

ENERGY

AND NATURAL RESOURCES

The times are a-changing

The second largest item on the U.S. shopping list in Canada is energy and minerals, next to automotive products and parts. In 1976 this amounted to roughly one-third our total exports to that country with crude petroleum topping the category at \$2.3 billion. Canada and the United States are the greatest energy consumers in the world, and both are major producers. Enormous amounts of energy in various forms are exchanged across the border - oil, natural gas, coal, and electrical power. However Canada is now in the position of having to phase out oil exports to the U.S.A. as a result of dwindling supplies and the need to serve the home market first.

During the 1960s and early 1970s, Canadian oil exports to the U.S.A. increased rapidly as U.S. consumption rose, production declined, and import quotas were relaxed. In 1973, the year of the Arab oil embargo, those exports peaked at 1.3 million barrels of oil per day. In the face of a world energy crisis, the Canadian Government re-examined its reserves and discovered that Canada was not the oil-rich nation it thought it was. There was a realization that Canadian oil supplies would not be adequate for the domestic market, beyond 1982.

A hard decision had to be taken to gradually phase out oil exports, giving time to our American customers to find alternative supplies. The export level was therefore reduced as of January 1975, to 800,000 barrels a day. In 1976, the allowable amount was set at 460,000 barrels daily, and in 1977, 260,000 barrels daily—a far cry from the 1973 total.

The way it is

To serve Eastern Canada, we now import almost a million barrels a day, mostly from Venezuela and the Middle East. Thus we have become a net importer of oil. An important aspect of our energy relations is that we must pay international prices for our imported oil and so are increasing prices of our own oil and natural gas, consistent

with world trends.

Americans found it hard at first to adjust to this policy, accustomed as they were to importing Canadian oil, particularly at low prices. Today however there is general understanding and acceptance of Canada's export and price policies. And Canada is ready with help when it is needed. During the severe winter of 1976/77, Canada approved additional exports of oil and natural gas to the United States on a special emergency basis.

About electricity...

Between Canada and the United States, trade in this energy form has been thriving for many years. Electrical grids extend across the border with the current tending to flow southward in summer for air-conditioning and northward in winter for heating. A variety of factors can affect the flow, such as a surplus of Canadian hydro-electric production in times of above-average water flows.

And that "dirty" word coal

Half the coal used in Canada, about 16 million tons annually, comes from the U.S.A., while Canada exports about 13 million tons to Japan. Geographically and economically this can be explained by the fact that eastern consumers are closer to the Appalachian coal fields than they are to those in British Columbia and Alberta. Steam coal provides the basis for a significant proportion of electric power generation in Ontario, while high grade coking coal Stokes the furnaces of heavy industry, mainly the steel industry.

President Carter has stated that while coal makes up 90 per cent of U.S. energy reserves, it provides only 18 per cent of current energy requirements. Therefore he has proposed a program of production expansion and industry conversion, integrated with an environmental protection policy - that is, strict strip-mining and clean air standards.

With the aid of the provinces, Canada is also taking inventory of its resources and researching methods of converting coal to gaseous and liquid fuel.

Natural gas: to be or not to be?

Gas exports to the U.S.A. continue at a high level - 40% of Canada's production goes south - but no new long-term export licences have been granted since 1970. Recent discoveries in western Canada have increased the conventional gas supply and last year Canada was able to authorize an additional 40 billion cubic feet for emergency export to American consumers.

The major Canada/U.S. energy issue of 1977 concerned the decision on the transportation of natural gas to markets in the south. The big question was: which overland route, bringing natural gas from Prudhoe Bay and the Mackenzie Delta to U.S. and Canadian markets, would best reconcile diverse Canadian and American interests?

The true North strong and free

For some in northern Canada, the North is a frontier; for others, it is a homeland. So stated Mr. Justice Thomas Berger when he tabled the first part of his report on the Mackenzie Valley Pipeline Inquiry in May, 1977. The Canadian Government instigated this Inquiry in 1974 with the mandate "to determine the social, environmental and economic impact of the construction of a gas pipeline and the cumulative impact of an energy corridor from the Arctic, and to recommend the terms and conditions that ought to be imposed on any right-of-way if such a pipeline were to be built".

Judge Berger held hearings for 19 months in the Northwest Territories and the Yukon, where he heard 317 expert witnesses and over 1,000 people in 35 northern communities. In his report, he recommended that on environmental and social grounds, no pipeline be built across the northern Yukon, but that it would be feasible to build along the Mackenzie River Valley. He also recommended a moratorium of ten years to allow sufficient time to settle native land claims and to establish the new institutions and programs that would naturally follow. Any decisions that would be taken would involve not only northern pipelines, but "the protection of the northern environment and the future of the northern peoples. . .".

The Dramatis Personae

In the above context various proposals were considered. Canadian Arctic Gas Pipe Line Ltd. proposed bringing Alaskan gas from Prudhoe Bay via the northern Yukon to hook up with gas from the Mackenzie Delta for delivery to markets in Canada and the United States. Foothills Pipe Lines Ltd. proposed an alternative route utilizing the Alaska Highway across the southern Yukon through B.C. and Alberta. The latter route was judged to be environmentally acceptable by the Lysik Inquiry, as was the social and economic impact on the region, subject to certain conditions. It is this route that was subsequently endorsed by the National Energy Board and given conditional approval by the Canadian Government in August 1977. Negotiations with the U.S. Government ended successfully with an agreement in principle, and President Carter announced his recommendation to the U.S. Congress in September (see box).

Important Canadian interests include our own supply situation, capital requirements, job allocations, equipment manufacturing, and the

Canadian native peoples. As Judge Berger said "The native people must be allowed a choice about their own future." That is, there must be land claims settlements first.

The native peoples have an understandable concern about their land, their livelihood based on hunting, fishing, and trapping, the future of their society, and the social effects of the southern intrusion on their culture. Too often these factors have been ignored with the consequent breakdown of the indigenous society.

The Strait has a traffic cop

Oil refineries on the U.S. west coast rely on imports of Indonesian, Middle East and now, Alaskan supplies. Access to these refineries is through the Strait of Juan de Fuca which forms part of the Canada/U.S. border. The recent completion of the overland pipeline in Alaska, bringing oil from Prudhoe Bay to Valdez, has meant an increase in the number of U.S. tankers in these waters carrying that oil to U.S. ports.

Canada has long been concerned about large-scale tanker movements in the Juan de Fuca/Puget Sound area. Oil spills can have a devastating effect on wildlife, fishing and lumber industries, shore property and recreational facilities. Therefore Canada has met with U.S. authorities and agreed to a plan for reducing the environmental risk. An oil-spills contingency clean-up plan is in effect. A co-operative vessel traffic management system (similar to air traffic control) is in place and both countries are working towards methods for improving it. Canadian and U.S. officials are also working on the question of legal liability and compensation for damage from oil spills, and towards tighter safety regulations for tankers, and oil terminal construction and operation.

What are we doing to cut down?

In Canada energy conservation has a very high priority and certain actions have been taken by the Government to encourage this. For example, performance standards for new cars have been introduced, assuring that by 1985 total gasoline consumption will be below the level of 1977, even though more cars will be on the road. Taxes have been increased on gas to encourage thrift. Provincial governments have been urged to set a speed limit of 80 km/h on certain highways. Federal sales taxes have been removed on insulation materials and a federal home insulation grant program, totalling \$1.4 billion, has been introduced. Canadians are encouraged to lower their thermostats and turn off lights they are not using.

President Carter's National Energy Plan, which he presented to Congress in April 1977, placed similar emphasis on energy conservation. Some of his proposals include rebating surtaxes on heavy cars to more efficient automobile consumers, and eliminating the discount structure for heavy users of utilities who are currently buying energy at artificially low prices.

The development of alternative sources of fuel, such as solar and other renewable energy sources, is also receiving high priority in both countries.

The Province vs. "The States"

Potash has been a hot item in Canada/U.S. relations. Canada exports two-thirds of its annual production to the U.S.A., accounting for about 70% of U.S. requirements. All production is in Saskatchewan and is roughly three times that of the United States. Both