tional oil prices rose sharply in the fall of 1973, most countries, particularly those wholly or largely dependent on imported oil, allowed their domestic prices to reflect fully those prevailing in the world market. This is what normally occurs in Canada when the prices of internationally traded goods rise. There are good reasons for allowing this to happen. If the price of a commodity is kept lower in our own market than in international markets, this discourages domestic producers from increasing supplies, and discourages consumers from economizing on the use of a scarce commodity.

In the case of petroleum, Canada took a different course. We concluded that if the full increase in oil prices were allowed to affect the domestic economy directly, this would raise serious adjustment problems. Very large shifts in income among regions, industries and individual Canadians would have occurred in one step, and those using oil and gas would have had to accept a harsh adjustment to the conditions they faced. There would also have been adverse economic effects of a general nature. A sharp rise in the price of oil and gas would have raised the cost of living and reduced the income people had available to spend on other goods and services.

The government's first response therefore was to effect a voluntary freeze on domestic prices and to impose an export tax as a necessary part of this policy. Then, at their meeting in March, 1974, the First Ministers provided Canadians with a further breathing space by agreeing to a single national oil price well below that prevailing in world markets. The federal government, acting in co-operation with the provinces, took advantage of the availability of domestic supplies and framed a policy which served our national interest well. We established a single national price for crude oil in Canada of $6.50 per barrel, plus transportation, which was substantially below the delivered international oil price of around $11. We succeeded in holding down the domestic price of oil, introduced an export tax and used the proceeds of this tax to protect consumers of imported oil in Eastern Canada from the full impact of the international price.

In my view, this was a very successful policy. As Honourable Members know, however, it was never the intention of the government to maintain indefinitely the present regime of cheap energy in Canada, while the rest of the world was adjusting to the new realities.

[*English*]

We must accept the fact that our existing supplies of both oil and gas from Western Canada are limited. They are so limited, in fact, that Canada's capacity to supply its own requirements will likely diminish steadily from now until the early or mid-1980s.

The National Energy Board has reported upon our oil prospects and will soon present a similar analysis for natural gas. The oil report has demonstrated, and by all available public evidence the gas report will demonstrate, that we face great difficulties in this country over the next decade in supplying established markets for Canadian oil and gas.

We shall only be able to increase our self-reliance if we are prepared to pay the prices required to meet the high cost of finding, developing and transporting petroleum from new sources of supply. Neither the tar sands nor the frontier will yield up their treasure without massive commitment of human and material resources.

We have no practical alternative to continuing a phased adjustment to higher energy prices. This is essential to provide for our future supplies and to conserve the use of this scarce resource. As the Prime Minister pointed out at the First Ministers' Conference on April 9: "We cannot go on year after year being extravagant in our use of oil beyond what every other country in the world consumes—mainly because it is being sold cheaply in Canada, a lot cheaper than our future supplies will cost."

There was widespread recognition of this hard truth by First Ministers at their recent conference. It was generally acknowledged that an increase in prevailing oil and gas prices was essential to ensure the development of the new petroleum supplies we require so urgently in the future. What First Ministers could not agree on was the extent and timing of future price increases. Subsequent bilateral discussions with provincial governments, between officials, ministers and most recently involving the Prime Minister and all provincial premiers, were helpful in shaping views. But these discussions indicated that it was not possible to reach a consensus on this issue.

Energy considerations alone indicate the need for a large upward adjustment in oil and gas prices this year. We have, however, decided that we should move cautiously. There is still a good deal of uncertainty about the future world price of oil. We have also been very conscious of the need to moderate the size of the adjustment which particular regions and the economy as a whole will have to make.

At the same time we have tried to meet the legitimate claims of the producing provinces. Without the co-operation of Alberta, the natural gas which Ontario so badly needs might not readily be released. Further, on the price side, we have been anxious to avoid the necessity of employing the federal government's powers in the Petroleum Administration Act.

● (2120)

In all matters, we have been anxious to avoid acting unilaterally. But we are confident that the decision we have ultimately reached will be supported by many provinces.

Against this background I would like to announce on behalf of the government and my colleague, the Minister of Energy, Mines and Resources, that on July 1 this year the price of crude oil and its equivalents will rise by $1.50 per barrel to $8 per barrel. We are again asking industry to refrain from reflecting this increase in their product prices until 45 days have passed. By that time inventories held at the former crude oil price will, on average, have been used up. This is our decision for the next year but we are committed to see the price of crude oil continue to move towards international levels in succeeding years.

Further, on November 1 next, the price of natural gas in Alberta will be established on the basis of an increase in the price at the Toronto city gate from the current level of approximately 82 cents to $1.25 per 1000 cubic feet. We are convinced that natural gas must be priced at parity with crude oil at Toronto within not less than three years, but no more than five years.