

States. The Canadian export charges allowed the federal and provincial governments to share the differential between higher purchase prices in the United States and the lower Canadian blended price.

The export charge prevented refineries from diverting domestic production to the United States in order to gain higher revenues because the made-in-Canada price applied to export as well as domestic sales.

Given the decontrol of price and short-term exports effected by the Western Accord, even the modest protection afforded by the export charges no longer exists. Should a shortage occur, under the conditions of the Western Accord — which were announced as permanent — there is no mechanism to ensure that short-term American export contracts do not take precedence over supplying the needs of the Canadian market.

- 1. The Committee recommends that the National Energy Board allow Canadian crude oil freer access to export markets provided that the needs of the domestic market are first met.**

Natural Gas Pricing

The same “Canada first” rule should apply to natural gas. In contrast to the case of crude oil, however, the share of gas in Canada’s energy mix will increase because of the growing requirements for natural gas as a fuel substitute for oil, as a feedstock for petrochemical and fertilizer production, and for use in upgrading heavy oil. Canada is encouraging off-oil conversions to reduce our reliance on imported crude. For these reasons, the protection formula for natural gas should be strengthened.

Still, the objective is to provide a market incentive to bring reserves of natural gas on stream. Protection rules should not be perceived as impediments to producing gas. To this end, perhaps the definition of what constitutes a reserve can be broadened.

- 2. The Committee recommends that the National Energy Board allow Canadian natural gas freer access to export markets subject to a protection formula which anticipates future gas requirements for oil substitution, for upgrading heavy hydrocarbons and to meet expanding consumption in non-energy uses.**

The rigidity of NEP pricing schedules also created difficulty with respect to natural gas. As modified by the 1981 Alberta Agreement, gas prices at the Toronto city gate were to be held at 65% of the energy-equivalent price of oil. The schedules required further revision in 1983 and 1984. The Alberta border price of natural gas has been frozen at \$2.79/gigajoule. The government has