Canada's Energy Frontiers (October 30, 1985) and the Nova Scotia Accord (August 26, 1986), clearly signal the government's commitment to the new policy direction. Overall government priorities of economic renewal, deficit reduction and job creation are being addressed in this new policy framework.

In accordance with the economic and fiscal statement delivered in the House of Commons on November 8, 1984, federal expenditures on energy demand and supply programs were reduced. The following initiatives were undertaken which, together with other adjustments, resulted in a federal savings of more than $600 million during the 1985-86 fiscal year. Petroleum Incentives Program (PIP) expenditures were reduced by $250 million. The Canada Oil Substitution Program (COSP) was terminated one year early, on March 31, 1985, effecting a savings of $95 million. The early termination of the Canadian Home Insulation Program (CHIP) on March 31, 1986 resulted in an $84 million savings. The deferment of new commitments under the Natural Gas Laterals Program (NGLP) provided an $85 million savings. The cancellation of the Maritimes Engineering Program (MEP) of engineering work on the Maritimes section of the TransQuebec and Maritimes gas pipeline resulted in savings of $8 million. The winding up of Canertech, a subsidiary of Petro-Canada which invested in conservation and renewable energy projects, saved the government $30.6 million. The reduction of the level of expenditures of the interdepartmental energy research and development program translated into a savings of $60.8 million.

The Atlantic Accord between the government of Canada and the government of Newfoundland and Labrador, provided a joint management and revenue-sharing regime that allows Newfoundland to establish and collect royalties and provincial-type revenues and taxes for its offshore petroleum resources as if these were on land. It established the Canada-Newfoundland Offshore Petroleum Board and a $300 million development fund, and provided for constitutional entrenchment of the Accord.

The Western Accord is a comprehensive oil and gas agreement between the government of Canada and the governments of Alberta, Saskatchewan and British Columbia. This agreement deregulated Canadian crude oil pricing and marketing, took steps to move the natural gas industry toward a system of market-oriented pricing, and eliminated or phased out some federal oil and gas taxes or charges, including the Petroleum and Gas Revenue Tax, the Petroleum Compensation Charge and the Canadian Ownership Special Charge.

The Frontier Policy Statement announced the end of the Crown ownership share and the introduction of a clear and fair set of rules governing frontier oil and gas activity. The tenets of this policy were embodied in the Canada Petroleum Resources Act, which received Royal Assent on November 18, 1986.

The agreement on Natural Gas Markets and Prices established transitional provisions for moving toward domestic gas deregulation on November 1, 1986. The Nova Scotia Accord is a long-term agreement on joint management of oil and gas exploration, development and production in the offshore of Nova Scotia. It established a new independent Canada-Nova Scotia Offshore Oil and Gas Board to administer and regulate all aspects of offshore oil and gas activities. It also converted the previously established $200 million development fund from a loan to a grant. In addition, a $25 million grant will be made available by the government of Canada to Nova Scotia Resources Limited to participate in exploration and development activity offshore Nova Scotia.

11.2.1 Pricing and fiscal incentives

The collapse of the world oil price after November 1985 put an abrupt end to the expansion in oil and gas industry activity following the Accords. In the space of a few months, the boom became a crisis. Such a dramatic change in the underlying economics of the industry required both a change in expectations and a change in policy. Most importantly, governments have had to become more realistic about the royalties and the taxes they can expect the industry to generate. The federal government has led the way by progressively reducing and finally eliminating the single remaining special tax it levied on the industry — the Petroleum and Gas Revenue Tax (PGRT).

On April 30, 1986, an announcement was made for measures to relieve small producers and high-cost oil sands producers from the Petroleum and Gas Revenue Tax (PGRT). This was worth almost $300 million to the industry.

On September 8, 1986, the Minister of Energy announced the accelerated phase-out of the PGRT, effective October 1. This would put over $800 million back into the oil and gas industry in the subsequent two-and-a-half-year period — providing much-needed cashflow for energy investment opportunities and saving thousands of existing oil- and gas-related jobs.