Petroleum Administration Act

western crude as having an average value of $4 we have always tried to be clear that this average was struck with regard to oil at Edmonton. Embraced within this definition of oil is conventional crude, synthetic crude oil and two naptha-like liquids called condensate and pentanes plus which are most frequently blended in the crude stream which flows from Edmonton.

We have always tried also to be clear that this average if struck at the well-head broadly defined and not at Edmonton would approximate $3.85. The difference between these two figures represents the average gathering charges to move oil from its source to its major gathering points.

The Prime Minister (Mr. Trudeau) in his statement to the press on the evening of March 27, and in his statement to this House on March 28, made it quite clear that the agreement specified a $6.50 average well-head price. A further explanation of the details to the House generally was interrupted by hon. members, but the Prime Minister explained these to the Leader of the Opposition (Mr. Stanfield).

On March 28 Premier Lougheed announced his understanding of a $6.50 well-head price as involving an increase of $2.70, apparently basing his calculations on conventional crude prices alone. I regret that there was no consultation with us because quite frankly our own estimate of the amount needed to be added on to achieve a $6.50 average well-head price was $2.65. We recognize that a precise measure of this average is difficult to arrive at for the reasons I have already mentioned, though we would have liked an opportunity to consult further with Alberta officials in order to remove all misunderstanding. We have, however, acknowledged in this House that the difference between $2.70 and $2.65 arises from a misunderstanding, but it is not a point fundamental to the major policy understanding accepted by the premiers on March 27 last and, therefore, not an issue which we wish to press further at this time.

In summary then, all western crude and equivalent prices rose by $2.70 on April 1, leading to an average price of $6.70 based on Edmonton and $7.20 delivered in Toronto. Given our intention to zone the major markets in Toronto and Montreal for crude pricing purposes when the Sarnia-Montreal pipeline is in place, we are also employing $7.20 as the basic price in Montreal on which cost compensation will be paid. As the House is aware, I have asked the industry to refrain from passing on these higher crude costs in higher product prices until a substantial proportion of their lower cost inventories have been worked off. In 45 days, however, product prices may be expected to rise by approximately eight cents west of the old Ottawa Valley line and three cents east of that line to establish approximate product price equality in Montreal and Toronto on that date.

First ministers also agreed that the federal government should receive all of the proceeds from export charges on oil in order to permit it to provide the substantial amount of cost compensation which will be required in eastern Canada to maintain the one-price concept. In committee, I shall provide this House with estimates of the sums involved.

I would note at this time that the petroleum export charge section of the legislation before us today proposes the levy of an export charge on both the broad definition of crude oil as defined under the Export Tax Act and on oil products to be specified by regulation. The absence of a charge on products has meant that exports in that form have not borne their share of taxation. Now that an agreement has been reached for 12 to 15 months and the major principles of a national oil policy have been laid in place it is important to move to close this possible loophole of tax avoidance.

Finally, I should like to give the House notice that I shall be moving in committee to amend the $4.20 export charge for April to read $4. The $4.20 recorded in the legislation was arrived at when we were basing our calculations on the averaged price for oil at Edmonton. These calculations will now be made on an averaged well-head price which does not include transportation charges for delivery to Edmonton.

Part II of this act entitled "Domestic Oil Price Restraint" legislates a federal authority over crude oil pricing in interprovincial and export trade and provides the mechanism by which the agreement reached with the provinces can be ratified by the federal government.

Part III of the act, which we do not intend to proclaim at this time, provides a solely federal mechanism for maintaining control of crude prices in interprovincial and export trade should it at some time be required. This could happen if challenges to provincial legislation by private litigants, like those now in the courts, are successful or in other ways such as the failure of agreement on prices in the future. In these or similar eventualities it will be essential to have a federal mechanism which can take the place of provisions under Part II.

Parts IV and V set forth the terms, conditions and measures by which the Energy Supplies Allocation Board will act as the government's agent in administering the import cost compensation program. As the House is aware, shipments of crude oil eligible for compensation into early March have been covered by supplementary vote in the fiscal year 1973-74 and the program is being administered by my department. The legislation before the House today provides a transitional mechanism to permit the Energy Supplies Allocation Board to assume obligations arising out of the first quarter but not covered by the supplementary vote.

The governor in council will this week approve regulations with regard to the earlier period which will limit the amount of compensation that will be paid for identifiable increases in post-government taxes, increased bunker costs of transport and a provision for retroactive increases in cost which may occur as a result of increasing host government ownership of the producing companies.

It is the government's intention, as will be clear from the legislation, to embody this same set of principles in providing compensation after April 1. I would remind the House that at the present time the federal government has no power, nor does it intend to seek power, to control product prices down to the retail level. Several provinces have already acted to cushion the effect on consumers at the retail level. Nonetheless, extensive monitoring and auditing provisions are provided under this legislation to ensure that refiners who receive compensation are follow-

[Mr. Macdonald (Rosedale).]