

the proposal of the province of Alberta to lease some of that province's long-term supplies in return for a commitment that Arctic gas would be made available to Alberta as part of their reserve inventory when that particular gas is available.

While the minister is on his feet, would he say whether he envisages any new incentives or any new measures to encourage exploration in view of the fact seismic crews, the best indicators of current exploration activities, have been falling off severely in the past few months?

Mr. Macdonald (Rosedale): I responded to the first part of the hon. member's question by the first part of my answer with respect to absolute equality between Canadian and American users, by saying that probably the higher level of cutback would fall upon the export licences; there probably would not be absolute equality. With regard to the proposal of the minister of energy of Alberta, which was a helpful proposal, I would point out to the hon. gentleman that that can be of assistance in accordance with concerns about long-term reserves, but it will not necessarily add anything in terms of current deliverability. In terms of absolute quantities of reserves available, this is a helpful suggestion and one well worth examining further, in particular within the context of possible uses of gas for petrochemical purposes. With regard to deliverability, it will not have a substantial immediate impact.

Mr. Bawden: What will you do to stimulate activity?

Mr. Macdonald (Rosedale): With regard to stimulation for exploration, the report, of course, was written before the recent budget and the recent decisions with regard to both oil and gas pricing. As indicated, the return to the producers in Alberta is estimated as between 20 cents and 50 cents a thousand cubic feet, depending on the situation of the particular company. So there is a substantial cash flow going to them. Of course, they will have the benefit of the resource allowance under the budget and the benefit of any changes in royalty that may be occurring. It is fair to say that the reaction that has been coming forth from, for example, CPA—which has not always been one of the admirers of this government's policy—is that there is room for substantial exploration, particularly in the conventional areas of Canada.

Mr. Gillies: As the minister indicated that the report has been made available to the government of the United States, could he tell us if there has been any reaction from that government in terms of its response?

Mr. Macdonald (Rosedale): I have received no reaction as yet. I should say that the ambassador was advised and no doubt reported to his government. The report in detail has been made available to the U.S. government, but at the moment I have no reaction.

Mr. Gillies: What has been the reaction of Mr. Justice Berger to the reception of the report?

Mr. Macdonald (Rosedale): I am not sure that this report affects either Mr. Justice Berger or, indeed, the National Energy Board in its current responsibility with regard to gas pipeline hearings. In both cases we will be looking for them to go ahead and complete their work in

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the time they consider appropriate. As the National Energy Board makes clear in this report, the question of northern gas reserves is basically left to be decided. We are dealing only with conventional reserves at this point, and the board recognizes that at the hearing which it will be having in due course it will have to determine, for example, the question of supplies available in the north and also the question of conditions under which the pipeline is to be developed.

Mr. Saltsman: Mr. Speaker, I would like to ask the minister why he has rejected a planning mechanism. It seems to me that in the face of this rather crucial shortage, some kind of allocation of the use of a scarce resource will be necessary and he will need a program that goes beyond simply looking at plants converting energy into chemicals or something of that kind. I understand from what the minister said that he will be speaking to the government of Alberta about a plant they are proposing.

I would also like to ask him—and I would like a reply on the question of rejection of a planning mechanism—whether he is looking at some of the proposals which the Minister of Industry, Trade and Commerce (Mr. Gillespie) seems to favour, judging from a statement that appeared in the press today, that Canada is prepared to upgrade some of its raw materials exports and carry them one step further into the smelting and refining process, which of course would consume enormous quantities of energy, gas and oil. Is the minister prepared to look at all those projects as well; in other words, projects outside the purview of his own department?

Mr. Macdonald (Rosedale): On the contrary, the National Energy Board is a planning mechanism and we have said we would consider their proposal, after consultation with the provinces, to extend to them allocation powers between various users. What has been rejected is the suggestion which has been made that there should be a tripartite, federal-provincial-industry committee or council to discuss the question. It is transparent that after the extensive and very substantial open federal-provincial meetings on energy questions, greater progress can probably be made by way of the kind of bilateral consultations which we have had rather than by way of enormous round-table, group meetings which, I can fairly say, would have difficulty arriving at a decision.

With regard to the question, as indicated in the board's report and referred to by myself, of examining with Alberta the first stage derivative upgrading in petrochemicals, of course the uses of natural gas or, for that matter, oil involved in those processes is substantially greater than those involved in processing minerals or other raw materials.

What is really involved is, for example, in the case of an ammonia plant, the export of very substantial amounts of natural gas from Canada, but in the slightly upgraded form of ammonia rather than in the very much more upgraded form, to pick another example, of copper ingots or copper wire. In that sense, I think it is obvious to pick first users of natural gas, for example, petrochemical plants. In the case of smelters, this is the kind of industrial use in which we would make every effort to shift away