In April, the Minister of Energy, Mines and Resources announced a unique, consultative process to examine ways to plan for Canada's energy future. In three weeks, the first of a series of energy options conferences begins in Calgary. I am very impressed both with the level of interest this consultative process has generated and with the enthusiasm being displayed by the participants. With some of the best minds in the country engaged in debate and dialogue, the energy options conferences promise to yield innovative approaches to Canada's energy future.

Despite our success, we are not blind to current problems faced by our energy industry. The legacy of unfair legislation, unworkable regulations and economic imprudence left by the previous Government presents a serious challenge. Our task is not made easier by volatility in international energy markets.

The removal of the petroleum and gas revenue tax and the introduction of the Canadian Exploration and Development Incentive Program, are concrete examples of the commitment of the Government to a strong oil and natural gas producing sector. In light of this commitment, it should come as no surprise that the Government has protested vigorously against FERC Opinion 256. As a Member from Alberta, I am particularly concerned about the impact of this decision on the western Canadian oil and gas industry. I know first-hand of the importance to our energy industry of access to markets at home and abroad. This is especially true with natural gas. Because of our rich resource base, Canadians have been able to export surpluses of natural gas for over 30 years. These exports have provided the economies of scale needed to finance the major pipeline systems now serving domestic markets. They also generate the cash flow needed by producers for reinvestment in the exploration and development required to bring on new reserves, thus ensuring all Canadians with future supply security.

Because of the importance of natural gas exports, we are clearly alarmed at any new barrier to our long-standing bilateral trade. FERC Opinion 256 is just such a barrier. The decision disallows assured full recovery from U.S. customers of certain costs; costs which have been incurred in Canada and established by Canadian regulators to provide firm pipeline capacity to serve the export market. In plain terms, FERC will allow pass through of regulated Canadian transportation charges only on a "made in the U.S.A." basis.

The Hon. Member for Cape Breton—The Sydneys is correct. The FERC order infringes on our regulatory system. The Government of Canada has several very real concerns about Opinion 256. First, there is the question of jurisdiction. For the past decades regulators in Canada and the U.S. have accepted the consequence of each other's regulatory actions. In other words, the regulatory bodies here and in the United States have jointly accepted those actions. This decision by the regulatory body, FERC, in the United States, overturns this long-standing practice and has the effect of extending U.S. pipeline rate-making into Canadian jurisdiction.

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We believe that Canadian and U.S. regulators, respectively, are in the best positions to determine just and reasonable pipeline rates in their own jurisdictions. Canadians have long accepted U.S.-designed tolls for those pipelines—the Lakehead, Portland and the Great Lakes—carrying oil and gas to our markets. By the same token, we expect the U.S. to accept the charges, set in accordance with established rate-making principles, associated with the transportation of gas in Canada to U.S. consumers.

We are also gravely concerned about the economic impact of Opinion 256 on Canadian producers. Those producers serving the export market receive a net-back price for their gas. This means that from gross export revenues received at the international border Canadian transportation tolls are deducted and the residual is returned to producers. If export transportation charges are not fully recovered from those U.S. consumers on whose behalf pipeline investment was made, then Canadian producers will bear the risk of under-recovery.

Our calculations show that even a limited application of Opinion 256 to existing export arrangements will cost Canadian producers at least $140 million U.S. Clearly, this revenue drop is unacceptable when our industry is still coping with last year's sudden fall in world oil prices.

Finally, Opinion 256 has serious implications for the bilateral energy trade policy framework established by our respective Governments over the past three years. In February, 1984, the U.S. Department of Energy introduced a new natural gas import policy. This policy strongly emphasized natural gas trade arrangements based on arm's length, private sector negotiations, and free from undue regulatory interference. Further, the Secretary of Energy clearly delegated authority over natural gas imports to the U.S. economic regulatory administration.

The framework gave the Government of Canada confidence to move in November, 1984, to its own export policy, based on buyer-seller negotiations, subject only to broad public interest criteria. Knowing the rules of the game we are able to allow our industry the flexibility to compete in U.S. markets. This consistent Canada-U.S. approach was confirmed in joint undertaking by the President and the Prime Minister (Mr. Mulroney) at the 1985 Quebec Summit to remove regulatory barriers to energy trade.

Thus we are disappointed with a FERC decision which adds a new and unexpected regulatory hurdle to the private sector contractual negotiation process. Opinion 256 has the effect of interfering in negotiated contracts which had already been determined by the U.S. economic regulatory administration to be just, reasonable and in the public interest. Such action clearly runs counter to the U.S. administration's natural gas import policy.

The Minister of Energy has outlined to the House the concrete action taken by the Government of Canada, in full consultation and co-operation with the producing provinces