

Exploration and Development

Canadians an opportunity to invest in exploration and development in this country.

The drilling of 2,000 wells will result in 4,500 direct jobs and over 12,000 jobs in the service and supply sectors. While the immediate benefits are obvious, it is vital that the expertise in manpower and technology that Canada's energy sector has developed over the past four decades be maintained. This announcement should not be considered a short-term solution but an investment in the future security of energy resources for the benefit of all Canadians.

I want to go back to the last few words, that this announcement, that is, the establishment of the program, should not be considered a short-term solution but a long-term investment in the future security of that industry. Here we have the Government, after bravely announcing that this was not a short-term solution, coming in less than two years later and terminating, against the advice of many people in the industry, and closing it down. That is an example of short-term expediency, not long-term planning and certainly not the kind of consultation with an important area of the private sector in western Canada, that we should expect from the Government if it wants to appear to be doing the proper job for the long-term security of this industry and devout working Canadians.

I want to quote one additional source from *Hansard*. In a statement on page 19810 of September 30, 1988 of *Hansard* the then Hon. Member for Calgary South (Mrs. Sparrow) stated:

—the Minister of Energy, Mines and Resources (Mr. Masse) announced today an adjustment in the phase-down of the Canadian Exploration and Development Incentive Program. The incentive rate from October 1, 1988, to June 30, 1989, will drop from 33-1/3 per cent to 25 per cent. As of July 1, 1989, until December 31, 1989, the rate will be 16-2/3 per cent. The cap remains at \$10 million per company or related companies.

The Minister has also recognized the number of jobs in western Canada that are totally dependent on the petroleum industry. This incentive means a further \$80 million will be injected into the industry, which will keep the rigs working, protecting jobs and helping to replace Canada's depleting conventional oil reserves.

Nowhere in these quotes from government Members does one get the impression that perhaps the Government does not think the program is useful, or that the program was needed or is needed today. There are many indications that the program is needed just as much today as it was two years ago.

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I quote from *The Globe and Mail* article by Drew Fagan published on March 20, 1989 as follows:

For drilling companies across Alberta, this has been the winter of their discontent.

Although there are 525 drilling rigs in western Canada, only 160 were actually operating in January. And while in February the number increased to 245, that still represents a 33 per cent decrease over the corresponding month a year earlier.

At first glance, this situation seems surprising, as the world price of oil has risen substantially since late last year. That benchmark price is generally the major factor driving activity levels across the energy industry.

But oil and gas companies planned their drilling levels for the key winter season last fall, when oil prices were cratering. And the rise in prices, even though it has been in place almost three months, has met decided scepticism about whether or not it can last—

—other factors have also played a major part in making this winter one of the slowest in the past decade in terms of drilling activity.

Although the Government announced just before the election that an extra \$80 million would go into the program, that \$80 million was taken away when the program was ended prematurely just five months after that election. This is the Government that said it was in favour of long-term planning, not short-term give-aways.

The Canadian Association of Oilwell Drilling Contractors recently tried to put meaning to these numbers by calculating just what the cancellation of the Canadian Exploration and Development Incentive Program mean to their members. As an addendum to their press release on the cancellation of the CEDIP, the association stated:

In terms of employment and activity the cancellation of CEDIP would have the following maximum impact:

- (1) up to 50 rigs could work with the \$80 million stimulus that is now lost.
- (2) employment on the rig floor would have been 1,500 people and at the least, 3,700 jobs would have been provided.

This was said with the following assumptions:

- (1) money would have been spread evenly over the year. This means to earn \$80 million, operators would have spent \$450 million.
- (2) average central Alberta well is \$500,000, which means 900 wells could have been drilled.
- (3) average central Alberta well takes ten drilling days, or 9,000 work days are lost.