

Table 5-2: PROJECTED DOMESTIC AND INTERNATIONAL OIL PRICES, 1981-1990  
Unit: Current Canadian dollars per barrel.

	Oil Sands Reference Price (a)	Tertiary Oil Price (a)	Conven- tional Wellhead Price (a)	Blended Price (b)	World Price 1.5 % Real (c)	World Price 7 % Real (c)	World Price Shock (c,d)
1981	38.00	30.00	18.25	23.30	42.70 <sup>(e)</sup>	42.70 <sup>(e)</sup>	42.70 <sup>(e)</sup>
1982	41.85	33.05	20.25	27.80	47.39	49.74	47.39
1983	45.80	36.15	22.25	32.30	51.91	57.22	51.91
1984	49.85	39.35	26.13	36.18	56.91	65.87	56.91
1985	54.10	42.70	30.63	40.68	62.29	75.72	62.29
1986	58.55	46.20	37.00	47.05	68.04	86.88	93.04
1987	63.20	49.90	44.00	54.05	74.12	99.42	101.35
1988	68.30	53.90	51.00	61.05	80.69	113.71	110.34
1989	73.75	58.20	58.00	68.05	87.79	129.97	120.05
1990	79.65	62.85	65.00	75.05	95.52	148.55	130.61

(a) Canada, Department of Energy, Mines and Resources, 1980e, p. 26. The oil sands and tertiary prices become effective in January of each year; the conventional wellhead price is averaged for the year in question. The oil sands reference price is subject to the limit of international price.

(b) Canada, Department of Energy, Mines and Resources, 1980e, p. 30. The blended price is averaged over the year in question. The Petroleum Compensation Charge of \$10.05 is assumed to continue after 1983. Imports are projected to fall to zero in 1990. The blended price will not be allowed to exceed 85% of the international price or the average price of crude oil in the United States, whichever is lower.

(c) Real price increases are in addition to the expected annual rate of increase in the U.S. Wholesale Price Index for 1981-1990, as estimated by the Wharton School in the United States. For example, if the U.S. Wholesale Price Index rises by 10%, the world price increases by 11.5% in the 1.5% real case, and by 17% in the 7% real case. This U.S. price indicator is used because the international price of oil is based on the American dollar.

(d) The world price is calculated to undergo a 1.5% annual real increase in 1982-1990, and a \$15 (constant 1980 dollars) shock is added in 1986.

(e) \$42.70 is the current, weighted average world price of crude oil delivered in Canada (personal communication, EMR, 1981).

Employing future energy pricing schedules similar to those presented here, the Economic Council estimated their effects on the Canadian economy for the Committee. As expected, it was found that the more self-sufficient Canada is in petroleum by 1990, the lower the rate of inflation; the smaller the Federal deficit; the smaller the current account deficit; the greater the value of the dollar; and the greater both employment and the growth in aggregate output. To the extent that Canada remains dependent upon foreign supplies of crude oil, we are prone to inflation arising from increases in the world oil price. By folding the total cost of imports into the blended price by 1983, the domestic price of oil will rise more than expected if Canada's imports remain large and if the international price undergoes major increases. Clearly, the health of the Canadian economy is improved by eliminating our reliance on oil imports.

The Economic Council's analysis was based upon the price and supply of conventional oil and gas, syn-

thetic oil from the tar sands and possible frontier supplies. This is an appropriate approach since, in the short term, the domestic price of oil will continue to be the reference point for pricing energy in our economy. Energy alternatives will not make a significant change in this state of affairs in the 1980s.

Alternatives will enter the market and become competitive at prices which are about equal to those of conventional energy sources for the same energy services. Nevertheless, we may be willing to pay more for alternative energy because we believe there will be future economic gains and because of less tangible advantages such as security of supply. It is possible to roughly estimate when a given alternative may be competitive with conventional fuels and technologies, depending on the rate of change of conventional energy prices. Although such estimates are highly sensitive to the quality of data and the nature of underlying assump-