

*Petroleum Products Controls*

tives must now seek as their primary objective the minimization of these changes.

It is quite apparent that some of the paramount, short-term objectives of the new U.S. policy are to decrease American dependence on increasing amounts of imported oil and gas while at the same time seeking to expand domestic hydrocarbon reserves and production to meet rising energy consumption. Of course, the Americans would continue to take all the Canadian oil and natural gas that we are prepared and able to sell them on a short-term basis, but I suggest it is obvious that the Americans have written off Canada's oil and gas reserves as a potential major source of supply for their long-term needs and are evolving new policies and programs as alternatives to the use of Canadian hydrocarbon reserves. Such an over-all policy direction appears to be consistent with American objectives of continuing to have access to secure energy supplies while at the same time seeking to eliminate an annual import trade deficit of \$1.25 billion.

Over-all, the Nixon message makes it clear that Canada's previously favoured position in the American market will be diminished and could be eventually eliminated. Furthermore, Canada will in the near future not only have to compete with other countries seeking to enter the United States energy market including, I suggest, the Soviet Union, but will also have to face competition from American energy companies operating in a favoured domestic environment.

While the United States is under pressure to reduce annual expenditures for foreign oil, corrective measures taken against this trade imbalance will no doubt start gradually and build up over several years. This, taken together with many of President Nixon's proposals, is directed toward speeding up these corrective measures. Higher gas prices, prorated import tariffs on all oil by 1980, 12 per cent tax credits on intangible expenditures for successful drilling ventures, relaxation of environmental regulations governing resource extraction and use, and initiatives to bring Alaskan oil to market all suggest the urgency with which the Americans view this trade imbalance.

Other long-term objectives of the Nixon energy message, taken collectively, will have potentially even greater effects on Canada's energy position. I am referring to the continued and better protection of the United States petrochemical industry at the expense of foreign oil importers, more favourable domestic tax laws that will favour redirection of exploration funds from Canada's frontier areas to more intensive exploration in the United States, elimination of oil import quotas which may redirect Middle East oil to the large U.S. markets there to challenge or possibly replace traditional Canadian markets for oil, and the establishment of deep water facilities in American waters at the expense of similar facilities planned for our maritimes.

But perhaps the most significant effect of the Nixon message on Canada is also the most intangible one, namely, that any bilateral trade arrangements between the two countries will of necessity and inevitably involve some commitment of Canada's energy resources, particularly natural gas which, if unwisely managed, could disrupt our own national industrial development strategy. I

mention these conclusions in support of the proposal that it would be shortsighted and unwise to invoke hasty, precipitous and unnecessarily harsh or unreasonable measures which in the weeks and month ahead could create an unfavourable environment and attitude in respect of our trade relations vis-à-vis our neighbour to the south.

Instead of regarding the current situation from a negative standpoint, I suggest we regard it as a situation creating great opportunity for Canada. Certainly we have problems which cry out for action in the energy field in this country: such matters as federal versus provincial ownership of our offshore oil and gas resources, the routing and environmental impact of future proposed pipelines, the cost of transportation, royalties and taxes, prices in the field and in the marketplace, equity participation by Canadians, foreign ownership, and similar matters. However, I submit that one thing we should not, and need not, be concerned about is the long-term adequacy of our energy supplies.

Current production limitations may well require some restriction of our export of crude oil to the United States and there are certain limits to the quantities of natural gas available for export. However, for the long term I submit that the overwhelming weight of scientific and expert opinion establishes that Canada's present and future energy resources are vastly greater than it is anticipated will be required well into the next century.

What are Canada's energy opportunities? Canada has substantial supplies of all the common fossil fuels such as oil, gas, bitumen, coal and lignite, and of hydro energy and uranium. There are very large proven supplies of oil, natural gas and natural gas liquids in British Columbia, Alberta and Saskatchewan, and there are enormous prospects for further discoveries and growth in these three provinces and even more so in the frontier areas of northern Canada.

Alberta's Athabasca and related oil sands deposits represent one of the largest sources of bitumen and synthetic crude oil in the world. British Columbia and Alberta have tremendous proven reserves of bituminous and sub-bituminous coal. Saskatchewan has large reserves of lignite suitable for electrical energy generation. The enormous hydro resources of British Columbia, Ontario, Quebec and Labrador are well known. Canada possesses one of the world's largest reserves of natural uranium in the provinces of Ontario, Saskatchewan and the Northwest Territories.

Most of Canada's energy supplies come from its own resources, but we do benefit in eastern Canada from imported crude oil supplied from overseas sources. Similarly, eastern Canada benefits from the import of substantial quantities of coal presently available from the eastern United States. Canada's trade in energy resources has, and will enable it on the one hand to benefit from lower cost supplies to eastern Canada, and on the other to market surplus supplies and help to maintain a satisfactory balance of trade, offsetting essential imports in other commodities.

It is of fundamental importance, however, that we manage our energy resources so as to maintain and develop the health and vigour of our energy resource industries and make sure that they work for the benefit of all