The corporation shall comply with any directions from time to time given to it in writing by the governor in council or the minister with respect to the exercise of its powers.

In other words, the president and directors will have to dance to the tune of the cabinet. Since I have been in this House—and even before that—I have not had that much faith in cabinets having the kind of expertise to tell an oil company how to invest money, how to explore, develop and process efficiently. After Imperial Leduc No. 1 was found, our whole outlook changed. Other fields were developed and we became a self-sufficient nation with regard to energy. This part of economic history can be called Canada's economic confederation. Our energy supplies and pipelines hold this country together just as effectively as culture and other forms of nationalism, and will continue to do so if leaders change their ways. The media, too, must shape future opinion, which is the only weapon which will motivate short-sighted leaders into far-sighted ones.

The system of taxation developed in the last federal budget, and those of some provincial governments, discouraged exploration and development. We only have to read the *Financial Post* and other periodicals to see that the drilling rigs have left western Canada. All this has happened because of the sheer cussedness and short-sightedness of this government.

Today, Canada stands at another crossroads that again affects not only the outlook for its petroleum industry but our entire economy. Again the question is one of supply. Can we continue to produce enough oil from Canadian sources to meet Canadian demands, or will we have to depend increasingly on foreign oil supplies? This time the crossroads are not technological. The situation is not one where decisions depend on geological data. Large amounts of oil and natural gas have already been discovered in the Arctic and the industry is confident more can be found. The technology to mine the surface deposits of the tar sands and convert the high viscosity crude into synthetic oil is available. This time the crossroads are political and affect the industry's ability to finance the tremendous job that lies ahead. The president of Imperial Oil stated that its budget has been cut by one-quarter, and I would not be surprised if other major companies are doing the same.

The ultimate loser in this situation is the Canadian citizen. He will not benefit from the tax and royalty revenues that would otherwise accrue to his governments from development of his petroleum resources. He could well find his way of life affected by mounting balance of payment deficits and increased dependence on unpredictable foreign supplies—unpredictable both as to price and availability. As a taxpayer, consumer and worker he will be affected by a slowdown in one of our most vital industries.

● (1520)

The purpose of this company is, I suppose, to guarantee self-sufficiency of supply, since once it is established the government could direct it to carry out exploration at the expense of the taxpayers. We have heard a lot of speeches about an energy crisis and shortage of supply. In this light, it is interesting to examine an article which appeared in *The Economist* of March 8, 1975. It reads in part:

History is being swayed by the increasing capability of important groups to cod each other and themselves that they are observing the precise reverse of exactly what is happening. In oil, what is happening is that the world is now trying to produce about 20 per cent more than people are willing to buy while the price of oil is around $10 a barrel—

According to this article there is no shortage of crude petroleum in the world; the so-called shortage has only been a reflection of political hanky-panky at government level with the formation of OPEC, hanky-panky involving large corporations, and stories by journalists all over the world selling propaganda to the effect that there is a shortage. This is the situation dealt with in the article from which I have just quoted. It continues:

Some glut at present productive capacity would probably persist even if the price dropped to $3-$4 a barrel. Medium-term energy policies all over the world are now geared to making the present glut enormously greater with every year that passes.

The article goes on to predict a growing surplus of energy in the world.

The world's governments may—as a diplomatic ploy, perhaps rightly—sign Mr. Henry Kissinger's piece of paper pretending that all this generation's successors in business and government will promise to pay through the 1980s perhaps $7 per barrel, maybe index-linked, for a commodity which costs 10 cents a barrel to produce in much of the Middle East and whose marginal operating costs (once rigs are in place, and it costs money to stop pipelines) are sometimes barely over 2 cents a barrel. If there is an index-linked floor price of $7 a barrel, then it is probable that more than half the productive capacity of primary energy either already existing or now planned for the early 1980s will have to be held or edged out of production; indeed, Mr. Kissinger's objective in talking about $7 a barrel is precisely to create such a glut.

People can believe if they wish that the capacity declared redundant will not then be the expensive (and rising marginal-cost) capacity like Alaska and the North Sea plus the high-wage coal mines of Britain and America. People can believe if they wish that countries like Japan will be bound by a piece of paper saying they must buy oil at $7 a barrel when marginal producers will be offering it at a price based on costs less than one seventieth of that figure, and that Japan's competitors will then allow their own energy costs to stay up to 70 times more expensive than hers. People will believe what they want to believe, including dear delusions.

The article goes on to say:

The breakdown led initially to a widely unsustainable attempt at more extravagant market rigging (OPEC, Smithsonian agreement) so that ordinary market forces swung into reaction. While they were thus in swing, governments who always believe they can repeal the laws of supply and demand, were holding consecutive meetings in lush hotels (OPEC summits, finance ministers' conferences) and journalists always wrote as if something important was happening there. But anybody who stayed home and based his guesses on any reasonable calculation of elasticities of substitution and supply could see that exchange rates would float again and could guess correctly what would happen first to demand for oil, then to stocks, then to supply and next to prices.

The writer of this article found a simple way of checking the amount of oil being shipped out of the Middle East: he checked the insurance coverage at Lloyd's of London relating to oil shipments from the Gulf and turned up information to confirm his contention that the world is experiencing a glut of oil at the present time. The idea that oil would become steadily scarcer and more expensive for the rest of our lives is entirely false. In fact, if I could sum up the article in a few words, the world is not short of petroleum.

I should like to ask the minister this question. What will happen if the price of oil in Canada is set, for example, at $8.50 a barrel and the world price drops to $4 a barrel? Is eastern Canada prepared to pay the higher price? Then I