

Conclusions and Recommendations

Petro-Canada – A Future Role?

The difficulty in judging whether or not Petro-Canada has a future role to play as a national oil company arises from the government's failure to present Canadians with a comprehensive statement of its energy policy. In 1984, a newly elected Progressive Conservative Government began to dismantle the National Energy Program and deregulate domestic energy markets, as promised in the election campaign. As an adjunct of these initiatives, Petro-Canada was directed to operate as any other private-sector oil company. Its public policy purposes were declared either to have been satisfied or to be no longer relevant.

Freeing oil and gas prices and disposing of the complex tax and regulatory structure that had supported lower-than-market prices benefitted the day-to-day operations of the energy marketplace. But it soon became apparent that market forces alone were not a suitable proxy for policy across the entire spectrum of issues confronting the energy sector. Consequently on 13 April 1987, the Hon. Marcel Masse, then Minister of Energy, Mines and Resources, announced Energy Options, a process "designed to review and assess Canada's energy prospects and options into the twenty-first century." Under the guidance of the appointed Energy Options Advisory Committee, chaired by Thomas Kierans, Canadians were solicited for their views about our country's energy future.

The product of this unique consultative process was *Energy and Canadians: Into the 21st Century*, an advisory report to the federal government, completed in August of 1988. Although the report observes that: "Virtually all participants in the Energy Options process stated that market forces should be allowed to allocate resources and determine prices for energy" (Canada, EMR, 1988, p. 65), it also acknowledges that the participants believed: "Intervention is appropriate when markets are not sufficiently competitive and when there are social costs such as environmental damage that prices do not reflect or social benefits such as basic research which markets do not reward adequately" (*Ibid.*, p. 6).

The Government of Canada began this process of energy policy-making three years ago. It appears today, however, that the Energy Options process has stalled: Canadians lack a government response to the policy proposals discussed in the advisory report released almost two years ago. In the interim, the government announced four costly energy "megaprojects" – Hibernia oil field development, the OSLO oil sands project (for which federal support was subsequently withdrawn), the Lloydminster heavy oil upgrader and the Vancouver Island natural gas pipeline – to which it promised to contribute as much as \$2 billion of the \$11 billion in total capital costs, not including federally guaranteed loans, interest-free loans, and further capital