

Natural Gas Supplies

existing United States customers to be met to the greatest extent possible.

A number of policy changes have already been announced to deal with the board's concerns: first, conservation programs; second, phasing to commodity value at home and for export; and third, consultations prior to amendment of northern land regulations.

[Translation]

Mr. Speaker, with regard to the board's opinion relating to "inadequate and uncertain netbacks" to the industry, it should be observed that the recent fiscal measures taken by the federal and Alberta governments should further alleviate concerns by the industry in that province at least. In 1972, prior to the dramatic changes in energy prices, industry in Alberta was receiving 6 to 7 cents per thousand cubic feet for gas after taxes, royalties and production costs. Next year, depending upon the particular circumstances, the return to a producer will be in the range of 20 to 50 cents.

[English]

With regard to the recommendation for export controls on the first stage derivative chemicals produced from natural gas, I note the National Energy Board's concern over the large number of ammonia plants being proposed for Alberta. The higher export prices for natural gas will make conversion of gas for export as ammonia less attractive, and the government will be holding discussions with the province of Alberta on the rate of development of ammonia plants pending the availability of frontier gas.

United States government officials were advised of the findings of the National Energy Board in advance, and discussions will be held in an effort to control exports in a manner which will be as responsive as possible to United States concerns. Discussions are also being held with the provinces most directly affected. These discussions will be continued and provincial assistance in restraining natural gas demand in Canada is being sought.

I agree with the board's finding that an immediate elimination of gas exports would not provide significant assistance in offsetting or delaying the gas shortage, and in fact could worsen it by discouraging gas exploration and development necessary for future gas supply. At the same time, some phasing down of exports under existing licences will be required. Consideration is being given to the method of conducting such phasing down. Under either section 17(2) of the National Energy Board Act or sections 82(3) and 85, measures can be taken to condition the existing export licences so that exports may be reduced. Every effort, however, will be made to avoid the need for any curtailment of export deliveries over the coming heating season other than those which continue to occur on the Westcoast system.

While I do not agree with the need for a separate and formal planning council or committee to deal with this specific issue, as recommended by the board, detailed discussions with all interested parties will be required and co-operative action is essential if we are to develop reasonable and workable procedures for handling such shortages as remain after every effort has been made to increase natural gas supply. In fact, discussions with the provinces have been initiated. My deputy minister has met with his counterpart in each of Ontario and Alberta, and with

[Mr. Macdonald (Rosedale).]

officials of Quebec; he has also conferred with the chairman of the interprovincial advisory council on energy. We expect that the provinces would agree to use such existing vehicles to carry out the necessary discussions.

• (1510)

Agreements will be required which are flexible as to the amount and timing of any cutbacks in exports, which focus not only on exports but equally on reductions of unnecessary or wasteful consumption in Canada, which would avoid the seemingly simple solution of attempting to meet the problem entirely at the expense of the U.S. customers, and which maintain the essential principle that, after reasonable consultation, Canadian authorities must make the decision as to the quantities of gas to be exported.

Mr. James Gillies (Don Valley): Mr. Speaker, the minister's statement today constitutes a tacit admission of a state of affairs in Canada concerning security of supply of energy which we on this side of the House have been pointing out for some time. We have been predicting that this situation would come about ever since the government embarked upon its disastrous series of energy policy initiatives two years ago. Once again the government has allowed itself to be overtaken by events, with serious implications to our country not only in terms of our ongoing ability to heat our homes and operate our industries but in terms of our continuing ability to meet our financial commitments and obligations internationally.

What effect will the inevitable curtailment of gas exports have on our balance of payments position which is already in a state of substantial deficit? What are the possibilities of retaliation in other areas by the United States when long-term supply contracts are unilaterally abrogated by government decree, which seems certain to occur?

This government should move now with a determined, vigorous sense of urgency to restore and to recreate a climate in Canada conducive to an expanded rather than a diminished level of exploration for natural gas and oil in this country, because it is only by increasing our domestic supply of economically available energy that Canadians can once again feel confident in our ability to live in comfort and at the same time maintain our relative position economically with other countries of the world.

The board's report, on page 85, identifies in stark terms the fundamental reasons why, in the face of a domestic shortage of energy, the industry is going abroad with its capital, its expertise and its hardware to explore. The report states:

The large proportion of the revenue from higher prices accruing to governments from royalties and taxes does not, in the board's opinion, leave producers with sufficient cash for exploring and developing high cost reserves in a way which will maintain the inventory of reserves necessary for continuing maintenance of deliverability.

This agency of the government has now said what we have been saying over and over again, that the policies followed by the government in the last two years would not increase the supply and would, indeed, lead to the situation we have in the country today. Surely the minister and the government will now face up to the fact that it made a disastrous error in judgment when it made non-