular. We have revisited a continuing debate: is oil just a commodity traded like any other, or has it a strategic dimension which compels the attention of government?

Most members of this Committee are disposed to advocate minimal intervention by government in the economy. Nevertheless, the Committee is led by the evidence to conclude that oil – indeed energy in general – is more than an economic commodity;