

*Oil and Petroleum*

I am afraid that if we look at the history of energy matters and negotiations in this country during the past two years it becomes evident unfortunately that all these negotiations and relations between the federal government and the provincial governments, and between the federal government and the industry itself have been in an atmosphere of distrust, principally distrust of the federal government.

There are some obvious reasons for this which have been raised on numerous occasions in the past. I shall not go into them at the present time. I wish to deal with the three elements which might have brought the energy problem to a conclusion and which might have resolved this important matter for Canadians when the premiers met here in Ottawa with the Prime Minister. I cannot understand why at that time the Minister of Energy, Mines and Resources, the Prime Minister and the government did not come forward with a proposal to the provinces which might have resolved this matter without the need to return at a future time, probably in June, to try all over again. I say that had a resolution been possible we would not be here at the present time debating Bill C-32. We might look at what the various parties to these agreements want.

In the first place the provinces, including the province of Saskatchewan, are very interested in having provincial royalties, or the amounts paid by way of provincial royalties deductible for federal income tax purposes. This is one of the things the federal negotiators should have recognized as a carrot to hold out to the provinces.

In the second place one of the inhibiting factors in the development of future reserves in this country—and surely to goodness the Prime Minister and the Minister of Energy, Mines, and Resources have had enough to say about their concern for future resources of oil and gas—is the non-deductibility of the provincial royalties for income tax purposes, which is an important factor in the present disincentive program provided for explorers in this country. This is prohibitive when combined with the disincentives added by provincial royalties in the provinces of Saskatchewan and British Columbia.

The third element in the total mixture is price. If the federal government had really wanted to resolve the question of energy once and for all it should have made a proposal at the first ministers' meeting—I for one was very surprised it did not—which put forward a price for crude oil that was acceptable to the federal government but which was conditional on a reduction at least to a certain level of provincial royalties, and in turn the federal government could have provided as a further incentive, as the key incentive, to the provinces the deductibility of the provincial royalties for federal income tax purposes. Had this been the case, the deductibility of royalties would have provided the incentive for industry to get on with the job.

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In the provinces of British Columbia and Saskatchewan where the present most severe factor is the high rate of provincial royalty, a reduction to an acceptable level which might have been proposed in the package by the

[Mr. Bawden.]

federal government would have removed the other important element in the disincentives and in the current rules that are inhibiting exploration in those provinces. An increase in the price of crude could have compensated the provinces for their losses.

The Minister of Finance, in response to a question that I put to him on the cost of deductibility up to 25 per cent of provincial royalties, pointed out to me that the cost to the federal treasury was in the order of \$300 million a year. This is a very modest and small amount to kick back into the mix to provide the provinces and the oil and gas industries with the incentives which they need. I might say that it is a paltry amount as compared with the \$500 million of capital in the total proposed expenditures of some \$1.5 billion in Petro-Can, proposed by the minister to achieve the goal of self-sufficiency in energy in this country in the future.

The other fact as it relates to Bill C-32 is that if the government had resolved the question of price at the first ministers' conference along with the other elements in an energy policy, we would have had the principal ingredients for the budget proposed by the Minister of Finance. But since the Minister of Finance says that he will bring down a budget before the end of May—that is, if he returns in time—one wonders how he will resolve the price of crude oil by that time. The Premier of Alberta has made it clear that there would be no agreement, so far as he is concerned, on the price of crude oil until he knows what is in the budget, simply because last year the government pulled the rug out from under the premiers in its May budget after an agreement had been reached on price at the first ministers' conference in March.

Now there is a high degree of urgency on the part of the government to pass Bill C-32 so that it can choose in advance all the key elements in the price of oil and gas for purposes of preparing its budget. The government will have prepared and delivered the budget with all the key elements chosen internally as a result of the fact that Bill C-32 will give the federal government the power to impose the very prices which it selected for the purpose of preparing its budget.

What is the reason for bringing the premiers back in June to discuss and finalize the whole matter of oil and gas prices? I believe that the meeting of the first ministers here earlier this month and the call to these first ministers to come to the capital were undertaken with the full intention on the part of the government that this meeting should be a failure. Thus we are launched into the passing of Bill C-32, which would not have been necessary if genuine and honest efforts had been made by the government to present to the premiers positive suggestions and recommendations that included the key elements of provincial royalties, and deductibility of provincial royalties for tax purposes, and combined with the price of oil and gas.

Mr. Baldwin: Before we leave this exciting issue, Mr. Chairman, I want to thank the hon. member for Nanaimo-Cowichan-The Islands. Although he was a little unkind, I think he acted as a catalyst. Although he said he is not a lawyer, he has rubbed shoulders with quite a few, and a lot has worn off on him. I think he has consciously gone to