

and tidal-electric power generation. Alternative energy research and development should be promoted, given Canada's success in this field and our coming need for new energy forms and technologies. We should develop new energy industries in which Canada has a demonstrated comparative advantage.

**7. The Committee recommends that the Federal Government support alternative energy research and development at a level sufficient to maintain and enhance the leading position that Canada has achieved in this field and in recognition of the export opportunities which it represents.**

### **Energy Security**

Canadians still do not give sufficient thought to the strategic realities of world energy distribution and trade. The fact that the Middle East holds nearly 60% of global conventional oil reserves has profound implications: terrorism, war or other forms of instability in this politically volatile region can threaten international energy security. Although Canada's vulnerability to such disruptions is not acute at present, it could potentially increase. Energy planning which seeks to reduce our reliance on oil and increase utilization of heavy oil minimizes this risk.

The Federal Government should carefully monitor commercial oil stocks held in this country. Perhaps a three-month supply measured against domestic demand should be considered even though the International Energy Agency requirement of a 90-day emergency reserve does not presently apply to Canada, as a net oil exporter.

There are pricing circumstances in which the Federal Government should intervene in the national interest. Western Canada's tar sands and heavy oil deposits will play an increasing role in meeting domestic demand. Enhanced oil recovery, although costly, will extend Canada's reserves of conventional crude by making a larger fraction of this resource accessible. An interim floor price applying to these operations should take effect if there is a large, abrupt decline in world prices. Even when foreign energy sources are cheaper, these domestic sources should be sustained through temporary price lapses to ensure their later availability.

In these cases, the high capital costs of start-up, the lengthy wait for a return on investment, the higher costs of production under existing technologies, and the growing share of Canadian oil production which these sources will represent, justify a guaranteed price which would keep existing facilities in operation.