Oil and Gas

ROUTINE PROCEEDINGS

[*English*]

ENERGY

OIL AND GAS—INCREASES IN PRICE AND EXPORT TAX—GENERAL POLICY TO MAINTAIN SUPPLY

Hon. Donald S. Macdonald (Minister of Energy, Mines and Resources): Mr. Speaker, on September 4 the government asked the oil industry to refrain, on a voluntary basis, from further price increases to Canadian consumers before January 30 of next year. This price restraint would apply except where, to the satisfaction of the Minister of Energy, Mines and Resources, the increase in the cost of imported crude oil warranted a Canadian price increase. The government was concerned then, as now, with the inflationary push and its impact on the Canadian consumer.

During September and October, crude oil import costs have risen substantially. One price rise alone by the Arab producing states, followed by Venezuela, was in the vicinity of a 35 per cent increase. My department and the National Energy Board have been carefully monitoring these changes. We have received requests from major refiners using foreign crude oil in Quebec and the Atlantic provinces to increase product prices. These requests reflect only actual increases in crude costs which have already been borne by importers. Each company has experienced different cost increases depending upon the source of the crude and varying ocean transportation costs.

I am today notifying refiners in eastern Canada that the government will have no objection to any decision on their part to raise product prices to levels consistent with each company's crude cost experience in September and the first half of October. The average increase in gasoline and heating oil prices east of the Ottawa Valley line will be about 2 cents per gallon.

Apart from the product price increases which I have just described and which will become effective immediately, our best indications suggest that the average price of international crude delivered at Montreal, from the eastern and western hemispheres, will rise by upward of $1 per barrel during November. Refiners in eastern Canada supplied by international crude will, at a future time, be permitted to reflect crude cost increases for the second half of October and for November in product prices.

A significant part of the market for home heating oil in the central Ontario area is supplied by imports of home heating oil from overseas. The rapid increase in demand for international supplies of home heating oils, with the consequent price increase, has made it difficult for Ontario suppliers to secure adequate supplies before the close of navigation in December.

In these circumstances, it is the government's intention to entertain requests by marketers for immediate price increases in home heating oils west of the Ottawa Valley line and particularly in Ontario and British Columbia. This action will both assist in the securing of supplies west of the Ottawa Valley line and will offset any tendency for these supplies to move out of those markets. With the exception of this product, it is the government's intention to request continuing voluntary restraint at current price levels west of the Ottawa Valley line on the part of the Canadian oil industry until February 1, 1974.

The government is, and intends to continue, watching this situation closely and will relax its restraint program further if, in its view, such action would materially assist in what must be its predominant concern—the provision of adequate supplies for Canadian consumers.

The National Energy Board has advised me that if western crude prices continue at their present restraint levels through December, the just and reasonable price for exports to the United States would, for December, generally be at the level of about $1.90 a barrel higher. I am able to announce, therefore, that I shall be seeking authority from parliament to raise the level of export tax from 40 cents per barrel in November to $1.90 per barrel for December exports.

Some hon. Members: Hear, hear!

Mr. Macdonald (Rosedale): This tax rate of $1.90 per barrel is a direct measure of the savings to Canadian consumers west of the Ottawa Valley line brought about by the government's policy of continuing restraint.

Some hon. Members: Hear, hear!

Mr. Macdonald (Rosedale): I would like now to say a few words about the Canadian crude oil and products supply situation. The outbreak of hostilities in the Middle East and the moves by Arab countries to embargo oil deliveries to the United States and the Netherlands and to impose cumulative reductions in their production rates have cast significant uncertainty on the crude oil supply situation for eastern Canada. It might be that Canada will be affected by the reduction of oil production in Arab countries. Any significant curtailment in our imported crude oil supply is bound to have an unfavourable impact upon the product supply situation in eastern Canada.

Our ability to deal with shortfalls in crude oil supply to eastern Canada is under extensive study, both within the government and in concert with industry. The government has established a technical advisory committee on petroleum supply and demand under the chairmanship of the National Energy Board. The committee, which includes representatives of companies importing and refining foreign crude oil, is set up to advise as to the outlook for petroleum products supply and measures to bring supply and demand into better balance.

The exact magnitude of the possible oil import curtailment which we face is uncertain and will remain so for some time. Prior to the Middle East fighting, stock levels for oil products were generally in a fair position. The supply of heating oil in Ontario and eastern Canada for the coming winter appeared to be in delicate balance against demand, assuming normal cold weather. If imports of crude oil cannot be maintained at programmed levels, this balance will obviously be disturbed.

The pre-hostilities situation in regard to motor gasoline supply in eastern Canada was generally satisfactory with a seasonal inventory build-up foreseen. Curtailment of crude oil imports would affect this build-up, with a conse-