

Oil and Petroleum

The entire system of export tax collection at the present time, yielding some \$1.7 billion to the federal treasury, is one which if continued will eventually wipe out a satisfactory level of exploration and development. I say this because costs of finding oil are increasing at a rate which is much higher than most other costs are increasing in this country. If this should continue, the prices will have to be a great deal higher. The National Energy Board report of December, 1972, just under two years ago, stated:

The capital investment required for oil sands processing plants is in the order of \$4,000 to \$5,000 for each barrel of daily oil production. Thus, half a billion dollars will be required for each 100,000 to 125,000 barrels per day plant.

In the short span of 23 months this cost figure has gone to \$2 billion for a plant, or in the order of \$20,000 per day of investment for each daily barrel produced, which at today's price brings \$6.50. I think hon. members can place that in its proper context and ask themselves whether this is an investment that would attract their capital. Incidentally, the rate of production from the tar sands projected in that report for the early 1980s is now likely to fall a long way short. This makes it abundantly clear that if the oil sands are to be developed, as they must be very soon, higher prices for crude are a necessity.

In conclusion, I would urge this House, and especially the ministers opposite, to take serious and concerted action to remove the uncertainties that are driving out risk capital from the oil and gas energy industry. J. Arthur Smith, of the Conference Board of Canada, said to the Canadian Conference of Banking in September this year:

Two discouraging features of this situation have been emerging. The first is that Canadians have generally been moving towards an increasing mood of nationalism. In many respects this mood is inconsistent with the realities of the need for close international interdependence as a cornerstone for great national achievements within Canada.

Mr. Smith went on to say:

Many estimates have been made about the amount of new capital spending that will be needed in Canada over the next decade to achieve a course of outstanding development of our economic and social system through the mid 1980s. It is difficult to quantify precisely what these requirements would be. But in very round terms, I would judge that these requirements, in total, would be of the order of \$500 billion.

A very substantial part of this total must be allocated to meet essential energy investment requirements—at least a quarter of this total; probably much more.

He went on to say:

But present prospects for actualizing energy related investment in this scale are not at all promising under the present combination of federal and provincial policies. Indeed, if the existing federal and provincial direct and indirect taxation of this sector of our economy is not adjusted quickly, not only will the total capital requirements I have suggested not be feasible, but a severe energy crisis will emerge that would simply preclude any capacity by the Canadian economy to advance along the potential growth path I outlined earlier. Governments in Canada now, surely, have a special responsibility to work out appropriate arrangements, with a realistic appreciation for the lead times required to use our vast potential energy resources to meet future needs in relevant and timely ways. At the moment, policies are simply not organized to achieve the needed results.

Madam Speaker, I would urge the Minister of Finance, in considering his new budget, to bring forward some very significant proposals directed toward investment in resources in Canada by Canadians. At the present time there is a very severe reversal of investment, particularly

by independent companies from the United States, in Canadian oil and gas development. Unfortunately, Canadians are not given the necessary incentives. They do not have the favourable tax treatment that Americans have, and thus they are in a disadvantageous position compared to foreign investors in our country. Surely, one of the most important and vital things in providing that opportunity for Canadians to invest would be for the minister to alter these rules in a way which has been urged upon him for many years.

I say that federal lands at the present time have no royalty and no regulations. At the present moment we can only guess what the minister has in mind in this area, but I say that if the federal government is to attract the type of activity these lands demand and which our future energy needs demand, we will not be able to attract the capital if royalties from federal lands are not deductible. Therefore, I say if the government cannot decide the federal royalty level for its own offshore, Arctic and frontier lands prior to the federal budget, surely the minister can, with some regard to where this level of royalties may be set, provide in the budget that a certain percentage be deductible on royalties paid to the provinces.

I would suggest here that the minister might hit an interim figure of, say, 30 per cent. On this basis I feel the industry could get on with the job. At some future time when federal royalties are decided, then perhaps this figure could be adjusted upward or downward to match the federal royalty level, and thus give the provincial lands, but particularly federal lands administered by this government, the necessary action by developers and explorers. The time is now long since past when we, as Canadians, can delay any longer the resolutions to our energy future. A heavy responsibility rests on the shoulders of this government in a most critical area. I hope and pray that this is recognized by the government and that action will be forthcoming very soon.

Mr. Stan Schumacher (Palliser): Madam Speaker, in rising to participate in this second reading debate on Bill C-32, I should like to review for a moment, in precise terms, what is before us. Generally speaking, it is a measure to fix the price of petroleum products in Canada, that is, to give the federal government the authority to say that the price of oil shall be \$6.50 a barrel until next July, pursuant to a meeting of first ministers last March. It also formalizes the taxing position that the government assumed in September of 1973 when it unilaterally, without consultation with anybody, imposed an export tax. We have seen that tax grow to a rather significant figure.

• (1720)

In addition to those matters, the legislation has changed since it was first introduced last April, in the last parliament, in that it gives the government power to set the price of natural gas. Also, it continues the power that was introduced in the legislation last April to allow the federal government to fix the price of oil and natural gas on a permanent basis. We have heard complaints from many speakers on this side that this legislation flies in the face of the agreement made last March by the first ministers of this country because, as we all know, the agreement was to expire next year, but the price fixing power in the bill