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# A Canadian blueprint for disaster

*Trudeau's plan is nationalizing oil shares, driving production south, and locking up resources.*

When Canada's liberal prime minister, Pierre Trudeau, announced his energy plan last October, more than the prices of oil stocks fell. The plan, a kind of "phased socialization" or Third World-style nationalization of non-Canadian energy companies, is slashing the oil and gas industry.

Under the new National Energy Plan (NEP), Ottawa will demand a 25 percent carried interest on every lease in the energy-rich Canadian Lands, which include some of the world's most promising new oil finds—Beaufort Sea in the north and Hibernia field off Newfoundland. This revenue will be taken by the state-owned Petro-Canada and will, in effect, make PetroCan a potential major oil corporation through government fiat. Trudeau is also using a set of exploration tax writeoffs and incentives under the Petroleum Incentive Program (PIP) to penalize frontier exploration by non-Canadian corporations. (Canadian-owned is defined as at least 50 percent controlled or owned by Canadians.)

The Trudeau plan calls for using the recently created government Petro-Canada Crown Corporation to buy up major oil and gas companies. PetroCan was the early-1970s brainchild of Maurice Strong, the U.N. official who ran the 1972 Stockholm Conference on the Environment, presided over the 1980 World Futures conference in Toronto, and chairs the International Union for the Conservation of Nature and Natural Resources.

The federal excise tax on natural gas sales will increase from 10 percent to 24 percent for an estimated $21 billion over the next three years. British Columbia is refusing to pay the tax, and others are now paying only under protest. Talk of western secession is rampant.

But the most dramatic impact of Trudeau's nationalization policy has been an unprecedented flight south to the U.S. by drilling and exploration companies, combined with a sharp cut in major companies' exploration budgets. Mobil Oil Canada, Ltd. slashed its 1981 capital budget by 46 percent; Canadian Hunter Exploration, Ltd. reports that they will drill 22 wells instead of 55 in Alberta's deep-basin area and now will not pursue new exploration ventures in Canada, because the NEP policy will phase out depletion allowances and cut revenues by up to 25 percent in the next three years.

I talked with the Canadian Association of Oilwell Drilling Contractors, who told me that, based on a nationwide poll of their members, 61 drilling rigs of a total of 561 have already moved south to be employed in U.S. oil development. By May, they expect another 60 to have left. By the spring thaw, furthermore, they expect at least 201 rigs to be inactive because oil companies cannot afford to use them under the new rules. All this will mean that over 50 percent of Canada's capacity to drill and service oil and gas wells will be inoperative by May 15.

The Trudeau plan will reduce overall oil and gas production by at least 24 percent, according to conservative calculations by the Canadian Petroleum Association, and will further cut new discoveries by 33 percent. The total additional cost of imported oil and gas needed to pay for this "energy self-sufficiency" program will be at least $182 billion charged to the Canadian economy by 1990. Alberta has already cut production to force Ottawa's hand; the CPA projects that only 55 percent of domestic oil will now be internally supplied.

The stakes in all this are high, to say the least. PetroCan is taking control of some of the world's largest oil and gas reserves. A consortium consisting of Mobil, Gulf, Chevron and PetroCan controls the new Hibernia field, which could contain 50 percent more recoverable oil and three times as much recoverable gas as Alaska's giant Prudhoe Bay fields, according to Gulf-Canada.

Dome Petroleum calculates that oil reserves in the northern Beaufort Sea and Mackenzie Delta alone are between 32 and 70 billion barrels, and could be producing by 1985. Both the Hibernia and Beaufort Sea areas are Canada Lands under the NEP, subject to 25 percent expropriation by PetroCan. And given the proclivities of PetroCan founder Maurice Strong to discourage economic growth, I suspect that his role in Trudeau's latest radical policy move has the malevolent intent of controlling the development of these vast new reserves.



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