

CHAPTER 11

ENERGY

11.1 International scene

As a consequence of reduced global oil demand resulting from conservation and substitution measures, the price of oil declined after a decade of constant increases. In early 1983, the Organization of Petroleum Exporting Countries (OPEC) made a commitment to reduce their official benchmark price for oil to US\$29 per barrel from US\$34. In addition, OPEC members agreed to cut their overall production ceiling by one million barrels a day (159 000 m³) to 17.5 million (2 781 000 m³) for the remainder of 1983.

The International Energy Agency (IEA), of which Canada is one of 21 member nations, is an autonomous agency of the Organization for Economic Co-operation and Development. Its main purpose is to organize its members to deal with any oil crisis which would be considered as a major economic threat. Therefore, intermittently, it runs oil sharing system tests. The fourth test was carried out from April to June 1983.

Canada is also an active participant in such bodies as the Organization for Economic Co-operation and Development (OECD), the North Atlantic Treaty Organization (NATO), the United Nations (UN) and the World Energy Conference (WEC). The WEC, a London-based organization established in 1924, is dedicated to the goal of promoting the development and peaceful use of energy resources. The sixth Canadian National Energy Forum sponsored by the Canadian National Committee of the WEC was held in Ottawa in November 1981. A total of 20 speakers from various sectors of the Canadian economy addressed various aspects of the role of energy in Canada's industrial development. The Twelfth Congress of the World Energy Conference was held in New Delhi in September 1983 on the theme "Energy-Development — Quality of Life".

Canada has held bilateral energy discussions with a number of countries including Egypt, with which it signed a nuclear co-operation agreement in 1982.

The Petro-Canada International Assistance Corp. was established in 1980 to assist developing countries in reducing their dependence on imported oil. The corporation has since entered into oil and gas assistance projects with the Philippines, Jamaica, Senegal, Barbados, Tanzania and Gambia. In

mid-1983, a Caribbean basin regional seismic program and an exploration assistance program for Thailand were in preparation.

A list of countries from which Canada imports oil, by volume and by value, appears in Table 11.3.

11.2 Energy developments

Energy policy implementation has continued as a flexible process in response to changing domestic and international circumstances. The National Energy Policy (NEP) announced in 1980 proposed a variety of means to achieve its stated objectives of supply security, opportunity for Canadians to participate in energy development, and fairness in pricing and revenue sharing among governments and industry. Those measures included conservation of scarce resources, substitution of more abundant sources for those whose supply was diminishing, a search for new supplies, the promotion of greater Canadian participation, and efforts to distribute revenues in such a way as to prevent excessive regional imbalances.

During 1981-83 the federal government, in consultation with provincial governments and industry, made significant revisions in the NEP to accommodate to changes in the energy environment. These changes, particularly in energy pricing and incentives, were announced in agreements with Alberta, Saskatchewan and British Columbia in the latter part of 1981, and with Nova Scotia in early 1982, through a policy update statement in May 1982, through further agreements with the western provinces in mid-1983, and by special measures with individual sections of the energy industries. The revisions affected all major aspects of the original policy including price levels and pricing mechanisms, revenue shares, taxation measurement and application, allocation of responsibility between the levels of government, and utilization of revenues. The initiatives undertaken were directed toward national and regional needs and objectives.

These new measures were designed to: assist in coping with the problems created by faster than expected reductions in oil use, including shut-in domestic oil; promote the accelerated penetration of natural gas into domestic markets in place of oil,