ing the Crown share, is an instrument designed to ensure that exploration and development of the resources in the Canada lands go forward rapidly.

Novelty has apparently resulted in some confusion. As illustrated in the program, there will be a 25 per cent federal cash incentive grant available to all explorers to offset the 25 per cent Crown share. This grant means that the government will be paying, and ultimately the taxpayer will be paying, its own way. Quite simply, the Crown share will not be a free ride. There is also no discrimination of foreign companies; the 25 per cent cash incentive is available equally to all.

Moreover, if the designated Crown operation converts to a working interest during the exploration stage, the government, in effect, pays almost twice for its interest during the balance of that stage. The private interest holder will continue to receive the minimum 25 per cent exploration grant in respect of his 75 per cent interest, while the Crown corporation will pay for 100 per cent of its working 25 per cent interest.

● (1700)

Between these two sources of funds, nearly 44 per cent of exploration costs will be met by or on behalf of the federal government. In this light, it is easily seen that the federal government is providing generous encouragement to firms with interests in the Canada lands. Not only is the government prepared to pay to all the minimum of 25 per cent in direct grants to cover exploration costs, but it is also prepared to pay up to 80 per cent in such grants, depending on the level of Canadian ownership.

Those who would criticize these measures should also consider that income tax rules continue to provide substantial indirect subsidies for many companies. The after tax, after grant costs of frontier exploration is greatly reduced as a result of the provisions of the National Energy Program. For example, Canadian companies will have net exploration costs as low as seven cents on the dollar. For others, the cash costs of a dollar expended on Canada lands exploration will be no more than 28 cents.

Against that background, let us consider the "back-in" share. Concerning application of the 25 per cent Crown share to oil and gas rights issued before the passage of the new act, there is a significant difference between the current Canada lands regime and the proposed package in Bill C-48. Under the current regime, holders of exploration rights are required to return to the Crown at least one half of their acreage, which could in certain cases involve up to 30 per cent of their discoveries, prior to obtaining production rights.

It is difficult to understand the argument of those who contend that the current regime's provision for return of acreage does not pose burdens to those exploring. If this were indeed the case, then why have explorers, in several cases, opted for special renewal permits on their entire acreage, thereby accepting a 25 per cent Petro-Canada back-in? They could have chosen to move directly to lease, thereby yielding up one half of their acreage, but avoiding a Petro-Canada back-in. They could have chosen to move directly to lease, thereby yield up one half of their acreage, but avoiding a Petro-Canada back-in.

Under the legislation before us, holders of exploration rights will not face this situation. They will be allowed to retain production rights to the entire area of an oil or gas field.

The Canadian taxpayer has long been assisting petroleum companies in meeting their expenditures in the frontier regions. Through taxpayers' dollars, Canadians have been funding much more than one quarter of frontier exploration and development costs. It has been common for more than 90 cents of an exploration dollar to be covered by the contributions of the Canadian taxpayer. It is an understatement to say that federal tax incentives have been generous.

There is no doubt that Canadians own 100 per cent of the Canada lands and the oil and gas resources beneath. Private companies are allowed to explore and develop these resources, but on the clear understanding that, as landlord, the federal government can set a regime which is appropriate to the circumstances. Of course, this situation is not unique to the Canada lands. It is the common prerogative of all governments having the responsibility of managing a nation's resource heritage.

There is no basis for charges of confiscation without compensation. The new system, including the 25 per cent Crown share, supersedes the existing regime in every respect. The only exception is in the case of fields which are already in production, for which, as I have said, existing terms will remain in force even after the passage of this bill. The government is satisfied that the proposed regime is equitable in every way. Nevertheless, to dispel any contrary concerns remaining on the part of those who have been critical of the 25 per cent Crown interest provision, we have proposed reimbursement of actual exploration costs already incurred. In that spirit of compromise, we introduced amendments to provide payments in respect of 25 per cent of expenditures made up to the end of 1980 in respect of any petroleum discovery which results from a well prior to that date and which qualifies to be declared a significant discovery prior to the end of 1982. Qualifying expenditures will be determined on the same basis as those eligible for inclusion in the calculations set out for the progressive incremental royalty elsewhere in the bill.

These payments will be made from the Crown share of production. To reflect the value in time of qualifying expenditures, they will be escalated at the rate of 15 per cent annually up to the end of 1980. We shall then pay 250 per cent of this escalated value of eligible expenditures as a first claim on the commercial production attributable to the Crown share. This factor of 250 per cent will ensure that these payments will retain a real dollar value in relation to the past expenditures covered, even if commercial production does not arise until the latter part of this decade.

The provisions for exploration and development on the Canada lands are fair to all interests; but as I mentioned earlier, one emphasis of our program is to reduce foreign holdings in our oil and gas industry to 50 per cent by 1990. This would still leave half of our country's most important