

### *Energy*

government about a national oil company. I should like to see an exploration and development venture along these lines for minerals as well, in those areas which are totally within federal jurisdiction.

● (1750)

There is an additional area to which I should like to refer. This involves a question I have raised in this House on a number of occasions. It relates to an eventual decision on the oil leasing policy of the government. This matter has been under review for a long time, and certainly I have submitted memoranda on the subject before. The basic philosophy that has been followed in the Canada oil and gas regulations is that the permittee should have first choice of 50 per cent of his permit area, and that he should return the remainder to the Crown. His choices are subject to certain restrictions which ensure that with a discovery of a normal size he must return to the Crown some fraction of the land containing oil and gas.

To provide a return to the Crown of part of the discovery, the leases must be separated one from another by a row of sections or, alternatively, selections are made on a checkerboard basis with alternating sections returned to the Crown. In Canada it has been the practice for provinces to offer the Crown sections for auction, and provision has been made for this federally in section 58 of the oil and gas regulations. In the north, the Canadian government decided on an alternative method. It decided that in order to provide additional encouragement, it would be useful in respect of the disposal of these alternate Crown rights if there were provision for the company which held the permit to pay an additional royalty. These additional royalties would be on a sliding scale, depending upon the volume of production from a given well.

This system of secondary leasing with payment of extra royalties was designed to return revenue equal to that which would be obtained in the long run from sales of the rights by auction, and has the advantage of allowing an oil or gas field to be developed under single ownership. Among the practical effects of this leasing policy is the fact that when a discovery well is drilled, a company, by making application for a given area with the reservation for the Crown and paying additional royalty, will have a real advantage in that it reduces what they call in the industry front-end loading.

The thinking behind this was valid at the time. If oil was discovered in the Arctic, the only way it would be competitive on world markets would be if its wellhead costs were extremely low. However, since these regulations were drafted a number of new elements, of which we are all aware, have developed. We have had the Prudhoe Bay discovery and, more recently, the tremendous increase in the world price of petroleum. The hopes which the Prudhoe Bay discovery have encouraged, and the hopes which have now been encouraged as a result of the many Panarctic discoveries, have transformed the atmosphere in the oil business in the Arctic. We must also consider transportation, because transportation developments would now seem to indicate that it is possible to take this oil to the market one way or another.

Because of these elements, I would suggest the question before the minister is whether to revert to a provincial-

[Mr. Watson.]

type system of auctioning off these Crown sections to the highest bidder. I argue that this should not be done, but that we should embark upon a totally new scheme in a new direction. We should retain these Crown sections and dispose of them in a way in which the initiative and the interests of the original permit holder would be protected—but we should dispose of them under some Crown aegis, whether it be a special agency or a special repository of some kind. In this way a multitude of possible arrangements could be made to allow individual companies, preferably the original permit holder but others if necessary, to develop these Crown sections. If the Crown sections prove uninteresting under the terms decided upon, either to the original company or other companies, then I would hope the federal repository would be in a position to act unilaterally. There is a tremendous range of possibilities here, and I would urge the minister to examine them to the utmost.

May I call it six o'clock?

**Mr. Speaker:** Order, please. The hon. member who now has the floor—if he will kindly resume his seat—has about 4½ minutes remaining of his allotted time. I wonder whether the House would be disposed to allow the hon. member to complete his remarks now. This would facilitate the work of the House this evening, since we are running short of time and there are a number of members who would like to take part in the debate this evening. Of course, the hon. member has the right to call it six o'clock; that is his prerogative.

**Mr. Watson:** To recapitulate, Mr. Speaker, I would hope that it would be possible for the government to give consideration to a mineral exploration and development company in those areas of Canada which lie within federal jurisdiction, and I refer to the northern territories and offshore. I would hope also that it would be possible for the government, in its consideration of changes in oil leasing regulations, to move in a completely new direction, differing from the provinces, particularly the province of Alberta which auctions off its Crown sections to the highest bidder. That new direction would be for the Crown itself to assume responsibility for these Crown sections, farming them out under certain arrangements under some Crown umbrella.

Finally, I want to review very quickly what I feel to be serious deficiencies in the criticism directed toward this government by the official opposition. I think it is wrong for them to assert, as they have in this motion, a number of sins on the part of the government when they themselves have not developed a policy on the matter of offshore resources. Perhaps I am being overly kind to the official opposition, because actually the single policy which seems to come through is that the provinces adjacent to the offshore resources should have total control over those resources. This is the only policy that comes through from the Conservative Party. Certainly it is the one supported by a large percentage of its membership from the Maritimes. I do not know that the Leader of the Opposition (Mr. Stanfield) publicly has taken a position that strong before now, but certainly that is implicit in all his public remarks until now, and the Canadian public has a right to know this position in his regard and in regard so far as the northern territories are concerned.