

*Canada Petroleum Resources Act*

exploration rights only. Any subsequent production arrangements under the COGL regulations were provided through negotiated leases. This was legislation under the Diefenbaker Conservative Government.

● (1550)

Let us compare this to the United States system where exploration rights were auctioned off for lots of money to the highest bidder, who got ownership of the rights and ownership of the subsequent production. In Canada, under the Canada oil and gas land regulations, when production started, Ottawa got at least 50 per cent of the acreage on a modified checker-board basis. The point is that the idea of a Crown share in the production phase is supported by this historical precedent.

There is also the Petro-Canada precedent in 1977. Under the renewal provisions of some COGL exploration permits which had expired and which had proven to be barren until then, Petro-Canada was allowed to back in at 25 per cent, which means to acquire 25 per cent working interest, without paying the exploration expenses. The partial result of this procedure was the great discovery of Hibernia off Newfoundland.

Another example is the Sable Island gas exploration in 1979. Petro-Canada's exploration partner, Mobil Oil, had pulled its rigs out of the area in search of more lucrative prospects elsewhere in the world. Petro-Canada farmed in and, after six dry holes, made a significant discovery of gas on the offshore of Nova Scotia. Therefore, in my view, a Government presence in the projects was of immense benefit to Canada. The civil servants thought of this at the time.

StatOil in Norway, their equivalent to Petro-Canada, inherits a minimum 50 per cent ownership in any new oil or gas concession. This equity interest can rise to 70 per cent, depending on production patterns. In addition, most of StatOil's share of exploration costs are picked up by the multinational oil companies.

When Bill C-48 in the previous Parliament went before committee, I called evidence from the StatOil company of Norway. They said that it should be noted that Norwegian petroleum exploration in the North Sea was essentially starting from scratch when Norway introduced its regulatory legislation. It was not necessary for them to take into account previous exploration and development as was the case in Canada Lands, for which the Canadian taxpayers had been footing the bill of some \$3 billion, as I indicated.

What was the reaction to the 25 per cent Crown share, or back-in, that was given to Petro-Canada in the production phase? The foreign owned sector of the oil industry, the United States Government and the Tory Opposition angrily attacked it as unfair, discriminatory and a form of confiscation. That is exactly what the Minister stated in his speech today. Of course, it is not confiscation because the COGL permits that were issued and outstanding did not confer any production rights. Therefore, one cannot confiscate a right that was never

conferred in the first place. While it is nonsense to suggest that it is confiscation, that is the philosophy behind this Bill.

Outstanding production leases were exempt from the Crown share by grandfathering provisions. Ottawa would also pay for its working interest in the next phase, which is 25 per cent of the development and production costs.

This provision is not confiscatory or retroactive. Therefore, why do the Conservatives want to abolish it? The Bill before the House today represents an historic retreat to the right wing, free enterprise ideologues of the Reagan administration. While the details may be complicated, the principle is simple: Does Canada want freedom to create our own policies in energy or any other area, or must we be dictated to the by United States?

Our foreign affairs critic and our trade critic are in the House. This is exactly what they have been talking about with respect to their areas of concern.

I believe that this issue can only be settled in one way, that is, in a general election. I believe that the broad aspects of this subject will be the major election issue in the next general election.

I should add a footnote that Marc Lalonde, despite his brave words, partly yielded to Mobil and the U.S. Government by amending Bill C-48 in committee to compensate the oil companies up to 1982 for 25 per cent of the Crown-carried interest on exploration agreements. Today, we are seeing a full retreat, which the Government trumpets as a triumph.

The issue has not quite ended because in 1983, Mr. Lalonde allowed the Nova Scotia Government to take 12.5 per cent interest in producing offshore fields through the Crown share. The agreement with Nova Scotia had a 42 year life span. Nova Scotia could have acquired the working interest in producing oil and gas fields until well into the next century. This is now wiped out by the energy policy of the Prime Minister (Mr. Mulroney) and the Minister of Energy, Mines and Resources (Miss Carney). We should be considering whether Nova Scotia should be compensated. Should the loss of Nova Scotia's Crown interest be addressed by some other means, such as in the equalization formula?

The people of Nova Scotia and Newfoundland, where there has been a drastic drop in offshore exploration, are looking for answers and are entitled to them. I suggest that the Crown share issue is not finished as far as Nova Scotia is concerned.

I only have three minutes left, Mr. Speaker. I do not know if the House will allow me another five minutes in order to finish.

**Some Hon. Members:** Agreed.

**Mr. Waddell:** I invite other Members to deal with this Crown share issue later on in the debate. Some of my colleagues will deal with other aspects of the Bill. When we study this Bill in committee, we will want to examine the pacing of the development to see whether it is in Canada's best interest.