*Oil Tax*

deemed to have been exported, it has been assumed that the same percentage of Indian oil would have been exported as calculated for the total amount of oil produced in Alberta which was exported. These export percentages were provided by the Alberta Energy Resources Conservation Board. The provincial and the federal share would, of course, be half of the totals given.

It will be noted that the total deemed to have been derived from oil exported from Saskatchewan reserves is very small in comparison to Alberta totals. This will explain why Alberta is used almost exclusively as a base for discussion. Early in the processing of the claim it was decided that any submission to the Province of Saskatchewan for the return of its provincial share should wait until the federal and Alberta claims were settled. The band concerned has been kept advised.

● (1722)

Now let us examine the tax in a little more detail. I have already pointed out that the expressed intent of the tax was to prevent oil exporting companies from reaping windfall profits by purchasing Canadian oil at the frozen price and exporting it at the international price.

The level of the oil export tax is established on a monthly basis by the National Energy Board and the Department of Energy, Mines and Resources. It is necessary to change the level every time there is a price change in either the Canadian—domestic—or the international price.

Unfortunately, there is no clear-cut international price, since the price of foreign oil depends on many factors. For the purposes of the oil export tax, the average delivered price of foreign oil at Chicago is used for the international price. This seems reasonable since virtually all of the oil exported from Canada is purchased by our neighbour to the south. As previously pointed out, during the first six months a single price was used for all classes or grades of oil. Under present conditions, different prices are determined for a number of different classes.

Natural gasoline and condensates are defined as oil for the purpose of the oil export tax. This explains why some of our natural gas producing Indian reserves such as the Blood and Stony reserves are included as having a claim for an oil export tax rebate. If we were to read our Indian oil and gas regulations, we would note that "condensate" is defined as a part of the natural gas and is so classified for royalty purposes. Incidentally, the same is true for the province of Alberta. The fact that "condensate" would be classified as oil for the oil export tax purposes did not become clear until the Oil Export Tax Act was promulgated. This is the reason that condensate producing bands were not included in some of the earlier discussions respecting the possible rebate of the tax.

Confusion often arises from the reference to a particular oil price. One has to be very specific as to the grade of the oil and the location to which the price is quoted. For example, press releases would indicate that a single price for a particular grade of oil exists at any one time.

[Mr. Daudlin.]

The July, 1977, Alberta Petroleum Marketing Comission price bulletin states that prices are based on a price of $11.18 per barrel for marketable petroleum having a quality of 42 degrees or higher API gravity and containing less than 0.5 per cent sulphur by weight at the Edmonton terminal of the Interprovincial Pipeline Company. On this basis, Indian oil from the Pigeon Lake reserve, D-3 pool, was valued at $11.085 per barrel, while the Stony Plain Indian Reserve D-3 production was valued at $10.94. Both of these carried a tax of $5.60 per barrel. At the present time oil from both reserves is worth $1.01 per barrel more. This may sound complicated in that the most recent pricing agreement indicated that the price of oil would be allowed to rise by $1 per barrel as of January 1, 1978.

To return to the tax itself, it was first imposed under the provisions of the Excise Tax Act and became effective October 1, 1973. During October and November the tax was set at 40 cents per barrel. It was raised to $1.90 in December, $2.20 in January, 1974, and finally to $6.40 per barrel for the months of February and March, 1974.

It is interesting to note that at that stage the flat rate applied to all crude oils and condensates, regardless of gravity. Although easy to calculate, this had undesirable effects in that it overpriced the heavy crude oils on the export market.

The oil export tax was formalized under the Oil Export Tax Act which was assented to on January 14, 1974. The Oil Export Tax Act was later replaced by the Petroleum Administration Act which became effective April 1, 1974. The latter act remains effective to this date. Over the years the tax itself has become more complex, with different tax rates applying to diffirent classes of oil.

If we assume that our claim applies only to the first six months, we will then not be overly interested in the fact that there are presently eight different classes of oil, each with its own tax level. I mention this only in support of my earlier contention that it would be difficult to place a monetary value on the long-term application of the oil export tax. At present, oil produced from Indian reserves comes under several different classifications.

Tables are availablee showing the oil export tax levels that have been established from time to time since the tax was established. I do not propose to attempt to produce such a table at this particular time. However, I will comment that there have been about 45 changes to the tax for light and medium grade crude oils since the end of the first six-month period. During that time the tax on that particular class or grade has varied from a low of $3.20 to a high of $5.60 per barrel.

If anyone is tempted to do a few mental calculations, let me caution that the level of oil export over the period has varied considerably. Further, it must be remembered that my government has had the policy of gradually reducing the amount of oil that is permitted to be exported.

Hon. members may recall that, when the tax was initiated, there was considerable opposition by the oil producing prov-