gram which altered the degree of production on the conventional side and then because of the current deadlock between Alberta and the government. We have seen the non-conventional projects put in limbo. A third project has announced it will not go ahead today, the Judy Creek tertiary recovery program.

There is a very good reason why we have to look toward these frontier resources. There is also a good reason why they are not included in the supply figures in "The National Energy Program", because they are not assured. Their viability has not been proven. There is great promise but the technical problems of transporting the oil to places where it can be used have not been solved, and the over-all economics of development have not been proven. These are important elements in the bill we are studying today.

It is important to ask whether the provisions of Bill C-48 bring these sources closer to reality. It is important to know whether Bill C-48 encourages increased levels of exploration and development. The initial assessment we have made on this side is that the answer to that question is no. One of the public responses we have seen is by Gulf Canada which has cut its northern exploration budget from $400 million to $270 million for next year—about one-third. I find that to be a very serious decision by Gulf Canada.

We must also examine the change in the tax evironment between the prior position and that proposed under Bill C-48. The royalty position proposed under the previous bill, which was not passed, is the same as set out in this bill. As the minister pointed out, the super-depletion allowance which provided a significant amount, in some cases 100 per cent of the cost of the expensive wells up there, was to be changed and has been changed to provide for exploration grants of between 20 and 80 per cent, depending on the level of Canadian ownership.

Under the previous proposed legislation Petro-Canada was given the right to back in if it met two conditions. One was if there had been no significant discovery, and the second was if the consortium was not more than 35 per cent Canadian owned. Under this new legislation, as well as under the National Energy Program there is a 10 per cent basic royalty plus a 40 per cent participating royalty after a 25 per cent return on investment has been achieved, and 8 per cent gas and oil production tax, and an automatic 25 per cent back-in by Petro-Canada, or another state agency. That back-in is there, whether or not there is a significant discovery and whether or not there is a significant degree of Canadian ownership.

● (1600)

The economics have been changed significantly by the proposed legislation and by the energy program. That is a matter which must be taken into account by the government when it is considering expert testimony here in committee.

I do not quarrel that there is a 25 per cent back-in. If the government feels this is necessary, then we can support that. However, I point out there are very high front-end costs involved in exploration offshore and in the northern frontiers. There is a very inadequate pricing regime relative to other countries in the world. This, too, must be taken into account when the over-all economics are considered, whether or not companies feel it is worth their while to spend the huge amounts of money required for frontier and offshore exploration.

The impact of frontier and offshore exploration and development highlights the inadequacy of the pricing regime of the National Energy Program. In the conventional area, the problem is primarily a dispute between the province of Alberta and the federal government. We have urged the province and the federal government to get on with negotiations to unwind this deadlock. But the problem in the frontier is that we do have expensive drilling costs. If the pricing, together with the tax and other royalty requirements, is not attractive enough, then work will not go on. On that particular aspect, I am not encouraged.

I want to point out the difference in the pricing regime. The minister has referred in a passing way to the tax regime in the United Kingdom and Norway. He has omitted any reference to the pricing regime and he also only mentioned part of the tax aspect. He omitted to mention that in England there is a 150 per cent full cost recovery before there is a royalty and taxes are levied.

The economic adviser to the department of energy has stated:

> A crucial element of our policy of economic pricing is that North Sea oil should be sold at world market prices within as well as without the U.K . . . it would be very shortsighted for us to become accustomed to cheap energy supplies at below world market prices—

A paper on energy policy in Norway states:

> It is especially important to economize with non-renewable resources, such as oil . . . It is therefore the view of the government that, even though Norway has become an oil exporting nation, domestic prices of oil products continue to be based on world market prices.

In the case of The Netherlands we find:

> Since the 1973-1974 energy price increase The Netherlands immediately tried to price their own natural gas for domestic use and export at the OPEC equivalent level.

In the 1980 Venice summit, in declaration 7 the comment was:

> There is no justifiable rationale for subsidizing energy prices domestically—

In a policy speech in Australia, the prime minister stated:

> —the oil parity pricing policy is an important part of the over-all plan. We want Australia to be as energy self-sufficient as possible in future years. We do not want Australia to be a beggar for fuel on the international market.

I mention these items today. While we may have one consideration regarding the question of conventional oil as it relates to the debate between Alberta and the federal government, in the case of offshore production, where the costs are so high, it is important to look at the experience of these other countries which are ahead of Canada in offshore development. Where primary resources are offshore these countries have moved quickly to world price. In Canada, as all Canadians know, we are considering not a move to world price but to about 75 per cent or 85 per cent of world price. Today the