

8. To ensure security of supply, the Committee recommends an interim floor price for oil sands and enhanced oil recovery production in the event of a sudden large decrease in the price of oil.

This protection should apply only to projects and facilities existing at the time of the price shock. There should be a uniform floor price applying to all operations, set at a level that will enable most to continue production through the short run. In the longer run the onus will be upon technological innovators and plant managers to improve equipment and processes, thereby reducing the production costs of the industry.

This floor price should not require new forms of monitoring or accounting. It should discourage inefficiency in individual operations by not guaranteeing coverage of all costs — which might invite laxity in corporate financial control. The Committee could not, in the face of continued international petroleum price declines, envision an arrangement that would remove the incentive for such operations to adapt and adjust to the longer-term realities of the market.

The Petroleum Monitoring Agency could be involved in determining the floor price and administering payments, given its mandate to monitor the economic performance of the petroleum industry.

Should developments in world markets eventually cause modest oil price increases in Canada, the Committee believes that the consuming sector, both industrial and household, has the resilience to absorb such changes without serious difficulty. However, in the event of a sudden large price increase, it is appropriate for the Government to cushion the shock and facilitate a smooth transition. This would also lessen the distress of individual consumers in a moment of crisis.

9. The Committee recommends interim protection for consumers against a sudden large increase in the price of oil.

Various approaches, from subsidies to administered price schemes, were considered. The Committee suggests a program that subsidizes consumer costs out of increases in general government revenue which would arise from higher income tax payments (not rates) from the petroleum sector. The industry would be permitted to keep any windfall it received, provided this revenue were reinvested in Canada. This should be a strong incentive to increase production.

These measures are intended to facilitate rapid adjustment to new circumstances, not to provide long-term protection. One lesson learned over the past few years is the impossibility of maintaining, over lengthy periods of