

*Excise Tax*

chance at all of meeting the objectives of the National Energy Program, self-sufficiency in particular, these two taxes must be withdrawn. We will be pressing very hard, Mr. Speaker, to bring some sense into the mind of the minister to withdraw these taxes, go back to the drawing board and come back here with something that makes more sense in terms of the government achieving its objectives.

Last fall the National Energy Board commenced hearings on the supply and demand situation in Canada, during the middle of which the National Energy Program was announced and the board asked the companies to come back with revised predictions as to the impact of this program. They have not at this stage released their report but I would like to summarize for the House some of the key elements set out in the evidence.

The first topic is the impact of the National Energy Program on cash flow. Company after company indicated that there is a very serious immediate impact on their cash flow. The reduction ranged from 20 per cent, 25 per cent to a third, and in some cases as high as 40 per cent. The conclusion reached was that the decrease in the producer cash flow will have an adverse impact on the economics of existing conventional oil and gas production and will affect the exploration budgets and the ability of the companies to keep production up over the immediate period ahead. PetroCan itself reported that the NEP would result in considerably lower netbacks to producers this year and for the next two years. In the longer term, although price increases would tend to offset the initial decreases, all companies' cash flow would be hurt over the short term. It is that immediate impact that is so evident in the statistics I referred to earlier.

As a result of this reduction in cash flow there is also an expected reduction in the ability of independent, Canadian-owned companies, the ones that are intended to be helped by this program, to seek financing from the banking community as well as the private sector. As I said, this will impact directly on their exploration and development budgets, and its impact on the smaller companies will be quite severe.

The direct cash flow to these smaller Canadian companies will lead to increased investment in exploration because of the grants; that is an expected result of the program. But the over-all cash flow impact related to their production activities will be lowered, according to the presentations made to the NEB. Nova, a very strong Canadian company, indicated that the National Energy Program assists Canadian companies in exploration programs, but they say there are few Canadian-owned companies large enough to make the investment required in frontier exploration, oil sands and heavy oil development. These are large projects requiring significant financial strength and which are certainly not helped by the NEP and these taxes under consideration today. So again, it is expected that the exploration and development budgets in Canada will decline to somewhere between 25 and 50 per cent below the projections in place prior to the announcement of the National Energy Program.

What this means to the future oil supply in Canada must also be projected. Company after company stated that our goal

of self-sufficiency is pushed much further into the future directly as a result of this program. In addition, reserves that were economic prior to October 28 suddenly became uneconomic, and the principal culprit is the 8 per cent production tax which is part of Bill C-57.

I think we are all aware that the proposed pricing schedule does not provide sufficient incentive, which is another factor, but the combination of the 8 per cent tax and the insufficient pricing schedule has set back the timing for the achievement of self-sufficiency in this country severely; in the view of some observers, well into the next century. So the NEP, and in particular this tax on production, has had a direct impact on one of the key goals that we have set out, that of self-sufficiency.

● (1700)

One can draw the conclusion that the National Energy Program is totally counterproductive to the objective of self-sufficiency. We should consider the precarious nature of the world today, particularly the Middle East. Day in and day out we are reminded of the very precarious nature of the political situation there, whether it is the conflict between Iraq and Iran, the arms build-up in the Middle East, the current conflict between Syria and Israel, or the concerns of observers as to the over-all intentions of the Russians in that part of the world. There is no sense whatsoever in the government setting self-sufficiency as an objective and then taking a route to self-sufficiency which totally undermines the objective, particularly when we face these risks in other countries.

Another element of this is in the area of marginal production. This particularly affects southwestern Saskatchewan and southeastern Alberta. There are many wells which were economic prior to October 28; right now they are not productive or economic. There is no indication in any of the amendments of the government that it recognizes this problem and is proposing any difference in the impact of the production tax, which is a very blunt instrument indeed. I believe this is a major shortcoming in the bill.

We have all heard of the deadlock currently in place between the federal government and the government of Alberta. One result of this deadlock is the fact that the megaprojects, the heavy oil project at Cold Lake and the Alsands synthetic crude Project, are on hold. They may well never go ahead if there is not a decision soon on the future of energy development in the country. These projects are one of the key elements in achieving self-sufficiency in Canada. In 1990, according to the National Energy Program, 50 per cent of production will be from non-conventional sources of oil.

The problem is not only the deadlock between the province and the federal government. There is still the problem, as set out by a number of observers at the NEB hearings, that the pricing proposals, combined with the production tax, make these projects uneconomic under current circumstances. These major projects are not likely to proceed under the National Energy Program, without some agreement between Alberta and Ottawa.