

THE SENATE

Wednesday, March 3, 1982

The Senate met at 2 p.m., the Speaker in the Chair.
Prayers.

QUESTION PERIOD

[Translation]

ENERGY

OIL PRICING—GOVERNMENT POLICY

Hon. Jacques Flynn (Leader of the Opposition): Honourable senators, my question is directed to the Minister of State for Economic Development.

In view of the British government's decision to reduce the price of crude oil by \$4 per barrel, can the minister inform us what impact this decision is expected to have on the Canadian government's energy policy, the agreement with Alberta and perhaps also on the Alsands project?

[English]

Hon. H. A. Olson (Minister of State for Economic Development): Honourable senators, it is a little early to assess what my honourable friend, the Leader of the Opposition, or both, has described—

Senator Flynn: That is quite a combination.

Senator Olson: Yes—as the consequences of the decision by the British authorities to reduce the price of North Sea crude by \$4 a barrel. It was, of course, the position of the government that when the national energy agreement was put into place there was a price schedule attached to that agreement that was in large part related to a projection of price increases that the world economy or world oil market is not following at the moment.

We realize, of course, that since September 1 there have been a number of price reductions announced by several major exporters. Even more important, I suppose, there has been a changed pattern, in that spot oil prices have been below contracted prices—at least, I think, in most recent times. That is a changed pattern from the situation that was in effect prior to the signing of the September 1 agreement.

I am sure that the governments of the producing provinces and the federal government will make an assessment of this significantly changed world situation, particularly as it applies to the pricing schedule that was included in that agreement.

When I have more positive—or perhaps that is not the right word—firm assessments of the projections, I will advise the Leader of the Opposition.

Hon. Duff Roblin (Deputy Leader of the Opposition): Honourable senators, I should like to ask questions on the general topic introduced by my leader. I ask the honourable minister if he can tell the Senate the changes that have been made in the heavy oil pricing arrangement that has existed heretofore in western Canada. I understand there has been some change in government policy regarding the pricing of heavy oil, which is quite significant. Can he tell the house what those changes are, and to whom they apply?

● (1410)

Senator Olson: Honourable senators, I shall be glad to provide that information in more detail. I am sorry that I did not have it with me today. At this point in time I suppose that what I know about the matter is essentially the same as the honourable senator's knowledge, he having read something about it in the press. However, I will try to provide him with a complete description of the change in the pricing schedule, and will also provide a reply to the other part of his question.

Senator Roblin: According to the report that I have on the matter, the average price for heavy oil, now \$21.24 per barrel, would be increased to \$35.02 per barrel, which is a very significant change. Would the minister care to comment on the reason for that?

Senator Olson: Honourable senators, I believe it would be more accurate if I were to provide a more detailed report. I agree that it is a significant change, although it applies, of course, to some fields where heavy oil is produced and, indeed, was going into the stream at the so-called conventional price. I am not sure whether "conventional price" is the right term, but a fairly significant portion of the so-called heavy oil and the upgraded oil were under a different pricing regime related to the Syncrude price and the amended price to Suncor, for example; but, obviously, it is a wider base for the new price than was in effect prior to the making of the announcement.

Senator Roblin: In view of this very significant change in government policy with respect to pricing, can the minister tell me whether it applies to the heavy oil developments which are commonly referred to as the Cold Lake project?

Senator Olson: Honourable senators, I will find that out. If my memory serves me correctly, I believe that a price even higher than \$35 was offered to the Cold Lake project a long time ago. As a matter of fact, I believe that \$38 plus escalation was offered in that enhanced recovery situation in early October 1980.

Senator Roblin: That may well be true, but in view of the significant rise of around 50 per cent, if not more, in respect of other heavy oil projects, the Cold Lake project obviously has to be considered in this context.