

*Canada Oil and Gas Act*

[English]

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## MEASURE RESPECTING OIL AND GAS INTERESTS

**Hon. Marc Lalonde (Minister of Energy, Mines and Resources)** moved that Bill C-48, to regulate gas interests in Canada lands and to amend the Oil and Gas Production and Conservation Act, be read the second time and referred to the Standing Committee on National Resources and Public Works.

● (1520)

He said: Madam Speaker, when we introduced the National Energy Program on October 28, the government set out aggressively to seek the energy sources and solutions which Canada will need for generations to come. We did so with a determination unmatched by any previous federal government, and we believe we have found a solid way in which to build our energy house.

Our way begins with the clear, strong, nationally-oriented principles of security, opportunity, and fairness. It constitutes a deep commitment by the government to a secure energy future for all Canadians. Also it underscores a basic confidence in this country's ability to confront the world energy situation on our own terms and in our own way.

Today I am pleased to introduce Bill C-48 for second reading. In doing so, I present a key element in the successful fulfilment of the National Energy Program. The Canada Oil and Gas Act will establish a new and modernized regime to govern resources development activity in those immense frontier regions of our country known as the Canada lands.

Two centuries ago, Edmund Burke, the eminent British statesman and political philosopher, wrote the following:

If we command our wealth, we shall be rich and free; if our wealth commands us, we are poor indeed.

The years have not dimmed the significance nor lessened the impact of those words. Canada is rich in natural resources. Our aim is to allow Canadians from coast to coast the opportunity of sharing the benefits of those riches. Bill C-48 is a significant step in that direction.

I have stated on other occasions that there are three direct action programs essential to solving Canada's energy problems. Members will recall that these include reduced consumption of oil products, rapid substitution of oil by other more plentiful energy sources, and finally, exploration, development and production of domestic oil supplies. It is to this last program dealing with domestic oil supplies that the Canada lands are of vital importance.

Our offshore regions cover an area of some 2.5 million square miles. The territories alone comprise another 1.5 million square miles. Together this is what we call the Canada lands, an area which is almost twice the size of the ten provinces combined.

The promise of this vast frontier region is as enormous as its size. It represents Canada's best prospects for large, new

reserves of conventional petroleum. It holds the key to our energy security. If it is true that the future is the most expensive luxury in the world, then there is a substantial downpayment on that luxury, and that downpayment is in Bill C-48.

The existing Canada oil and gas land regulations covering frontier oil and gas rights were promulgated two decades ago. Obviously they are not appropriate to resource development needs today. We cannot continue with a system requiring that holders of rights meet only minimum requirements, particularly minimum work requirements set out in fixed schedules, designed for very broad geographic areas. We must ensure that holders of oil and gas rights pursue vigorous and sustained exploration and development efforts, or relinquish their rights to make way for explorers who will do so.

Oil and gas rights have already been issued for 350 million acres in the Canada lands. Virtually all the area is considered promising in terms of potential reserves. Bill C-48 will convert these existing rights to the new land management regime thereby establishing it in a meaningful way. It will see that this is done within one year of the passage of Bill C-48.

I should like to take a moment to spell out for the House the main elements of the new regime. They can be summarized in seven specific points. First, there will be stiffer work requirements through negotiated exploration agreements which include firm drilling commitments. Second, we will reserve to the Crown a 25 per cent share of oil and gas rights in the Canada lands, to be exercised through Petro-Canada or some other designated Crown corporation. Third, there will be a minimum requirement of 50 per cent Canadian ownership, through the private or public sector, of production from the Canada lands. Fourth, we will ensure optimum employment of Canadians, and use of Canadian goods and services, in oil and gas activities carried out on the Canada lands. Fifth, we will provide ministerial authority to order production to commence and be delivered to Canadian markets, in quantities and at prices specified in the order. Sixth, we will be providing a greater degree of control in the timing, direction, rate, and level of exploration, development and production by various means. These would include drilling and production orders, earlier release of proprietary information, prior approval of transfers and assignment of rights. Seventh, we will ensure that Canadians receive a fair return for their oil and gas resources through a basic royalty of 10 per cent, with an additional royalty of 40 per cent of the net profits of a field.

As I said earlier, the Canada oil and gas act will bring existing oil and gas rights into line with the new regime, but in such a way as to ensure that if these rights are not actively developed they will be relinquished to the Crown. Existing permits, leases and agreements will either be converted to new leases and agreements within a year or will be surrendered to the Crown. Under the new regime, all exploration rights will lead to one type of production rights only, namely, a production licence.

The emphasis in all leases and agreements will be on active development. Even though, as was pointed out in "The Nation-