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Canadian priorities in the development of the oil sands

Canadian priorities in respect to development of energy resources, particularly the Athabasca oil sands, have been a matter of considerable public discussion recently.

Prime Minister Trudeau said in his opening statement at the First Ministers' Conference on Energy recently: "If we are not...within a few short years, to be at the complete mercy of the international market, we must move at once to develop our frontier and non-conventional oil resources as rapidly as possible. These sources may well be in part off our Eastern coasts and the Far North, but the largest and surest source of our self-reliance lies in the oil sands of Alberta." The Prime Minister emphasized that the development of the oil sands would be far more expensive than the development of conventional sources had been in the past. However, Canadians would have to face this challenge "in our search for self-reliance" and, consequently, would have to accept higher prices to assure "an adequate supply for future generations, at a price certainly no more and probably less than most of the world will have to pay".

Meeting domestic demand

With the projected decline in conventional Western Canadian production in the early 1980s, Canada will be faced with supplementing its conventional sources with non-conventional production or large-scale exports to meet domestic demand. During an interview in Washington, where he was attending the February 11 Energy Conference, the Secretary of State for External Affairs, Mitchell Sharp, pointed out that the oil sands would play an important part in the Government's policy to achieve self-sufficiency. Mr. Sharp cautioned, however, that many technological problems would have to be solved before large-scale production from the oil sands could be brought on stream, particularly the development

of an *in situ* technology which would allow the exploitation of the 85 percent area of the sands which cannot be surface mined. Both the Federal Government and the Alberta Government (together with private companies) have committed funds for research and development of the necessary technology.

Effect on the economy

Such development is only one of the problems which Canada faces in exploiting the oil sands. Social and economic dislocation and environmental problems will also have to be overcome. Mr. Sharp has pointed out that a large inflow of foreign capital which would be necessary for rapid development would have a severe effect on the economy. Concern has also been expressed about possible adverse effects on the balance of payments, upward pressure on the dollar and distortion of present Government-designated areas of concentration for economic expansion such as the manufacturing sector if rapid development of the oil sands were to take place.

Discussions continuing

Both Mr. Sharp and the Minister of Energy, Mines and Resources, Donald Macdonald, have emphasized that Canadian priorities would not be sacrificed to achieve rapid development of the oil sands. Mr. Macdonald has stated in the House of Commons that discussions were continuing with the Province of Alberta "but the tempo of development we would seek for the oil sands, given the increased demand in Canada in the next decade, would not, as we see it at the moment, leave much available for export".

Neither Mr. Sharp nor Mr. Macdonald excluded the possibility of foreign investment, and they agree that such investment will be necessary. But it would be welcome only if Canadian priorities are respected.