

Energy Supplies

sponsorship of the OECD entered into an agreement which, in effect, required Canada to assist the other signatory nations of the western world, as they would assist us, to make up any short form of crude oil supply that might occur. Essentially, that 1974 agreement called for the triggering of a procedure to reallocate world petroleum supplies outside of Iron Curtain countries when a shortage of at least 7 per cent of world supplies was encountered over all. A complicated formula of reallocation was designed to see that the shortfall to any nation was shared by all the others.

● (2040)

It is important to recognize that the situation which triggered the implementation of that treaty was one involving the sharing of the effect of the shortfall in the total consumption of petroleum products by the signatory countries. This is important. It required a shortfall of not just imported crude oil or petroleum products but a shortage in the total consumption of all petroleum products in the signatory countries. To focus on the Canadian situation, the Canadian allocation of foreign crude was based on Canada's total consumption of oil resources, domestic and foreign, not just a shortage of imports.

The government knew of these arrangements. It had signed the treaty and it understood the procedures. In fact it was a member of the executive committee. The 1974 supply crisis passed into a price crisis. Happily, there had been no need to invoke the provisions of the bill or of the treaty. The act itself died on January 30, 1976, as a result of the sunset provision we insisted the government should put in place.

Did the government consider the over-all picture? That act had died. There was the treaty of 1974. The minister told us tonight that those measures in the bill before us, and I am using his actual words, now, would be necessary for us to fulfil our commitment under the international energy program. That is the treaty I am talking about. In other words, there was the 1974 treaty to which all countries outside the communist world believed Canada had committed herself in a meaningful way. The bill which was to implement the terms of that treaty died in 1976, intentionally as far as the opposition was concerned, because we wanted to force the government into reconsidering the whole picture. What happened? The same as what had been happening in many of these economic and resource fields under the present minister. Nothing happened. He either considered the whole picture and decided that no emergency allocation bill was necessary, or he did not consider it at all.

In either event I believe the government is to be very severely criticized. Did the government replace the bill? No. Was anything done to expand the pipeline capacity of this country so that crude oil could be moved into these regional areas where, obviously, there is likely to be a disparity one day? No. Did the government take any other steps to improve the regional supply position? The answer is obviously no. Did the government do anything at all to resolve the essential ingredient in this issue?

[Mr. Lawrence.]

We needed an improved delivery system for petroleum products so that Canadian resources and supply facilities could fulfil the demands upon them and reduce the effects of control by a foreign-owned industry. What we got was a half-hearted response, mainly from the minister's predecessor. The pipeline was extended to Montreal. But the bottleneck on the western side of Sarnia existed then and still exists today, so that the Montreal refineries continue to require offshore crude oil. This is the difficulty which the minister has not attempted to tackle.

No one is to blame for the bottleneck except the minister. He takes full credit for the setting up of Petro-Can though I think we shall hear argument about that later, and in any case I would point out that Petro-Can is an expensive agency; it is staffed by empire builders rather than resource finders. Between 1976, when the legislation expired, and early 1979 when a new crisis emerged to threaten Canada and the western world, instead of a decent, meaningful policy we were offered lethargy, complacency, and inaction.

To get back to the chronology. In December, 1978, the situation in Iran seriously deteriorated. On December 26, 1978, 20 per cent of Canada's offshore oil supply was stopped. British Petroleum, a state-owned trading corporation, PetroFina, partly owned by a foreign state, Gulf Canada and other companies in eastern Canada were obviously in trouble, along with other companies, because, to varying percentages, they relied on Iranian or OPEC oil. A large percentage of the crude oil used by those refineries came from Iran. But, in the minister's mind, not Imperial. Why? Because Imperial received through Exxon about 100 per cent of the crude oil used in its eastern refineries from Venezuela. Golden Eagle also buys from Venezuela, and Shell, too, uses Venezuelan oil.

Early in January, Exxon informed Imperial Oil that it was invoking the *force majeure* clause in its supply contracts, and diversions would have to be made on the pattern of the international energy agency's formula. This is the formula which, as I indicated earlier, was important because of the scope and proportion involved, namely, that the cutbacks to Imperial from Exxon would be on the basis of Imperial's total oil consumption and not just on the basis of its imports.

● (2050)

Industry people and government people tell me that there was no question at all, on reading the communications received from Exxon by Imperial, and transmitted in turn by Imperial to this government and to this minister, that this meant that we were in for some fairly serious times as a result of the cutback to Imperial, one of the major forces in the Canadian energy picture. We were in for some very serious times because these cutbacks from Exxon on Venezuelan crude were going to be serious. There was no question whatsoever. Golden Eagle, which is also supplied by Exxon, was also informed of cutbacks. This was in early January.

Immediately—obviously—Imperial moved to find an alternative supply in order to begin to replace the cutbacks imposed by its foreign parent, Exxon. On January 8 of this year, specifically to forewarn this minister, this government, and this