

statement of any changes the committee recommends. The Member will thus appreciate that in addition to a very comprehensive system of oversight, there exists an opportunity to review the Act and to remedy any shortcomings it may have.

ENERGY—FEDERAL NEWFOUNDLAND AGREEMENT. (B)
GOVERNMENT POSITION

Mr. George Baker (Gander-Twillingate): Mr. Speaker, I am very pleased to see a spokesman from the Government here this evening who, I am sure, will give an answer on behalf of the Government regarding its position as it relates to the very important question which I directed yesterday to the Prime Minister (Mr. Mulroney).

I asked the Prime Minister about Section 54 of the Atlantic Accord signed between the federal Government and the Government of Newfoundland. That section of the Accord says that they will supply oil as existing feedstock to industrial enterprises in Newfoundland. The point is there is no industry in existence in the Province of Newfoundland today that takes oil as feedstock. We do have two closed-down oil refineries.

The second part of the section is the one that I dispute. It states that no new industry can be opened in Newfoundland to take that oil from the offshore unless it is in excess of the feedstock requirements of existing industrial capacity in eastern Canada. In other words, a legal interpretation of eastern Canada as far as the oil industry is concerned is, first and foremost, the Province of Quebec, then the Province of New Brunswick and then the Province of Nova Scotia, when looking at total capacity.

• (1810)

The Prime Minister responded by saying that he would perhaps look at that Section to see if there is anything wrong with it. To the second part of my question, he then gave me a rather political answer. He responded by saying that even the Liberals in Newfoundland were turning over to the Conservative side and that the Government of Newfoundland was overjoyed with the agreement. The point is that I am not overjoyed with that Section of the agreement. In fact, all in all, I believe it is a very poor agreement.

I am glad to see that the Parliamentary Secretary is here to give the Government's answer to this question. The point is that when we examine the existing industrial needs of eastern Canada as far as offshore oil is concerned, we discover that they are one-third of the total capacity of all of Canada. When we look at what is used, with the offshore operating at about 50 per cent capacity, and we consider the needs of all of Canada, on the basis of a billion barrels of oil in the offshore of Newfoundland it would take two and a half years to use up the oil that has presently been identified in the offshore. If we look only at the needs of eastern Canada, it would take some six years to use up the oil if it was all taken out of the ground at the same time. Knowing that the Government of Newfoundland will have a 20-year plan, we come to the stark realization that there will be no excess capacity in eastern Canada.

Adjournment Debate

When I mentioned that one-third of the total Canadian capacity, production and usage was in eastern Canada, I was not referring to the mothballed refineries in Montreal and the Province of Nova Scotia. As well, I was not taking into account the 16 petrochemical industries in the Province of Quebec.

The way the Section is worded means that for all time, any resources taken from the Continental Shelf off Newfoundland must go to existing industrial needs in eastern Canada. In other words, we would receive monetary benefits in the short term from the offshore with a gradual reduction in equalization payments. However, once we are into year 9 or 10 of production, if it ever comes on-stream, there would be no benefits at all as far as equalization goes. It would balance out over a 20-year period and we would be back relying on equalization, although not as heavily as we do at the present time given the fact that the present figures as announced yesterday are \$605 million per year to Newfoundland.

The other point I wanted to mention is that there is a way out for the Government of Newfoundland, and there is a way out for the Government of Canada. They could save a little bit of face and at least do something to give a smidgen of industrial benefit from oil to Newfoundland. This could happen if they were, for example, to reopen the Come-By-Chance oil refinery or to work with Ultra Mar on reopening the partially dismantled Holyrood refinery.

It is alarming to me to realize that Petro-Canada, the company that owns the refinery at Come-By-Chance, has been carrying out extensive renovations, expansions and improvements to its refinery in Montreal. It is also alarming for me to realize that Ultra Mar, the company that closed down the Holyrood refinery in June, 1983, was carrying out the same type of extension and expansion in a place called St. Romuald, Quebec, a plant which has a capacity of up to 19,000 cubic metres or about 140,000 barrels per day. Those same two companies that closed down oil refineries in Newfoundland were spending millions and millions of dollars to upgrade their refineries in the Province of Quebec.

The point is that this Section of the agreement has to go, because 15 years down the road when we have no monetary benefits from the offshore, a businessman will not be allowed to establish an industry in Newfoundland that will take advantage of offshore oil. That is important to future generations. I would not want in 15 years' time to have a song in Newfoundland which says, as far as the oil is concerned, "Poor old Newfoundland. They got the oil and we got the shaft." I am anxious to hear the official response of the Government, by the very able Parliamentary Secretary to the Minister of Energy, Mines and Resources Mr. McDermid to this very very important question.

• (1815)

Mr. John McDermid (Parliamentary Secretary to Minister of Energy, Mines and Resources): Mr. Speaker, I always enjoy listening to my hon. friend from Gander-Twillingate. He has got a way with words. I will set his mind at ease as well as