

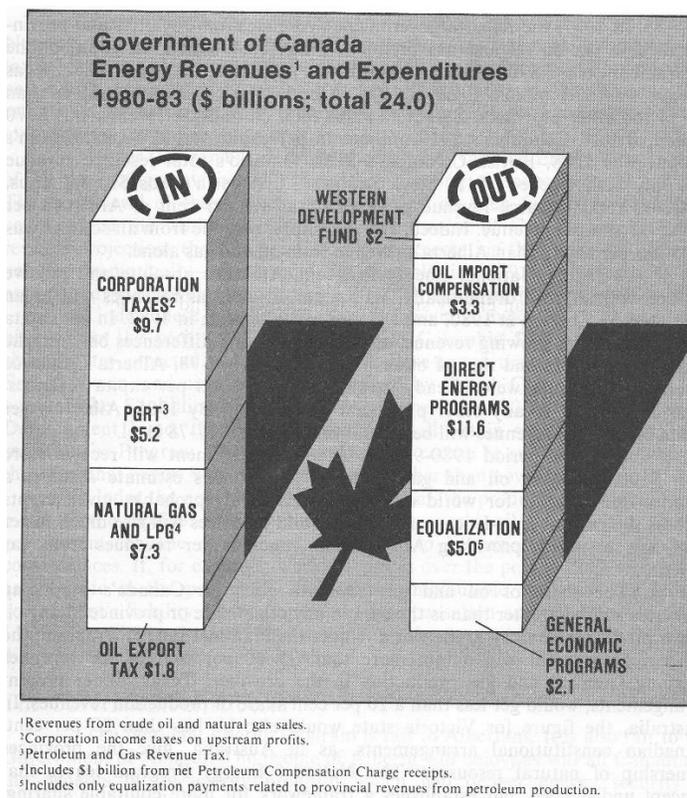
THE NATIONAL ENERGY PROGRAM OF 1980

The current multifaceted attacks on the Canadian petroleum industry have reminded many people of the National Energy Program - also brought into effect by a Liberal Government in Ottawa and also by a Trudeau. Attempts have been made to draw parallels between the two situations. I think that this is incorrect. Without coming across as a supporter of the N.E.P. given that it did cause havoc across Western Canada, I would say that both the contexts and the broad strokes of the policies were and are quite different.

At the time that the N.E.P. was announced in October 1980, the petroleum industry was seen by all as a central component of the Canadian economy and a sector that it was worth fighting over. The Trudeau Liberals wanted to gain more control over both the financial side of the industry and its long term strategic direction. They conceived and launched a coordinated set of energy-related programs that involved every part of the economy from petroleum exploration through to home heating – and even international collaboration and assistance.

In contrast, the present Liberal Government seems to be using every trick in the book to destroy the industry through carbon taxes, fuel standards, and regulatory complications along with downright badmouthing. The government is being ideologically-driven to oppose just about everything that the industry needs to be successful – despite this mainstay being a potential engine for recovery from the pandemic. Talk about shooting yourself – in both feet.

One aspect of a comparison is how program-related funds flowing into the Federal Government compare to the use of those funds. The following diagram shows what the Liberals had in mind in 1980. They seem to have planned to obtain and use roughly the same amounts for energy.



The following is the rationalization for the N.E.P., as provided by Energy, Mines and Resources Minister Marc Lalonde, in the preamble to the 115 page 1980 N.E.P. program document

AN ENERGY PROGRAM FOR THE PEOPLE OF CANADA

This is a set of national decisions by the Government of Canada.

The decisions relate to energy. They will impinge, however, on almost every sphere of Canadian activity, on the fortunes of every Canadian, and on the economic and social structure of the nation for years to come. They have major, positive implications for the federation itself.

The Government of Canada is acting from what it perceives to be a position of national strength in energy, not weakness. We in Canada already produce more energy than we consume. We are less vulnerable than most other nations to the caprice of an international oil cartel, and we are better able than most to break that bond. Our energy options are wide enough to preclude any sudden rush to energy choices that may compromise our social and environmental goals. If we can restrain our demands through strong conservation efforts—and this we can do—we can keep these options open.

We have, moreover, a record of achievement. We are second to none—and in many respects we lead the world—in the techniques and the organization required for the exploration and development of primary energy resources. We in fact have a contribution to make to the world, especially the Third World, and we intend to make that contribution.

Matched against this present and potential strength, our energy problems are relatively small on the international scale.

Yet there are problems. The world oil situation threatens the economic growth and stability of the world, and Canada is profoundly affected. In such circumstances our strategy must be to use our domestic energy strength to both shield and stimulate our own economy.

Within the political structure of our own Confederation, our internal energy problems could be allowed through excessively prolonged debate to become divisive, disruptive and a cause of increased uncertainty at the very time when there is urgent need for decision, management, and unity.

We must not let our energy strength become a source of internal weakness. Most Canadians are aware of the strains created within the federation by domestic energy pricing and revenue-sharing issues. At the heart of these issues is fairness—how the benefits and burdens of the new energy situation are shared among Canadians.

Within the space of a year two national governments have attempted, in concert with the provinces, to reach agreement on oil and gas prices as part of a national scheme for the management of our energy future and the equitable distribution of benefits. On all sides the positions have been reasonable; yet consensus has not been possible.

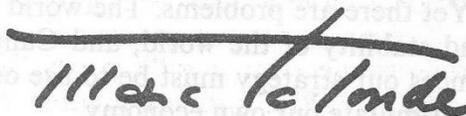
The Governments of the Provinces, by word and action, recognize the need for decision. They share a determination to foster in all Canadians an early and vigorous response to the energy challenge. For the most part, they endorse the view that what is needed now is effective management of a manageable national energy situation; that decisive moves are mandatory.

Accepting its national responsibility in the energy area, the Government of Canada has therefore decided that it must act now, and that it must act in a manner that fully recognizes the special circumstances surrounding energy.

Such considerations have dictated the three precepts of federal action:

- It must establish the basis for Canadians to seize control of their own energy future through *security* of supply and ultimate independence from the world oil market.
- It must offer to Canadians, all Canadians, the real *opportunity* to participate in the energy industry in general and the petroleum industry in particular, and to share in the benefits of industry expansion.
- It must establish a petroleum pricing and revenue-sharing regime that recognizes the requirement of *fairness* to all Canadians no matter where they live.

The Government intends to achieve these objectives through the National Energy Program outlined in this document. It believes this Program to be eminently in the national interest.



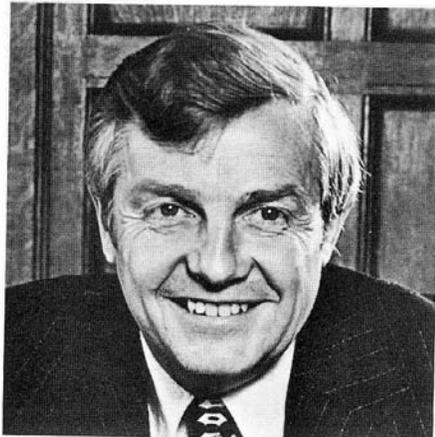
MARC LALONDE
Minister
Energy, Mines and Resources Canada

The Government of Canada will obtain an estimated \$24 billion over the four years 1980-83 from crude oil and gas tax revenues. The National Energy Program involves direct energy expenditures of \$11.6 billion over the same period. Over this period, the Western Development Fund will cost a further \$2.0 billion. In addition, the Government will pay about \$3.3 billion in subsidizing those costs of imported oil which are not covered by the Petroleum Compensation Charge. As part of the equalization program, the Government of Canada will pay out \$5 billion to the provincial governments to help equalize resource revenues. More than \$21.9 billion, or over 90 per cent of the revenues, will be spent on initiatives arising out of the National Energy Program. The remaining \$2.1 billion will be used to support the government's general economic program.



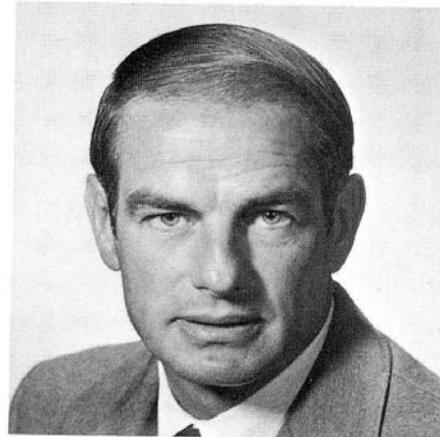
Drilling rigs headed for the United States – late 1980

GOV'T OF ALBERTA



Premier Peter Lougheed of Alberta. Wanted a better deal for gas and oil exported from Alberta.

GOV'T OF ALBERTA



Don Getty, Alberta Minister of Energy and Natural Resources. "We do have, to some degree, the economic clout: the oil and gas."

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President of Dome Petroleum, Smilin' Jack Gallagher (left) and Canadian Prime Minister Pierre Elliott Trudeau (right) on a tour of inspection in the Beaufort Sea. They are almost holding hands which in many was symbolic of the relationship between the Federal Government and the large companies operating in Canada's Frontier regions who were funded to a large degree with N.E.P.-based monies.



Drillship of the Dome Petroleum-affiliated Canmar fleet in the "ice-infested" waters of the Beaufort Sea. Canmar, together with Gulf Canada-affiliated Beaudril, operated large fleets of drilling and support vessels as they mounted multi-year evaluation campaigns that can only be considered military-scale in their size and extent. Photo from "*Breaking Ice with Finesse*" from the Arctic Institute of North America, University of Calgary,

The following is Lalonde's preamble to the 94 page 1982 N.E.P. update:

FOREWORD

On October 28, 1980, the Government of Canada announced a set of national decisions about energy. We acted from what we perceived to be a position of national strength—not weakness—in energy.

We knew that with a concerted effort by all Canadians, it was possible to achieve energy security—independence from the world oil market—in this decade.

We knew that Canadians wanted and deserved to own and control more of their oil and gas industry.

We knew there had to be fairness: between governments and to consumers.

We also knew that none of these things was likely to happen unless the Government of Canada took decisive action.

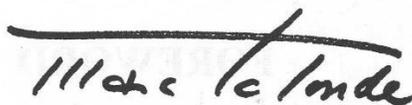
The National Energy Program has been a central topic of debate. Much of the debate has been helpful. More than ever, Canadians are aware that they are part of the solution to a solvable energy problem. More than ever, Canadians recognize how they can grasp the opportunities afforded by Canada's energy strengths. More than ever, Canadians appreciate the balances that must be struck in sharing the burdens and benefits of our energy situation—between producers and consumers, and between regions of the country.

The National Energy Program is not a single document, nor a static set of policies. The National Energy Program is a dynamic and comprehensive set of evolving responses to a changing world—whether through compromise with provinces, or through necessary mid-course corrections in specific initiatives or the fiscal burden. The National Energy Program has changed, and will continue to do so, as circumstances change and new opportunities emerge. The fundamental strength of the Program is this adaptability around a nationally agreed and unchanging set of objectives:

- Security of oil supply,
- Opportunity for Canadians to participate in their oil and gas industry, and
- Fairness in the distribution of energy benefits and burdens.

The Government of Canada is pleased with progress made to date. Canadians as taxpayers, producers and consumers, should be aware of this progress. This *Update* reports in detail on progress towards our three objectives. At the same time, some new measures are indicated to respond to new needs and circumstances. These are outlined in this *Update*.

The Government of Canada believes even more than it did on October 28, 1980, that its energy objectives are achievable in this decade. I believe that those who read this *Update* will agree with our assessment of the future.



MARC LALONDE
*Minister,
Energy, Mines and Resources Canada.*

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There is one funny story about the PetroCanada International Assistance Corporation. In the late 1980's several ex-Shell Canada individuals were working for P.C.I.A.C. in East Africa. Part of this arrangement was educating government officials about the petroleum potential of their countries and how they should go about interacting with the multinationals. Apparently some Shell Group staff resented this as it undermined their competitive edge over the locals.