National Energy Program

These measures to assist the industry are valued in the hundreds of millions of dollars.

In addition, the Alberta government announced last April a $5.4 royalty reduction as part of its commitment under the September agreement. We welcome these adjustments but it is clear that additional steps are required. Tonight the Government of Canada is taking those steps to ensure the progress that I have described, is sustained in the months ahead.

Mr. Clark: You are resigning!

Mr. Lalonde: First, the government will assist in further reducing the level of shut-in oil in Canada. Second, the government will strengthen the petroleum industry to expand exploration efforts. Third, the government will accelerate the use of natural gas as a substitute for oil. Fourth, the government will freeze the natural gas and gas liquids tax at its current level for the remainder of this year. Fifth, forecasted increases to the petroleum compensation charge in 1982 are no longer required, thereby further constraining consumer prices.

This evening I have tabled a full description of these measures. However, I should like to draw your attention to the more than $2 billion offered tonight to stimulate an active and aggressive petroleum industry.

The basic petroleum and gas revenue tax rate will be reduced from 16 per cent to 14.67 per cent for the period June 1, 1982 to May 31, 1983. This will result in an effective tax rate on production revenue of 11 per cent after the resources allowance deduction, already available, is included.

In addition, the incremental oil revenue tax on conventional oil will be suspended for the period of June 1, 1982, to May 31, 1983. The wellhead price on oil discovered in the period after 1973 and qualifying for provincial royalties at the new oil rate but not in receipt of the new oil reference price, will rise on July 1, 1982, to 75 per cent of the current world price. After July 1, the price will remain at this level, subject to a ceiling of 75 per cent of world price, until the price of conventional old or pre-1974 oil reaches this level. Thereafter, all oil discovered before 1981 will again be treated in the same manner for pricing purposes.

An annual small producer's credit will be offered of up to $250,000 against the PGRT liability of corporations on their production revenue. This credit, which will be available to offset taxes on revenue earnings after May 1, 1982, will be of particular benefit to hundreds of small producers who will not pay any PGRT. We estimate that less than 100 of the largest firms will pay PGRT. The net gain to the industry will be about $900 million between now and 1986.

The new oil reference price will be extended as of January 1, 1983, to existing tertiary projects which pay royalties no higher than those applicable to new oil. The Government of Canada will be prepared to provide earned depletion to tertiary recovery projects subject to agreement with the provinces on appropriate levels of royalty relief and provision of data indicating the justification for such support. Eligibility for earned depletion of very large projects, that is, involving more than $100 million, will be considered on a case by case basis.

The new oil reference price will be extended, beginning January 1, 1983, to all experimental projects which pay a royalty no greater than 5 per cent of gross revenue. The new oil reference price will also be extended as of January 1, 1983, to oil wells that have been suspended for a period of at least three years, provided the production from those wells qualifies for new oil royalties.

The rate of PGRT on production and royalty income arising from synthetic oil production from integrated oil sands plants will be reduced from an effective rate of 12 per cent to 8 per cent between January 1, 1983, and December 1, 1984.

These are the main measures applying to the oil and gas industry. They more than restore the industry's share of the revenue pie. Between 1975 and 1980, the industry's so-called golden period, it received 45 per cent of a smaller pie. We estimate that with these measures and those that were announced by Alberta in April, the industry will get 46 per cent of a much bigger pie between now and 1986. Energy development is the engine for economic growth, and we are determined to ensure that it remains so. These measures will restore full health to the oil industry, thereby stimulating greater economic development for Canada and jobs and investment opportunities for Canadians.

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When Premier Lougheed announced his government's royalty deductions in April, he was concerned that some of the revenues intended for the industry would flow to the Government of Canada. The measures I have announced tonight show that this is simply not the case. In fact, the Government of Canada is providing more than $2 billion in additional benefits. Approximately $300 million will go directly to the Government of Alberta. I would like in turn to urge Premier Lougheed to return at least some of this gain to the oil industry, especially to promote existing tarsands plants and their development. The Government of Saskatchewan has announced its intention to reduce provincial royalties. This is a welcome, indeed a long overdue, complement to federal action. The government of British Columbia is reviewing its take from the industry and I hope for positive results as quickly as possible.

The penetration of natural gas into oil markets is an exciting success story in Canada. To ensure that it remains a success we are announcing a series of important measures tonight. In the National Energy Program the Government of Canada committed itself to the extension of natural gas service into the maritimes. This commitment remains unqualified.

Since the introduction of the NEP two important developments have occurred. First, important progress has been made with regard to Sable Island natural gas, which may be available as early as 1987. Exploration successes suggest that sufficient reserves will soon be proved to support a pipeline to the mainland. Also, the Government of Canada and the Government of Nova Scotia reached an agreement which encourages rapid commercial development of this resource.