

Order Paper Questions

Mr. Dave Dingwall (Parliamentary Secretary to Minister of Energy, Mines and Resources): The Department of Energy, Mines and Resources reports as follows:

EM&R is presently conducting two demonstrations to evaluate the technical and economic feasibility of compressed natural gas as a vehicular fuel. The first demonstration involves the Black Top Taxi Co. of Vancouver. The second demonstration is with Inland Natural Gas Company in Kamloops, British Columbia, and utilizes a fleet of light to medium trucks.

(a) Mr. Sam Chessa of Black Top Taxi is managing the taxi fleet demonstration and the project has engaged Resourcecon Ltd., a consulting firm, to manage the data acquisition and economic analysis. Dr. G. Born, formerly of the UBC Alternative Fuels Laboratory, has been engaged to provide the engineering assessment. The Inland Natural Gas demonstration has engaged Davis Engineering Company to provide the requisite engineering and economic expertise.

(b) The cost for each demonstration is \$125,000, for a total of \$250,000.

(c) and (d) To date both programs are in the process of start up and data gathering. Thus, no results have been submitted. The terms of the contracts do stipulate quarterly reporting and the first set of results is due in early 1983.

INTERNATIONAL PRICE OF OIL

Question No. 4,635—**Mr. Mazankowski:**

1. If the international price of oil were to fall to (a) \$25 per barrel (U.S.) (b) \$20 per barrel (U.S.), what impact would this have on (i) Canadian prices for old and new oil (ii) consumer prices (iii) Government revenues (iv) domestic supply and demand (v) payments under the import compensation program?

2. Has the Government made a contingency plan with respect to Canadian oil prices and the federal-provincial oil pricing agreements should world oil prices fall to \$25 (U.S.) or below?

Hon. Paul J. Cosgrove (Minister of State (Finance)): 1. (a) If the world oil price were to fall to \$25 per barrel (U.S.) from its current level of roughly \$31.50 per barrel, we would expect the following impacts:

(i) Canadian wellhead prices for conventional or old oil would drop to roughly \$25 per barrel and remain at that level for as long as the world price did;

(ii) the reference price for new oil would drop from approximately \$44 per barrel to \$35.50 where it also would remain for as long as world prices stayed the same;

(iii) the weighted average price facing Canadian consumers—the blended price of oil at Toronto—would be lower by roughly \$5.50 per barrel, that is \$30.25 per barrel, than it would have been were the world oil price higher, which would be \$35.75;

(iv) consumer prices as measured by the Consumer Price Index would be approximately one-half of one percentage point (0.4 per cent) lower during fiscal year 1983/84 and almost a full percentage point (0.9 per cent) lower the following year;

(v) Government revenues could drop by as much as \$1.7 billion during fiscal year 1983/84 and by \$1.4 billion the following year from what they would have been at the higher world price;

(vi) the effect upon domestic supply of crude oil would be minimal over the period. Domestic demand for crude oil could be slightly higher in the 1983/84 fiscal year (roughly 1 per cent and roughly higher by 3 per cent the following year);

(vii) although imports of crude oil would rise slightly compared to what they would have been with higher world oil prices—for example, they could rise by three million barrels during fiscal year 1983/84 and 14 million barrels over the following year—the decline in the world oil price, hypothesized in the question, would be sufficient to reduce oil import compensation payments below what they would have been: for example, these payments could drop by approximately \$200 million in fiscal year 1983/84 and by \$100 million the following year.

(b) The impacts if the world oil price were to fall to \$20 per barrel (U.S.) would be similar in direction but slightly more pronounced than those for a \$25 per barrel world price, as follows:

(i) Canadian wellhead prices for conventional oil would drop to a level of \$20 per barrel;

(ii) the new oil reference price (NORP) would drop to roughly \$29 per barrel;

(iii) the blended price facing Canadian consumers would drop by roughly \$10 per barrel to about \$25 per barrel;

(iv) the moderating effect on the consumer price index would be approximately the same as for the \$25 per barrel (U.S.) world oil price, that is; half of a percentage point drop next year and almost a full percentage point decline during the year after;

(v) the drop in Government revenues would be more pronounced than for the \$25 per barrel (U.S.) world price, approaching \$2.7 billion over fiscal year 1983/84 and \$2.4 billion over the following year;

(vi) like the \$25 per barrel (U.S.) world price case, for \$20 per barrel, the effect upon domestic supply of crude oil would be minimal (roughly a 1 per cent change). As we would expect, domestic demand would be greater by 3 per cent for 1983/84 and 6 per cent for 1984/85, than in the case of a continuation of the current world oil price of approximately \$31.50 per barrel;

(vii) for import compensation payments, the effect of the large drop in world price hypothesized (37 per cent) would more than offset any impact of the moderate increases in crude oil imports, and we could expect oil import compensation payments to drop by \$350 million over 1983/84 and \$225 million over the following year.

2. The Government monitors the energy situation closely and will continue to do so with the intention of making appropriate adjustments when the necessity and desirability of such actions become apparent.