chaired by former Chairman of the Economic Council of Canada John Deutsch, warned that the large bulk of Ontario's energy is imported from outside the province, and that it can expect supply problems and cost increases related to the American energy crisis.

The energy crisis is being handled both in the United States and in Canada to convince the public that a price increase is justified. Also of great importance is the effort to convince people that we are facing an emergency, and that environmental purists who have been gaining an audience lately shouldn't be allowed to interfere with the quest for life-giving sources of fuel.

In Canada the crisis mentality is being fostered to convince Canadians that it is reasonable to expect that much more of our oil and gas will be exported to the thirsty U.S. and that we had better start tapping Arctic reserves fast if we want to heat our homes and fuel our industries.

The Mackenzie Valley pipeline is now being floated on the psychology created by the energy crisis. First conceived in the late sixties, the pipeline would bring natural gas from Alaska and the Canadian Arctic to southern Canada and the American midwest.

Several years of intense jockeying between two rival syndicates — the Northwest Project Study Group and the Gas Arctic System Study Group — each with its own scheme for the pipeline, has now ended in a merger. To this merged syndicate were added Imperial Oil Ltd., Gulf Oil Canada Ltd., Shell Canada Ltd. and Canadian Pacific Investments Ltd. Add to that the Canada Development Corporation controlled by the federal government and the result is the most powerful array of corporate and state power ever gathered on behalf of any project in this country's history.

Liberal cabinet ministers have been toasting the pipeline with rhetoric for some time.

Prime Minister Trudeau described his vision of Mackenzie Valley development in these terms:

"It is expensive, but so was the Canadian Pacific Railway a century ago. Is it too big a project for Canada? Only in the view of those who have lost faith in what Canada is all about."

Before the end of the year, the National Energy Board will begin hearings on the mammoth project. The NEB is now considering ways to prevent the hearings from being bogged down by "nuisance groups" like Pollution Probe that have no "legitimate" financial stake in the development, but who are merely concerned with such vagaries as the future of the Canadian environment.

For Canadian government ministers though, the coming NEB hearings are little more than a formality. In March 1971 Jean Chretien, minister of Indian affairs and northern development, told a Dallas, Texas audience:

"We in Canada would welcome the building of such a gas pipeline through our country and would do everything reasonable to facilitate this particular development ... An oil pipeline would also be acceptable. In other words, if it is felt desirable to build an oil pipeline from Prudhoe Bay direct to the mid-continent market then a right-of-way through Canada I am sure can, and will be made available."

Shortly thereafter, Jack Davis, minister of the environment, stated in Vancouver that he was 90 per cent sure that the building of the Mackenzie Corridor could begin by 1973.

Clearly government ministers were willing to move on the pipeline more quickly than the oil companies. It is difficult to disagree with Dr. Douglas Pimlott, chairman of the Canadian Arctic Resources Committee, that "the Mackenzie Valley would probably have had a hurry-up pipeline if the international petroleum executives had opted to put one there."

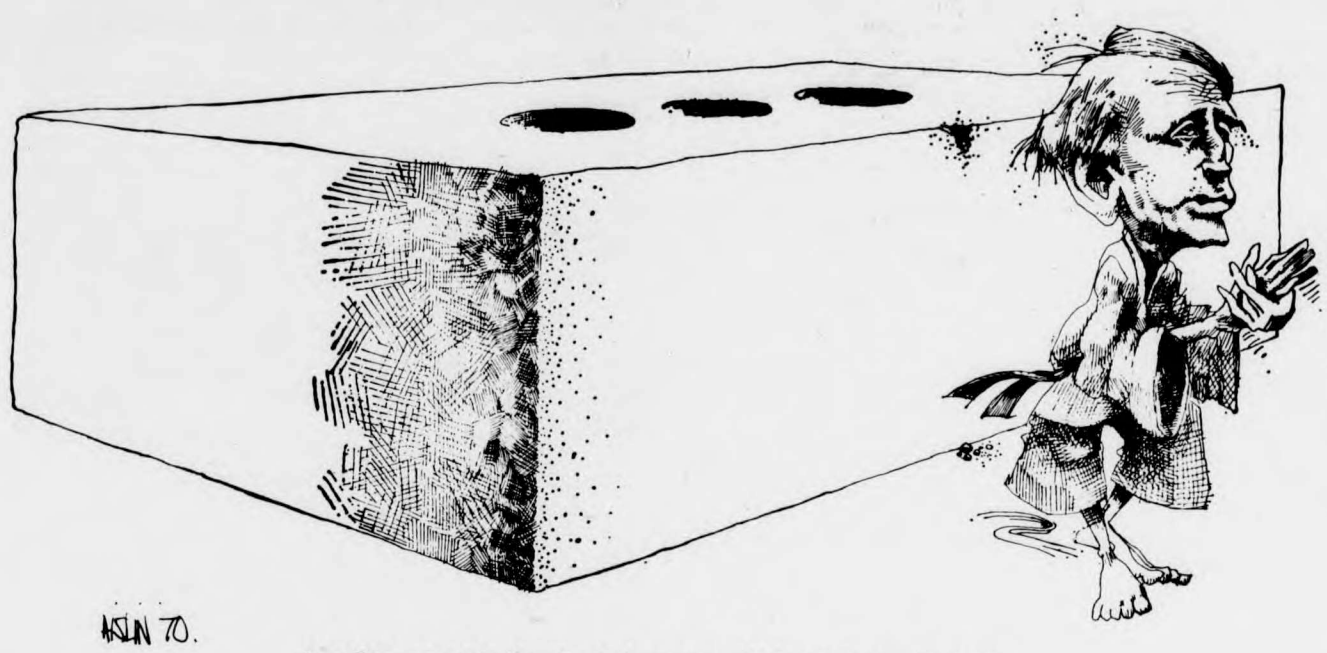
Canada's energy minister, Donald Macdonald, has added his praise to that of other cabinet ministers for the initiative being shown by the oil companies in moving into the north.

He has also been trying to convince the Americans that a Mackenzie Valley pipeline is preferable to a trans-Alaska and west-coast shipping route for Alaskan oil and gas.

In May 1972, Macdonald highlighted the security of the Canadian route as its chief advantage for the Americans. In a letter to U.S. Interior Secretary Rogers Morton, the energy minister wrote:

"There would be many advantages arising from the use of a Canadian pipeline route. We believe it would enhance the energy security of your country by providing an overland route for your Alaska oil production, thereby servicing the oil deficit areas of the mid-continent and also the Pacific North West.

"Canada has an interest in the energy security of your country, and this land route for Alaska crude oil would enhance that security of supply to deficit areas in the United States. Furthermore, this security of supply could be further enhanced during the interim period of northern pipeline construction by extra Canadian crude."



Joe Greene gets tough during one of his visits to the U.S.

Not only has Macdonald been using the security argument as the key to attracting the Americans to the Mackenzie Valley route, he has also been engaging in secret talks with the U.S. on the security of eastern Canada's oil supply.

U.S. demands security

The security issue is critical to energy negotiations now going on between Canada and the U.S.

When the U.S. contemplates the prospect of importing 60 per cent of its crude oil from abroad by the early 1980s, Pentagon strategists are filled with terrified visions of political unrest in the Arab countries.

The Shultz Report, entitled *The Oil Import Question: A Report on the Relationship of Oil Imports to the National Security* was presented to the U.S. cabinet in February 1970. The ultimate nightmare of the authors of the Shultz Report (George Shultz is now Secretary of the Treasury in the Nixon administration) was that all the oil producers of the middle east, north Africa and Venezeula could get together and boycott the markets of western Europe and the United States to get a better trade deal with industrial oil-consuming countries.

A major part of the solution to these fears of insecurity of foreign supplies lay in locating "safe" sources of foreign supply. Throughout the report, Canada was assumed to be the best bet.

"The risk of political instability or animosity is generally conceded to be very low in Canada. The risk of physical interruption or diversion of Canadian oil to other export markets in an emergency is also minimal for those deliveries made by inland transport", said the report.

But the Shultz Report was not entirely happy with Canada. The problem it saw was that east of the Ottawa valley, Canada's oil markets were supplied from the middle east and Venezuela. Therefore, in the event of a supply interruption, Canada might be expected to shift its western oil from the United States to Montreal to supply eastern Canada first. This problem tended "to subtract from the security value of U.S. imports from Western Canada".

The report concluded:

"Some provision for limiting or offsetting Canadian vulnerability to an interruption of its own oil imports should therefore be made a precondition to unrestricted entry of Canadian oil into our market. Full realization of the security benefits implicit in such a preferential arrangement is also dependent on the development of common or harmonized United States-Canadian policies with respect to pipeline and other modes of transportation, access to natural gas, and other related energy matters."

What the Americans want from Canada is not simply a commercial source of oil (they can get that from the Middle East more cheaply), but a political guarantee of security of access to resources that will involve a commitment by the supplier country to give up free choices for the future in defining surpluses, ownership and marketing methods for resources.

In 1970 however, the Canadian government was unwilling to talk to the U.S. about the security of eastern Canadian oil supply. In a speech to American oilmen in Denver, former Energy Minister Joe Greene stated:

"It must be left to *us*, to Canada, to evaluate the matter of oil supply security in eastern Canada and to take any appropriate action.

"This aspect of freedom of domestic policy-making is most important to us. We believe our national and international, political and economic circumstances are such that we must retain freedom to apply the Canadian solutions to Canadian problems," he concluded.

Donald Macdonald has moved the Canadian position significantly from the days of Joe Greene.

His talks with the U.S. on the security of eastern Canadian oil supply means the Canadian government is moving to meet the vital precondition to a continental energy deal set down by the Shultz report. Taken together with his invitation to the Americans to consider the security benefits of the Mackenzie Valley pipeline, Macdonald's initiatives involve the sale of Canadian sovereignty, as well as gas and oil.

Former U.S. Secretary of the Treasury John Connally said recently that he thought the U.S. should take action to prevent foreign countries from reneging on long-term commitments to U.S. companies.

"If a U.S. company goes overseas with any sort of federal insurance coverage," Connally said, "the U.S. might well say this agreement cannot be changed, altered, amended or terminated without the prior written approval of the U.S. government." And that, he said, might make other governments think twice before acting against U.S. companies.

If a continental energy deal including a Mackenzie

continued on page 4

SOME ISSUES NEVER DIE

Of the mines of this vast region little is known of that part east of the Mackenzie River and north of the Great Slave Lake .... The petroleum area is so extensive as to justify the belief that eventually it will supply the larger part of this continent and be shipped from Churchill or some more northern Hudson's Bay port to England.

— Third Report of the Senate committee on northern resources, 1888

We must develop all our resources. We are told that Mackenzie, going down the Mackenzie river 130 years ago, found oil in that section of the country. I have statistics to show where we buy our gasolene (sic) from, and most of our money spent on gasolene goes to the United States. We have our oil wells up in the Mackenzie River district and we need a railway there to enable private enterprise to develop them. Of course the great Imperial Oil Company will put in their plant, but that will be another monopoly. If the Imperial Oil Company, the big child of the Standard Oil Company puts in a pipe line, you will not see cheaper oil. A railway line must be built or some other method of transportation provided. It would cost a great deal of money to put in canals or locks, but there should be some way of getting into that vast territory.

— W. K. Baldwin (Stanstead) Debates, House of Commons, 1921

Continued on page 12