

*Petroleum Products Controls*

by the efforts of OPEC, the organization of petroleum exporting countries. There have, in the same period, been changes in exchange rates, particularly in so far as they affect North America and, through negotiations again by OPEC, the cost of overseas oil coming to this continent has been increased. There has been an attainment by overseas producers of the right of participation in oil production which was formerly exclusively controlled by private companies and this, too, has contributed to the price increase. There has been a continued pressure of rising demand on available oil supplies which also has effected tanker markets, particularly in recent months, and has therefore affected the cost of transporting overseas the oil imported into this continent.

It is impossible to give a precise indication of the extent of this price increase as it affects the cost of crude oil delivered to our import dependent eastern market because the increase is still working its way through the system. However, estimates tabled by the board and placed before the standing committee earlier this year suggest that between 1970 and February of this year the average cost of imported crude increased by at least 85 cents a barrel or some 30 per cent. Imports of refined oil products in to eastern Canada have decreased in recent years with the coming on the scene of new refinery capacity. But the structure of the eastern Canadian market still has been that substantial refined petroleum products are required by the Canadian market. Indeed, many of the independents who are now so much feeling the pinch of the changed international situation were able to operate in this area where it was possible to buy offshore at cheap prices refined gasoline for resale within the market east of the Ottawa Valley line, the eastern Canadian market.

What has now occurred, of course, is that with the increased pressure on oil prices generally, the substantial increase in the prices of refined oil products and because of the very heavy demand due to the tightness of the supply internationally, the supplies, which formerly were available to the independents particularly but to the eastern Canadian market, have now very substantially dried up and the situation therefore which has been created for the independents is not so much one of shortage resulting from a diversion of refinery capacity in Canada, from which they were formerly drawing, but rather from there not having available to them from overseas the supplies of the refined products which they had before. I think we must expect that with or without export controls, that is to say with or without the control on export of Canadian refined products to the United States market, we will feel an attenuation of the supply of refined products to the Canadian market and for this reason I think we can expect, through this year and so long as these prices remain, not to be importing as much of the refined product as we did previously, with the economic consequences that that has had for certain firms.

More specifically, I am advised by the board that in 1973 almost no motor gasoline has been imported into Canada. I should explain that the import of the refined product is subject to licensing. In the previous year, while 140,000 barrels a day of refined products came into Canada, of which 10,000 barrels a day, was motor gasoline, there has been virtually none of the latter come into Canada since the start of the year. I have already mentioned the fact

[Mr. Macdonald (Rosedale).]

that in April the board contacted all the refiners who might be selling their product for export. The board has sought and received assurances that the product would not be exported at the expense of the necessary supply to the domestic market. The emphasis again is put on the fact that the March export figures reflect one large shipment and a number of smaller spot sales and, as I already mentioned, the expectation is that the figures will be slightly lower for the month of April.

● (1710)

**Mr. Douglas:** May I ask the minister a question? I am interested in the figures which he just quoted, and I have them here. Does it not give the minister concern that at the same time that our exports of gasoline have gone up so dramatically, our imports of gasoline have almost dried up? Does it not point to what could be a serious situation requiring gasoline rationing this summer?

**Mr. Macdonald (Rosedale):** Certainly, there is need for serious consideration. My advice is that there is no serious shortage of supply at this moment, but I would have to agree with the hon. gentleman that without a very tight restriction on further exports from Canadian refiners the position of the Canadian market certainly would be more precarious, particularly if there was a refinery accident or if there were an abnormal increase in the demand during the present period, so that the supplies in eastern Canada in particular would be very much a matter of concern. I would agree with the hon. gentleman that with the phenomenon of the reduction of foreign supply of refined petroleum products we should be very concerned about conserving all the possible domestic refined product for the Canadian market, recognizing that this is apparently going against the policy which we have been fostering of trying to find a market for the refined product. I would say that we are hopeful that the efforts made informally with refiners to achieve this purpose would be successful, but I repeat that if they are not, the government will have to take action similar to the one it took with regard to export of crude.

The second aspect of the hon. member's motion is with regard to a restructuring—and this is my characterization—of the Canadian oil market, given the substantial change in the external facts since the national oil policy was first announced by the government led by the right hon. member for Prince Albert (Mr. Diefenbaker) in 1961. I think it might be useful to reflect for a moment on the nature of the system that was set up at that time, and on the motivations of the government at that time. The Canadian oil industry in those years—and here we are talking about western Canadian producers of oil and natural gas—was in a situation of being basically in a buyers' market, of having difficulty in getting access to the United States for oil and in having great difficulty in getting access to the United States for natural gas at reasonable prices. For that reason, governments in the late 1950's and early 1960's sought to create systems in Canada whereby Canadian needs would be supplied by Canadian sources, as much from the motive of making markets available for the producers as to provide sources for consumers.

Over a period of years, and particularly in the last decade since the situation was changed from an exclusive-