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As I write this gas prices are well over $1.00 per litre across Canada, the National Post has recently ran an article from an academic that the Oil Wealth must be shared within Canada; and Ontario Premier, Dalton McGuinty, is advocating for the review the federal-provincial transfer payment system and the equalization program. The issue has created some controversy, with critics suggesting McGuinty wants Alberta to send more to federal coffers given its recent oil riches

…and Lest We Forget – (as found on the Internet) – Excerpts from Carman Neustaedter / POLI 437 / March 2001 / An article dealing with the National Energy Policy (and relations with the USA). The excerpts are meant to provide a background to the conditions for NEP rather than on the USA focus.

Concern over Canada's oil and gas industry rose in the early 1980's, mainly as a result of changes in the world oil market. Oil prices had recently doubled and the federal government of Canada sought to gain more control over Canada's oil and gas industry. Western Canada produces a large amount of oil; however, the cost to transport this oil to Eastern Canada is expensive. As a result, large amounts of oil are still imported into Canada. A rise in international oil prices causes these imports to be expensive. The government's policy proposal was an attempt to shelter the Canadian economy from high import costs. The Department of Energy Mines and Resources stated their opinion that, "any country able to dissociate itself from the world oil market of the 1980s should do so, and quickly." Canada's rushed attempt at this was the creation of the NEP.

A second factor behind the NEP's formulation was rooted in nationalist views within Canada and Canadianization. Concern over foreign ownership in Canada was not new and there was fear of losing Canadian control of the oil and gas industry. Continued control of the industry by foreign owned companies would allow them to dictate the pace of growth for Canada's oil and gas industry while threatening Canada's sovereignty over the industry. Foreign-owned companies are also more apt to employ foreign managerial staff and use less Canadian products as opposed to foreign products. Two main methods exist to counter foreign control: increased regulation and greater Canadian ownership. Ottawa pushed for both in the National Energy Program. Increased domestication of the oil and gas industry could be met by increasing domestic oil production in places such as Western Canada and Atlantic Canada. Moreover, by increasing Canadian participation in the industry and lessening foreign ownership, Ottawa would begin to receive the benefits of higher oil and gas prices as opposed to foreign owned companies and gain direct control of the industry.

The National Energy Program was structured on three main policy goals: energy security, redistributing revenue, and Canadianization. All three policy goals encompass the broad incentive to place Canada back in control of its oil and gas industry.

The first goal of the NEP was to have Canadian energy security by 1990, but focused primarily on oil because Canada was self-sufficient in natural gas. Oil self-sufficiency would be accomplished through the expansion of domestic oil production, oil conservation, the use of alternate energy sources, and a reduction of oil imports. By making Canada completely self-sufficient in terms of oil, Canada would not have to rely on the world oil market and potentially high prices.

The second goal was to redistribute revenue from the industry and lessen the cost of oil for Eastern Canada. Redistribution would move the federal government's revenue share from 10% to 25%, leaving the oil producing provinces with 43% and the industry with 33%. To lessen the oil cost for Eastern Canada, a blended pricing scheme would also be introduced.

The third goal of Canadianization was the most controversial. Its primary purpose was to increase Canadian participation in the oil and gas industry by reducing foreign ownership and gaining Canadian control over large foreign owned firms. To do this, the NEP would restrict permits for production in Canada to only those companies with at least 50% Canadian ownership. Moreover, grants would be given out to Canadian firms in a program called the Petroleum Incentives Program (PIP). The PIP would give out subsidies to oil and gas firms based on their percentage of Canadian ownership. All firms would also be required to purchase Canadian goods and services for oil and gas production and exploration. This aspect of the National Energy Program would leave Ottawa in complete control over the industry. Crown corporations such as PetroCanada were labeled to take a more active role in this industry and a special tax was to be created to help Ottawa purchase foreign-owned firms. A Crown Interest provision was also introduced which calls for any company holding an oil or gas lease, whether Canadian or foreign owned, to pay 25% interest on the lease to Ottawa. The controversial part of this interest provision was the fact that it applied to both future and current developments. Developments that were already discovered, but not in production would still be subject to the interest.

I suppose today we have the luxury of hindsight but nonetheless some of the conditions exist today to support some type of Federal impositions that would be supported by a large number of Canadian consumers. The challenge remains in the fact that the causal root to the problem lies in the socio economic fibre of this country and will take a cooperative and proactive effort on changing consumer behaviour and encouraging development of alternative energy forms. Instead our political system is generally predicated by reactionary measures dealing with immediate "consumer soothes" rather than long term measures designed to fix the real problem.

From the Thursday Files:

Being comfortable in our business is very, very dangerous.

- Daniel Lamarre, President and COO, Cirque du Soleil