is no question that we intend to give Canadian companies the opportunity to grow more quickly. What we have not intended or done is to make the operations of large international oil firms unprofitable. For example, the net cost to U.S. firms exploring in Canada will remain lower than in the United States.

But we are dealing with an extraordinary situation. Throughout the 1950s and 1960s, non-residents owned nearly 80 per cent and controlled over 90 per cent of Canadian oil and gas assets. They also controlled nearly 100 per cent of the assets employed in refining and marketing operations. Canada did not have a single Canadian multinational oil company, not even a small one. We did not have a vertically integrated domestic company, until Petro-Canada acquired Pacific Petroleum in 1978.

Before the NEP, an unintended by-product of government policies was increased foreign ownership. New windfall profits due to increases in oil and gas prices favoured the firms already in the business with the largest production. Most of these were foreign-owned. These same foreign-owned firms were also the main beneficiaries of the earned depletion allowance, since this deduction from taxable resource income was available only to firms whose principal business was resources and who had existing resource income. The pre-NEP policy framework virtually guaranteed that the big (and the foreign-owned) would get bigger.

The Canadian predicament

No other developed country faced this predicament. Indeed, as I look around, it is a predicament tolerated by no country, period. By 1980, the 74 per cent foreign-owned and 81.5 per cent foreign-controlled Canadian oil and gas industry generated almost a third of all the non-financial sector profits in Canada. Without changes, enormous power and influence in Canada was destined to fall into a few foreign hands. We simply decided that we had to act and had to act now.

But, unlike some other countries, Canada has preferred the carrot to the stick. The operations of foreign firms in Canada are still very profitable and, to the extent that they increase Canadian ownership, they can now be even more so.

I want to dispel any impression that the NEP has suddenly made the role of foreign firms in the Canadian hydrocarbon industry uncertain and unpredictable. Certainly the rules of the game have changed from 10, 20 or 30 years ago. Perceptions change; needs change; situations change. Where do they not change? But the changed rules are clear. They can be ignored to the detriment of future balance sheets. Or they can be used advantageously by foreign-owned corporate citizens of Canada who are sensitive to the Canadian environment and to the opportunities there for profitable investment.

Incentives for owners

I should add that the NEP gives foreign companies an incentive to acquire Canadian shareholders and partners. To the extent that they do, they can benefit from higher exploration grants just like firms which are already more than 50 per cent Canadian-owned. Let's not forget the many foreign-controlled companies who are quietly rearranging their affairs in Canada to take advantage of the NEP, and in so doing, to continue to grow and prosper in Canada.

Before leaving the subject of Canadian energy policy, let me deal with an assertion