

ROUTINE PROCEEDINGS

[English]

ENERGY

PROPOSED LEGISLATION AND REGULATIONS TO DEAL WITH OIL AND GAS

Hon. Alastair Gillespie (Minister of Energy, Mines and Resources): Thank you, Mr. Speaker, and my thanks as well to all members of the House for giving their consent to enable me to make a statement at this time. As hon. members will appreciate, the reason for making the statement at this time is because all the markets of Canada are now closed.

On April 27 I laid before this House a document setting forth the government's strategy for dealing with the energy issues of the next 15 years. That strategy contained nine key policy priorities. Today I wish to advise members of new initiatives which are indicative of the government's decision to move toward self-reliance in energy by 1985 and which support, in particular, the announced policy priorities.

They are, first, increased exploration and development; that is to say, to double at a minimum exploration and development activity in the frontier regions of Canada over the next three years; secondly, increased resource information that is to say, to accelerate the flow of accurate information about the Canadian resource base; and the third priority area, greater Canadian content and participation in resource development.

● (1700)

The new supportive policies are contained in a document entitled "Statement of Policy—Proposed Petroleum and Natural Gas Act and New Canada Oil and Gas Land Regulations" which, with your permission, I will table at the end of my remarks, and copies of this statement are being made available to all members.

An hon. Member: How many rabbits are in this one?

Mr. Gillespie: Mr. Speaker, the existing Canada Oil and Gas Land Regulations governing the disposition and administration of oil and gas rights in the north and in the offshore were promulgated in 1961. Since that time there have been major changes in the petroleum situation, both nationally and internationally, and technological advances have changed greatly the capability to explore for and develop oil and gas reserves. It is necessary to up-date the regulations pertaining to Canada's frontier areas so as to provide increased public controls over exploration and production, modernize the system for collecting economic rent, and at the same time continue to encourage exploration for new reserves. As emphasized by our strategy report, all of this must be done under acceptable environmental and social conditions.

The great bulk of Canada's frontier areas that can be considered as prospective for exploration with current technology is already held under permits issued in accordance with the existing regulations. Thus, in order to institute meaningful changes in the existing system, it is necessary to amend substantially the terms and conditions of these permits, which currently contain commitments to

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lease and royalty conditions extending for periods exceeding 50 years. This necessitates the adoption of appropriate legislation designed to impact on present contractual obligations.

However, it cannot be over-emphasized that the continued involvement of industry is essential, not only from the standpoint of providing investment capital but for the source and flow of exploration concepts, as the discovery of new reserves is a function of the input of new ideas engendered by the competitive nature of the business. A discovery may be the result of several successive waves of exploration based on different methods of collecting and utilizing information.

What I should like to do is deal with this very complicated area under six headings with some brief comments on each. The six headings are: period of tenure, new work obligations, new fiscal system, preferences for Petro-Canada, production orders, and last but no means least, Canadian participation and content. First is period of tenure.

Under the current regulations exploration in the frontier areas is undertaken on rights that have been issued by the government in the form of permits. A permit allows the holder to explore a designated area for a period of 9 to 12 years, depending upon regional location, and gives him the exclusive right to drill exploratory wells within that area. Production of oil and gas cannot be undertaken from a permit, the permit must first be converted to lease during which process at least half the acreage must be surrendered back to the Crown. The company then has had an option to reacquire that acreage in return for higher royalties for any oil or gas produced from it. The tenure of a lease has been 21 years, with provision for renewal of a like period if producible.

Under the new regulations existing permits will remain in effect but with modified requirements. However, there will be no 21-year oil and gas leases. Instead, the permittee if still in the exploration stage of operations will be able to go to a 5-year provisional lease covering the entire permit area. Upon commencement of production, where this occurs either in the permit stage or in the provisional lease stage, a 10-year production licence will be issued. Production licences will have a provision for a 10-year renewal period based upon production capability. A new incremental royalty plan for all production replaces the added royalty from the 50 per cent Crown acreage of the present arrangement, to which I alluded a moment ago.

I should like to turn now to new work obligations. Under the new regulations, a combination of incentives and work obligations is designed to impact upon oil and gas rights currently held by industry so as to increase exploration efforts. The minimum levels of work obligations that holders of existing permit rights must satisfy will be increased significantly for most areas. For example, under the new regulations the new work levels for the Scotian Shelf and Grand Banks will be increased threefold.

Under the new regulations the minister will continue to have the power to extend the period of exploration rights through the granting of special permit renewals when permits have come up to the end of their normal life tenure, with such special renewals subject to levels of work as he may order, including the drilling of exploratory