

## CHAPTER 11 ENERGY

### 11.1 International scene

A large surplus of crude oil on international markets in late 1985 and during most of 1986 resulted in the world price of oil dropping below US\$10 per barrel (US\$63 per cubic metre) for a short time in the summer of 1986. In an effort to increase prices, member nations of the Organization of Petroleum Exporting Countries (OPEC) announced, on August 6, 1986, that all member countries (except Iraq) were returning to a production level of 14.8 million barrels per day (2.4 million cubic metres), as of September 1, for a two-month trial period. With Iraq's production, OPEC's combined output was estimated at 16.8 million barrels per day (2.8 million cubic metres). Satisfied with the effect that its provisional program had had on stabilizing oil prices at the US\$15 per barrel level (US\$94 per cubic metre), OPEC oil ministers announced, in December 1986, that the cartel, excluding Iraq, would cut production by 7.23% to 15.8 million barrels per day (2.5 million cubic metres), and that the cut would result in the raising of oil prices to an official level of US\$18 per barrel (US\$113 per cubic metre).

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 fifth test, AST 5, was carried out in 1985. In Canada, AST 5 involved the Energy Supplies Allocation Board, 23 oil companies and five producing provinces.

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 ninth Canadian National Energy Forum and World Energy Conference was held in Toronto in May 1986. Themes emerging from this conference included: uncertainty in demand for energy and in prices in the short and long term; the market as a preferred way to deal with uncertainty; and the constancy of energy objectives, despite dramatic changes in energy markets — especially a continuing preoccupation with security of supply. The Thirteenth Congress of the World Energy Conference was held in Cannes in October 1986 on the theme of Energy Needs/Expectations. The Fourteenth Congress will take place in Montreal in 1989, with a theme of Energy in the Future.

The Petro-Canada International Assistance Corp. (PCIAC) 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 Barbados, Jamaica, Windward Islands, Haiti, Senegal, Ghana, Tanzania, Kenya, Burma, Thailand, Pakistan, the Philippines, Columbia, Costa Rica, Guinea, Gambia, Morocco and Sri Lanka. Over the past four years, 125 Canadian private sector firms have received PCIAC contracts totalling over \$65 million.

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

### 11.2 Energy developments

Since 1984, energy policy has undergone significant changes with a new emphasis on decontrolled energy pricing, profit-based taxation of the industry, a stable, investment-oriented planning environment, and a clear, non-discriminatory, non-interventionist fiscal, regulatory and management regime. The announcements of the Economic and Fiscal Statement (November 8, 1984), the Atlantic Accord (February 11, 1985), the Western Accord (March 28, 1985), the federal budget (May 23, 1985), the Agreement on Natural Gas Markets and Prices (October 31, 1985),