c) **Back-in Provision**

Under the Canada Lands fiscal regime, the Federal Government has the option to take a 25% working interest in petroleum development and production operations. The Crown incurs 25% of all development expenditures and receives 25% of all production. The legislation provides that back-in entry occurs at the time that the development plan is approved. For exploration expenditures made after 1980 the Crown is deemed to contribute in relation to back-in exploration costs, through PIP grants. The oil industry considers these conditions to be the equivalent of expropriation without compensation and a major deterrent to development.

d) **The Petroleum Gas Revenue Tax (PGRT)**

The Petroleum Gas Revenue Tax (PGRT) is a 16% tax on production revenue net of operating costs, non-Crown royalties and, where Crown royalties or taxes based on production are payable, a 25% resource allowance. The PGRT is not deductable for Income Tax purposes. The significance of this tax is that it is payable on the basis of production revenues and not profits. As a result, new developments in frontier areas or in tar sand plants, which tend to be both expensive and capital intensive, are discouraged because of the regressive nature of PGRT.

For example, based on an analysis done through the Economic Council of Canada of Beaufort oil development, it was demonstrated that industry's share of net revenue would drop significantly as oil prices drop. According to the study a 7% drop in real oil prices would result in government collecting 97% of total net revenue. With a 10% drop in prices, government would collect 137% of total net revenue. Similarly, an increase in the discount rate has a significant negative impact on profitability. The government percentage of net revenue shares do not increase significantly under scenarios of rising oil prices.