

In May 1980, the federal government created Canertech as a wholly-owned subsidiary of Petro-Canada, designed to function as a venture capital development company for energy conservation and renewable energy technology. Canertech, headquartered in Winnipeg and given an initial budget of \$20 million, was directed to support Canadian business either through joint ventures or equity investments. The Corporation, which was shut down when the new government took office in 1984, is described in the following subsection.

In August 1980, Petro-Canada International Assistance Corporation (PCIAC) was established as another subsidiary of Petro-Canada. PCIAC offers Canadian technology and expertise to developing countries to help them reduce or eliminate their dependence on foreign oil. The Corporation acts as a direct delivery mechanism for Canadian development assistance by participating in the exploration for hydrocarbon resources, conducting geological and geophysical studies, and providing technical assistance and training. The use of tied aid ensures that Canada's petroleum industry also benefits from this program. PCIAC continues to operate today and is also described in more detail later in Chapter One.

Following the second oil price shock, the international oil industry began a dramatic structural change. World oil demand fell and refinery utilization rates dropped below the breakeven point for many companies. State-to-state oil trading declined in favour and futures trading in oil and gas became commonplace. Survival in the integrated oil industry now depended on rationalizing capacity, adapting to shifting markets and rapid technical innovation. Petro-Canada's strategy of promoting high-cost megaprojects for long-term security of supply threatened the company's viability.

The Progressive Conservative Government elected in 1984 directed Petro-Canada to operate in the same manner as other commercial, private-sector oil companies, as the Corporation stated in its *1984 Annual Report*.

...The Corporation has now been given a new mandate by its shareholder – to operate in a commercial, private sector fashion, with emphasis on profitability and the need to maximize the return on the Government of Canada's investment. In this regard, Petro-Canada is not to be perceived in the future as an instrument in the pursuit of the Government's policy objectives. However, the Government maintains the right as the shareholder to formally direct Petro-Canada to carry out certain activities in the national interest.

(Petro-Canada, 1985, p. 2)

During 1989, Petro-Canada changed from the full cost to the successful efforts method of accounting for its upstream operations, and reported a significantly reduced equity. The Corporation also announced a major overhaul of its operations to cut costs, reduce staff, alter operating practices and change the asset balance. It has already divested itself of almost \$120 million in assets and plans to sell a substantial amount of its interests over the next several years, thereby improving its competitive position and enhancing its financial performance.