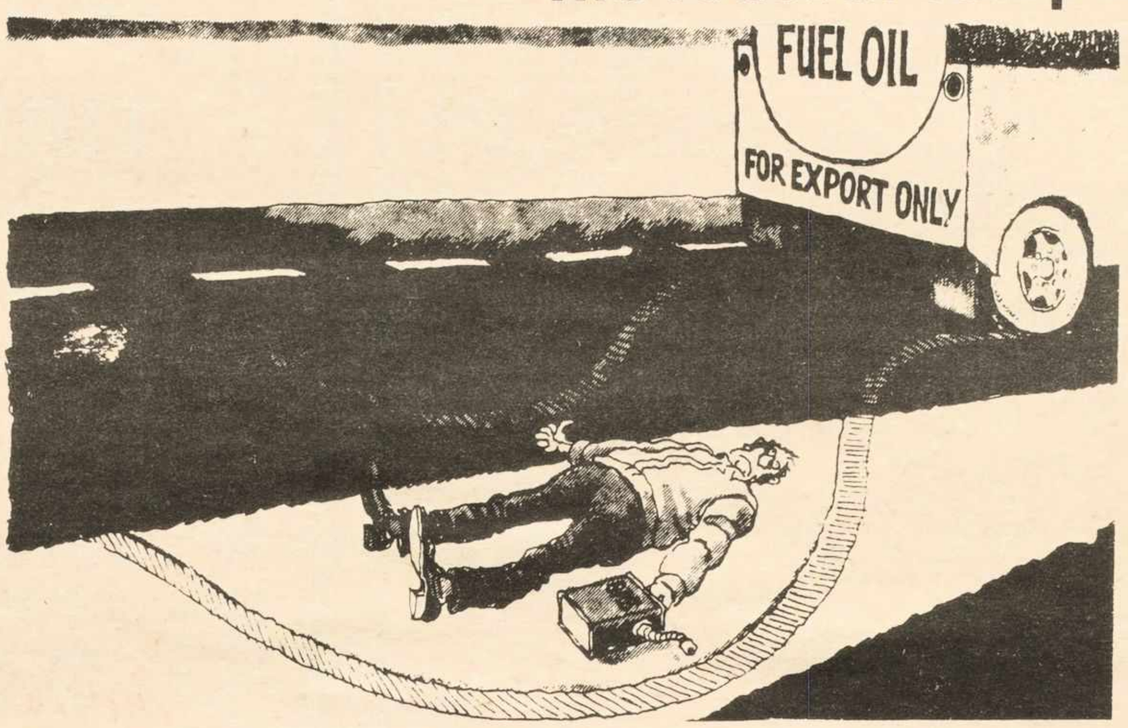
# Energy Policies

## The great divider in the federal campaign




**by Phil Hurcomb**
**for Canadian University Press**

In many ways this federal election epitomizes the worst traditions of Canadian politics. The Conservatives have been accused of abandoning their major campaign promises of the May election, the Liberals of avoiding central issues in an effort to pacify the electorate and the NDP of stopping their political analysis just short of explaining where they will find the money to support their programs. Policies as morally and financially well grounded extentions of political philosophies are getting harder and harder to find under the slogans and innuendo the electorate sees and hears through traditional media sources.

In the midst of this political cynics paradise, there is one issue that is rousing some interest in this first mid-winter federal election in more than 50 years. The issue is energy; where we find it, how we use it and who will profit from it. No issue in this campaign provides a better showcase for the essential political philosophies of the three major parties or provides sounder ground on which to base a vote February 18.

Conservative energy policy stems largely from their faith in the ingenuity and drive of the private sector of Canadian society, the need for financial responsibility on the part of all Canadians, and the benefits of reducing our dependence on foreign oil. The NDP, "made in Canada", energy platform is based on increased government involvement in energy industries, increased corporate taxes and increased expenditures in the areas of research and conservation. The Liberals, the most reluctant of the three to reveal a concrete policy, favour slightly increased government involvement and higher corporate taxes than the Conservatives but lower taxes than the NDP.

**GOVERNMENT INVOLVEMENT IN THE PETROLEUM INDUSTRY**

The question of government involvement in the development, purchasing and sales of petroleum products is being dealt with through different models for PetroCanada, a crown corporation established by the Liberals in 1974.

At the time of its inception, PetroCan was supposed to reinforce the nation's interests in the multinational dominated industry. In its brief history it has been most active in northern exploration, the offshore potential of Newfoundland, Labrador and Nova Scotia, and the Tar Sands projects in Alberta.

Conservative policy on PetroCan has changed drastically since the last election campaign. Last spring Clark called for the dismantiling of the crown corporation. After coming to power, a task force was struck to advise the government on which of the corporations' assets should be sold to the private sector.

The task force recommended that the profit making aspects of the corporation be sold and that shares in the remaining projects be given to the general public free of charge.

Just before Christmas Clark announced a new approach where PetroCan would become a "semi-private" corporation. Half of the shares would be given to Canadian citizens, 20 per cent would be offered for sale to the private sector and 30 per cent would be retained by the federal government. PetroCan would operate on a competitive basis with private industry and would be contracted by the federal government in exploration ventures and oil and gas deals with other countries.

The Liberals are as critical of this arrangement as they have been of its two predecessors. The Liberals would retain PetroCan as a wholly owned crown corporation. PetroCan was established, according to the Liberals, because private industry was preoccupied with profit, not with the long-term exploration needs of the country, and if it incorporated a shareholder system the potential of PetroCan would be undermined by the conflict between the profit goal of the shareholders and our national need for exploration in high risk areas of our oil and gas potential.

The Liberals would have PetroCan make all of the nation's petroleum deals. They contend that petroleum prices can be kept down if only one company is bidding for foreign oil for Canada.

The New Democratic Party is calling for a PetroCan with increased participation in all aspects of oil and gas exploration, refinement and international sales. Broadbent wants PetroCan to be the number one "oil business" in Canada by 1985 (it is presently Canada's eighth largest oil company). The NDP would extend PetroCan's retail operations across the country and issue credit cards to help expand its business. The NDP, like the Liberals, want PetroCan to make all of Canada's import and export deals. Expansion of PetroCan's involvement in the Oil Sands Projects in Alberta and the refining section of the industry would also take place under an NDP government.

**OIL PRICING**

The Conservative Party is the only party that has put general pricing policies into real financial terms. A Conservative government would stand by its decision to increase domestic oil prices by four dollars a barrel this year, and by four dollars and fifty cents a barrel per year thereafter until our domestic prices are equivalent to 85 per cent of the price of oil in the United States. A Conservative government would introduce a new energy tax whereby all revenues resulting from price increases of over two dollars a barrel would go to the federal government. Under the present arrangement, 45 per cent of price increases to the provincial government, 45 per cent to the company and 10 per cent to the federal government. Under the new Conservative plan, these revenues will go into a new Canadian energy bank or towards the subsidization of other projects. The Conservatives have also proposed an 18 cent per gallon excise tax on gas consumption.

Pierre Trudeau and the Liberals cannot give an exact figure on the rise in oil prices that we could expect under a Liberal government, but they do say that the increases would be smaller and more gradual than those proposed by the Conservatives. The Liberals would arrive at a final price after negotiating with the producing and consuming provinces of Canada, as they did when they formed the government.

The NDP does not offer a new domestic price for oil either. They recognize the inevitability of price increases but think that a federal commission to control oil prices and profits should advise the government before a final price decision is made. The commission would advise the government on acceptable profit margins at every stage of the industry and oil prices would be adjusted accordingly. Under an NDP government no increase in corporate profits from price increases would be allowed until this commission has an opportunity to consider the present profit levels of the industry. This, however, does not mean that increases could not happen under an NDP government with the extra revenue going to PetroCan, provincial government or federal coffers.

Production of heavy oil in the tar sands developments should be dominated by PetroCan, according to the NDP, and oil produced in this area should be provided to Canadians at cost.

**GAS PRICING AND EXPORT**

The NDP and Liberal parties have condemned the Conservative 18 cents a gallon excise tax on gas because of the effect that it will have on lower income groups and transportation industries. The Tories claim that the heaviest burden of the excise tax will not fall on these groups due to their proposed $80 per adult and $30 per child users rebate for families that make less than $21,000 per year, and their 10 cents per gallon rebate to commercial users of gasoline.

If elected, the NDP would cancel the Conservative government's recent approval of a license for the export of 3.75 trillion cubic feet of natural gas to the United States. They feel the new license, which will increase our natural gas exports to the United States by 40 per cent, could undermine Canada's energy future.

The Liberals feel that the Conservative government made the decision to grant the license without looking closely enough at the consequences of the move. The Liberals also think that the granting of the licence should have been part of a package deal which would have guaranteed that the gas would be shipped via a Canadian pipeline.

The Tories still feel confident that Canada has a surplus of gas in the ground. The revenue generated by the sale is substantial enough to warrant the risk, and is important in their general fiscal responsibility platform.

**FEDERAL-PROVINCIAL REVENUE SHARING**

Again in this area the Conservatives, through their proposed budget, are the only party with a finalized policy on the scope of provincial jurisdictions on resources and the federal-provincial split of profits not taken by corporations.

The Liberals have been openly critical of the Clark government's new revenue sharing agreement with the provinces (primarily Alberta) whereby approximately 44 per cent of revenue goes to the producing province, 37 per cent to the industry and 9 per cent to the federal government. they are also critical of the fact that only 10 per cent of what the federal government receives is guaranteed to go into the energy bank designed to promote more development of the Canadian energy industry.

The NDP has also been critical of the federal-provincial split of energy revenues. While recognizing the constitutional rights of the provinces in the area of natural resources, the NDP has indicated that they feel energy is a special case. Under an NDP government the split would likely be revised in favour of the federal budget with the bulk of the increase being channelled into research and development. Corporate profits would also drop through the removal of some tax concessions with an NDP government.