

1973. First, a state corporation might be required to assure the security of imported oil supplies. Second, the government's "need to know" the extent and cost of Canadian oil and gas reserves was in conflict with the normal commercial behaviour of the private oil sector; a national oil company under government control could discount the future differently and thereby satisfy the goals of public policy... (Pratt, 1988, pp. 159-160)

...While the option of moving later into refining and marketing was not ruled out, the corporation sketched out by Liberal energy advisors in late 1973 was not intended to displace the private oil sector. Nor was its principal objective to "Canadianize" the oil industry. Its main function would not be that of a rent collector, since to be an efficient rent collector it would have to hold a monopolistic position in the industry – and this had been rejected. Rather, its initial mandate would be to pursue self-sufficiency by accelerating the *timing* of high-risk exploration and development; by supplementing the market-generated rate of frontier exploration and by encouraging joint ventures with private capital, the national oil company would attempt to redress the problem of underinvestment caused by the excessive discount rates of the petroleum industry. Because a Crown corporation could afford to use a lower rate of discount than a private enterprise, its investments in exploration and research could be undertaken without a commitment to the early production of discovered reserves. By thus severing the commercial link between exploration and production, it was hoped to increase the domestic reserves-to-production ratio, giving Canada an increased capacity to withstand a shortfall in world oil supply. (*Ibid.*, pp. 164-165)

In its first annual report, the new Corporation acknowledged its mandate to further three government objectives (Petro-Canada, 1977, p. 4):

- to increase the supply of energy available to Canadians;
- to assist the government in the formulation of its national energy policy; and
- to increase the Canadian presence in the petroleum industry.

Shortly after Petro-Canada was incorporated, the Crown's 45% share of Panarctic Oils Ltd. was assigned to it at a book value of \$78.1 million. In April 1976, Petro-Canada was given the federal government's 15% share in the Syncrude oil sands project and assumed the government's participation in it. The book value of the transfer was \$93.8 million and additional financing during 1976 brought the investment in Syncrude to \$170.4 million at year-end. The Corporation's ultimate contribution to Syncrude's estimated total construction costs of \$2.1 billion was expected to reach \$315 million. Petro-Canada also entered the Polar Gas Project, honouring a government commitment. Begun in 1972 as a research consortium, the Polar Gas Project was investigating the feasibility of transporting Arctic Islands natural gas to southern markets, and Petro-Canada put \$7.0 million into the Project in 1976.