

increase of 2.7% during 1975, in sharp contrast to the 25% increase in 1974, is a result of no additional natural gas being available from Alberta for the Quebec market. Alberta, the second largest consuming province, with 23% of all Canadian gas sales, accounted for most of the increase in Canadian consumption in 1975. Commercial sales were the major factor in the Alberta increase. Saskatchewan and Manitoba had net sales decreases. The largest increase in domestic demand occurred in British Columbia where net sales of 145 MMMcf (4.1 billion m³) showed a 12.5% increase. However, BC sales were still less than consumption in 1973 when decline in production set in at the Beaver River and Pointed Mountain fields, two of the principal natural gas supplying fields.

Local and provincial natural gas utility companies purchase gas from major gas pipeline companies and operate their own pipeline systems to supply the public. Primarily active in the final distribution of gas, they currently spend increasing amounts on exploration and production in western Canada because of rising wellhead prices and projected shortfalls relative to expanding demand.

Commercial users recorded the highest rate of growth at 3.8%, compared with an increase of 2.1% for residential users. This was offset by a 0.8% decline in sales to industrial users and electric utilities.

Net exports of natural gas to the US totalled 947 MMMcf (26.8 billion m³) for the year, a 2.2% decrease from the 959 MMMcf (27.2 billion m³) exported the previous year. This decrease was attributable to delivery problems in the Beaver River field in northern British Columbia. While there may be sufficient gas reserves in a field to satisfy customer demand for a period of time, declining pressures and other production factors may limit the rate at which the gas can be extracted and delivered to market. Such problems in the Beaver River field caused a shortfall in meeting contractual obligations of Westcoast Transmission Company Limited to customers in the Pacific Northwest region of the US.

The government decided future exports would be within the recommendations of the NEB report of April 1975, *Canadian natural gas — supply and requirements*. In the event of gas shortages, timing and amounts of cutbacks would be determined only after consultation between the federal and provincial governments and the US government.

New export price

13.3.2.1

A hearing in 1974 into the pricing of Canadian natural gas being exported led to establishment of a uniform border price substantially above the prices prevailing. Long-term licences to export gas cover about 1 MMMMcf (28.3 billion m³) a year (about 40% of Canadian production). At the 1974 hearing, export prices were found to be unrealistically low when compared with the greatly increased cost of fuel oil, the principal alternative to gas for residential, commercial and most industrial uses. The NEB recommended that natural gas exported to the US should be priced on the basis of a scarce, non-renewable natural resource; that initially a new export price of \$1 per thousand cubic feet (Mcf) (\$35.31/thousand m³) be established; and that the price be increased progressively toward the commodity value. In supporting this recommendation, the government also endorsed the principle of further price increases. In approving the new export price of \$1/Mcf (\$35.31/thousand m³), the government stipulated that additional export revenues thus generated should be paid to gas producers to encourage additional exploration and production. In British Columbia most of the additional revenue was paid to the British Columbia Petroleum Corporation.

In May 1975 the Minister of Energy, Mines and Resources announced increased export prices of natural gas to \$1.40/Mcf (\$49.44/thousand m³) in August and \$1.60/Mcf (\$56.50/thousand m³) in November 1975. These were followed by increases to \$1.80/Mcf (\$63.57/thousand m³) in September 1976 and \$1.94/Mcf (\$68.51/thousand m³) in January 1977.

For the domestic market, the federal government raised the price of natural gas, after consultation with the provinces, from approximately \$0.82/Mcf