

introduced by way of the National Energy Program on October 28, 1980, will be increased from 8 per cent to 16 per cent as of January 1st, 1982. There is a 25 per cent resource allowance for those responsible for the payment of provincial royalties or taxes on minerals, on oil and gas production revenues. The result is a change from 8 per cent to 12 per cent, if the difference under the 25 per cent allowance is included.

The legislation also provides an incremental petroleum revenue tax, which will apply to the production of oil discovered before 1981. From January 1982 on, the tax rate is 50 per cent of incremental revenues, after deduction of relevant government royalties. Incremental revenues subject to the tax derive from the fact that the prices of old oil are higher than those established in the National Energy Program announced in 1980. Revenues so taxed will be exempt from income tax. Also, the burden of that tax on wells producing less than 3.18 cubic meters per month will be reduced. Such a reduction, which is also called a readjustment for low productivity wells, will profit significantly to producers in Saskatchewan where a large number of wells fall into that category.

Finally and importantly, I would like to switch over to another subject, to wit the content of the document: "The National Energy Program, Update 1982" made public by the Honourable Marc Lalonde on May 31, 1982. Honourable senators no doubt are well aware of the details. The measures announced are for the short term, realizing the cash flow problems will be excessive with the increase in small businesses indebtedness and the reduced demand for oil products. In particular, the announcement reduced the basic rate on production revenues and provided for special allowance on synthetic oil from tar sands, and for the duration of agreements, a new income tax credit will be introduced with an annual \$250,000 ceiling applying to corporate production revenue tax. Finally, no tax on incremental oil revenues will be due where conventional oil will be marketed between June 1, 1982 and May 31, 1983.

Honourable senators, the changes were announced after Bill C-112 had gone through third reading in the other place. The changes from the "1982 update" will be part of a new bill to amend the currently proposed legislation.

Honourable senators, in reviewing the principles of the legislation, if this be of interest to you, given the specific provisions of the bill, I will now address the house in English.

● (2120)

[English]

The first clause is a technical clause increasing from 1 per cent to 1.5 per cent the monthly penalty imposed on defaults.

Clause 2 is also a technical clause.

I draw attention to clause 3 which contains a much more general statement amending subsection 25.1(1) of the act by adding a definition of "offshore area," and also by changing the word "paid" to the word "imposed" in six subsections.

Clause 4 is a more general clause. Also, it is the major policy amendment in Part I. It extends the current rate of tax of forty-two cents per gigajoule on marketplace pipeline gas

one month to February 1, 1982, and establishes a rate of sixty-three cents after that date until a new rate is established by the Governor in Council.

● (2130)

Honourable senators, this is the section that sets the zero rate on exports of natural gas with three exceptions. The first exception relates to Canada Lands. The second exception refers to situations where we burn American gas for certain convenient reasons, and it is treated as Canadian gas. Senator Roblin has posed questions with regard to the rather unusual situation in Saskatchewan where this has occurred. The third exception relates to the looping of the TransCanada pipeline and the use of gas to drive the gas through the pipeline. That is also treated as Canadian gas. Clause 4 and its subclauses provide for the zero rate.

Clause 5 provides for the rates on ethane, propane and butanes which are equal in heat content terms. I mentioned that principle, generally, in the total raison at the outset of my remarks.

Clause 7 increases from 1 to 1½ per cent the monthly penalty imposed on defaults of payment. Clause 7 sets conditions on regulations which set the tax rates on gas and liquids. Honourable senators, this is relevant to the comments I made during my opening remarks with reference to the statement of May 31. Some of the changes announced in the May 31 statement, which will result in a lowering of tax, can be implemented by regulation. I would point out that, although this will apply to many of those changes, it will not apply to all.

Clauses 8 and 9 are technical amendments.

Clause 10, again, might be circled as more of a general statement providing for repayment of gas tax on exports of tax-paid marketable pipeline gas or ethane.

Clauses 11 and 12 are consequential amendments resulting from other amendments.

Clause 13 is a technical amendment, as is clause 14.

Clause 15 is the enactment clause for the provisions in Part I amending the excise tax.

Moving to Part II, clause 16, although long, is, in essence, to introduce a series of new definitions many of which are quite important to the system and are rather fully set out.

Clause 17 introduces a new tax base under Division I of the act. That is an important expression with which we have become somewhat familiar as a result of the provisions relating to the taxable incremental oil revenue.

Clause 18 provides definitions of petroleum and gas production revenues. This is important because it is on those petroleum and gas production revenues that the PGRT is levied.

Clause 19 introduces a new section into the act providing for the determination of taxable incremental oil revenue.

Clause 20 sets out the rates of tax on production revenue and subclause 20(2) provides for what is generally referred to as the "straddle year provision."