

1986 to reach 43.8% and 37.4% respectively, mainly as a result of takeover activity following the 1986 collapse of crude oil prices.

### 11.2.1 Economic growth and energy security

Fundamental changes in the thrust of energy policy, combined with the 1986 oil price collapse, have affected the various sectors of the energy economy in different ways. While the effects of deregulation have been generally positive for both producers and consumers, the industry and the producing provinces have sustained severe financial and employment losses as a result of the decline in oil prices.

In March 1987, the federal government announced a major new cash incentive program designed to stimulate employment, investment and activity in the oil and gas industry. The Canadian Exploration and Development Incentive Program (CEDIP) provided cash incentives of 33 1/3% of eligible exploration and development expenses undertaken in Canada on or after April 1, 1987, up to a maximum of \$10 million in eligible expenses per company per year. By the end of 1987, the government had received about 1,600 applications seeking \$132 million of incentive payments under CEDIP. Of these, approximately 600 payments were made, totalling \$28.5 million.

The Government of Canada's approach is guided by the principle that the best means of allocating resources in the energy sector and sharing the benefits and burdens of energy resource development is through the workings of a competitive market place.

This approach was reflected in the following: the implementation of the Natural Gas Markets and Prices Agreement in 1987; the continuation of the move toward deregulated natural gas prices, which began November 1, 1986; and the National Energy Board's announcement, on September 9, 1987, of the adoption of a new market-based procedure for determining the surplus of natural gas in Canada available for export. In addition, the Government of Canada examined its policy regarding exports of electricity and the promotion of interprovincial electricity trade, and on August 21, 1987, the federal government announced its export review process and the steps it intended to take, in consultation with the provinces, to reform the current system of electricity exports regulation.

**Other activities during 1987.** The negotiation of Memoranda of Understanding with the provinces and territories on energy efficiency and diversity was completed. The agreements encourage co-operative federal-provincial participation and

private sector investment, development and promotion of products rather than direct government financial support to consumers and industry.

The contribution phase of the Forest Industry Renewable Energy Program terminated with 179 projects completed, providing a total of 1.3 million m<sup>3</sup> of oil equivalent per annum and important environmental credits in the area of industrial and municipal waste management.

Under the Remote Community Demonstration Program, a total of 28 projects involving federal, provincial and territorial departments and agencies, were approved. The project provides financial support to remote communities to identify and adopt alternative-to-oil energy supply and conservation methods.

The Super Energy-Efficient Home Program (R-2000) certified 1,600 homes in 1987-88, designed courses for architects and engineers, and revised training courses for program builders and mechanical contractors. R-2000 ventilation standards were partly adapted to the draft of the 1990 National Building Code, and were widely accepted by industry and provincial groups.

### 11.2.2 Legislation

On April 4, 1987, the Canada-Newfoundland Atlantic Accord Implementation Act, Bill C-6, was proclaimed. This legislation is intended to implement the Atlantic Accord. It incorporates the management and revenue-sharing provisions of the Atlantic Accord, as well as existing federal petroleum legislation — the Canada Petroleum Resources Act and the Oil and Gas Production and Conservation Act.

On July 21, 1988, Royal Assent was given to Bill C-75, an Act to Implement the Canada-Nova Scotia Offshore Petroleum Resources Accord, which was signed in August 1986 by the federal and Nova Scotia governments. It continues the \$200 million federally-financed offshore Development Fund established in 1984 legislation, forgives repayment of these funds by Nova Scotia and establishes a federally-funded \$25 million drilling fund for Nova Scotia Resources (Ventures) Ltd. to accelerate the drilling of wells.

## 11.3 Energy supply and demand

During 1987, Canada's net energy trade surplus increased by \$151 million to \$7,539 million. Canada is a net exporter of oil and other various types of energy. Although the exports of other energy products such as coal, natural gas and electricity increased, their value did not increase. The value of all energy product exports reached \$13,188 million for 1987, with the increased value of crude