

*Petroleum Incentives Program Act**[Translation]*

You will probably recall following my preliminary comments in this House at the second reading stage of this Bill that the phasing out of the Petroleum Incentives Program is an important element of the commitment of this Government to the Canadian people as concerns national reconciliation, economic renewal and social justice.

[English]

The purpose of Bill C-85 is to provide a legislative framework for the orderly phasing out of the Petroleum Incentives Program, commonly referred to as PIP. This is but one element of our Government's new frontier energy policy announced on December 20, 1985. The Bill was referred to a legislative committee on January 27, 1986. Hearings were held and representations made by the Canadian Petroleum Association, the Independent Petroleum Association, and representatives from Canadian companies such as Husky-Bow Valley. The committee, under the very able chairmanship of the Hon. Member for Calgary South (Mrs. Sparrow), then reported back to the House on March 7, recommending passage of the Bill without amendment.

It should be noted that the phasing out of PIP comes at a time when the frontier is moving from a phase characterized by high levels of Government intervention, to one which relies more heavily on market forces and private sector decisions; a phase of wildcat exploration to one which is more development oriented. In Hibernia we are now ready to move into the start of the production phase, which is very, very important. The finds experienced in the Beaufort, which are very exciting indeed, will of course move to the development stage in the not-too-distant future. I do not think there is anything that will help exploration in our frontiers more than the development in our frontiers. In other words, nothing provides more of an incentive to further exploration than to see the fruits of previous exploration being realized in this great country of ours. Development of Hibernia is a priority with us. Construction of production facilities and drilling of development wells will have an important and positive impact on the economy of Atlantic Canada in general and Newfoundland in particular.

I had the good fortune to visit Stavanger, Norway to look at the offshore developments which will be comparable to some extent to what we will see off Newfoundland. I was impressed by the number of construction jobs created by this project. The platforms were very impressive and their immensity is very difficult to describe. They are huge. I visited one platform, about one-eighth of which contained a 200-room hotel fully equipped with theatres, exercise rooms and restaurants. You can imagine the immensity of these projects. This all bodes well for our future, especially the future of Atlantic Canada in general, and Newfoundland in particular, where the spin-offs will be tremendous.

To encourage this trend in development the Government has introduced a new frontier energy policy. The main thrust is to remove all the National Energy Program taxes, including the phased elimination of the PGRT. That tax has dropped to 10 per cent and will disappear as of January 1, 1989. We have

implemented a royalty regime which is more profit sensitive. We have introduced a royalty investment credit and exploration tax credit to assist companies in financing their exploration activities. There is new legislation to simplify and improve the management regime for Canada's energy frontiers. This is reflected in the proposed Canadian Petroleum Resources Act, Bill C-92, which we hope will receive a second reading in the not-too-distant future. Since it was printed representations have been made by various private sector groups and organizations, and Governments for that matter, who will want to make representations on that Bill.

There has been some concern expressed that this Government is abandoning the frontier to the multinationals. I do not think that is a fair criticism. This Government has stated many, many times, and made it very, very clear, that we want both the multinationals and Canadians on the frontier. There is room for both. As a matter of fact, the multinationals have tremendous financial resources and a much broader base than our Canadian companies, so we need them. We as a Government welcome their participation and their investment because it means jobs. It is as simple as that. It means jobs in Canada. We have made it very, very clear that we want them to participate in exploration and development of our frontier.

There are now a number of sizable Canadian-controlled companies active on the frontier as well. We want a partnership of these two interests. We think we can have a partnership. Not only do we think, we know we can have a partnership between these two interests. The capital and expertise such a partnership can provide is important to the enhancement of frontier exploration and development.

Bill C-92, which we will be discussing later in the year, requires as a necessity 50 per cent Canadian ownership of post-1982 frontier discoveries once the production phase has been reached. We are encouraging the multinationals to join the partnership with Canadians to develop our frontiers. The Petroleum Incentives Program, the PIP regime, that will be in place from April 1, 1986 to December 31, 1987 is the result of extensive consultation with the oil and gas industry and honours industry commitments in place at the time of the Western Accord, commonly referred to as grandfathering.

● (1220)

We understand that on the frontiers the lead time for exploration, for planning and for commitments is much longer than that of conventional plants? Therefore we are allowing a period of time for those companies who have signed commitments in place at the time of the Western Accord to carry out those commitments. The Government will be spending in that period of time from April 1, 1986, to December 3, 1987 about a billion dollars. We are not talking about a small amount of money, we are talking a billion dollars. That will be spent for those firms which qualify through the grandfathering rules that form the basis of this new regime. We feel that it is fair. We feel there has been extensive consultation with the companies. During the committee hearings we read off the lists of the numerous meetings that the officials and the Ministers held