THE SENATE OF CANADA

# CANADIAN ENERGY POLICY

## AN INTERIM REPORT



Standing Senate Committee on
Energy and Natural Resources

August 21, 1985

First Session
Thirty-third Parliament, 1984-85

SENATE OF CANADA

*Proceedings of the Standing Senate Committee on*

# Energy and Natural Resources

*Chairman:*
The Honourable EARL A. HASTINGS

Wednesday, August 21, 1985

**Issue No. 19**

**Eighteenth Proceedings on:**

The National Energy Program

THIRD REPORT OF THE COMMITTEE

Première session de la
trente-troisième législature, 1984-1985

SÉNAT DU CANADA

*Délibérations du Comité sénatorial permanent de*

# L'énergie et des ressources naturelles

*Président:*
L'honorable EARL A. HASTINGS

Le mercredi 21 août 1985

**Fascicule nº 19**

**Dix-huitième fascicule concernant:**

Le programme énergétique national

TROISIÈME RAPPORT DU COMITÉ

## MEMBERSHIP OF THE COMMITTEE

The Honourable Earl A. Hastings, *Chairman*

The Honourable R. James Balfour, Q.C., *Deputy Chairman*

and

The Honourable Senators:

Adams, Willie
Barootes, E. W.
Bell, Ann Elizabeth
Doody, C. William
*Frith, Royce
Hays, Daniel
Kelly, William M.
Kenny, Colin
Lefebvre, Thomas H.
Lucier, Paul
*MacEachen, Allan J., P.C.
Olson, H. A., P.C.
*Roblin, Duff, P.C.

**Ex officio* Members

*Nota:* The Honourable Senators Kirby, Molgat and Nurgitz also served on the Committee at various stages.



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*Administrative Staff:*
Karen E. Wheeler, Administrative Assistant to the Committee

Timothy Ross Wilson

*Clerk of the Committee*

## ORDERS OF REFERENCE

Extract from the *Minutes of the Proceedings of the Senate*, December 18, 1984:

"The Honourable Senator Hastings moved, seconded by the Honourable Senator Petten:

That the Standing Senate Committee on Energy and Natural Resources be authorized to review all aspects of the National Energy Program, including its effects on energy development in Canada;

That the papers and evidence received and taken on the subject and the work accomplished during the Second Session of the Thirty-second Parliament be referred to the Committee;

That the Committee be authorized to meet during an adjournment of the Senate;

That the Committee have power to adjourn from place to place within Canada for the purposes of this review; and

That the Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the above-mentioned purpose.

After debate,

The question being put on the motion, it was—

Resolved in the affirmative."

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Extract from the *Minutes of the Proceedings of the Senate*, June 19, 1985:

"With leave of the Senate,

The Honourable Senator Hastings moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Energy and Natural Resources be authorized to publish and distribute its interim report on the review of the National Energy Program as soon as it becomes available, even though the Senate may not then be sitting.

The question being put on the motion, it was—

Resolved in the affirmative."

Charles A. Lussier

*Clerk of the Senate*

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That the Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the above-mentioned purpose.

After debate,

The question being put on the motion, it was

Resolved in the affirmative.

Extract from the *Minutes of the Proceedings of the Senate*, June 19, 1985:

With leave of the Senate,

The Honourable Senator Hastings moved, seconded by the Honourable Senator Haughton:

That the Standing Senate Committee on Energy and Natural Resources be authorized to publish and distribute its interim report on the review of the National Energy Program as soon as it becomes available, even though the Senate may not then be sitting.

The question being put on the motion, it was

Resolved in the affirmative.

Charles A. Lussier

*Clerk of the Senate*

## REPORT OF THE COMMITTEE

The Standing Senate Committee on Energy and Natural Resources has the honour to present its

## THIRD REPORT

Your Committee, which was authorized to review all aspects of the National Energy Program, including its effects on energy development in Canada, has, in obedience to the Orders of Reference of December 18, 1984 and June 19, 1985, proceeded to that inquiry and now presents an interim report.

## TABLE OF CONTENTS

## PREFACE

Canadian energy development and the policy making that attends it constitute a large and ever changing subject. When the Standing Senate Committee on Energy and Natural Resources was directed to review the National Energy Program and its effect on Canadian energy development, we recognized not only the size of the task but also that the Committee's work could be overtaken by events. The intervening federal election did not make this task easier.

The Committee conducted 33 wide-ranging hearings in Ottawa and two in Calgary at which individuals, companies, governments and other organizations presented their views. The Committee also benefitted from more than 40 submissions received from across Canada, and we are indebted to those who made their thoughts known to us.

The preparation of this interim report was considerably affected by the Western Accord of 28 March 1985. However, mindful of its mandate to examine the National Energy Program in the wider context of energy development in Canada, your Committee believed it important to continue its review, thereby providing a forum for opinion on these matters.

It has not been possible to consider all aspects of Canada's energy affairs in this report; we release it knowing that many subjects remain to be studied. Your Committee anticipates extending this work on what continues to be one of Canada's most important policy concerns.

# EXECUTIVE SUMMARY

Complacency is invading energy policy-making. With the current glut of crude oil in world markets, we see little concern about future security of supply. But petroleum is not simply another economic commodity whose availability will be adequately regulated by the workings of the marketplace. We reject the premise that energy, in its various manifestations, is nothing more than an article of commerce; at times environmental, social, strategic or political considerations hold sway over market forces.

The Committee and government have a responsibility to look beyond day-to-day events and to consider longer-term possibilities. To that end, government policy-making should be more concerned with the broad direction of Canadian energy development and less with the details of the marketplace.

Petroleum still dominates Canada's energy affairs as it does those of most countries. Oil is no less a strategic commodity today than it was in the 1970s. Terrorism or war in the Middle East could disrupt the global flow of oil at any time — the 1973 Arab oil embargo and the Iranian Revolution showed that even the prospect of shortage can cause panic.

Industry observers point out that although OPEC's share of world crude output has been halved since its peak in 1976 and new non-OPEC production has increased by seven million barrels per day since 1973, the underlying situation has not changed. OPEC controls an estimated 68% of world conventional oil reserves, the Communist bloc another 12%. Overproducing the more limited reserves of the United Kingdom, Norway, Mexico, Egypt, India, Brazil — non-OPEC countries whose production has expanded sharply since 1973 — can only result in OPEC's reserves position being even more dominant in the 1990s.

The oil problem has not disappeared; it is merely dormant. This period of relative calm should be used to plan carefully for a more secure energy future, one which minimizes the importance of oil and our reliance on imports.

Two issues have occupied this study. First, the Committee has reviewed the fiscal arrangements, structure and behaviour of the domestic petroleum industry. Second, the Committee has considered the question of energy policy-making in the national interest.

In the past, the petroleum industry has benefitted from a protected market, the result of a policy objective to develop a viable oil and gas infrastructure in Canada. During the 1970s OPEC triggered tremendous price increases, and oil companies found that their reserves were suddenly worth much more. While the National Energy Program imposed a redistribution of income, neither the method nor the result were satisfactory to all involved.

More recently the Western Accord gave over to industry revenues valued at more than three billion dollars. With this came an expectation of jobs and increased investment, a reasonable expectation given the industry's promises and the substantial subsidies it received over the years in the form of super-depletion write-offs, PIP grants and other deductions.

Judging from income statements, the petroleum industry in Canada has matured and is healthier than some other sectors of our economy. The Committee applauds this success. Industry representatives said in testimony that they neither want nor need government grants. The Committee agrees. Special considerations which favour the petroleum industry above others should be removed.

The foreign dominance of Canada's oil industry has been a controversial issue. The Committee supports Canadianization of this industry, believing that decisions made in Canada by Canadians are most likely to serve the national interest.

We recognize the costs involved. We see the frontier as the critical area where Canadian participation must be encouraged. But the Petroleum Incentives Program is no longer the appropriate instrument. A less costly method must be found, and its sole purpose should be to promote Canadian participation on Canada Lands. There is no reason to recommend other federal incentives of any kind for the petroleum industry. If the provinces wish to bolster their regional economies by offering incentives to petroleum activity on their lands, this is a matter totally within their judgment and jurisdiction.

This autumn an announcement is expected about the decontrol of natural gas markets. There are many opinions about what decontrol or "market sensitive" pricing may mean. We hope the solution provides an opportunity for Western Canadian producers to dispose of surplus gas. Exports are one possibility. It is preferable though that distribution systems be extended so more Canadians benefit from domestic gas production, which would also reduce Canada's reliance on imported oil.

A bidirectional Maritime pipeline could have been completed by now had even one-quarter of the projected $7 billion PIP expenditure been spent on it. This could also have served the eventual transmission of offshore gas. Such missed opportunities suggest that a sense of proportion has been lost in administering government expenditures. Surely there is a responsibility to better assess on a dollar-for-dollar basis what can be accomplished by alternative spending programs.

We realize the legal and financial significance of long-term contracts for those who have invested in the gas distribution system. But we also want to encourage independent buying and selling of natural gas, and better pipeline access for the carriage of third party gas. This is a complex problem. The implications of making Trans-Canada PipeLine a common carrier should be investigated.

How should energy policy be directed in the national interest? Here one can distinguish between short-term and long-term considerations.

In the short run, we are vulnerable to abrupt oil price movements, up or down. The Committee supports limited intervention in the market in two circumstances. Given a large, sharp price *increase*, we advocate a consumer protection scheme of limited duration to smooth the transition and reduce the economic shock. Given a large, sharp price *decrease*, we advocate a floor price for oil sands and enhanced oil recovery production only, again of restricted duration, to sustain these production facilities for future needs.

Canada's longer-term interests are served by making the domestic energy system less vulnerable to events abroad. Beyond shifting our dependence from lighter crudes towards our more abundant heavy hydrocarbons, reducing the share of oil in Canada's energy mix through conservation, substitution by other fuels and alternative energy development are keys to success. The Canadian Home Insulation Program and the Canada Oil Substitution Program illustrate what is possible through energy conservation alone. For a net cost of less than $1.5 billion, CHIP and COSP have reduced Canadian energy demand by approximately 75,000 barrels per day of oil and oil equivalent. No frontier oil field or new tar sands plant of comparable capacity could be put into production at this cost.

To consumers, we say that the proposals contained in this report represent your interest in having a sure and steady supply of energy, which is as much as possible a product of Canada and a job creator for Canada. By securing energy supply our economy will not be held hostage to international energy politics. Neither will it drift out of touch with the realities of world markets, as a result of administered prices.

As for the petroleum industry, we expect its promises to be fulfilled. We expect increased activity and jobs. Industry successfully argued for decontrol and for the removal of PGRT and PIP. Be clear that we suggest incentives only to promote Canadianization — the industry in general does not require financial assistance. But we do make the commitment that the "rules of the game" should be clear, known and enduring. We do not want the Canadian economy to falter because of uncertainty engendered by government policy.

To the government of the day, we offer the following. Petroleum remains predominant in Canada's energy affairs. Move now to set into place the rules and infrastructure to bring more Canadian production on stream, and install the remaining elements of the distribution systems needed to make Canadian energy available to all Canadians. Provide the leadership necessary to encourage conservation, oil substitution, alternate forms of energy and a gradual Canadianization, and allow the companies in the petroleum sector to pursue business activities, taking the full risk that may be involved. The gains on the upside are sufficent incentive for the industry to weather the downside.

Earl A. Hastings

August 21, 1985

Earl A. Hastings
Chairman

## Crude Oil Pricing

Fundamental to the NEP's approach to pricing was the belief that Canadian prices should be insulated from the disruptive effects of developments in volatile international petroleum markets, and the assumption that prices would continue to rise. While both tenets were debatable at the time, most industry observers accepted them. But lower-than-international NEP prices, designed to protect consumers, alienated the producing provinces and weakened investment in the Canadian petroleum industry. Ultimately they caused confusion in the minds of consumers as Canadians watched world prices decline while domestic prices marched upward.

Since 1974, oil has been available at a uniform price across the country, even though foreign producers supplying Eastern Canada received a higher international price while domestic producers received a lower administered price. Import subsidization continued under the National Energy Program, announced on 28 October 1980. The made-in-Canada "blended price" of the NEP was a complicated weighted calculation based on various sources of supply and provided for a domestic price set below the international price.

The NEP revenue-sharing formula was imposed effective 1 January 1981, after the federal and provincial governments failed to agree on revenue sharing in the wake of increased oil prices. While the producing provinces had pressed for world prices, Ontario had led the argument for a controlled rate of increase on the grounds that the cartel price set by OPEC was unrelated to the cost of producing conventional oil and gas in Canada.

In retaliation, Alberta reduced production of its oil. A negotiated price schedule contained in the 1981 Memorandum of Agreement with Alberta replaced the original 1980 formula. This was altered in the NEP Update of 1982. By 1983 the schedule of price increases was becoming incompatible with the softening of world market prices, and the provincial agreements had to be revised.

All of the formulas were schedules of specified price increases, based on projections of increasing world prices through 1990. The main problem was that forecasts of future world prices turned out to be wrong. There was no flexibility built into the schedules that could accommodate change. By late 1983 the domestic price schedule had some Canadian prices rising above world prices — which were falling. Obviously this was not the intent. Uncertainty, instability and bitter feelings resulted from Canada's experience with administered crude oil prices.

**The Committee supports the deregulation of crude oil prices.**

Even though the international or "world market" price of petroleum is not solely determined by the cost of production, the usefulness of this price is not negated. Whether dictated by a cartel or whether the result of many small transactions in a free-wheeling auction process, this price still reflects what Canadian oil is worth on the world market.

Further, when we consume domestic oil we forego the opportunity to sell it at the world price. Therefore, use of the international price of oil ensures that the current value of this resource is applied in any decision made by the private or public sector. This promotes a more efficient allocation of resources and serves as an incentive, signalling how and where petroleum activity will yield the best return. With artificially low prices, petroleum would be wasted because users would not have to pay the full value of the resource.

While deregulation in a competitive market is a desirable goal, the Committee is concerned about the behaviour of the more powerful oil companies operating in Canada. The price leadership exhibited by the industry suggests that deregulation may not bring about a truly competitive price.

Of equal concern is the pattern of vertical integration characteristic of large firms which have a significant measure of control over the industry. The Committee is not against bigness *per se*, but is distressed by the difficulty encountered by small independent firms to gain a position in the chain of supply or distribution. This point is raised without reference to any views the Committee holds with respect to foreign ownership.

Finally, even though deregulation of the oil industry will remove the need for many interventions, the Committee does not intend that the Federal Government abdicate its role of formulating policy in the national interest.

In addition to administered domestic prices, export charges were levied on oil sold to the United States. Buyers in the decontrolled American market pay the world price for all oil, whether imported or produced in the United

States. The Canadian export charges allowed the federal and provincial governments to share the differential between higher purchase prices in the United States and the lower Canadian blended price.

The export charge prevented refineries from diverting domestic production to the United States in order to gain higher revenues because the made-in-Canada price applied to export as well as domestic sales.

Given the decontrol of price and short-term exports effected by the Western Accord, even the modest protection afforded by the export charges no longer exists. Should a shortage occur, under the conditions of the Western Accord — which were announced as permanent — there is no mechanism to ensure that short-term American export contracts do not take precedence over supplying the needs of the Canadian market.

**1. The Committee recommends that the National Energy Board allow Canadian crude oil freer access to export markets provided that the needs of the domestic market are first met.**

## Natural Gas Pricing

The same "Canada first" rule should apply to natural gas. In contrast to the case of crude oil, however, the share of gas in Canada's energy mix will increase because of the growing requirements for natural gas as a fuel substitute for oil, as a feedstock for petrochemical and fertilizer production, and for use in upgrading heavy oil. Canada is encouraging off-oil conversions to reduce our reliance on imported crude. For these reasons, the protection formula for natural gas should be strengthened.

Still, the objective is to provide a market incentive to bring reserves of natural gas on stream. Protection rules should not be perceived as impediments to producing gas. To this end, perhaps the definition of what constitutes a reserve can be broadened.

**2. The Committee recommends that the National Energy Board allow Canadian natural gas freer access to export markets subject to a protection formula which anticipates future gas requirements for oil substitution, for upgrading heavy hydrocarbons and to meet expanding consumption in non-energy uses.**

The rigidity of NEP pricing schedules also created difficulty with respect to natural gas. As modified by the 1981 Alberta Agreement, gas prices at the Toronto city gate were to be held at 65% of the energy-equivalent price of oil. The schedules required further revision in 1983 and 1984. The Alberta border price of natural gas has been frozen at $2.79/gigajoule. The government has promised an announcement in November of this year concerning pricing provisions for natural gas.

There is a range of interpretation about precisely what "market-sensitive" pricing is to mean. In the short run, once the government's administered price regime is withdrawn, the terms of existing contracts likely will be honoured for their full duration, since this would be a legal requirement. Contracts between the pipeline company and its suppliers already provide for periodic price renegotiations.

Most parties to existing contracts envision a system of ongoing price administration for gas sales in Central and Eastern Canada. Companies would set prices at levels which would maintain natural gas as a competitive alternative to other fuels in each regional market.

Only incremental transactions would have the full benefit of decontrol, with contract duration, quantity and price being negotiated directly between buyer and seller/producer. These new contracts would arise as additional towns or industrial users are added to the gas pipeline. Under existing carriage arrangements, a priority system would be required for transmission as independent consumers attempt to rent pipeline space to move gas east from their supplier. The implications of making TransCanada PipeLine a common carrier should be examined.

As long-term contracts expire, the natural gas market could approach the deregulated environment now in effect for oil. But a policy decision will be required to determine the extent to which free market arrangements will prevail. This also holds implications respecting monopoly gas distributors in local centres.

The Committee is cognizant of the high costs of the natural gas infrastructure and recognizes that large investment expenditures were based on contract price guarantees. Long-term contracts may be the only means by which private investors will commit themselves to building future extensions of the pipeline system. Consideration will have to be given to both the investment and consumer aspects of this issue, and a delicate balance will have to be struck.

The present one-price system for natural gas in eastern Ontario and Quebec should be abandoned. Transportation costs should be made explicit, and transportation subsidies should be eliminated. The Committee believes that Canadians would be willing to purchase natural gas at competitive wellhead prices with transportation costs to their place of business or residence added. This makes clear the cost of consuming this resource and promotes efficient allocation and informed judgment when fuel requirement decisions are made.

3. **The Committee supports the introduction of market-sensitive pricing for natural gas as rapidly as feasible and recommends that all transportation subsidies be phased out.**

Developments in export markets also undermined the NEP gas pricing provisions. Canadian natural gas prices in recent years have become higher than prices in the American market where decontrol was already underway. The resulting Canadian gas surplus has contributed to pressures to relax export price administration. In 1983 the Federal Government allowed price-negotiated contracts between Canadian exporters and American buyers, provided that Canadian gas would not be available in the United States at a lower price than at the Toronto city gate. This restriction is no longer appropriate.

Export contracts should be freely negotiated, subject only to restrictions ensuring security of supply, as recommended above. This, together with a free market orientation for domestic prices, would restore an economic realism that has been eroded over more than a decade, and might eliminate the need for market development subsidies.

The recommended changes should be carried out as rapidly as possible in the interest of market efficiency, as well as to provide greater sales opportunities to western producers now holding surplus gas and to benefit downstream users whose products must compete with those manufactured abroad.

## Petroleum and Gas Revenue Tax (PGRT) and Petroleum Incentives Program (PIP)

The petroleum industry called for the elimination of the Petroleum and Gas Revenue Tax. **The Committee supports a phased withdrawal of the PGRT** because it prefers to see taxation of the petroleum industry conform to general federal income taxation principles, specifically the taxation of profit and not revenue. **The Committee also supports a phased withdrawal of the Petroleum Incentives Program.**

In arguing before the Committee for the removal of the PGRT, industry representatives criticized the Petroleum Incentives Program and government grants in general. They argued for a return to tax-based incentives: write-offs and deductions that are not directly interventionist and do not discriminate with respect to foreign ownership.

It is the Committee's opinion that the discontinuation of the Petroleum and Gas Revenue Tax and the revenue "flow through" guaranteed in the Western Accord represent sufficient revenue and cash flow to allow the industry to carry out its operations without the government grants that were so strongly criticized. Other considerations which favour the petroleum industry above others should also be removed.

The Federal Government should continue to provide a form of incentive to encourage Canadian companies in exploration and development on Canada Lands, a higher-risk and higher-cost venture than many Canadian firms could otherwise undertake. The concern of the Committee is to provide arrangements which enable greater participation by Canadian companies in frontier activity, to ensure that more decision-making takes place in Canada.

While useful resource inventory information was obtained as companies explored under the provisions of the Petroleum Incentives Program, now the central purpose of incentives should be to bring frontier discoveries into production. This should be achieved at a much lower cost than under the PIP arrangements.

Agreeing with the industry that tax-based incentives are preferable — and also typical of other Canadian policy provisions for economic development — the Committee considered targeting tax-based incentives to Canadian firms. However, international tax treaties to which Canada is bound preclude discriminatory tax rules. Other options should be sought that would give advantage to Canadian companies.

4. **The Committee recommends that special incentives for both petroleum exploration and development on Canada Lands be established to encourage Canadian participants.**

## Crown Interest

The Committee has deferred discussion of Petro-Canada and several other aspects of government participation in the energy industry, including the *Canada Oil and Gas Act* and Canada Lands administration. But it puts on record the following remarks pertaining to the Crown share in Canada Lands activities.

The provisions for a Crown share or interest in Canada Lands activities were revised in the NEP. The Crown share is a 25% "carried interest" in every existing lease, to be administered by Petro-Canada or another Crown corporation. This means that the Crown retains an option to become involved at a later date. Prior to the authorization of a production system for a particular field, the Crown's carried interest can be converted to a "working interest" — thus Petro-Canada would be an active partner in the project, sharing in decision-making and financial control.

Since this provision affected existing leases, the Crown share was retroactive for certain projects; hence the name "back-in", the term often applied to the NEP Crown interest provisions which were so strongly criticized by the petroleum industry. In those cases where the back-in affects an established commercial project, a cash settlement will be made, according to the terms of the *Canada Oil and Gas Act*, when the Crown's carried interest is converted to a working interest.

The Committee agrees that the Federal Government should retain this power of decision-making in the development of Canada Lands. The back-in allows the government to assess development prospects and acquire a share in any commercial frontier venture. The Crown share is analogous to a royalty payment to a resource owner. The expenditure by the Federal Government to underwrite frontier exploration alone justifies a Crown share in any commercial development. This is a separate issue from public participation in the energy industry, as illustrated by Petro-Canada.

**5. The Committee recommends that petroleum development on the Canada Lands continue to carry the requirement of 50% Canadian participation which includes the Crown share.**

## THE NATIONAL INTEREST

Canada has become a net exporter of all major energy commodities: crude oil and petroleum products, natural gas, liquefied petroleum gases, coal, electricity and uranium. In 1984 Canada earned almost $15.6 billion through the export sale of energy, predominantly to the United States, while spending about $6.2 billion on energy imports, resulting in a trade surplus of $9.4 billion.

Canada continues nonetheless to incur the costs of inefficient energy use and to import significant quantities of light crude oil. The National Energy Board forecasts an ongoing shortfall of up to 33,000 cubic metres per day (208,000 barrels per day) in the domestic supply of light crude through the year 2005, a shortfall which would grow if frontier production does not materialize. Canadian reserves of conventional oil peaked in 1969 and have been declining since.

Canada's large resources of heavy hydrocarbons — bitumen from the tar sands and heavy oils — are more costly and technologically difficult to extract and convert into commercial products. Demand for heavy crude is limited in Canada and is expected to grow only slowly; excess production must either be marketed in the United States or upgraded in Canada into lighter commercial products. Heavy oil upgrading capacity is expensive to install but will become more essential.

We are concerned that policy-makers are unduly influenced by the current international oil surplus. This excess supply condition will change, but not necessarily in a predictable manner given the diverse factors which influence the world petroleum market. An increasing percentage of world petroleum production is centred in regions such as the North Sea which do not have the reserves to sustain present rates of output far into the future. Middle East reserves are becoming more dominant in the global picture, not less, as OPEC's production shrinks. Consequently there will be an eventual reappearance of uncertain supply conditions with Middle East producers being able to exert heavy pressure on world markets.

## Energy Conservation and Substitution

An obvious way to lessen Canada's vulnerability to future upsets abroad is to reduce the need for light crude oil in our national energy system through conservation and oil substitution. The cost-effectiveness of conservation has been amply demonstrated in many applications over the last decade, and substitution is clearly feasible given Canada's natural gas reserves and other energy options.

**6. The Committee supports conservation efforts by the Federal Government and recommends that these efforts be expanded, and that the Federal Government continue to encourage the substitution of other energy forms for oil.**

In testimony, the Committee was told that many conservation opportunities remain costing less than $20 for each barrel of oil (or oil equivalent) saved. In contrast, per barrel of oil equivalent, new energy supplies from the Venture or Hibernia developments are now estimated to cost $30 to $35, new integrated tar sands production perhaps $50 and new nuclear-electric generation up to $60 or more.

Energy-conserving technologies and practices still promise major returns. The Federal Government should continue its leadership through setting standards, consumer information, judicious selection of demonstration and incentive programs, and by example in its own operations.

Energy is a significant cost component of business activity, whether in resource extraction, agriculture and food processing, manufacturing or transportation. Conserving energy not only benefits domestic consumers but also improves Canada's competitiveness in international trade. Most industrialized nations utilize energy with a greater degree of economic efficiency than does Canada.

## Energy Alternatives

The present characteristics of Canada's energy system are substantially the result of the worldwide availability of conventional light oil, with its many appealing features as an energy commodity. Appropriate new energy sources, technologies and fuels must be found to replace our heavy dependance on oil in particular and fossil fuels in general.

The Committee is concerned about the recent cut-backs in research and development in support of longer-term evolution in our energy system. Canadian technology is at the forefront, for example, in developing vertical-axis wind turbines, exploiting forest biomass, electrolytic hydrogen production and tidal-electric power generation. Alternative energy research and development should be promoted, given Canada's success in this field and our coming need for new energy forms and technologies. We should develop new energy industries in which Canada has a demonstrated comparative advantage.

**7. The Committee recommends that the Federal Government support alternative energy research and development at a level sufficient to maintain and enhance the leading position that Canada has achieved in this field and in recognition of the export opportunities which it represents.**

## Energy Security

Canadians still do not give sufficient thought to the strategic realities of world energy distribution and trade. The fact that the Middle East holds nearly 60% of global conventional oil reserves has profound implications: terrorism, war or other forms of instability in this politically volatile region can threaten international energy security. Although Canada's vulnerability to such disruptions is not acute at present, it could potentially increase. Energy planning which seeks to reduce our reliance on oil and increase utilization of heavy oil minimizes this risk.

The Federal Government should carefully monitor commercial oil stocks held in this country. Perhaps a three-month supply measured against domestic demand should be considered even though the International Energy Agency requirement of a 90-day emergency reserve does not presently apply to Canada, as a net oil exporter.

There are pricing circumstances in which the Federal Government should intervene in the national interest. Western Canada's tar sands and heavy oil deposits will play an increasing role in meeting domestic demand. Enhanced oil recovery, although costly, will extend Canada's reserves of conventional crude by making a larger fraction of this resource accessible. An interim floor price applying to these operations should take effect if there is a large, abrupt decline in world prices. Even when foreign energy sources are cheaper, these domestic sources should be sustained through temporary price lapses to ensure their later availability.

In these cases, the high capital costs of start-up, the lengthy wait for a return on investment, the higher costs of production under existing technologies, and the growing share of Canadian oil production which these sources will represent, justify a guaranteed price which would keep existing facilities in operation.

**8. To ensure security of supply, the Committee recommends an interim floor price for oil sands and enhanced oil recovery production in the event of a sudden large decrease in the price of oil.**

This protection should apply only to projects and facilities existing at the time of the price shock. There should be a uniform floor price applying to all operations, set at a level that will enable most to continue production through the short run. In the longer run the onus will be upon technological innovators and plant managers to improve equipment and processes, thereby reducing the production costs of the industry.

This floor price should not require new forms of monitoring or accounting. It should discourage inefficiency in individual operations by not guaranteeing coverage of all costs — which might invite laxity in corporate financial control. The Committee could not, in the face of continued international petroleum price declines, envision an arrangement that would remove the incentive for such operations to adapt and adjust to the longer-term realities of the market.

The Petroleum Monitoring Agency could be involved in determining the floor price and administering payments, given its mandate to monitor the economic performance of the petroleum industry.

Should developments in world markets eventually cause modest oil price increases in Canada, the Committee believes that the consuming sector, both industrial and household, has the resilience to absorb such changes without serious difficulty. However, in the event of a sudden large price increase, it is appropriate for the Government to cushion the shock and facilitate a smooth transition. This would also lessen the distress of individual consumers in a moment of crisis.

**9. The Committee recommends interim protection for consumers against a sudden large increase in the price of oil.**

Various approaches, from subsidies to administered price schemes, were considered. The Committee suggests a program that subsidizes consumer costs out of increases in general government revenue which would arise from higher income tax payments (not rates) from the petroleum sector. The industry would be permitted to keep any windfall it received, provided this revenue were reinvested in Canada. This should be a strong incentive to increase production.

These measures are intended to facilitate rapid adjustment to new circumstances, not to provide long-term protection. One lesson learned over the past few years is the impossibility of maintaining, over lengthy periods of time, administered price schedules which do not conform to trends in world markets. Neither is the Committee proposing new versions of revenue-sharing formulas, or prolonged insulation from what is going on in the real world. It does the country no service to languish under artificial protection while the rest of the world is adapting its economies and strengthening them in response to changed conditions.

Much of the disruption after the OPEC price hikes of the 1970s was brought on by the country's inexperience in dealing with extreme changes in energy markets. We should try to minimize the bottlenecks and destablizing influences that create uncertainty with flexible plans that can accommodate what we fail to anticipate. These proposals help avoid having the continuity of domestic sources of energy disrupted by vagaries of the international market.

By including this discussion in its report, the Committee does not mean to suggest that price shocks are imminent. But it must take the responsibility to consider what might transpire in an uncertain future.

The performance of the Canadian energy industry is crucial to the energy security of all Canadians. While the NEP acknowledged the contribution of foreign risk capital and multinational oil companies to the development of a domestic oil and gas industry, the Federal Government believed that a more "Canadian" industry would better achieve the goals of security of supply, and fairness in sharing energy resource benefits. According to the NEP, the monetary benefits of rising oil prices should accrue increasingly to Canadians.

The previous system of tax incentives encouraged only investors with existing resource income, predominantly foreign companies. This worked against the policy of Canadian ownership first articulated in 1976.

**The Committee supports the continuing Canadianization of the domestic petroleum industry.**

uncoordinated price schedules which do not conform to trends in world markets. Neither is the Committee proposing new versions of revenue-sharing formulas, or prolonged insulation from what is going on in the real world. It does the country no service to languish under artificial protection while the rest of the world is adapting its economies and strengthening them in response to changed conditions.

Much of the disruption when the OPEC price spikes of the 1970s was brought on by the country's inexperience in dealing with extreme changes in energy markets. We should try to minimize the bottlenecks and destabilizing influences that create uncertainty with flexible plans that can accommodate whatever fate we anticipate. These proposals help avoid having the continuity of domestic sources of energy disrupted by vagaries of the international market.

By including this discussion in its report the Committee does not mean to suggest that price shocks are inevitable. But it must take the reasons into consideration when trying to anticipate an uncertain future.

The performance of the Canadian energy industry is crucial to the energy security of all Canadians. While the NEP acknowledged the contribution of foreign capital and multinational companies to the development of a domestic oil and gas industry, the Federal Government believed that a more "Canadian" industry would better achieve the goals of security of supply and increase of sharing energy resource benefits. According to the NEP, the monetary benefits of rising oil prices should accrue increasingly to Canadians.

The previous system of tax incentives encouraged only investors with existing revenues, predominantly foreign companies. This worked against the goal of Canadian ownership first introduced in 1974.

**The Committee supports the continuing Canadianization of the domestic petroleum industry.**

# RECOMMENDATIONS AND CONCLUSIONS

## The Industry

The Committee supports the deregulation of crude oil prices. (page 8)

1. The Committee recommends that the National Energy Board allow Canadian crude oil freer access to export markets provided that the needs of the domestic market are first met. (page 9)

2. The Committee recommends that the National Energy Board allow Canadian natural gas freer access to export markets subject to a protection formula which anticipates future gas requirements for oil substitution, for upgrading heavy hydrocarbons and to meet expanding consumption in non-energy uses. (page 9)

3. The Committee supports the introduction of market-sensitive pricing for natural gas as rapidly as feasible and recommends that all transportation subsidies be phased out. (page 11)

The Committee supports a phased withdrawal of the Petroleum and Gas Revenue Tax. (page 11)

The Committee supports a phased withdrawal of the Petroleum Incentives Program. (page 11)

4. The Committee recommends that special incentives for both petroleum exploration and development on Canada Lands be established to encourage Canadian participants. (page 12)

5. The Committee recommends that petroleum development on the Canada Lands continue to carry the requirement of 50% Canadian participation which includes the Crown share. (page 13)

## The National Interest

6. The Committee supports conservation efforts by the Federal Government and recommends that these efforts be expanded, and that the Federal Government continue to encourage the substitution of other energy forms for oil. (page 16)

7. The Committee recommends that the Federal Government support alternative energy research and development at a level sufficient to maintain and enhance the leading position that Canada has achieved in this field, and in recognition of the export opportunities which it represents. (page 17)

8. To ensure security of supply, the Committee recommends an interim floor price for oil sands and enhanced oil recovery production in the event of a sudden large decrease in the price of oil. (page 18)

9. The Committee recommends interim protection for consumers against a sudden large increase in the price of oil. (page 18)

The Committee supports the continuing Canadianization of the domestic petroleum industry. (page 19)

# APPENDIX A

## WITNESSES

| Issue No. | Date | Organizations and Witnesses |
|---|---|---|
| | | ***Second Session, Thirty-second Parliament*** |
| 1 | Apr. 4, 1984 | **Department of Energy, Mines and Resources**<br>Mr. Paul M. Tellier, Deputy Minister<br>Dr. Len Good, Assistant Deputy Minister, Energy Policy Analysis Sector |
| 2 | Apr. 10, 1984 | **Canadian Petroleum Association**<br>Mr. A.R. Nielsen, Chairman of the Board and Chief Executive Officer, Canadian Superior Oil Ltd.<br>Mr. R.H. Carlyle, Senior Vice President, Gulf Canada Resources Inc.<br>Mr. Tony Stikeman, Senior Staff Economist, Shell Canada Resources Limited<br>Mr. Leo de Bever, Director, Chase Econometrics Canada<br>Mr. Ian R. Smyth, Executive Director, Canadian Petroleum Association |
| 4 | Apr. 17, 1984 | **Department of Energy, Mines and Resources**<br>Mr. Paul M. Tellier, Deputy Minister<br>Dr. Len Good, Assistant Deputy Minister, Energy Policy Analysis Sector |
| 5 | May 8, 1984 | **Dow Chemical Canada Inc.**<br>Mr. J.M. Hay, Chairman of the Board<br>Mr. John E. Gates, Manager, Commercial Administration<br>Mr. Dennis G. Barnes, Business Manager, Hydrocarbon and Energy Department |
| 6 | May 9, 1984 | **Home Oil Company Limited**<br>Mr. R.F. Haskayne, President and Chief Executive Officer<br>Mr. Ron Watkins, Vice President, Government and Industry Relations |
| 7 | May 15, 1984 | **Canada Oil and Gas Lands Administration**<br>Mr. Maurice E. Taschereau, Administrator<br>Mr. Maurice Ruel, Director-General, Environmental Protection Branch<br>Mr. Rowland H. Harrison, Director-General, Land Management Branch<br>Mr. Don L. Sherwin, Director-General, Resource Evaluation Branch<br>Mr. George Davies, Acting Director-General, Canada Benefits Branch.<br><br>**Department of Energy, Mines and Resources; Energy Policy Analysis Sector**<br>Dr. Len Good, Assistant Deputy Minister<br><br>**Department of Energy, Mines and Resources; Conservation and Non-Petroleum Sector**<br>Dr. A.R. Hollbach, Assistant Deputy Minister, Conservation and Non-Petroleum Sector |

| Issue No. | Date | Organizations and Witnesses |
|---|---|---|
| | | Mr. A.E. LeNeveu, Director General, Coal and Alternative Energy Branch<br>Mr. Charles Marriott, Director General, Energy Conservation and Oil Substitution;<br>Mr. R. Schulte, Senior Policy and Operations Coordinator |
| | | **Department of Energy, Mines and Resources; Energy Policy Analysis Sector**<br>Dr. Len Good, Assistant Deputy Minister |
| | | **Department of Energy, Mines and Resources**<br>Mr. Paul M. Tellier, Deputy Minister<br>Dr. Len Good, Assistant Deputy Minister, Energy Policy Analysis Sector |
| 8 | May 16, 1984 | **Department of Energy, Mines and Resources; Petroleum Incentives Administration**<br>Mr. C.G. Penney, Administrator<br>Mr. H. Lazar, Deputy Administrator, Policy, Rulings and Special Cases<br>Mr. R. Smith, Assistant Director General, Policy and Precedents |
| | | **Department of Energy, Mines and Resources; Energy Policy Analysis Sector**<br>Dr. Len Good, Assistant Deputy Minister |
| 10 | May 24, 1984 | **Economic Council of Canada**<br>Dr. David W. Slater, Chairman<br>Mr. Patrick Robert, Director<br>Dr. Peter Eglington, Special Advisor to the Chairman on Energy<br>Dr. Surendra Gera, Economist, Energy Research Group<br>Ms. Maris Uffelmann, Economist, Energy Research Group |
| 11 | May 30, 1984 | **C.D. Howe Institute**<br>Mr. Edward A. Carmichael, Senior Policy Analyst |
| 12 | May 31, 1984 | **Ontario Energy Corporation**<br>Mr. Malcolm Rowan, President |
| 13 | June 5, 1984<br>Calgary, Alberta | **Independent Petroleum Association of Canada**<br>Mr. Gwyn Morgan, Presdient<br>Mr. Art Price, Vice President<br>Mr. John A. Howard, Vice President<br>Mr. E. Richard E. Elenko, Vice President<br>Mr. John D. Hagg, Vice President<br>Mr. Joe R. Dundas, Past President<br>Mr. John D. Porter, Managing Director<br>Mr. Steve J. Haberl, General Manager, Natural Gas and Regulations<br>Mr. Jock S. Poyen, Manager, Economics<br>Mr. Frank G. Ricciuti, Member of the Board of Directors<br>Mr. Joe E. Horler, Manager, Crude Oil |
| ***First Session, Thirty-third Parliament*** | | |
| 1 | Jan. 22, 1985 | Mr. Bruce Willson, Chairman, Energy Committee, Consumers' Association of Canada |
| 2 | Jan. 24, 1985 | **Economic Council of Canada**<br>Dr. David Slater, Chairman<br>Mr. Patrick Robert, Director |

| Issue No. | Date | Organizations and Witnesses |
|---|---|---|
| | | Mr. Richard Zuker, Associate Director, Energy Group<br>Dr. Surendra Gera, Senior Economist<br>Mr. Serge Dupont, Economist<br>Ms. Marie-Hélène Pastor, Economist |
| 3 | Jan. 28, 1985<br>Calgary, Alberta | **Independent Petroleum Association of Canada**<br>Mr. Gwyn Morgan, President, Director and Member of the Executive Committee<br>Mr. Joe R. Dundas, Immediate Past President, Director and Member of the Executive Committee<br>Mr. David Craig, Director and Member of the Executive Committee<br>Mr. Robert Andrews, Managing Director<br>Mr. John Howard, Director and Member of the Executive Committee<br>Mr. Jock S. Poyen, General Manager, Economics and Regulations |
| | | **Woods Gordon Management Consultants**<br>Dr. Stephen Tanny, Senior Economist<br>Mr. Dennis Cronkwright, Managing Partner |
| 4 | Jan. 31, 1985 | **Norcen Energy Resources Limited**<br>Mr. Edward G. Battle, President and Chief Executive Officer<br>Mr. Donald D. Barkwell, Executive Vice- President<br>Mr. Ken Colby, Vice-President |
| 5 | Feb. 5, 1985 | **Canadian Petroleum Association**<br>Mr. A. R. Nielsen, Chairman of the Board of Governors; Chairman of the Board, Chief Executive Officer and Director, Canadian Superior Oil Ltd.<br>Dr. E. W. Best, Past Chairman of the Board of Governors; President, Oil and Gas Division, BP Canada Inc.<br>Mr. D. G. Stoneman, Chairman, Natural Gas Policy Committee, Senior Vice-President, Business Development, Shell Canada Resources Ltd.<br>Mr. Hans Maciej, Technical Director |
| 6 | Feb. 7, 1985 | **Gulf Canada Resources Ltd.**<br>Mr. Harry Carlyle, President<br>Mr. Jean-Louis Blais, Director, Government Affairs |
| 7 | Feb. 11, 1985 | **Passmore Associates International**<br>Mr. Jeff Passmore, President<br>Mr. David J. Argue, Senior Associate |
| | | **School of Public Administration, Carleton University**<br>Dr. G. Bruce Doern<br>Dr. Glen Toner |
| 8 | Feb. 12, 1985 | **Canadian Hunter Exploration Ltd.**<br>Mr. Jim K. Gray, Executive Vice-President |
| 9 | Feb. 14, 1985 | **Canadian Automobile Association**<br>Mr. R. B. Erb, Executive Vice-President<br>Mr. Michael S. McNeil, Director, Public Relations and Government Affairs<br>Mr. Richard Godding, Director, Technical Services |
| 10 | Feb. 26, 1985 | **Husky Oil Ltd.**<br>Mr. S. Robert Blair, Chairman of the Board<br>Mr. Arthur R. Price, President |

| Issue No. | Date | Organizations and Witnesses |
|---|---|---|
| 11 | Feb. 28, 1985 | **Aberford Resources Ltd.**<br>Mr. John A. Howard, President<br>Mr. David W. Rowbotham, Corporate Counsel |
| 12 | Mar. 4, 1985 | **Suncor Inc.**<br>Mr. H. B. Maxwell, Vice-President, Government Affairs<br>Mr. W. L. Oliver, Vice-President, Government Affairs, Resources Group<br>Mr. G. A. T. Allan, Director, Planning and Control, Oil Sands Group<br><br>**Department of Energy, Mines and Resources; Research and Technology Sector**<br>Dr. K. Whitham, Assistant Deputy Minister, Research and Technology; Chairman, Interdepartmental Panel on R and D<br>Dr. Peter J. Dyne, Director General, Office of Energy Research and Development<br><br>**Department of Energy, Mines and Resources; Conservation and Non-Petroleum Sector**<br>Dr. A. R. Hollbach, Assistant Deputy Minister<br>Mr. Dennis Orchard, Director, Home Energy Programs Division<br>Mr. Graham Armstrong, Director of Policy and Coordination, Energy Conservation and Oil Substitution Branch<br>Dr. Anthony C. Taylor, Director of Transportation, Energy Division<br>Dr. D. L. P. Strange, Director of the Renewable Energy Division<br><br>**Shell Canada Inc.**<br>Mr. C. William Daniel, President, Chief Executive Officer and Director<br>Mr. J. E. Czaja, Executive Vice-President and Director of Shell Canada Resources Limited; President, Crows Nest Resources Limited<br>Mr. C. Falcone, General Manager - Corporate Strategies |
| 13 | Mar. 7, 1985 | **National Energy Board**<br>Mr. C. G. Edge, Chairman<br>Ms. L. M. Thur, Associate Vice-Chairman<br>Mr. R. St. G. Stephens, Executive Director<br>Mr. K. W. Vollman, Director General, Pipeline Regulation<br>Mr. P. Miles, Acting Director General, Energy Studies<br>Mr. W. A Hiles, Director, Energy Supply Branch |
| 14 | Mar. 12, 1985 | **Friends of the Earth**<br>Mr. David Brooks, Member, Board of Directors<br>Mr. Ray Vles, Executive Director |
| 15 | Mar. 14, 1985 | **Roxy Petroleum Ltd.**<br>Mr. Joe R. Dundas, President and Chief Executive Officer<br>Mr. Barry Padley, Vice-President, Finance |
| 16 | Mar. 28, 1985 | **National Research Council**<br>Dr. Larkin Kerwin, President<br>Dr. J. K. Pulfer, Vice-President, Finance<br>Mr. B. D. Leddy, Vice-President, Personnel and Administration Services<br>Dr. E. Philip Cockshutt, Director, Division of Energy |
| 17 | Apr. 2, 1985 | **Ministry of Energy, Mines and Resources, Government of the Northwest Territories**<br>The Honourable Tagak E.C. Curley, Minister<br>Mr. Al Zariwny, Secretary, Energy, Mines and Resources Secretariat<br>Mr. Stuart Wood, Resource Economist |

## APPENDIX B

## SUBMISSIONS

The Committee received submissions from the following groups and individuals:

CANADIAN AUTOMOBILE ASSOCIATION, Ottawa, Ontario
CANADIAN CHEMICAL PRODUCERS' ASSOCIATION, Ottawa, Ontario
CANADIAN ELECTRICAL ASSOCIATION, Montreal, Quebec
CANADIAN GAS ASSOCIATION, Don Mills, Ontario
THE CANADIAN GAS PROCESSORS SUPPLIERS' ASSOCIATION, Calgary, Alberta
CANADIAN METHANOL CANADIEN, Winnipeg, Manitoba
CANADIAN TEXTILES INSTITUTE, Montreal, Quebec
CANARCTIC VENTURES, LTD., Richmond, British Columbia
CHAMBERS, G., Winnipeg, Manitoba
CYANAMID CANADA INC., Willowdale, Ontario

FORD, MRS. J. A., Moncton, New Brunswick
FRIENDS OF THE EARTH, Ottawa, Ontario

GENERAL SOLAR INC., Carleton Place, Ontario
GOTS, J. G., Guelph, Ontario
GRANT, D., Windsor, Ontario

HAUCK, E. A., Kitchener, Ontario
HUNTER, S. J., Vancouver, British Columbia

KABAYAMA, J. E., Nepean, Ontario
KENNEDY, C., Saint John, New Brunswick

LAMBERT, J. D., Kirkland, Quebec
LLOYD, G. V., Calgary, Alberta

MEDICINE HAT, CITY OF, Medicine Hat, Alberta

NORCEN ENERGY RESOURCES LIMITED, Toronto, Ontario
NORRIS, PAUL J., Edmonton, Alberta
NORTHERN CANADA POWER COMMISSION, Edmonton, Alberta

ONTARIO MINISTRY OF ENERGY, Toronto, Ontario
ONTARIO NATURAL GAS ASSOCIATION, Toronto, Ontario

PANCANADIAN PETROLEUM LIMITED, Calgary, Alberta
PETROLEUM MONITORING AGENCY, Ottawa, Ontario
PETROSAR LIMITED, Sarnia, Ontario
PRINCE EDWARD ISLAND, GOVERNMENT OF, DEPARTMENT OF ENERGY AND FORESTRY, Charlottetown, Prince Edward Island
PRIOR, J. G., Vernon, British Columbia

RAY, DR. A. K., Gloucester, Ontario
ROYAL BANK, Ottawa, Ontario

SHELL RESOURCES LIMITED, Calgary, Alberta
SIERRA CLUB OF WESTERN CANADA, Victoria, British Columbia
STELCO INC., Toronto, Ontario
SUNCOR INC., Ottawa, Ontario

TARC, A., Palmerston, Ontario

WAINOCO OIL & GAS LIMITED, Calgary, Alberta
WALKER & PARTNERS LTD., R. L., Ottawa, Ontario
WHITEHORSE, CITY OF, Whitehorse, Yukon
WILLSON, BRUCE F., Thornhill, Ontario

# MINUTES OF PROCEEDINGS

WEDNESDAY, APRIL 3, 1985
(24)

The Standing Senate Committee on Energy and Natural Resources met at 1:30 p.m. this day *in camera*, the Chairman, the Honourable Senator Earl A. Hastings, presiding.

*Members of the Committee present:* The Honourable Senators Barootes, Doody, Hastings, Hays, Kenny, Lefebvre, and Olson. (7)

*Other Senator present:* The Honourable Senator Adams.

*In attendance: From the Research Branch, Library of Parliament:* Mr. Dean Clay, Chief, Science and Technology Division; Ms. Sonya Dakers and Mr. Lawrence Harris, Research Officers; and Mr. Philip DeMont, Research Assistant.

The Committee, in compliance with the Order of Reference dated December 18, 1984, resumed its review of all aspects of the National Energy Program, including its effects on energy development in Canada.

The Honourable Senator Lefebvre moved that the Committee meet *in camera*.

The question being put on the motion, it was—

Resolved in the affirmative.

The Chairman presented the First Report of the Drafting Subcommittee which is as follows:

Your Subcommittee met on Monday, April 1, 1985 to consider the abbreviated report.

In view of the recently announced Western Accord, your Subcommittee agreed, on division, to recommend the following:

THAT the Committee do not now proceed with the abbreviated report on the review of the National Energy Program, but that preparation of the final report begin immediately.

The Honourable Senator Barootes moved that the First Report of the Drafting Subcommittee be concurred in.

After debate, and—

The question being put on the motion,

The Committee divided and the names being called, they were taken down as follows:—

YEAS

The Honourable Senators Barootes, Lefebvre and Olson—3.

NAYS

The Honourable Senators Hays and Kenny—2.

So it was resolved in the affirmative.

At 2:00 p.m., the Committee adjourned to the call of the Chair.

THURSDAY, JUNE 13, 1985
(25)

The Standing Senate Committee on Energy and Natural Resources met at 9:30 a.m. this day *in camera*, the Chairman, the Honourable Senator Earl A. Hastings, presiding.

*Members of the Committee present:* The Honourable Senators Adams, Balfour, Barootes, Bell, Doody, Hastings, Hays, Kenny, Lefebvre and Olson. (10)

*In attendance: From the Research Branch, Library of Parliament:* Mr. Dean Clay, Chief, Science & Technology Division; Ms. Sonya Dakers and Mr. Lawrence Harris, Research Officers.

*From the Office of the Chairman:* Ms. Karen Wheeler, Administrative Assistant to the Committee.

The Committee, in compliance with the Order of Reference dated December 18, 1984, resumed its review of all aspects of the National Energy Program, including its effects on energy development in Canada.

The Honourable Senator Kenny moved that the Committee meet *in camera*.

The question being put on the motion, it was—

Resolved in the affirmative.

The Chairman presented the Second Report of the Drafting Subcommittee which is as follows:

> Your Subcommittee was mandated to prepare a draft report on the review of the National Energy Program (Resolution dated March 12, 1985—amended April 3, 1985).
>
> In compliance with the above mandate, your Subcommittee met on April 1, May 6, 7, 9, 30 and June 11, 1985.
>
> The attached draft interim report, representing the views of your Subcommittee, is hereby reported for consideration.

The Honourable Senator Doody moved that the Chairman be authorized to engage the services of technical and linguistic revisors for the purposes of revising the report of the Committee under the direction of the Chairman.

The question being put on the motion, it was—

Resolved in the affirmative.

The Honourable Senator Balfour moved that Mr. Dean Clay, Project Manager, be authorized to attend the United Nations Conference on Tar Sands and Heavy Oil Availability.

The question being put on the motion, it was—

Resolved in the affirmative.

At 12:05 p.m., the Committee adjourned to the call of the Chair.

TUESDAY, JUNE 18, 1985
(27)

The Standing Senate Committee on Energy and Natural Resources met at 10:30 a.m. this day *in camera*, the Chairman, the Honourable Senator Earl A. Hastings, presiding.

*Members of the Committee present:* The Honourable Senators Adams, Barootes, Hastings, Hays, Kenny, Lefebvre and Olson. (7)

*In attendance: From the Research Branch, Library of Parliament:* Mr. Dean Clay, Chief, Science & Technology Division; and Mr. Lawrence Harris, Research Officer.

The Committee, in compliance with the Order of Reference dated December 18, 1984, resumed its review of all aspects of the National Energy Program, including its effects on energy development in Canada.

The Honourable Senator Olson moved that the Committee meet *in camera*.

The question being put on the motion, it was—

Resolved in the affirmative.

The Honourable Senator Olson moved that the Draft Interim Report on the review of the National Energy Program as amended be adopted as the Third Report of the Committee.

The question being put on the motion, it was—

Resolved in the affirmative.

The Honourable Senator Lefebvre moved that the title of the Third Report be: "Canadian Energy Policy: An Interim Report."

The question being put on the motion, it was—

Resolved in the affirmative.

It was—

Ordered, that 4,000 copies of the Third Report be printed.

It was—

Ordered, that the Third Report be tabled in the Senate at the earliest convenience but that permission be sought from the Senate to publish and distribute same as soon as it becomes available, even though the Senate may not then be sitting.

At 12:30 p.m., the Committee adjourned to the call of the Chair.

*ATTEST:*

TIMOTHY ROSS WILSON

*Clerk of the Committee*

TUESDAY, JUNE 18, 1985
(19)

The Standing Senate Committee on Energy and Natural Resources met at 10:30 a.m. this day, in camera, the Chairman, the Honourable Senator Earl A. Hastings, presiding.

*Members of the Committee present:* The Honourable Senators Adams, Barootes, Hastings, Hays, Kelly, Lefebvre and Olson. (7)

*In attendance:* From the Research Branch, Library of Parliament: Mr. Dean Clay, Chief, Science and Technology Division, and Mr. Lawrence Harris, Research Officer.

The Committee, in compliance with its Order of Reference dated December 14, 1984, continued its review of all aspects of the National Energy Program, including legislation and government documents related thereto.

The Honourable Senator Olson moved that the Committee proceed in camera.

The question being put on the motion, it was—

Resolved in the affirmative.

The Honourable Senator Olson moved that the Draft Interim Report on the review of the National Energy Program as modified be adopted as the Third Report of the Committee.

The question being put on the motion, it was—

Resolved in the affirmative.

The Honourable Senator Lefebvre moved that the title of the Third Report be Canadian Energy Policy: An Interim Report.

The question being put on the motion, it was—

Resolved in the affirmative.

It was—

Ordered, that 4,000 copies of the Third Report be printed.

It was—

Ordered, that the Third Report be tabled in the Senate at the earliest opportunity and that the Report be released to the public if the Senate is not then sitting.

At 12:00 p.m. the Committee adjourned to the call of the Chair.

*ATTEST:*

TIMOTHY ROSS WILSON

*Clerk of the Committee*