Energy, Regionalism and Canadian Nationalism

LARRY PRATT

The Alexander Lecture was founded by Memorial University in honour of the late David George Alexander (1939-1980), economic historian and member of the University from 1967 until his death. The annual Lecture was inaugurated on 24 September 1984 by Professor Pratt with an earlier version of this paper.

Shortly before his untimely death in 1980, David Alexander, one of Newfoundland's outstanding historians, cautioned an Edmonton audience against the attractions of regional xenophobia, then visibly on the rise in the prairie west. "I suggest to you that intellectuals and politicians must not encourage the popular view that Confederation is some massive confidence trick imposed upon oppressed peasants in the Atlantic and western provinces" (Atlantic Canada and Confederation 105). This did not dispose of the matter, however, for Alexander was well aware that legitimate economic and political grievances underlay the discontents of the outlying regions, and his own work returned frequently to the tensions between regionalism and nationalism. Could they be reconciled? In his writings he argued for a strengthened federalism and for central institutions which would give more power to the peripheries, but he rejected any move toward a highly centralized nation-state. As the editors of his posthumous volume of essays have noted, Alexander's work contains an implicit case for a decentralized federation and for the preservation of our particular identities (Atlantic Canada, "Introduction" viii). If he worried about the excesses of regionalism and provincialism and their impact on Canada's already attenuated identity, he was equally concerned to refute the view—fashionable
among some left-wing individuals—that regionalism is by definition a reactionary, regressive force. Regionalism was simply a fact of life in a country as vast as Canada, and (with the Newfoundland experience evidently in mind) he argued that people were generally better off in large, diverse countries than in small homogeneous ones.

It was the absence of any "sense of collectivity" at the national level that troubled Alexander: "regionalism is a problem," he said, "only because of our inability to supply that sense of a wider level" (Atlantic Canada 96). The country could not function without a devolution of power and policy, but neither could it survive without a collective purpose embodied in the national government, its institutions and symbols. Yet he could find no sense of collectivity, no broader purpose at the national level. As he put it in one of his intemperate broadsides against the heartland, "what is impressive about central Canada and its national government is not strength and power but weakness. The national government does not behave like one. The economic nationalism of Ontario provokes howls of laughter in the export regions, but once the tears are dried up there is sober speculation about what the centre is dreaming up next" (Atlantic Canada 49). He set out his own ambitious agenda in his 1978 Convocation address at Memorial University, calling for a third national policy which would permit Canadians to recover control of their economy and "establish an intellectual and technical dominance over the problems of economic and cultural survival in a harsh northern territory, bordering the most powerful nation in the world" (Atlantic Canada 147). In principle, he believed, it should be possible to reconcile regional aspirations and interests with a sense of national purpose.

In historical reality, however, such a "national reconciliation" (to use Prime Minister Mulroney's phrase) has been extremely difficult to achieve. The interests of the regions often vary widely, and the hinterlands of the west and the Atlantic have generally lacked the political power necessary to make or alter national policies. The historiography and mythology of the two peripheries contain a recurring theme: regional development sacrificed because of myopic, indifferent national policy. In The Decay of Trade, a masterful study of Newfoundland's saltfish industry, David Alexander traced the collapse of this once-great trade following the province's entry into Confederation, and concluded with a gloomy comment about unfulfilled national obligations. Newfoundland was located on a major ocean resource, and unless Ottawa established economic control over that resource, other nations would quickly fill the vacuum. "A national government that effectively surveyed the economic opportunities in all regions under its jurisdiction would have focused on this issue and taken vigorous steps to preserve the resource." The process would not have been easy, "but for a national government committed to equalizing economic opportunity,
rather than simply transferring income, the obligation to try was morally strong and economically sensible” (Decay of Trade 164). But the obligation was not met; Canada had ceased to be a real trading nation; and the massive post-war American takeover of Canadian manufacturing and resource production had eroded the skills and inclination of Canadians to develop new trade relationships. To Alexander it was not surprising that a government dominated by central Canadians was “technically incapable and mentally disinclined” to help Newfoundland regain her former position in world trade, but the upshot of this was that the island failed to realize the potential benefits of its recent union with the rest of Canada (Decay of Trade 162-64). The demise of the saltfish trade served as a metaphor for Newfoundland’s shabby treatment by the national government and as a symbol of the postwar sell-out of the Canadian economy to U.S. corporate interests.

The themes of unfulfilled national obligations and regional grievances are by no means unfamiliar to the student of the prairie west, and yet there are also certain differences in perspective between the Newfoundlander and Westerner that should be noted. Newfoundland entered into Confederation to gain some of the benefits and insurance that were offered by membership in the larger federation. A combination of declining relative prices for fish, high costs of production, and a shift in consumer tastes toward other types of fish had rendered Newfoundland’s economic position untenable. Although many argued against joining Confederation, it was plain that the alternative to economic association with a larger economic unit would have been a sharp decline in real income. The province has, however, never realized the benefits of its union with the rest of Canada, and it has had to rely very heavily on federal transfers and programs. Not surprisingly, in recent years the government of Newfoundland has fought to reduce dependency and poverty and to gain control of economic development in such areas as the fisheries, offshore resources and the export of Labrador’s hydro-electric power.

The Westerner’s perspective is somewhat different. The basic western grievance, it can be argued, is less about money than it is about status. Resources, taxation, the standard of living have all fueled western alienation; but so too have bilingualism, the CBC and the alleged centralism of recent federal governments. Beneath these issues “lies a more general concern in western Canadian thought and action. Western Canada, it has been charged through the past decades, has not received and is not receiving adequate attention from national policy makers, whether in the governmental or private sectors. The West’s basic complaint concerns a hinterland status which seems to encompass everything from economics to culture and which leaves elsewhere the key powers of decision in these areas” (Owram 45-46).1

It was this “basic complaint” about the west’s hinterland status that underlay the region’s reaction to the National Energy Program of October,
1980. The N.E.P., a far-reaching, interventionist policy of regulated energy prices, new front-end taxes on oil and gas production, and rich incentives for exploratory work on the Canada Lands in the North and offshore, caused a deep rift in relations between the Trudeau government and the west. Many Albertans would agree with a recent assessment by one economist who argued that "it is impossible to avoid the conclusion that the fundamental purpose of the N.E.P was really to create and sustain a large scale transfer of wealth from the Province of Alberta to the rest of Canada" (Scarfe 27). In fact, the origins and intentions of the policy were rather more complex than this simplistic interpretation suggests, but such views are nevertheless widely held in Alberta and the rest of western Canada. The N.E.P. only reinforced the popular belief, which is firmly rooted in the region's political culture, that central Canadians continue to regard the west as little more than a resource-rich hinterland, and Alberta in particular as a storehouse of energy resources which are too important to be left under provincial jurisdiction. Applauded by Ontario economic nationalists, the N.E.P. stimulated regional animosities and prejudices in the west to the point where one had to ask whether nationalism and regionalism can in fact be reconciled in a country such as Canada.

In what follows it will be argued that nationalist claims concerning the benefits of the National Energy Program require critical examination. The origins and implementation of the "Canadianization" program of the N.E.P. will first be reviewed, and then the trilateral bargaining relationships among the Canadian state, private Canadian capital, and the multinational oil companies will be analyzed over the period since 1980. The principal focus of the analysis is on the federally-owned Canada Lands in the North and offshore, for it is in these areas of national jurisdiction that the incentives for Canadianization have been the greatest. These incentives notwithstanding, it is the thesis of this article that the multinational oil companies have adapted successfully to the N.E.P. regime, particularly through frontier exploration ventures, and are now in a much stronger position than the Canadian-owned oil companies to adjust to a greatly changed world oil structure. Adaptation to economic nationalism and state intervention is part of the international oil companies' stock-in-trade. As an example of nationalist policy, the N.E.P. has been a costly, divisive failure.

The original 1980 National Energy Program has undergone some major modifications in the passing years: the Alberta-Canada pricing and revenue-sharing agreement of September, 1981; Alberta's Oil and Gas Activity Plan of April, 1982; the N.E.P. Update of May, 1982; the June, 1983, amendments to the Alberta-Canada Agreement; and the initial revisions to energy policy announced by Conservative Finance Minister Michael Wilson in his economic statement of November 8, 1984. Since then, as will be shown later, the Conservatives have made further major alterations to the pricing
of oil and gas, energy taxes, exploration incentives, and the controversial "back-in" or Crown share on federal lands. Petro-Canada's growth will be curbed, and the Atlantic and western producing provinces have gained favourable agreements on offshore management and revenue-sharing with the Mulroney government.

Most of the amendments to the N.E.P. were made in response to changing international circumstances. The unrealistic forecasts of rising real oil prices which underlay both the N.E.P. and the 1981 Canada-Alberta Agreement were abandoned in early 1982 in the face of falling world prices and the continuing oversupply of cheap crude oil on the international market. The large Cold Lake and Alsand projects, which had been deemed essential to national energy supply, were shelved because of uncertainty about future oil prices. To mitigate the inefficient and negative impact of the N.E.P. mixture of regulated prices and new federal taxes, both levels of government were forced to make substantial financial concessions to the petroleum industry. Ottawa suspended some of its taxes, allowed the blended Canadian price to rise more rapidly toward the world oil price, and introduced the New Oil Reference Price (effectively the world price) for newly-discovered or produced oil. For their part, the producing provinces cut their royalty rates on oil and gas production and offered a variety of new incentives, such as royalty holidays, to stimulate new exploration and development in the west. Alberta's incentives alone were estimated at some $5.4 billion in the period 1982-86. The upshot of these concessions and the declining prices is that the oil industry in 1984 received 55 per cent of total upstream (production) revenues, while the provincial share dropped from 46 per cent of such revenues in 1979 to 27 per cent in 1984. The Lougheed government admitted that the average royalty on a barrel of "old" conventional oil had by 1985 fallen to 24 per cent, which is little more than it was in 1971 when Lougheed took power. Helliwell, MacGregor and Plourde, in a recent analysis of the N.E.P. and falling oil prices, conclude "that by far the largest part of the direct revenue losses have accrued to governments. The combined effect of the energy agreements and the subsequent policy adjustments, including the 1983 amendments, has been to put the producing industry in almost exactly the same position that it would have had under the higher prices forecast in the original 1981 energy agreement" (294).

The centrepiece of the Liberal energy policy was the Canadianization program. This program, which was evidently introduced as an alternative to a more draconian and riskier policy of nationalization, established three targets: first, 50 per cent Canadian ownership of oil and gas production by 1990; second, Canadian control of several of the largest oil and gas companies; and third, an increase in the share of the industry owned by the Canadian government. As the Trudeau government expressed it, the N.E.P. "alters in a fundamental way the framework that has given rise to the cur-
rent dominance by foreign firms. The Program favours Canadian companies and individuals, although it leaves the foreign-owned firm with a reasonable share of production revenues. In parallel, through such instruments as COGLA, the new regime for Canada lands, it will place upon the industry a more explicit obligation to become more Canadian, and to ensure that industrial benefits of energy development are widely shared in Canada. Through their national government’s active acquisition program, Canadians will have an increased opportunity to involve themselves in a key sector of the economy; one whose current prosperity and growth prospects are unrivalled in the Canadian economy” (Canada, National Energy Program 1980 103). As noted above, however, the program of Canadianization did not involve the expropriation of foreign-owned assets. Rather, the N.E.P. established a number of incentives and mechanisms whose net effect was to lower the costs of entry by Canadian capital into the petroleum industry. For example, tax incentives such as earned depletion allowances were to be phased out and replaced by cash grants or Petroleum Incentive Payments (PIPS) linked to Canadian ownership levels. A company or joint venture that had at least 65 per cent Canadian ownership and was also Canadian-controlled could get 80 per cent of its exploration costs paid for via PIP grants. The government also required 50 per cent Canadian participation in order to obtain a production licence in the Canada Lands. It reserved to the Crown a 25 per cent interest in every right on the Canada Lands—the “back-in” that incurred the wrath of the industry. The government also established a Canadian Ownership levy on oil and gas consumption, ostensibly to finance public-sector acquisitions. Finally, the government announced its intention to legislate a new land tenure regime for the North and offshore; this would include more stringent requirements for the procurement of Canadian goods and services in work undertaken on federal lands. Canadian industrial benefits would be promoted in the transition to frontier energy developments.6

Thus, the Trudeau Liberal government intended to Canadianize the oil and gas industries via a combination of new regulations and incentives, and it expected the process to occur in both the private and public sectors. There were several assumptions underlying the policy. First, the government had previously announced its commitment to increased Canadian ownership of the petroleum industry (e.g., during the 1974 election campaign) and had taken some measures, such as the establishment of Petro-Canada, which had promoted Canadianization. But the levels of foreign ownership were still unacceptably high in 1980 (75 per cent of the industry was foreign-owned when the N.E.P. was introduced). Second, it was clear that energy prices would have to be raised to bring on new supply; but, given the high amount of foreign ownership in the oil industry, how could this be done without transferring wealth from Canadian consumers to the foreign-
owned multinational subsidiaries? One study estimated that under pre-
N.E.P. arrangements, the foreign share of a one dollar per barrel increase in
Canadian oil prices was about $0.21 a barrel (Wilkinson and Scarfe). With a
gap of nearly $20 per barrel between the domestic price and the world price,
foreign ownership of 75 per cent of petroleum industry revenues, and some
6.5 billion barrels of proved reserves of conventional oil lying in the ground,
a rapid adjustment to world prices would involve a massive transfer of
wealth from Canadians to foreign interests. Energy Minister Lalonde later
commented:

The government was faced with a quandary. In order to pursue our energy
security objectives, it was clear that we would have to allow Canadian oil and
gas prices to rise, and continue a program of attractive incentives for explora-
tion and development of new supplies. In so doing, however, we would have in-
evitably increased the revenues of the firms already in the industry to a signifi-
cant extent, thus increasing the value of their assets and making it more expen-
sive for Canadians to purchase a greater share of ownership.

(Cited in Pratt, "Energy" 48)

The Hibernia oil discovery on the Grand Banks of Newfoundland in late
1979, and the prospect of major offshore developments on the East Coast in
the eighties and nineties, was probably an additional influence on the Cana-
dianization program. In order to improve Canada's oil supply position and
to avoid an excessive dependence on imports, the national government has
been anxious to promote the rapid exploration of the frontiers and has pro-
vided exceedingly rich incentives for such work. However, relatively little
exploratory activity was carried out in the North or on the East Coast in the
late 1970s, despite such incentives, and only two Canadian-controlled com-
panies, Petro-Canada and Dome Petroleum, were active. The best
geological prospects in the frontiers were under long-term permit to the
multinationals, who were mostly content to bank their lands while they pur-
sued lower-risk opportunities elsewhere. Hibernia revealed to the govern-
ment and companies that major commercial oil discoveries could be made
in the frontiers, and this led to the introduction of a new incentive system
and a new land regime. The existing incentive structure, which favoured
large companies with resource income, was replaced by the PIP program. The
introduction of the PIP program, combined with a new land regime involv-
ing much tougher work obligations, was designed to stimulate frontier drill-
ing, to give Canadian oil companies a much larger share of the action, and
also, it appears, to attract companies away from Alberta and to reduce that
province's control of the oil and gas industries.

To oversimplify what is a highly complex system, the net effect of the
N.E.P. has been to tax resource revenues earned in western Canada and to
recycle them, via the PIP program, to Canadian-owned companies and joint
ventures operating on federal lands. The program has a negative impact on the cash flow of companies that operate in the west but either do not work in the frontiers or cannot qualify for PIP incentives, and this explains much of the industry's (and Alberta's) hostility to the N.E.P. Ottawa justified the rich inducements for frontier exploration on two grounds: first, such exploration was deemed essential because of the government's "need to know" what commercially recoverable reserves of oil and gas might be available; and second, this was a contribution to security of supply, given that the conventional oil reserves of western Canada have been steadily declining. An unspoken, but no less influential, motivation, as noted above, is that the PIPs were designed to make the oil industry dependent upon Ottawa and to shift activity to areas under federal jurisdiction. The architects of the N.E.P. believed that oil was too important a commodity to remain under provincial control.

Finally, there was the influence of oil industry profitability on the N.E.P. and the program of Canadianization. It was no coincidence that the new interventionist policy was introduced when oil profits were rising sharply. A recent study of the 1976 nationalization of the petroleum industry in Venezuela suggests that the government's actions were positively linked to the growth in corporate income from oil operations (Jones). The petroleum industry was by far the fastest growing and most profitable of Canada's non-financial industries during the 1970s. By 1980 the oil industry ac-

| TABLE 1 |
| Rates of Return: Various Industries |

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<tr>
<th>Shareholders' Equity*</th>
<th>Capital Employed*</th>
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<tr>
<td>Manufacturing</td>
<td>11.0</td>
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<tr>
<td>Mining</td>
<td>5.9</td>
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<tr>
<td>Other Non-financial</td>
<td>11.5</td>
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<tr>
<td>TOTAL NON-FINANCIAL (excluding petroleum)</td>
<td>10.5</td>
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<td>Petroleum</td>
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<td>TOTAL NON-FINANCIAL (including petroleum)</td>
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*Shareholders' equity is defined as the total of paid in shareholders' capital, retained earnings and other surpluses. Capital employed is defined as total assets less current liabilities.

counted for nearly a third of the total profits of all non-financial industries—double its position in 1972. As Table 1 illustrates, the rates of return on equity and capital employed were considerably higher than in manufacturing, mining or other non-financial industries. However, within the Canadian petroleum industry the largest integrated companies (all foreign-controlled) accounted for between 45 and 50 per cent of total industry net profits, while the foreign segment as a whole captured about 70 per cent of industry profits (see the discussion in Pratt, "Energy" 43-47). For Canadian capitalists who wished to enter this highly profitable sector, there were also large barriers to entry: there were a growing concentration in the oil production sector; huge costs in the downstream refining and marketing sector; the shift to high-cost resources such as tar sands; and the monopolistic control of land, technology and markets by the major companies. Anticipating rising prices and profits in the 1980s, the government wished to lower the costs of entry by Canadian capitalists, "to get them into the club," as Marc Lalonde expressed it, and thus to mobilize Canadian business behind the government's energy policy.

How successful has the Canadianization program been? In the four years after the introduction of the N.E.P. Canadian ownership of upstream production revenues increased from about 28 per cent to 40 per cent. Measured as a percentage of all petroleum-related revenues, i.e., upstream plus downstream, Canadian ownership rose to about 47 per cent following the complex takeover of Gulf Canada by the Olympia and York group and Petro-Canada in 1985. While Canadianization of the industry has thus been extensive, the foreign-controlled majors—Imperial, Shell, Texaco—continue, together with Dome and Petro-Canada, to dominate the industry (and particularly the downstream end). Oilweek reported that by 1984 Dome and Petro-Canada were the top two landholders in the oil and gas industry, and that approximately half of Canada's natural gas reserves and oil and gas liquids reserves were controlled by Canadian-owned oil companies. The five leading oil producers, as ranked by Oilweek, were Imperial Oil, Texaco, Petro-Canada, Shell and Dome Petroleum; while the five largest gas producers were Shell, Dome Petroleum, Dome Canada (a subsidiary of Dome Petroleum), Petro-Canada, and Amoco (13 August 1984). "Canadianization," whatever its merits, has certainly not increased competition in the petroleum industry.

Most of the increase in Canadian ownership occurred in 1981 and 1982, and it was driven by a prolonged series of takeovers of foreign-owned firms by Canadian corporations. Petro-Canada paid $1.7 billion for Petrofina Canada using funds from the Canadian Ownership Account for the acquisition, and later bought B.P. Canada's marketing assets for about $350 million. Dome Petroleum took over Hudson's Bay Oil and Gas for a total cost of $4 billion, and nearly brought down several banks in the process.
The Canada Development Corporation purchased Aquitaine Canada for $1.6 billion, and combined it with CDC Oil and Gas to create Canterra Energy. The Ontario Energy Corporation bought 25 per cent of Suncor, while the Alberta Energy Company bought half interest in Chieftain Oils. In total, an estimated $12 billion flowed out of Canada between 1981 and 1983 to repatriate over ten per cent of the oil industry.8

The costs of these acquisitions were probably excessive. In the short run the large outflow of funds contributed to the weakness of the Canadian dollar and to a rise in interest rates in 1981; the federal Minister of Finance was required, in traditional Canadian fashion, to beg Bay Street banks to cease lending money for oil company takeovers. The debts incurred by the acquiring companies must of course be serviced in the future; and to the extent that the interest payments exceed the dividend payments that would have been made by the foreign-owned firms that were taken over, further pressure on the dollar will occur. There is also the question of whether the price paid for the foreign-controlled assets was reasonable. This has been mainly raised in the case of the controversial Petrofina takeover, but the available public evidence suggests that the premium paid by Petro-Canada was probably no higher than those paid by acquiring private-sector firms. Certain of the U.S. oil companies which became the object of takeover bids complained that the N.E.P. had depressed the value of their shares, making them ripe for plucking. It can be argued, by contrast, that the prices paid by the acquiring companies were generally too high, and that the cause of this was an unduly optimistic view of future energy prices. Foreign-controlled assets were over-valued and the premiums paid were excessive, thereby allowing foreign shareholders to capture economic rents which should have gone to Canadians. Some of the blame must be laid at the door of the N.E.P. as well as faulty forecasting, but corporate ambition and greed played their part, too. During the boom years when real energy prices were expected to rise indefinitely, it was argued in many Calgary boardrooms—prominently among them, Dome’s—that it was cheaper to buy oil and gas reserves through corporate takeovers than to explore for them. This became the ruling philosophy of the North American oil industry in the late 1970s and early 1980s and it was abetted by bankers who were eager to provide loans for takeovers: such loans would drive the banks’ “asset growth.” It was this growth-through-acquisition strategy, and the lack of financial prudence which accompanied it, that led a number of Canadian-controlled oil companies and their banks to become badly overextended after 1982.

The effects of these dubious practices can be seen in the changing capital structure and profitability of the petroleum industry, as measured by the federal Petroleum Monitoring Agency (Monitoring Survey 1983, pp. 7-1 to 7-3). Although the Canadian-controlled segment of the industry has expanded rapidly since 1981, it also has a much heavier burden of debt and a
much lower share of industry profits than the foreign-owned segment. The
theory behind many of the acquisitions was that the acquiring company
would gain access to new cash flow which could be put to use in profitable
exploration and development, earning PIP grants, etc.; but, partly because
of increased interest rates, much of the cash flow has been used to service
foreign debt, which is hardly Canadianization in any sensible notion of the
word. The falling oil prices have also substantially reduced the value of the
acquired assets. Since most of the takeovers were debt-financed, usually
through bank loans, the long-term debt of the Canadian-controlled oil com-
panies rose from $6 billion to $16 billion between 1980 and 1983. In 1980
debt amounted to 35 per cent of total capital employed by the Canadian sec-
tor, but by 1983 it accounted for 53 per cent of capitalization. By contrast,
the foreign-controlled sector’s debt as a percentage of capital employed was
just 24 per cent in 1983. The high level of indebtedness means that the Cana-
dian sector must commit a large percentage of its income to interest
payments (which amounted in 1983 to $2.2 billion), and it also means that it
is more dependent than the foreign-owned sector on cash grants and other
government incentives to finance its activities. Profitability is not always a
useful way to compare segments of an industry, but it may be noted that in
1983 the foreign-controlled sector of the Canadian oil industry earned prof-
its of $2.1 billion, while Canadian companies suffered losses of $580
million—most of which was attributed to Dome’s write-down of $1 billion
The balance sheets of some Canadian-owned oil companies are healthy, but
as a group they are highly leveraged and badly in need of injections of equi-
ty. Note that (under N.E.P. rules) if they tried to tap foreign capital markets
for new equity capital, they risked losing their access to PIP grants. Two
conclusions may be drawn from the above summary. First, given the
unhealthy levels of debt and the poor credit-worthiness of some Canadian-
owned oil companies, how will they finance their share of the large develop-
ment costs of any new frontier discoveries? The most likely outcome would
appear to be that they will sell off their interests in such discoveries to the
majors, and the new Conservative government seems unlikely to impede
this. Second, despite much nationalist rhetoric about the achievements of
the N.E.P., it is clear that the foreign-controlled oil companies, and par-
cularly the integrated majors, are much better placed financially to grow
and to adapt to a changing energy picture within Canada.

The costs of Canadianization via takeovers have been high, but sup-
porters of the N.E.P. argued that the future benefits of increasing explora-
tion and development on Canada Lands in the North and offshore would
more than offset such costs. This assumes that commercial discoveries will
not only be made but developed, despite declining or unstable world oil
prices. It also assumes that the new federal incentive land management
system, which was put in place in 1982, mainly benefits Canadian interests. Both of these assumptions require skeptical analysis.

In the Spring of 1982 the large $12 billion Alsands project for extracting tar sands in Alberta came apart, despite the offer of highly generous tax and royalty concessions and a guaranteed return of about 20 per cent. The reason why the project collapsed is that the private-sector participants were unwilling to commit large investments in the face of an unstable world oil market. Uncertainty as to what oil prices would be like in the late 1980s and early 1990s, when the plant would come onstream, was simply too great; and thus Alsands, along with the Cold Lake heavy oil project, was shelved. It seems entirely possible that a similar fate may await some of the large offshore oil and gas projects planned for the Atlantic offshore and the Beaufort Sea. International oil prices fell in 1983 and 1984, and the future market seems likely to be dominated by crude oil oversupply and stagnant demand. Certain offshore discoveries which might appear viable under today's pricing and fiscal arrangements would become much less so under the assumption of declining real oil prices. The Hibernia project, which is profitable under the assumption of constant world prices, rapidly deteriorates to an unacceptably low rate of return of eight per cent under the assumption that real prices decline annually by, say, five per cent. The fundamental point about world prices is uncertainty: no one knows what will happen to oil prices in the next five to ten years. Given this uncertainty, it is plausible that most large risk-averse oil companies will resist making commitments of billions of dollars to offshore projects, or else they will insist upon extensive government support and guarantees before proceeding. In neither event is the public sector, provincial or federal, likely to realize much economic rent from offshore oil and gas developments. The most likely outcome, if prices continue to decline and the PIP incentives are fully phased out, is that there will be a shift in industry activity back to western Canada and away from the costly frontier areas. Offshore developments will proceed very slowly, if at all, unless prices firm. Even before Energy Minister Pat Carney announced in October, 1985, a major overhaul of the frontier incentive and land management system, drilling activity was reviving sharply in the west but stagnating on the frontiers.

The assumption that the N.E.P. system of land tenure and incentives mainly benefits Canadian interests can also be challenged. To begin with, it is worth remembering that multinational corporations now operate in many jurisdictions and have to adapt to changing regulatory regimes and interventions by host governments. Economic and political turbulence, expropriations, public-sector interventions, and monetary or exchange-rate instabilities have not prevented multinationals from expanding their operations in developed and developing countries.

Multinationals have bargaining leverage, based on their control of global
marketing and information networks, technology, expertise and other competitive advantages, which they can use to cope with government intervention. Many multinationals can generate large amounts of capital within their own systems while simultaneously enjoying preferential access to external financing. Their large research and development facilities also give them control over technological innovation.

Their capacity to be highly adaptive to changing circumstances has contributed to their success. For example, when many developing countries erected tariff walls against their products, the multinationals leapfrogged the barriers by setting up local affiliates. As governments began to demand a "place at the table" through state participation, the multinationals learned to live profitably with joint ventures. Where host governments have created state monopolies, multinational corporations have entered into licensing and management agreements with the state companies. Indeed, it could be argued that the multinationals have been able to turn each new set of requirements and demands into profitable arrangements. Confronted with policies of economic nationalism, the multinationals have typically sought to lower the costs of intervention by bringing local capitalists or state enterprise into joint ventures; the multinational gives up some of its control over decision-making, but gains stability for the longer run. The major international oil companies have demonstrated that, despite the turbulent world market in which they operate, they can adapt to a variety of regimes displaying different forms of state intervention and regulation. The international oil companies, which have much experience in coping with political intervention in their operations, now provide technical services for oil producing countries in which they have been nationalized, and in many nations—including Canada—they operate profitably in joint ventures with state-owned oil companies. We can assume that if Gulf Oil Corporation can continue to do business in "Marxist" Angola, where its refineries are protected from South African-supported guerillas by Cuban troops, it can also adapt to an interventionist policy such as the N.E.P. It is quite true that the multinationals attacked the N.E.P., and particularly features such as the Crown "back-in," and that they lobbied both in Washington and Ottawa to have the policy changed; but, significantly, none of the majors offered to sell their Canadian holdings to willing buyers such as Petro-Canada. Instead, the multinationals adapted to the N.E.P. and learned how to shape the new regime according to their corporate preferences. The government quickly learned that it could not hope to explore and exploit the frontiers without the involvement of the international oil companies, and the companies were not slow to remind the politicians of this fact.

After 1982, when the Canadian Oil and Gas Act came into effect, the oil industry had to deal with a new system of land tenure and exploration incentives. The multinational companies, who owned most of the rights on
Canada Lands under the very lax and generous regulations which were introduced in 1961, found themselves confronted after the N.E.P. with a much tougher system, albeit one that was no more onerous than that used in some other jurisdictions. No rights were extinguished by the new legislation (although some oil companies claimed that the 25 per cent back-in amounted to "confiscation"): the existing permit-holders were simply required—after twenty years of sitting on their land—to renegotiate. Basically, the new system was based on the principle that a company must work to hold its land. The landholder would now enter into so-called Exploration Agreements with the Canada Oil and Gas Lands Administration (COGLA), an agency set up by the Departments of Energy, Mines and Resources and Indian Affairs and Northern Development to administer the Canada Lands. The Exploration Agreements negotiated with COGLA required an operator to carry out a program of exploratory drilling on certain lands over a specified period of time; otherwise, his land reverted to the Crown. In negotiating these agreements with the oil industry, COGLA appeared to stress such factors as accelerated exploration, based on the "need to know," Canadian participation and operatorship in joint ventures, and industrial spinoffs or Canada Benefits. Up to May of 1984, 162 Exploration Agreements, involving commitments to drill nearly two hundred wells on Canada Lands, had been negotiated (Taschereau). The legislation clearly provided for a large amount of ministerial and bureaucratic discretion, as the oil industry frequently complained.

The threat of losing land to competitors provides a fairly strong inducement to drill. But, in addition, there were generous incentives available to both Canadian and foreign-controlled companies who are willing to explore in the frontier areas. The PIP program, as noted earlier, allowed a Canadian-controlled firm with a high Canadian ownership rate (COR) to obtain federal grants for up to 80 per cent of its exploration spending on Canada Lands. By contrast, a foreign-owned company qualified for PIPS for just 25 per cent of its exploration costs; but, as Table 2 illustrates, by using additional tax write-offs the foreign firm can reduce its net cost of exploration to $0.33 per dollar of expenditure. Thus the Canada Lands incentive system, despite its discriminatory features, was still competitive with other jurisdictions. Nevertheless, there was an obvious incentive for the multinational landholders to "Canadianize" their exploration ventures in order to qualify for the maximum PIP grants. The multinationals farmed out exploration spending to Canadian-owned oil companies in exchange for an ownership position in their lands. A typical farm-out deal is the so-called "two for one" rule, which is fairly standard for wildcat drilling, whereby, for instance, the Canadian firm pays 100 per cent of the exploration costs to earn a 50 per cent interest in the lands being drilled. The Canadian company then obtains PIP grants for up to 80 per cent of the exploration costs. The
state, in other words, is paying all of the exploratory costs for the multinational, and most of the costs for the Canadian firm. The Administrator of COGAL A told the Senate Committee on Energy and Natural Resources that "the multinational farms out its interest to a Canadian company, whether Dome, Petro-Canada, Husky, or in the case of the Mackenzie Delta, Home Oil. The multinational is having its total exploration program paid for by the Canadian company for the right to farm in. The Canadian company receives 80 per cent PIP on whatever it costs to explore. In a sense, the multinational receives a free ride but loses 50 per cent of its interest to the Canadian company. When you cut right through it, it is really not a bad deal for the multinational" (Taschereau, p. 7:22). Even by Canadian standards, this was an understatement, but it did "cut right through" to the real relationships between private and state power under the N.E.P. The simple truth, which no one in the Liberal government would admit in public, was that the frontiers cannot be developed without the international oil companies; small Canadian companies were brought in to show the flag and to provide the multinationals with access to the PIP incentives.

**TABLE 2**

<table>
<thead>
<tr>
<th></th>
<th>Non-Taxpaying</th>
<th>Taxpaying</th>
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<tbody>
<tr>
<td></td>
<td>High-COR* Entity ($)</td>
<td>Low-COR Entity ($)</td>
</tr>
<tr>
<td><strong>Canada Lands</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration Expense</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Less PIP:</td>
<td></td>
<td></td>
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<tr>
<td>— Crown Share Incentive</td>
<td>(25)</td>
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<tr>
<td>— Level 4 PIP</td>
<td>(55)</td>
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</tr>
<tr>
<td><strong>After PIP Costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Year Tax Savings:</td>
<td>20</td>
<td>75</td>
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<tr>
<td>— Canadian Exploration Expense Write-Off</td>
<td>—</td>
<td>(35)</td>
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<tr>
<td>— Earned Depletion Write-Off</td>
<td>—</td>
<td>(7)</td>
</tr>
<tr>
<td><strong>Net After-Tax Cost</strong></td>
<td>20</td>
<td>33</td>
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*COR — Canadian Ownership Rate
The Liberal model of energy development on the Canada Lands was thus a triangular one, involving the Canadian state, Canadian capital, and the multinational oil companies. First, the state played the central role, using its land management policies and incentives to accelerate the pace of exploration, to induce the multinationals to take in Canadian partners, and to capture more of the economic spinoffs. Direct state participation, via Petro-Canada, was important for learning and control and because it permitted the government to influence activity through its own spending. Petro-Canada's role has been especially important on the East Coast where it has acted as a catalyst in areas such as the Scotian Shelf that have suffered from lagging exploration. Since 1984, however, the state firm has begun to operate on strict commercial principles in anticipation of privatization, and this has led Petro-Canada into a retreat back to western Canada. Second, private Canadian capital was represented on the Canada Lands by companies such as Dome Petroleum, Dome Canada, Canterra Energy (controlled by the Canada Development Corporation), Norcen (controlled by the Argus group), Husky Oil (controlled by Nova), Home Oil, Bow Valley Industries, and Pan Canadian Petroleum (controlled by Canadian Pacific). Only Dome and Petro-Canada rank with the majors in terms of landholdings, assets and reserves, but a number of the “second tier” Canadian firms, such as Husky/Bow Valley, have been active in major offshore plays. Finally, the multinationals have attempted to hold on to their land positions in the areas of good geological potential while adapting to the post-N.E.P. land and incentives regime. A strong motivation for the collective decision of the majors to stay on the Canada Lands was provided by Hibernia, the Venture gas field, and other evidence of the hydrocarbon potential of the frontier basins. A further incentive was that the Canada Oil and Gas Act offered the existing permit-holders the chance to maintain their tenure in the Canada Lands, but at a reduced level, by having someone else pay the cost of the exploration. The Canadian N.E.P. system, relative to other jurisdictions, was generous in that most of the exploration cost was subsidized, tenure was assured for lengthy periods of time, work commitments were no more onerous than those imposed by many other governments, and title was guaranteed to any discovery made. On the other hand, the major oil companies and the United States government strongly objected to the discriminatory PIP system, the back-in, and the emphasis on Canadian industrial benefits.

An example of the trilateral restructuring of petroleum rights in the offshore occurred in 1983 when Husky and Bow Valley farmed in on Mobil's share of 1.9 million hectares of land holdings on the Grand Banks. The two Calgary-based companies can earn half of Mobil's 56 per cent interest in the lands by paying Mobil's share of the exploration costs—about $400 million to drill eight wells. But since Husky/Bow Valley qualify for maximum PIP
grants, it is the taxpayer that will finance much of the drilling. There are many such examples of "Canadianization." Petro-Canada increased the pace of activity on the Grand Banks by farming into Mobil's Ben Nevis permits; and the state oil company, in conjunction with Canterra Energy and other Canadian partners, also initiated a drilling program on the South Hibernia block. The first well at Terra Nova K-08 proved to be a significant oil discovery. In late 1984 Esso Resources, in partnership with twelve other Canadian-owned companies, announced that it would begin drilling in the Flemish Pass, east of the Grand Banks, as part of a five-year Exploration Agreement with Ottawa. Similar patterns of exploration have evolved on the Scotian Shelf and in the Beaufort Sea, where PIP incentives have stimulated joint ventures between multinational and Canadian capital. Home Oil has farmed into Esso's land in the Mackenzie Delta. In 1980 Canadian-owned companies held 38 per cent of all interests in Canada Lands activity, and in 1984 they held more than 60 per cent. But the Canadian sector, supported generously by the federal government, was also bearing most of the cost and risk of frontier exploration. Before the N.E.P., foreign-owned companies accounted for more than 60 per cent of exploration spending on Canada Lands; but by 1982, after PIP grants were factored in, Canadian companies accounted for 73 per cent of such spending (Canada, Petroleum Incentives 18). The federal PIP program costs about $1.6 billion per year, and by the time it expires in 1986 the total cost will be between $6 and $8 billion. The main beneficiaries of the program have been Dome and Petro-Canada, the two "chosen instruments" of the Liberals' energy policy. The regional distribution of PIP grants to the end of 1983, illustrated in Table 3, reveals that a very high percentage has gone to the Beaufort Sea, one of the world's costliest and most hostile petroleum basins. What the table does not reveal is that by 1985 nearly $7 billion in PIPs had been paid out to Canadianize some of the world's costliest dry holes, and this with the fervent backing of the Liberal-managed Committee to Canadianize the Petroleum Industry—a group of mainly affluent southern Ontarians presently residing in the Council of Canadians. Nationalism in Canada is a moveable feast.

It is not, I think, unreasonable to suggest that the N.E.P.'s structure of land tenure and incentives inadvertently encouraged the multinational oil companies to shift much of the risk and cost of frontier exploration to their Canadian partners and the state. They have maintained their frontier land positions, albeit at a reduced level, while reducing their riskiest investments. This was consistent with their overall strategy. The multinationals have been facing declining profit margins in their downstream operations in recent years because of reduced demand and price competition, and they have been striving to improve their upstream positions, especially by finding or acquiring new reserves of crude oil and natural gas. A recent study by ENI,
the Italian state oil company, revealed that multinational returns on oil and
gas production (upstream) averaged 18 per cent, compared with two per
cent in refining and distribution and 1.9 per cent in chemicals ("Changing
Management Strategies" 206). The multinational must replace the reserves
they are using up, despite the decline in world prices, and they wish to have
these located in politically stable, non-OPEC areas. The shift to upstream ac-
tivities by the majors in Canada has been facilitated by government policy.
To the extent that their frontier exploration ventures have been paid for by
their Canadian partners and PIP grants, the multinationals can afford to in-
vest more heavily in lower-risk, profitable conventional oil and gas explora-
tion and development, enhanced oil recovery, heavy oils and tar sands in
western Canada. A nicer example of foreign capital turning economic na-
tionalism into profitable opportunities would be hard to find. The main
beneficiaries of the National Energy Program, the evidence suggests, were
the multinational oil companies.

Brian Mulroney’s Conservatives swept the Liberals from power in
September, 1984, promising a massive overhaul of the country’s energy
policies, a devolution of power and resource revenues to the regions, and an
emphasis upon deregulation of both domestic and export oil and gas
markets. In the interests of amity with the United States, the Tories also
committed themselves to an elimination of the controversial “back-in” on
federal lands and removal of the discriminatory features of the N.E.P. incen-
tives. Of particular interest to Newfoundland was Mulroney’s commitmen
to strike a generous political deal with the Peckford government notwithstanding the Supreme Court’s reference ruling of March 8, 1984, that Canada, not Newfoundland, has the right to explore and exploit, and exclusive legislative jurisdiction over, the mineral resources of the continental shelf. Against that, however, the Conservatives were equally committed to addressing the economic grievances of the West—the party’s real power base—by deregulating oil and gas prices and eliminating both the N.E.P. taxes and the discriminatory PIP incentives which favoured the frontiers. In an environment of declining world oil prices and a rapidly changing U.S. natural gas market, the net effect of these changes would likely be to reinforce the shift of oil industry activity back to the conventional producing provinces of western Canada. For the second time in a decade the major petroleum companies were having sober second thoughts about the frontiers, and the largest and pacesetting firm, Imperial, represented the trend when it announced a massive expansion of its Cold Lake heavy oil project: crude-short integrated oil companies, such as Imperial, needed new reserves, but the risks and technical impediments in developing heavy and synthetic oils might be less than those encountered in the North and the East Coast offshore.

Conservative energy policy could be described as supply-side economics with a strong emphasis on increased exports to the United States. The goal is to create capital investments and jobs in the energy sector through the promotion of oil, gas and electricity exports; by removing taxes and deregulating prices and by lifting restrictions on exports, it is argued, energy can become a leading sector in the economy again, an “engine of growth.” This staple-led strategy is in sharp contrast to the Liberal emphasis on redistributing wealth via the energy sector and on centralizing control of the oil and gas industries. The Conservatives do not seem to share the Liberal faith that the federal bureaucracy should steer oil and gas investments, but their support for the massive takeover of Gulf Canada by the Olympia and York group in the summer of 1985 implies a partial acceptance of the N.E.P. policy of Canadianization.

The Tory revolution in energy strategy was carried out in four steps, three of which required prolonged negotiation with the provinces. First, the Atlantic Accord of February, 1985, between the federal and Newfoundland governments established a regime for the joint management of offshore oil and gas and laid down the principle that for the purposes of provincial revenue collection, the resources will be treated as if they were on land. A careful reading of the Accord suggests that Newfoundland gained most of its hard-fought objectives, especially over revenues and control over the offshore development process, but Ottawa retained the right to override provincial decisions which could impair national security of supply. The balancing of provincial and national interests in the Atlantic Accord can be
interpreted in different ways, but there is little doubt that Newfoundland won larger concessions after losing at the Supreme Court than she could have gained while Trudeau’s Liberals were in office.

The second step—the so-called Western Accord of March, 1985—entailed large costs for Ottawa and substantial windfalls for the multinational oil companies. Under the Western Accord the complex N.E.P. regime of regulated oil prices, import compensation charges, and taxes on oil production was swept away at a stroke: Canadian crude oil prices were deregulated at June 1st, 1985, oil export restrictions were relaxed, and Ottawa agreed to eliminate or phase out all of the N.E.P. taxes together with the PIP incentives. For their part, the western producing provinces agreed to allow all “the net benefits of the fiscal and price decontrol changes agreed to” to flow through to the petroleum industry. The industry reaped very large present and future gains in return for a vague commitment to re-invest “in the development of new oil and gas resources for all Canadians.” The combined impact of price decontrol, the elimination of export and marketing controls, and the reduction of taxes on production was to induce a significant revival of conventional exploration, heavy oil and enhanced oil recovery development, and larger projects such as Imperial’s Cold Lake project. Declining world prices and other problems have delayed progress on heavy oil upgraders and new tar sands mining plants, yet the net effect of the Western Accord is clearly to enhance the present value of western oil resources relative to frontier resources.

The third and fourth steps in the Conservative energy revolution were announced in late October, 1985. The last stage, which need not detain us here, initiated a transition to the deregulation of the domestic natural gas market and relaxed the rigid formula, introduced in the dying weeks of the Liberal government in 1984, whereby export prices were tied to the wholesale price of gas in Toronto. This policy may be seen as a further inevitable adjustment of Canadian policy to the chaotic conditions in the American gas industry: in effect, a transnational response to market instability. Both export and domestic gas prices are sure to fall, and producers will be hard pressed to increase volumes so as to maintain revenues.

The other step completes the demolition of the N.E.P. The Canada Oil and Gas Act, the centrepiece of Liberal policy, is to be replaced with new legislation reflecting the arm’s length, market-oriented approach of the architects of conservative energy strategy. The 25 per cent Crown back-in has been abandoned together with much of the ministerial discretion in the existing regime. Exploration rights will be auctioned on a “best bids” basis—a policy which typically favours larger companies—and the PIP incentives will be replaced by a much less generous (and less discriminatory) “success-oriented” exploration tax credit for higher-cost exploration. Whereas the PIPS cost the taxpayer $1.7 billion in 1984 (with no commercial discoveries),
the new incentives will cost the federal treasury perhaps $250 million per annum. This was of course quickly denounced as a sell-out to the multinationals by those nationalists who had supported the N.E.P. and the expenditure of billions of dollars in the name of Canadianization. That the Conservative energy policy represented a much more efficient approach which would lower the cost of energy to consumers and that it had successfully appeased the legitimate grievances of Newfoundland and the west were not relevant to those people who persist in viewing the problem of energy policy as one of outwitting all-powerful multinational corporations. Fortunately, these people are out of power and hopefully will remain there.

Conservative Energy Minister Pat Carney had thus carried through the complete dismantling of the National Energy Program in just over a year. In the process she appeared to reinvent the process of co-operative federalism and stood head and shoulders above most of her ministerial colleagues. Her path was greatly smoothed by the changes in world energy markets, but the political obstacles were nonetheless formidable and she and the federal-provincial task forces which negotiated the four agreements deserve much credit. As for the N.E.P., this costly, divisive policy was an utter failure and the sooner it is forgotten the better.

In principle it is hard to quarrel with the thesis that Canadians need to gain control of their economy, and especially of strategic sectors such as energy. But the reduction of foreign ownership and control of a capital-intensive industry such as petroleum involves large costs, and it is appropriate to ask which regions and classes of Canadians were forced to bear the cost of "Canadianization." Westerners are properly skeptical of any energy policy which, in the name of the national interest, requires the resource producing regions to sell their products to central Canada at prices below those prevailing in world markets, and in addition taxes the resource industries so heavily as to discourage new investment in the region. They have been dubious about the claims of an economic nationalism that seemed to be based upon the interests of central Canada and which entailed sweeping political centralization in areas in which the producing provinces have ownership rights and management powers. We should also be skeptical, in my opinion, of nationalist programs such as the N.E.P. since they involve a transfer of income and benefits to the national bourgeoisie, and this transfer is typically paid for by the taxpayer at the expense of foregone social programs. Not infrequently, investments in nationalism involve a redistribution of wealth from the working class to capital or to a rising middle class. The N.E.P. was not only costly and inefficient as an energy policy, but a few Canadian capitalists captured most of the benefits at public expense; and, as noted, the program encouraged the multinationals to shift their risky exploration to the state. Thus, Liberal energy policy could best be described as a reallocation of scarce public resources in favour of capital:
this is the political economy of Canadianization.

In conclusion, that wider "sense of collectivity" and national purpose which David Alexander thought necessary to offset the centrifugal pull of regionalism was missing completely in the formulation and execution of Canadian energy policy under the N.E.P. The western provinces must bear a measure of blame, but they were greatly vexed by the unilateral and punitive nature of the N.E.P. Few national policies have been so narrowly-based, so reflective of the interests of a single region, and so dishonest in their stated intentions. That it stimulated regional animosities and federal-provincial tensions is hardly surprising. A policy of political centralization which encroaches so drastically upon important areas of provincial ownership and jurisdiction, and which inflicts large economic costs on a particular region of the country, was bound to be divisive. The Trudeau government knew these facts, anticipated "disturbances in the country," and yet went ahead knowingly and implemented its energy policy. It is small wonder, then, that most Westerners, if asked to choose between policies supportive of regionalism and policies of Canadian economic nationalism, would almost certainly choose the former. It has yet to be demonstrated to the peripheries of the Canadian state that economic nationalism has anything to offer them except conflict with the centre and a lower standard of living: as a proposition it is, to borrow one of David Alexander's phrases, fundamentally uninteresting. One is reminded of Acton's melancholic remark that nationalism "does not aim either at liberty or prosperity, both of which it sacrifices to the imperative necessity of making the nation the mould and measure of the State. Its course will be marked with material as well as moral ruin, in order that a new invention may prevail over the works of God and the interests of mankind" (cited in Trudeau 181).12

Notes

1That "western alienation" is an amalgam of political, cultural and economic discontents is illustrated in a recent superb history of the prairies, written from a Manitoba perspective, by Gerald Friesen.

2A more balanced economic assessment of the N.E.P. and of subsequent emendations to the policy can be found in Helliwell and McRae and Helliwell, MacGregor and Plourde. A comprehensive treatment of the origins and implementation of the Program is contained in Doern and Turner.

3For examples, see Stephen Clarkson's uncritical account in Canada and the Reagan Challenge and David Crane's laudatory Controlling Interest: The Canadian Gas and Oil Stakes.

4A useful survey of the international oil companies which discusses their adaptability to changing political and economic circumstances is Louis Turner's Oil Companies in the International System. A less sympathetic overview is Peter Odell, Oil and World Power. A sharply critical account of the major oil companies is Ed Shaffer's The United States and the Control of World Oil.
Energy, Regionalism and Nationalism

5These figures are taken from a submission by the Ontario Ministry of Energy to the Standing Senate Committee on Energy and Natural Resources in June, 1984. See Table 1: Net Upstream Revenues from Canadian Crude Oil and Natural Gas Production, p. 163. The document notes, "The petroleum industry is now receiving more than two and a half times the amount it received in 1979...its share is now much higher than was the case immediately prior to the introduction of the N.E.P." (162).

6This of course assumed that energy mega-projects in the offshore, the North and the oil sands would proceed, given steadily rising real energy prices. The link between industrial development and offshore oil, and the alleged need for a highly interventionist economic strategy, are discussed in Roger Voyer's Offshore Oil: Opportunities for Industrial Development and Job Creation. For Newfoundland's stance, see Newfoundland Petroleum Directorate and the Department of Development. Alberta's policy is outlined in a recent White Paper, Proposals for an Industrial and Science Strategy for Albertans 1985 to 1990.


9On multinationals see, for examples, Feinberg 93-98, Doz and Prahalad, Poynter, and Fagre and Wells.

10See also The Canada Oil and Gas Lands Administration, Annual Reports, 1982 and 1983. COGLA is discussed in Voyer.

11For a critical study of a similar trilateral model of resource development, see Peter Evans, Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil.

12Acton's thought was discussed by David Alexander, albeit in a very different context, in Atlantic Canada and Confederation 80-81. See also Acton, Essays 131-59.

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