

Excise Tax Act

Now, if the PIP grants are done away with, certainly the companies that are going to be hurt most are the Canadian companies who have exposed their companies to this activity. And if those grants are done away with, they are going to feel the pain the most.

Mr. Speaker, Canadian ownership of the oil and gas industry is up from 28 per cent to 38 per cent in three years, a good beginning toward our objective of 50 per cent Canadian ownership by 1990. Substantial progress has been made in the frontier element of our Canadianization thrust. While in 1980 the frontier landscape was dominated by relatively few multinational firms, we now have an impressive array of private Canadian companies involved, as well as a strengthened Petro-Canada. Canadian companies held only 38 per cent of frontier land in 1980. Under the new arrangements, they can earn up to 60 per cent under conditions that are fair to all companies, foreign-based or domestic.

However, the shift goes beyond ownership, Mr. Speaker. Several of the new farm-in arrangements envisage the Canadian companies being or becoming over time the operators of the exploration venture. Home, Husky and Bow Valley are among the Canadian frontier newcomers who have taken their place in the ranks of operators, building up a substantial group of Canadian companies able to operate for the first time in and compete for lands in both the offshore and in the north. The Canadianization effort is at the same time supporting our energy security and economic development objectives. For example, developments offshore Nova Scotia, heavily supported by PIP grants, have opened up new economic opportunities for that province as service and supply industries migrate to the area and planning proceeds toward Sable Island gas production during this decade. The number of wells drilled in the East Coast offshore quadrupled in 1983. All of them involved Canadian companies.

Oil demand, Mr. Speaker, a key to achieving energy security, has fallen dramatically. Starting from a level of 1.5 million barrels per day in 1972, oil demand peaked in 1979 at 1.9 million barrels per day. In 1983, some four years later, domestic demand has fallen to 1.4 million barrels per day, despite a slight increase over the period in gross domestic product. Thousands of Canadians, many of them aided by federal off-oil grants, have contributed to this dramatic shift, one which few outside our Government believed could be achieved. Now few will believe that oil demand will rise significantly over the rest of the decade. Net oil imports have fallen from over 300,000 barrels a day in 1979 to zero in 1983. Our overall energy trade surplus, some \$3.9 billion in 1979, reached \$6.3 billion in 1982. Drilling for oil increased by more than one half in 1983 to a new record level. It will continue to increase if the host provinces play a supportive role. New federal and provincial incentives have spurred enhanced oil projects, expansion at Syncrude and Suncor, and *in situ* tar sands development. In 1983, oil production increased for the first time since 1979.

Finally, while some critics continue to talk of a "federally-imposed fiscal regime", more knowledgeable observers are aware that the current regime was the result of federal-provincial agreements. The negotiations required compromise on

both sides. The objectives of the National Energy Program, however, were preserved and federal-provincial jurisdictions respected. There is a new balance in the relationship between the Governments of the producing provinces and the federal Government.

In the old days, Mr. Speaker, the producing provinces largely left to the federal Government the burden of providing incentives to the petroleum industry while they took the lion's share of the revenues. As is only fair, the producing provinces continue to receive a substantial portion of the total revenues, but there is a new attitude of partnership when it comes to providing fiscal incentives such as those offered to the Cold Lake and Wolf Lake projects. This is an approach which bodes well for the federal-provincial relations and the future of the oil and gas industry. I hope that our provincial colleagues share this view, recognizing that there must be no reversion to the old unbalanced system.

● (1610)

The past few years have seen a major change in the Canadian petroleum sector and the world-wide environment affecting it. Our policies are designed to facilitate that change while ensuring success in our efforts by recognizing and accommodating changes, both domestic and international. The Bill before the House today is a good illustration of how we have responded to altered circumstances by helping and encouraging the industry and its activities.

Miss Pat Carney (Vancouver Centre): Mr. Speaker, Bill C-14 basically provides much needed royalty relief for Canada's energy sector. I listened with a great deal of interest to the Minister's comments on this legislation. While I have respect for the Minister, who is new in his job, I can only say that he clearly does not know much about the energy field. He clearly does not understand the nature of the legislation with which he has been dealing. Otherwise, he could not have given this House such a pathetic defence of a destructive piece of legislation. For instance, he lists all the reasons why oil prices have decreased and all the reasons why this royalty relief is necessary. He talks about the decrease in oil prices and the recession. He fails to mention that the major reason this royalty relief is needed is that the NEP was so badly based on a forecast of rising revenues and so out of tune with the realities of the world that this kind of band-aid approach has had to be implemented.

The Minister talks about the fact that investment in Canada has dropped less than investment abroad. He fails to understand the drilling exploration arrangements that are made between the Government and the contractors which force companies to maintain their exploration programs in order to hold their land. I could go on and later in my speech and I will return to these points.

I am always amused at how the Government, in discussing the national energy policy, continually tries to imply that it has produced major developments, such as Hibernia and Sable Island, which of course preceded the introduction of this Bill. In fact, the Government's only contribution to those major