

A DEVELOPMENT FOR THE 1990s

Notwithstanding the difficulties that the project sponsors have experienced in convincing the federal government of the merits of government support, we believe that serious review of this worthy project proposal is warranted. As has been outlined, the Synfuels project could provide important socio-economic, technological, regional and environmental benefits to Canadians.

A number of developments have occurred since November 1990 to render the project more enticing to federal officials. According to Scotia Synfuels, the economics of the project have been enhanced, with lower feedstock costs achieved through the successful negotiation of a net back-pricing arrangement with the Venezuelan supplier of heavy crude, and higher revenues to be achieved through modifications in project design. Pre-tax rates of return for the project are now deemed by Scotia Synfuels to be entirely adequate when compared with industry norms, even without access to the 30% SITC, for which eligibility has been confirmed by the Department of Industry, Science and Technology.

With the project proposal reconstituted as mentioned above, there will also be less financial risk for the government to face. No longer will the government need to guarantee any private borrowings, nor will annual interest buy-downs be required.

Even if one rejects the economic analysis done for this project by Scotia Synfuels and contained in its most recent funding proposal, and one concludes that the project is not economically attractive given today's climate, economic factors alone should not always dictate our national decision-making. The evidence is quite clear that there are very significant social benefits to the country from this project going ahead. Energy security, regional development issues and environmental factors are important political considerations, and should be incorporated into a comprehensive social cost-benefit study. The Energy Options Advisory Committee provides us with wise counsel on this matter:

Canada's energy should be developed and used to its economic potential, to provide growth and prosperity for Canadians today and in the future. ... Environmental goals should be accorded the same importance as other economic and social goals in the planning, development and use of energy. ... Commitment to research, development and management of technology is critical to enhancing Canada's energy choices and environmental quality into the 21st century.³

³ Energy, Mines and Resources Canada (1988), p. 13, 55, 103.