

Pemex, the Mexican national oil company, to provide Petro-Canada with up to 100,000 barrels per day of crude oil.

This deal proved problematic. That is a way of saying it was a disaster. As it was largely in excess of Canadian demand for that quality of imported crude oil, the deal was eventually modified to reduce the volume of purchases by Petro-Canada and then it was allowed to elapse, which is another way of saying that we finally wriggled out of it. In fact it became clear during this period that many of the original public policy purposes for which Petro-Canada had been established were no longer as important as had once been thought, if they ever existed at all.

When the present government came into office in 1984, it was at a time of significant change in international energy markets. The higher energy prices of the 1970s and early 1980s had provoked some structural changes in the world oil market. Conservation and substitution away from oil had reduced total oil demands sharply, and many new sources of oil production outside OPEC had come onstream. In Canada the government also committed itself to a more market oriented energy policy based on confidence in the ability of competitive market forces to produce good results in terms of prices, investment, trade, and growth. These changed and welcome circumstances required a different role for Petro-Canada.

The government was also convinced that a different approach was needed for the energy sector. It was clear that the public interest in energy supply development did not require public ownership of an oil company. Many of the investments in frontier exploration that Petro-Canada had made, largely financed by direct federal incentive grants, had not yet led to commercial production. The expansion of supply and of Canadian investor participation in the industry could be better assured through establishing a stable and favourable investment climate. It was clear too that the window on the industry role was unnecessary, as the information needed by the government for energy policy formation was readily available from other sources. Generally it became apparent that

direct state intervention in the domestic oil market was often non-productive and excessively costly for taxpayers.

Accordingly, in early 1985 the government gave Petro-Canada a commercial mandate. This mandate required the company to operate on a competitive basis in accordance with good industry practice. The corporation was expected to arrange its operations and investments in such a way as to increase the value of the shareholder's equity and earnings. Petro-Canada has done so largely at arm's length from the government with policy guidance provided only in general terms through the annual review by cabinet of the corporation's corporate plan and capital budget. In short, Petro-Canada has been subject to most of the same disciplines and expectations as are imposed upon private companies operating in a commercial environment, save one: the necessity of having to face the market to raise its capital.

Members of this House will not find it difficult to agree that Petro-Canada remains the pre-eminent Canadian company in the oil industry. While this government has been in charge it has, as Petro-Canada's shareholder, looked to the company to play a strong and positive role in the industry, investing in projects that make commercial sense and stimulating activity that is of broad economic benefit across the country.

Since this new mandate was given, Petro-Canada has remained an active investor in the oil and gas industry. It has participated in the offshore Terra Nova oil discovery, acquired Gulf Canada's refining, marketing and distribution assets, and announced its intention to diversify its activities through all phases of the hydrocarbon value added chain. It has continued with its partners to negotiate terms and conditions which would permit the development of its megaproject interests on a commercial basis.

[*Translation*]

**The Acting Speaker (Mr. DeBlois):** Order, please. I am sorry to have to interrupt the hon. member. It being five o'clock, the House will now proceed to consideration of Private Members' Business as listed on today's Order Paper.

### *Government Orders*