

On January 1 of this year the Canadian Government raised the export price of Canadian gas to \$1.00 per thousand cubic feet. This step was taken because it was found that Canadian gas was substantially underpriced in United States' markets. The Canadian position is that gas exports should be priced in a competitive relationship to other energy commodities in the United States. Also, it has to be understood that inordinately low prices lead only to wasteful use and future shortages. The United States Government has recognized the need for a rise in price. The two governments appear to have adopted similar policy objectives.

The question of volume of export is more difficult. At present Canada sells about 1 trillion cubic feet of natural gas per year to the United States, which amounts to about 40 per cent of Canadian production. The problem is that, given the availability of known reserves, Canada could experience shortages in the near future unless other sources can be brought into production. The National Energy Board is studying this and will be reporting to the Government.

This whole situation shows how complex and, at times, difficult our bilateral relations have become. In these circumstances, it is all the more important that both sides strive to maintain what is fundamentally a healthy, friendly and mutually beneficial relationship. It is essential that, as appropriate, prior notification, discussion, consultation and negotiation play a central role in the management of relations between the United States and Canada. To this end, it is vital that each country have an accurate understanding of what the other is trying to accomplish, and that each has the opportunity to put forward its own concerns for consideration by the other. That is why I have sought to explain to you Canadian policies on foreign investment and energy, two areas of vital interest to Canada and the United States.