

Price of Petroleum

The motion itself reads:

That it is expedient to amend the Petroleum Administration Act to provide that, effective midnight, July 11, 1980, the charge imposed, levied and collected on

- (a) each barrel of domestic petroleum received for processing or consumption in Canada, and
- (b) each barrel of foreign petroleum or petroleum product imported into Canada for processing, consumption, sale or other use in Canada
- (c) in any month shall be in such amount, not exceeding one dollar and seventy-five cents, as may be prescribed in a tariff of charges for that month made by order of the governor in council.

As the hon. member for Calgary Centre (Mr. Andre) noted before in his point of order, this amends a similar provision in the Petroleum Administration Act which contains similar features.

Pursuant to that ways and means motion, I have today sent a notice to all refiners in the oil industry in general advising the industry of the tabling of this ways and means motion. According to parliamentary tradition and precedence, I am asking the payers of the levy, essentially the refiners, to remit on this basis pending parliamentary approval.

● (1700)

As was usual in the past when such increases have taken place, if approval is not obtained, we have a ways and means motion asking the House for increases in payments by the public or parts of the public. If approval is not obtained by the government from Parliament, the excess money collected will be refunded.

With regard to the increase in the levy, as I indicated this morning when we were debating the question of privilege and we had the opportunity of going a little outside the strict ambit of the question of privilege, the impact is to increase from \$1, which was set at the ceiling in the Petroleum Administration Act, to \$1.75 the charge on every barrel of petroleum, domestic or foreign, that is processed in Canada.

The charge itself is put in the amendment, as in the act, as a maximum. It is set by order in council on a monthly basis according to the necessity of providing the necessary funds to cover the petroleum compensation revolving fund about which I would like to say a word. The petroleum compensation revolving fund represents a charge on the consolidated revenue fund. As I indicated in the debate on the question of privilege, it is used to pay the additional price that is paid to the two companies in Canada, Syncrude and Suncor, which exploit tar sands and produce oil from the tar sands. At the present time that charge is the difference between roughly \$37 and \$14.75.

As hon. members know, those companies are now producing at a record rate, for which we are very happy. We hope this type of production will continue in the future. After having met some difficulties in production in the latter part of last year and the beginning of this year, Syncrude is now announcing record production and the Suncor plant is producing at full capacity.

The fund at the present time is in the red by roughly \$75 million. In order for the fund to break even at the end of this fiscal year, it will be necessary to add this additional charge of

75 cents a barrel. It is expected that at the end of the fiscal year the fund will have broken even. It is then a matter for the government to adjust the levy according to the needs for the fund in order to ensure that the revolving fund is not unduly in deficit.

As hon. members know, this process has been in operation since at least July, 1978. Various adjustments have been made to it since. Adjustments were made in July, 1978, January 1, August 30 and November 1, 1979, and April 1, 1980. In the space of the last two years, there have been five different adjustments to this levy rate in order to collect the funds necessary from the general consumption of petroleum in order to raise the money necessary to compensate what is owed to Syncrude and Suncor.

Certain questions were raised in the debate this morning about the impact on the provinces and the oil industry. I want it to be quite clear that by this particular measure there is no impact on the industry or on provincial revenue or expenditures as far as that is concerned. There is an agreement at the present time with the oil sands companies to the effect that the government is paying the international price for their production. A couple of months ago, I served a notice of intention to invoke a *force majeure* clause under the agreement with Syncrude and to invoke a general clause for review of the fees with Suncor. I also indicated at that time that while our negotiations were being carried on with the producing provinces, the tar sands companies would continue to receive the international price. This has been going on since notice was given. It will continue until there is a resolution of the present discussions that are taking place.

One thing is quite clear. The companies under any account or regime will be receiving appreciably more than what is being paid for conventional oil even if they were not receiving the international price. Therefore, there will continue to be a need for some form of revenue collection by the federal government in order to raise the funds necessary to pay to those companies the difference between whatever price will be arrived at for conventional oil, and what price will have to be paid for tar sands oil.

As far as the provinces are concerned, in this particular case the province of Alberta, whatever royalty is owed is owed under the terms of the agreement, whether the federal government has the money in the fund for it or not. If it does not have it in the revolving fund, it has to get it from the Consolidated Revenue Fund and pay it out of general taxpayers' money.

A point of order was raised this afternoon by the hon. member for Calgary South about payments to the government of Alberta. I have checked and it is true that up until now Syncrude has not paid royalties to the government of Alberta. The accounting is not completed but it is expected that this year Syncrude will be in a position to start paying royalties to the government of Alberta.

With regard to the second plant, Suncor, that plant pays to the government of Alberta 13 per cent of its revenues. I am told this is roughly equivalent to about \$5 a barrel on its