

extra for each barrel of oil is distasteful. But the Committee recognizes that price increases will take place and that higher energy costs are inevitable.

In Canada today, oil prices are not based upon the cost of production alone but are regulated at a level below the international price. Energy consumers are thus protected both from high world prices and from sudden changes in those prices. Since the pricing of other energy commodities is linked, either directly or indirectly, to that of oil, Canada's energy system as a whole is governed by politically-determined oil pricing decisions. As the international price increases and as the domestic price rises towards it, as intended in present policy, the prices of other energy forms will also increase.

Along with the direct effect of higher energy prices on budgets, there will be inflationary impacts as these prices work themselves through the entire economy, raising the cost of living for all Canadians. Those Canadians who cannot adjust to the reduction in their disposable income that will come about because of higher energy costs will have to be protected. The shotgun approach to subsidizing lower-income Canadians through regulated oil prices is considered unwise by some, though, not only because this promotes the consumption of oil, which is perverse under present circumstances, but because it gives all oil consumers a subsidized ride. The point is made that higher energy prices are not the only cause of poverty and it is unreasonable to expect energy price regulation to improve or significantly worsen this perennial social problem. Better tools than price regulation exist for redistributing income.

In the transition to more expensive energy, those who are recognized as having difficulty coping with increased prices should be aided directly through the existing system of income supplements. This subsidization should receive a high priority. In addition, there are other benefits associated with providing income supplements for those hit hardest by higher costs — for one, by having more income to spend, those who are subsidized can invest in energy efficiency rather than in more energy consumption.

The promotion of some forms of alternative energy will have a pronounced and universal social effect if that policy brings about increases in food prices — the so-called "food versus fuel" controversy. Any future energy program which utilizes agricultural or food biomass for the production of alternative energy, if it is to replace a significant proportion of the petroleum currently being used, will necessarily require a large amount of land and other resources normally needed in agriculture and silviculture. This is a primary social concern in a world where food production is already insufficient, for a variety of reasons, to meet global demand.

This concern has both domestic and international implications:

- Further pressure on land prices, which have already undergone large increases in recent years (especially in the rural-urban interface), would be undesirable.
- Shifts in production between food crops and fuel crops in response to rapidly changing input costs, demand and profitability could destabilize agricultural prices and incomes. This would be undesirable from the point of view of producers and consumers who have been working toward greater stability in the food system.
- People who suggest that land should be reserved for agricultural purposes point out that there are already large segments of the human family which are under- or malnourished. They feel it is morally indefensible for man to utilize valuable agricultural land to grow crops to produce energy which will be consumed by a relatively small, and already well-fed, segment of the population. Despite the maturation of the "Green Revolution" in some parts of the developing world, foodstuffs produced in Canada provide an important source of supplementary food in certain world markets. Our food production relieves pressure on grain markets and contributes to a moderation in what otherwise might be prohibitively high prices in time of grain shortages. Cellulosic feedstocks such as hybrid poplar seem far more attractive than agricultural foodstuffs as energy crops because they can be grown on non-food-producing land and will thus not necessarily be in direct competition with food crops for prime soil. This would have to be carefully monitored though as energy crops that were profitable on rough or marginal land (Classes 4 to 7 of the Canada Land Inventory, Agricultural Land Classification System) could be even more profitable on higher quality land, which might be nearer energy markets and already served by transportation systems. Legislation might be required to prevent energy feedstock crops from displacing agricultural crops.
- The disparity between the "have" and "have-not" nations may be exacerbated if there is a global shift towards using biofuels. Underdeveloped countries may try to produce such fuels domestically, thus possibly taking food commodities out of production and hence out of international trade. Furthermore, if they try to cultivate energy crops for exportation in a desperate attempt to gain hard currency, this could lead to an increase in the already unacceptable rates of global deforestation and desertification (the spreading of deserts).

At the present time, there is much argument amongst scientists and energy analysts over whether there is a net energy gain in producing energy products