

Canadian ownership and control, to qualify for the new incentives.

THE CANADA LANDS

The areas under direct federal government control in the North and off Canada's coasts, known as Canada Lands, are increasingly attractive to investors. A new Canada Oil and Gas Bill will enable the Government to direct development on these lands more effectively, to share more equitably in profits from future production and to increase Canadian ownership. Specifically:

- Holders of rights on Canada Lands will be required to proceed quickly with exploration, through stiffer work requirements, drilling orders, production orders, prior approval of transfers and assignments, and, in certain cases, the designation of Petro-Canada as operator.
- A 25 per cent carried interest in every right on Canada Lands will be exercised by Petro-Canada or some other designated Crown corporation. This interest will be convertible to a working interest at any time prior to authorization of a production system for a particular field.
- A minimum of 50 per cent Canadian participation will be required in any production from Canada Lands.

CANADIANIZATION

The Government of Canada is committed to a significant shift in the structure of the oil and gas industry. It has three goals:

- At least 50 per cent Canadian ownership of oil and gas production by 1990;
- Canadian control of a significant number of the larger oil and gas firms;
- An early increase in the share of the oil and gas sector owned by the Government of Canada.

Among the Program measures designed to meet these goals are the Petroleum Incentives Program (PIP) grants, the Natural Gas Bank, and a 50 per cent Canadian ownership test at the production stage in the Canada Lands. The National Energy Board will be asked to take Canadian ownership into account, from now on, in considering export applications. The Foreign Investment Review Agency will also play a role by vigorously enforcing its investment criteria in the energy sector. The Government does not want to see the oil companies use their cash flow to expand into the non-energy part of the Canadian economy, and does not want foreign-controlled firms to buy already-discovered oil and gas reserves.

These programs will ensure that both large and small Canadian firms play a more active and growing role in the oil and gas sector. By themselves however, they may not guarantee full realization of our ownership goals. In the absence of other policies, the largest firms in the oil and gas sector would continue to be foreign owned and foreign controlled. While Petro-Canada would grow, the public sector would still remain quite small. The average Canadian would have no vehicle through which to participate in this sector. The Government believes that a larger national public sector presence in oil and gas is the only equitable way to meet quickly our goal of increased Canadian ownership. Judging from the results achieved to date by Petro-Canada, it is also an effective way of encouraging the rapid energy development necessary to meet our security needs.

For these reasons, the Government of Canada intends to acquire several of the large oil and gas firms.

In adopting a program of enlarging the public sector, the Government is anxious to ensure that the program is self-financing, and imposes no additional burden on general Government revenues. Therefore, the Government will establish a *Canadian Ownership Account*, to be financed by special charges on all oil and gas consumption in Canada, to be used solely to finance an increase of