Agreement, although constraints on U.S. refining capacity and pipeline availability would place a cap, at least in the short term, on the volume of products that could be exported by the United States to Canada.

It should be noted that artificially low or high energy prices distort decision making by consumers and investors to the detriment of overall economic growth. Canada has moved to a market-based energy pricing system to avoid these adverse consequences of price regulation. In a market-based environment, domestic prices will tend to equal export prices. The Agreement is therefore consistent with the manner in which Canadian energy policy has been evolving.

It should also be noted that the Agreement does not prohibit differences in price in the domestic and export markets if these arise from commercial practices.

Canada's Ability to Pursue an Independent Energy Policy

The Agreement is fully consistent with existing Canadian energy policy and its market-oriented approach. Moreover, it contributes to the attainment of existing energy policy objectives by improving access for Canadian energy exports to U.S. markets and creating a more stable and predictable environment for investment and trade.

In terms of future energy policy, Canada has, under the Agreement, retained its ability and responsibility to formulate and implement energy policy for the benefit of Canadians. For instance, both our ability to develop programs to promote regional development and our ability to implement a strategy of assistance for megaprojects on a case-by-case basis remain intact. Canada also maintains its ability to develop programs and policies which contribute to our energy security, such as demand management programs and strategic storage facilities, and which meet other concerns such as preservation of the environment. In addition, under the Agreement, existing Canadian ownership policies for the oil and gas and uranium sectors have been grandfathered. As well, the Canada Benefits provisions, which were designed to ensure that Canadians would benefit to the maximum extent possible from the employment and industrial advantages relating to exploration and development of petroleum resources in the frontier, will continue to apply in all of Canada's frontiers, including the North and both the Atlantic and Pacific offshore. The Agreement is fully consistent with provincial ownership and management of energy resources, including the development of royalty and taxation regimes.

Crude Oil and Oil Products

Removal of existing U.S. import tariffs would increase revenues to the Canadian economy by up to $16 million annually in the case of crude oil, and by at least $10 million annually on refined product exports based on 1987 trade flows. In addition, the elimination of the customs user fee would increase oil revenues by a