al Energy Program", Canada may not need its northern resources for domestic markets until the 1990s, we should press ahead with exploration so that Canadians will know that a secure source of oil and gas is available as our safety net for the future.

As in Bill C-20, which this bill replaces, there will be a basic royalty of 10 per cent, reducible where economically justified, to allow commencement or continuation of production. In addition, there will be a form of profit-sharing amounting to 40 per cent of the net profits of an oil and gas field above a 25 per cent rate of return according to the formula set out in the act. Incorporating the fiscal obligations of holders of frontier rights in the act will provide certainty for industry and make for a stable investment climate.

• (1530)

The thrust of the new regime is on the early assessment of the oil and gas potential of Canada's frontier regions. However, this will not be done at the expense of fisheries resources or the environment. There are provisions for a fund to cover costs of regional environmental studies related to oil and gas activities. This fund will be raised by assessing rights holders proportionally on an acreage basis to cover the costs of biological and physical research designed to ensure safety and to ensure the prevention of pollution. There is provision for catch-up assessments to be levied on parties who acquire oil and gas rights in a region where such environmental work has already been financed.

There are a number of provisions in the new Canada oil and gas act relating to the supervision and control of oil and gas activities rather than to the strict land-management regime. These operational provisions more accurately fit into the Oil and Gas Production and Conservation Act of 1970, and so they are put forth as amendments to that act. Items thus covered include:

1. Operating licence to be prerequisite for carrying out oil and gas activities, with an individual authorization in writing necessary for each activity, as well as deposit requirements to ensure submission of data and reports, and requirements for optimum employment of Canadians and utilization of Canadian goods and services;

2. Authority for the chief conservation officer to order the commencement, continuation and cessation of production on the basis of sound engineering principles;

3. Provision for oil spill liability on the part of operators, in particular providing for absolute liability; and

4. Authority to charge operators for outside consultative advice when evaluating and authorizing oil and gas production systems.

The proposed new regime will involve far-reaching administrative responsibilities for its implementation. Judgmental decisions will determine when, where, and how oil and gas rights should be made available for development. Involved in this process will be such factors as the extent of Canadian ownership, and the use of Canadian goods and services. It is therefore our intention that in order to ensure efficiency of administration, and consistency in application of this regime, there will be one national resource management agency. It will be responsible for implementing the Canada oil and gas act throughout the frontier regions.

The element of Bill C-48 which seems to have attracted the most attention, especially that of industry, is the 25 per cent Crown share. I would like to clear up some misunderstanding about this aspect of the bill. In brief, Bill C-48 grants to the Crown a 25 per cent share of existing oil and gas rights in areas where production has not yet begun. This share, described as a "carried interest", does not constitute a free ride for the Crown.

The Crown share can be transferred by the Minister of Energy, Mines and Resources to Petro-Canada or to some other Crown corporation. This corporation must convert the share to a working interest, not later than the time at which a production system is approved for the relevant lands. Thus, the Crown share would be in the form of a working interest some time before the expenditure of 85 per cent to 90 per cent of the total cost involved in bringing a field into production. I stress here that this 25 per cent Crown share does not apply to fields which are already in production, like Norman Wells.

This concept has variously been described as "confiscatory" and "expropriation without compensation". I would like to state emphatically that this is not so. Surely the Canadian taxpayer has the right to retain a share in the ownership of his resources.

Mr. Wilson: After the fact.

Mr. Lalonde: As far as the charge of expropriation is concerned, I point out, to the friend of the multinationals on the other side, that a 25 per cent federal cash incentive grant will be made available to all explorers to offset the 25 per cent Crown share.

The Crown share replaces the Petro-Canada "back-in" provision in the current Canada oil and gas land regulations, and it reflects the substantial contribution by Canadian taxpayers to frontier exploration through such incentives as the super-depletion allowance. The new cash incentive grant recognizes the vital need to know as soon as possible what the frontier region may contribute. I would remind hon. members on the other side of the House that in the past Canadian taxpayers have contributed, in some instances, over 100 per cent of the cost of that exploration. It is only fair that today Canadian taxpayers should be entitled to a share, which we have set at 25 per cent, in the development of those resources which have been found through the contribution of the Canadian taxpayers in the past, and which will be found in the future.

I am sure members are aware of the statements made by some industry spokesmen that there will now be a decrease in oil and gas activity in the frontier regions. These spokesmen have said their plans will have to be reviewed and that investment money may have to leave Canada. I doubt that these people have carefully analysed the National Energy