

of Saskatchewan. It concerns a heavy oil upgrader in an area of Canada with the largest available supply of heavy oil. Heavy oil must be refined, upgraded and moved to market. At the present time, 60 per cent of that oil is being sent to the United States so that the sulphur can be removed, so that it can be sweetened, so that it can be sold.

● (2210)

PetroCan is a member of a five-company consortium, comprised of Saskoil with 25 per cent of the shares; Husky Oil with 25 per cent of the shares; Shell Oil with 15 per cent; Petro-Canada with 15 per cent; Gulf Oil with 20 per cent. I asked the Minister of Energy, Mines and Resources where PetroCan, which the minister said is the window on the resource industry, and where the government wanted the heavy oil upgrader located in Canada. The minister said that PetroCan did not have any preference at all as to the location of an upgrader in Saskatchewan. He went on to say that Husky was the leader of the group. All representatives of Husky Oil said was that they would provide the people to explore the location. The decision would not be made by Husky, it would be made by the consortium.

The consortium made a decision yesterday in Saskatchewan that the upgrader would be located in Moose Jaw, which is approximately 300 miles from the oil patch which produces the volume required by the upgrader. It will be a \$1 billion construction project. It will take 2,000 to 2,500 people to build the upgrader. When it is completed, it will employ 300 to 500 people on a permanent basis. The area in Saskatchewan in which the oil is located is similar to any other area which produces raw material. They become tired of producing raw material and seeing the benefits of refinishing and manufacturing removed from the area. This is what is happening now. The people in the northwestern part of Saskatchewan have long looked forward to additional benefits by having the upgrader located near the oil patch. The decision to move it to Moose Jaw was done with no surprise. It did not surprise anyone in the House or anyone in northwestern Saskatchewan. It was done because Saskoil and the government of Saskatchewan chose to place it in Moose Jaw. They made this choice because the federal government and PetroCan said, "Go ahead and choose the site." Husky Oil did not choose the site. It only has 25 per cent, along with Saskoil.

This summer, Mr. Bob Blair, the president of a Canadian company, Husky, said in Lloydminster that the preference of Husky was to have it built near Lloydminster. As a matter of fact, Husky on its own was prepared to build the 100,000 barrel per day upgrader in northwestern Saskatchewan near Lloydminster. Gulf, which owns 20 per cent of the consortium, indicated that its preference was in northwestern Saskatchewan. The only company which expressed a preference for the Moose Jaw area was Saskoil, and it was done for purely political reasons.

I am astounded that the Minister of Energy, Mines and Resources did not have some awareness of even the percentages held by the companies in the consortium. He said that

### *Adjournment Debate*

Husky Oil was the largest shareholder. He was completely wrong in that statement. Husky Oil is not the largest shareholder. There are several communities, such as the communities of Maidstone, Lloydminster, Wilkie, Unity, Kindersley, Neilburg and other surrounding communities, which had the capability of providing housing and having the benefit of a stable tax base by people moving into their communities. It would not disrupt those communities.

● (2215)

The plans are to build the townsite during the construction stage so that there would not be much disruption to the 2,000 or 2,500 people who are employed there. Those of us in northwest Saskatchewan find it strange that the minister allowed something like this to happen. I cannot sit idly by in my province and see the manufacturing basis for our raw materials moved away from the areas in which they occur, any more than I appreciate it that the rapeseed produced in Saskatchewan has to be sent to central Canada to be processed. People who produce raw materials have the right to expect the added benefits of manufacturing and finishing the product.

That is why I hope that whoever answers for the Minister of Energy, Mines and Resources will explain why this decision was made. Was it economic grounds or political grounds? I suspect the latter, but in the spirit of brotherly love and good cheer, Merry Christmas, Joyeux Noël et Bonne Année.

**Mr. Jack Masters (Parliamentary Secretary to Minister of Communications):** Mr. Speaker, during the past few weeks there has been considerable speculation in the press, especially in Saskatchewan, regarding the location of a heavy oil upgrader being planned for that province. The federal government recognizes the valuable contribution that the heavy crude oil resources of Saskatchewan and Alberta can make to securing future sources of petroleum for Canadians. However, their development has proceeded slowly. The reasons have been partly technical: only a small proportion of this oil can be produced in the field unless costly recovery techniques are employed. While the National Energy Program has provided new price and tax incentives for production of heavy crude oil by enhanced recovery processes, the problem remains of finding domestic markets for this heavy crude.

The federal government believes that resource upgrading should take place in the actual regions of production. It is crucial that facilities be installed in producing areas to upgrade the heavy oil into a more marketable product, which can be readily shipped to any domestic refinery. Toward this end, the federal commitment to participate financially in an upgrading plant in Saskatchewan is clearly set out in the National Energy Program.

The Government of Canada and the government of Saskatchewan agreement of October 26, 1981 provided further encouragement for the establishment of a heavy oil upgrader as noted in the following extract from the agreement:

We are agreed that a commercial-scale crude oil upgrading facility, designed to optimize the energy and economic benefits to Saskatchewan and Canada,