

Canada Oil and Gas Act

As other members on this side of the House have mentioned, Canadians, through Petro-Canada or another Crown agency, will participate through the 25 per cent Crown share in the exciting new prospects that await all Canadians in the development of frontier lands. One member in the opposition has described this as confiscation without compensation. I would suggest that his statement is merely rhetoric without reality. The resources found on Canada lands are 100 per cent Canadian owned since oil and gas underground is 100 per cent Canadian. Surely it is not unreasonable to expect a 25 per cent share above ground when, in return for the 25 per cent Crown share, the government is giving a minimum 25 per cent cash grant for exploration costs to all companies, whether foreign or Canadian. For Canadian companies of at least 75 per cent Canadian ownership, the incentive is especially encouraging. The grant will increase to 80 per cent for every exploration dollar spent. In other words, the federal government will give a company 80 cents on every dollar spent.

The 25 per cent Crown share is nothing new. It recognizes and replaces the earlier practice of securing a 25 per cent back-in for Petro-Canada. By making the legislation applicable to all permit and leaseholders, we are giving expression to the laudable goal of equal and universal treatment. I might add that companies will have between six months and one year to renegotiate their current leases. If that is not sufficient time for a company and the government to reach a satisfactory agreement, then the company can opt for a provisional lease of up to five years. In essence, the 25 per cent Crown share is in fact a long overdue catch-up for the Canadian people. The taxpayers of this country have paid more than their share of the development costs to provide us all with energy security, which all Canadians have a right to expect.

I might further add that in a policy development as necessarily complex as that in the case of the 25 per cent Crown share in the frontier lands, there will be anomalies. It is our intention to explore, as we have already begun to do with some of the companies involved, any potential situations which would give rise to particular hardship, should such hardship arise unintentionally. It is not our purpose here today to speculate on such problems. I am sure that when we are at the committee stage of our proceedings there will be opportunity to hear those most directly involved in the industry and so benefit from their descriptions of anomalies or particular difficulties which may arise as a result of the legislation before us.

With regard to the development of the exploration permits in the north, should Petro-Canada decide that it is in the best interests of Canadians to become actively involved in production prior to the approval of leases for production, then Petro-Canada will, of course, pay its fair share of production costs, just like any other partner.

As part of our commitment to the greater Canadianization of the petroleum industry, we require by this legislation that companies in a production lease must develop a level of Canadian ownership of at least 50 per cent, including, of course, the Crown share which I have just noted.

● (1710)

The principal purpose of the bill is to encourage Canadian private oil companies to form a consortia necessary for offshore and frontier projects, and equally to encourage private foreign oil companies to enable Canadians to take part in their activities in the frontier lands. We seek from those foreign oil companies greater opportunities for Canadians to participate. The bill encourages large multinational corporations to share their experience and expertise with smaller, less experienced Canadian companies which will gain accordingly from their partners' universal experience. We believe that with the incentives which we are offering in this bill, Canadian companies will be better equipped to take a leading role in the development of our frontier resources.

The final aspect of our Canadianization objective is that companies which apply for exploration and development rights will be required to demonstrate how their operations will bring industrial and employment benefits to Canada. I believe that all of us on both sides of the House are conscious of the enormous benefits which will flow to every region of Canada through the further development of the energy sector.

We have been reminded, during the course of this and other debates, of the fact that the energy industry will act as a major motor for our further industrial development. In this bill, members will find a specific requirement for those participating in exploration and development in the Canada lands to seek the supply of goods and services from Canadian companies rather than from foreign or offshore companies. This means more jobs for Canadians and increased demand for Canadian goods and services.

I want to turn for a moment to the Petroleum Incentives Program which plays a major part in the encouragement of Canadian exploration and development in the frontier areas. Under the program, a generous cash allowance or grant for petroleum exploration and development expenditures incurred after December 31, 1980, will be available to all those entering the frontier areas. It is estimated that the incentives involved may amount to \$1 billion annually. These incentives are heavily oriented toward Canadians so that we can all, directly or indirectly, participate more in the development of our Canada lands. The incentives also are intended to replace the so-called super-depletion allowance of the past which the previous government had moved toward reducing and shortly thereafter toward eliminating altogether, and which we in this bill are doing as well. We are replacing the super-depletion allowances by the new Petroleum Incentives Program.

Under this program, enterprises which are at least 75 per cent Canadian owned will receive, as I noted, incentives ranging from 80 per cent of exploration costs on Canada lands to 25 per cent for development costs in the provinces.

The program is self-assessing, that is, industry will be able to calculate the incentives on their eligible expenses according to regulations. An applicant, who may be a corporation or an individual, may submit claims as soon as the program has been formally established by legislation. Eligible expenses under the program will be those incurred on oil or gas projects where the