further adjustment after 1982 if necessary. Gas prices on existing flows of natural gas will rise to maintain the present 85 per cent relationship with oil but, to encourage substitution of gas for oil, distributors will pay a lower price on additional volumes calculated at 65 per cent of the commodity value of oil. The difference will be used by distributors to aid householders and industry in converting from oil to gas.

The new energy tax, to be introduced by a tax bill in this House in 1980 with a request for passage before August 1, 1980, will recoup amounts roughly equal to half of the return from oil price increases in excess of $2 per barrel annually and natural gas price increases in excess of 30 cents per thousand cubic feet annually. The technical details of this tax have still to be worked out in a co-operative effort. The additional price increases to commence on July 1, 1980, over and above the $1 increase already scheduled for January 1, 1980, will not take effect before the new tax is in place.

Producing provinces would levy their royalties on the full price increases and receive additional revenues. Over the next four years, under this projection, from 1980 to 1983 the total net revenues from oil and gas would amount to $90 billion. Of this, the provinces would receive about $40 billion and the federal government $17 billion. The industry would receive $33 billion net of all production costs and taxes. The funds flowing to the industry should be ample to support all needed new energy investments. If this does not turn out to be the case, adjustments will be made to ensure sufficient cash flow to the industry for all needed energy projects.

We need immediately, however, an added incentive to conserve our petroleum resources. Consumption of motor gasoline over the first nine months of 1979 was up 4.3 per cent. In contrast, in the United States, gasoline use was down about 4 per cent. Canadian prices of gasoline, diesel fuel, and heating oil are low by international standards. Indeed, our prices for gasoline are substantially lower than those of all major industrialized countries. They are now 30 to 35 cents per gallon lower than those in the United States. The United Kingdom is an oil producer and its prices are just about double our prices. The difference is all the more significant when it is realized that, historically, our prices have been higher than those in the U.S. by a few cents per gallon. Canadians now pay less for gasoline, when allowance is made for general price inflation, than they did 25 years ago. For example, in 1954 the price of gasoline was about 45 cents per gallon. If gasoline prices had risen as much as consumer prices in general, the price today would be about $1.20 per gallon. In fact, in large Ontario cities the price today is around $1.07 per gallon.

**Some hon. Members:** Oh, oh!

**Mr. Crosbie:** We all have to face the facts, Mr. Speaker.

Low prices have led to excessive consumption. Canadian energy consumption, per capita, is the highest in the world. Our oil supply picture is tight and fragile. Stocks of fuel are lower than last year. Any major disruption of international or domestic oil supply, or an abnormally cold winter, could lead to major difficulties. It could raise the possibility of rationing. To sit back and do nothing would be criminal.

In order to further energy conservation efforts and to increase revenues, I have announced tonight a federal excise tax on transportation fuels. Even with this tax, the price of these products will generally be lower than in the United States.

These measures taken in total will produce tangible results. I expect that by 1985 they will result in import savings of 100 million barrels a year, or some $2.5 billion even at today's prices.

All of the revenues from the envisaged energy tax and a substantial part of the revenues from the excise tax will be used to finance a number of energy-related measures and offsets to the impact of energy price increases. These form an integral part of our energy program. I would like to provide some examples of the programs we envisage, some of the details of which are in the supplementary budget material.

First, we will be moving quickly to set up a national energy bank. It will help fund a wide range of energy-related projects.

Second, we will provide increased funding for the Canadian Homes Insulation Program.

Third, we will be mounting a major effort to ease the burden of adjustment to higher prices in the Atlantic region. We will provide grants to compensate for the additional costs of electricity generation resulting from oil price increases in excess of $2 per barrel per year.

Lower and middle-income Canadians need some protection from the price increases. A good deal of protection is already afforded to many by the indexing of social programs and the income tax system.

In addition, the refundable energy tax credit I announced tonight when in full effect will return about $1 billion to lower- and middle-income Canadians. The credit will commence with the 1980 tax year. It will be phased in to reflect the fact that the full impact of energy price increases is not felt until later next year. One-half of the benefit will thus be claimable in 1980, with full benefits claimable in 1981 and subsequent years. Credit benefits will be reduced for families with incomes over a threshold amount. For 1980 the threshold is $21,380. For every $100 of income in excess of this threshold, benefits will be reduced by $5. When the plan is in full effect a family of four will receive the full benefits of $220 each year as long as their income is below the threshold amount. If benefits exceed a family's tax otherwise payable, the excess will be refundable to them.

OTHER TAX MEASURES IN THE ENERGY FIELD

I will now give more detail on other significant tax changes in the energy field.

The depletion allowance for frontier drilling, the so-called super depletion, expires in April of next year. It has been attracting significant Canadian participation in frontier exploration. To achieve our energy goals, it is important that