

Appalachian coal, which it uses to produce steel and electricity. As if to underline the Canada/United States energy interrelationship, some of this steel will be used to build the Alaska Natural Gas Pipeline and much of the coal-generated electricity will be exported back to the United States.

CANADA/UNITED STATES ENERGY COOPERATION

Over the years, Canada and the United States have cooperated closely in a number of arrangements and projects of benefit to both countries. A typical example of this cooperation, in effect since the mid-1970's, is the oil exchange program. The phasing out of Canadian light oil exports to the United States created a problem of adjustment for refineries in northern tier states. To meet this problem, Canada and the United States instituted a program whereby Canadian oil destined for central Canada is delivered to northern tier refineries in exchange for oil delivered to Central Canada by U.S. companies. The arrangement has helped U.S. refineries while reducing oil transportation costs to Canadians.

Further cooperation may be possible in finding a permanent solution to the northern tier supply problem. The Canadian Government has expressed a preference, on environmental grounds, for a proposal that would tie Alaska supplies to northern tier markets by means of an all-overland pipeline crossing Canada. Meanwhile, another company has proposed a project that would move tanker-delivered oil from the Olympic peninsula in Washington to Edmonton, Alberta and then south to the northern tier states. This proposal is in the final stage of National Energy Board hearings, and is also scheduled for consideration at state hearings in Washington that are investigating a rival proposal for an all-U.S. project.

Undoubtedly the most spectacular area of cooperation between Canada and the United States, however, is the Alaska Natural Gas Pipeline Project. This multi-billion dollar project will be the largest privately financed joint undertaking in history. It promises to make available to U.S. consumers the 13% of U.S. natural gas reserves now locked up in Alaska.

Canada's interest in this massive joint project lies in assisting the United States in gaining access to these gas reserves and thus improving its energy security, in the economic benefits of pipeline construction and operation in Canada, and in the opportunity created by the