

SECOND REPORT ON ENERGY

The Prime Minister, Mr. John G. Diefenbaker, released the Second Report of the Royal Commission on Energy on August 28. The Commission was appointed by Order in Council in the fall of 1957 under the chairmanship of Mr. Henry Borden of Toronto and its First Report, issued in October 1958, dealt primarily with the problems involved in the export from Canada of natural gas, the regulation of pipe lines and the powers and responsibilities of a National Energy Board.

The Second Report is dated July 20, 1959, and deals with the policies which the Commission believes will best serve the national interest in relation to the export of crude oil and the marketing of crude oil within Canada itself. Its specific recommendations are:

- (1) That it be national policy
 - (a) to encourage and permit the export of Canadian crude oil without licence, and
 - (b) to ensure the continued use, consistent with the interests of the Canadian consumer of petroleum products, of Canadian crude in refinery areas of Canada accessible to it by existing pipe line facilities, thereby increasing the market outlets for such crude oil.
- (2) That to implement such national policy the oil companies concerned take steps as soon as possible to displace, with products refined from Canadian crude, a volume of petroleum products now moving into the Ontario market from the Montreal refinery area equivalent to approximately 50,000 barrels daily of crude oil.
- (3) That to implement further such national policy the Canadian oil industry take vigorous and imaginative action very substantially to enlarge its markets in the United States on a basis that will ensure the continuing participation of Canadian crude in these markets and in their expansion.
- (4) That no government action should at this time be taken to ensure the construction of pipe line facilities to transport Canadian crude oil to the Montreal refinery area and that before any such action is taken an opportunity be given to the oil industry to demonstrate that it can find markets elsewhere in Canada and the United States sufficient to sustain a healthy and vigorous Canadian oil industry with the incentive for further exploration and development.

(5) That, if government action should become necessary to implement the national policy we have recommended above, imports of crude oil be made subject to licence and that such licences be denied (except for some good and sufficient reason) to refiners in a refinery area in Canada where adequate pipe line facilities exist for the transportation of Canadian crude oil to meet the demands of such refinery area, but that crude oil imported through a pipe line or by motor carrier or rail and produced in the country from which such crude oil is imported be exempted from such licensing."

The Commission states that the present proved reserves of oil in Canada are sufficient to provide for 18 years of operation at the 1957 level of production but points out that proved reserves represent only a small fraction of the possible reserves which it is reasonable to expect may eventually be recovered. It further concludes that Canadian oil reserves are clearly sufficient to support a large and expanding industry.

The Commission is of the opinion that if there is an effective national policy ensuring the use of Canadian crude oil in domestic markets which are now accessible to such oil by pipe line and if Canada is successful in the immediate future in increasing its exports of crude oil to the United States the production of Canadian crude can be maintained at a level adequate to sustain a strong industry and to provide the incentive for further exploration and development.

In the view of the Commission the oil industry should be given an opportunity to develop Canadian markets now accessible by pipe line to Canadian crude and to secure a larger share of export markets in the United States. It states its belief that the industry should be able to achieve a level of production of approximately 700,000 barrels per day by the end of 1960 without access to the Montreal refinery area and concludes that if it is demonstrated that the industry itself can reach this approximate level of production by the end of 1960 it is neither necessary nor desirable for the Government at this time to take action to secure the Montreal refinery area as an outlet for Canadian crude oil.

It points out that its proposals leave open the question of supplying the Montreal market with Canadian crude in the event of failure of efforts to assure a continuing adequate level of production. The Commission states that in its opinion the present level of production of Canadian crude is low relative to capacity and that it is highly desirable that it should be substantially increased. It suggests that the next 12 to 18 months should be sufficient to make it appa-