

energy alternatives is increasing more rapidly in other industrialized nations where price increases have been keeping up with those in the international market. If economic incentives continue to favour conventional fuels and energy services, this will work to slow down the introduction of energy alternatives in the Canadian energy system. The strategy laid out in *The National Energy Program 1980* indicates, however, that government policy is now somewhat less concerned with protecting oil consumers and more with establishing Canada's petroleum self-sufficiency.

The real price of gasoline (in constant 1971 dollars) — which is a composite of wellhead price, transportation charges, refining and marketing costs, and federal and provincial taxes — declined in the postwar period until 1973, then stayed relatively stable until the late 1970s, and is now increasing (Figure 5-3). We pay about the same price for gasoline today as in 1955, in constant dollar terms. Anyone now driving a more efficient car about the same number of miles as then may actually be spending a smaller share of his income on gasoline.

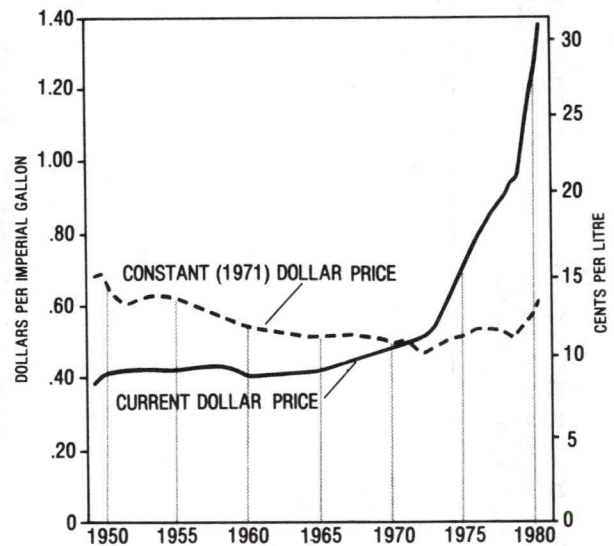
Despite the fact that Canada's reserves of natural gas increased in the 1970s, in contrast to oil, the price of gas has been increasing in step with that of oil. This has been the result of a policy decision in recent years to keep the price of natural gas at about 80% that of oil on an energy equivalent basis, as is indicated in Table 5-1.

The price of electricity in Canada has been rising in recent years as a result of higher rates of inflation and the dramatic rise in the cost of petroleum used for thermal-electric generation. The increased cost of borrowing funds for utility construction has also been of particular significance.

Prior to 1972, electricity prices were relatively stable in Canada (1.1¢ to 2.3¢ per kWh). Between 1973 and 1978, however, fuel costs per kilowatt-hour of electricity produced in fossil-fuel generation tripled. In the last several years, the overall rate of increase in electricity prices has been less than that of the cost of living in general and has been moderate compared to the Energy Price Index.

Electricity pricing has undergone extensive study in the past half decade. Electrical utilities generally have followed a practice of granting reduced rates to bulk power purchasers. Some have questioned this pricing arrangement, partly because it tends to discourage more efficient use of electricity. This and other aspects of electricity pricing were studied by the Ontario Energy Board between 1977 and 1979. The Board concluded that Ontario Hydro should continue to price electricity so as to cover accounting costs of operation. A pricing system has also been proposed whereby customers are charged less during those hours of the day in which

Figure 5-3: THE PRICE OF REGULAR LEADED MOTOR GASOLINE IN CANADA SINCE 1949



Source: Canada, Department of Energy, Mines and Resources, 1979b, p. 9; and personal communication, EMR, 1981.

Table 5-1: COMPARISON OF CRUDE OIL AND NATURAL GAS PRICES — ANNUAL AVERAGE

Date	Eastern Canada Gas Price (\$/Mcf)	Gas Price as a Percentage of Oil ^(a) (%)
1970	0.43	75
1971	0.43	70
1972	0.48	77
1973	0.49	67
1974	0.59	52
1975	0.88	64
1976	1.33	83
1977	1.58	83
1978	1.90	83
1979	2.06	81
1980	2.42	80

^(a) \$1 per Mcf = \$5.80 per barrel.

Source: Canada, Department of Energy, Mines and Resources, 1980e, p. 32.