pricing of Alberta oil and gas. In the fall of 1973 Saskatchewan increased its volumetric royalty on crude oil and announced its intention to levy a royalty surcharge on prices in excess of a weighted average of $3.10/bbl. A marketing bill similar to that of Alberta was also introduced late in 1973. The British Columbia Petroleum Corporation (BCPC) assumed most of the contracts of Westcoast Transmission and other BC gas carriers. Royalties on the small volumes of gas not under contract to BCPC were raised to approximately 25% up to 20¢ per thousand cubic feet (Mcf) and 50% on prices in excess of 20¢/Mcf.

Early in 1974 the provinces began to levy new and substantial royalties and other charges. Alberta introduced an incremental royalty averaging 65% of the increased price of old oil. This brought the average royalty on oil to 42% from 22%. Saskatchewan introduced a royalty equivalent to 100% of the increase in price. BC introduced new royalties on oil and announced that the BCPC would appropriate most of any increase in the price of gas. All of these additional levies on income of petroleum producers were charges of a kind that, under the then existing federal tax regime, would reduce federal income tax revenues. As a direct consequence of these actions, the federal share of production revenues would have fallen from 13% to 6% in the last nine months of 1974. In the same period provincial revenues would have risen from 31% to 42% of production income. A very low level of federal tax would have persisted in the years ahead. To overcome the erosion of the tax base implied by these changes in provincial royalties, the federal government introduced budgets in May and November of 1974 which made provincial royalty payments non-deductible for tax purposes.

Both the federal and provincial governments subsequently eased their tax and royalty positions to provide the industry with increased funds for exploration and development.

Legislation. In June 1975 a bill allowing the federal government to set the price of oil and gas domestically as well as in the export market and authorizing continuation of the oil import compensation program received Royal Assent despite lack of provincial agreement.

Marketing innovations. Crude oil produced in western Canada is purchased by refining and marketing companies, transported to refineries by pipeline and processed into petroleum products for market distribution, usually through the marketing outlets of the major refining companies. With increasing product availability in the late 1960s and early 1970s, refineries found it profitable to market increasing volumes through independent outlets in competition with their brand name dealers. Independent discount gas bars offered lower prices, less service and fewer promotional extras. Major oil companies have opened their own discount and self-service outlets to capture a share of this market. The "self-service" market innovation contemplates a buying public which shops for savings on petroleum products, and is one manifestation of the changes probably yet to occur because of sharply increased prices.

Other influences for change are the government's long-term program of energy conservation announced in 1974, the establishment of a National Petroleum Company, and government participation in the Syncrude project on terms which grant that consortium an "internationally oriented" price for its product. Other concessions were granted when the federal government joined Alberta and Ontario as participants with private industry in this development, which is seen as a commercial and technical venture on which future oil sands development will be based.

International Energy Agreement. In October 1974 Canada provisionally entered an agreement with 18 industrial countries to establish an International Energy Agency and undertake broad co-operation in energy matters. Parliament has yet to ratify the agreement which was still being discussed with provincial governments. Part of the agreed program involves emergency arrangements for sharing and conserving available oil supplies in the event of interruptions in the flow of oil from overseas.

Longer-term measures include national energy conservation programs aimed at reducing dependence on imported oil by the group as a whole in accordance with agreed annual targets. For 1975 the target reduction for the group is 2 million b/d below the levels predicted earlier for that year. Measures now under discussion include accelerated development of alternative sources of energy and co-operation in research and development. The over-all objective of the Agency is to reduce, through multilateral co-operation, the vulnerability of participating countries to changes in the price and availability of imported oil and thus offer some assurance of stability in world energy markets.