for a relatively small proportion of the U.S. gas market (four to five per cent) an increase in Canadian exports, because of the Agreement, is unlikely to have a significant impact on export prices.

In the case of electricity, the Agreement specifically provides that Canada shall eliminate the "least-cost alternative test" as previously applied to exports of electricity from Canada to the United States. The removal of this test may lead Canadian utilities exporting electrical energy to offer it at more competitive rates, but the revenue effects of this may be offset by an increase in the quantity of electrical energy sold. If export revenues are higher as a result of the Agreement (the most likely scenario) domestic electricity rates could be set lower inside the exporting province without a reduction in the utility's regulated return.

Without the Agreement, Canadian uranium exports to the United States would continue to be subject to potential restriction under the U.S. Atomic Energy Act. Restriction of imports into the United States would leave Canada with surplus productive capacity relative to domestic needs. To the extent that alternative markets could not be found in other countries, this would depress uranium prices in Canada.

Canada's Ability to Set Energy Prices that Differ from Market Levels

The Agreement places some constraints on the ability of governments to use export restrictions to depress domestic prices or import restrictions to prop up domestic prices.

In certain specific situations, such as for conservation reasons or in cases of short supply, the quantity of exports can be restricted. The Agreement does not permit governments to impose higher prices for export of an energy good than are charged domestically through the use of measures such as licences, fees, taxes or minimum price requirements. While the Agreement does not preclude a Canadian regulated price which is less than the world price, it does make such a policy less attractive, since Canada could not, for example, set Canadian prices for oil below world levels (as in the period 1973–1985) and partially finance the program through export charges on oil.

There is nothing in the Agreement that precludes governments from setting domestic energy prices higher than export prices (as was done for oil in the 1960s), although the Agreement constrains our ability to use import controls on energy imports from the United States to achieve such an objective.

Under the Agreement, Canada retains the ability to place restrictions on energy imports from third parties, which currently account for the majority of Canadian crude oil imports. Except in certain emergency circumstances, however, the Canadian government could not restrict third party crude oil that is refined in the United States and then exported as products to Canada. Thus, oil import controls are likely to be less effective as a result of the