Queen's Park

Energy cost concerns growing

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We are, of course, all becoming increasingly concerned about the cost of energy in Ontario. Prime Minister Clark's agreement in Tokyo to permit massive increases in oil prices could cause us even more problems in this connection. Premier Davis has responded with some proposals of his own.

In August, he released a paper entitled "Oil Pricing and Security: A Policy Framework For Canada". Behind that bland title lurks some shocking news for Ontario residents. The document is based on the premise of a $5 increase in the price of crude oil, occurring almost immediately.

The document notes the detrimental effects of a $5 increase on the Ontario economy, and proposes the establishment of a fund, the National Energy and Employment Adjustment Program.

What would be the effect of a $5 increase on the ordinary consumer in Ontario? It would add $120 to the average home heating bill. It would add 16 to 25 cents per gallon at the gas pump.

What would be the effect of a $5 increase on our economy as a whole?

According to the Conference Board in Canada, Ontario's economy is already extremely precarious without massive energy price hikes. A growth rate of 0.7 per cent is predicted for Ontario in 1980, compared with 4.6 per cent for Alberta. The jobless rate is expected to jump to 7.5 per cent.

It is estimated that an increase of only $1 a barrel in oil costs would eliminate about 4,000 jobs in Ontario. According to a study undertaken by the Ontario Treasury in 1976, an increase of $2 would have significant negative effects and would damage the competitive position of fourteen major industries, accounting for 180,000 jobs. An increase of $5 a barrel would clearly throw our already faltering economy into a full scale recession.

Who gets the additional money from higher oil prices?

If the proceeds are divided in the current manner, most of the revenue goes to the oil companies and the producing provinces. A massive price increase would be necessary if the federal government is to obtain sufficient revenue to maintain a uniform price for oil across Canada.

Premier Davis has proposed that Alberta, the federal government and the petroleum industry keep their respective shares of the first $2 of his $5 increase and that the revenue from the remaining $3 be placed at the disposal of a National Energy and Employment Adjustment Program, which would then be used, amongst other things, to do some patchwork repairs on an Ontario economy which had been severely damaged by the $5 increase.

According to the Provincial Government's own estimates, a $2 increase in the well-head price of oil would mean increased revenues of $1.96 billion per year to the producing provinces, the oil and gas industry and the federal government, in the proportions of $880 million, $840 million and $240 million respectively.

If even $2 of the revenue from a price increase is divided in the same way, we would still be faced with increased oil prices of $4 to $5 a barrel.

We, in the Liberal Party, believe there is a way to keep one price for oil throughout Canada without wrecking Ontario's economy. The solution lies in raising the price in such a way that we do not have to give additional revenue to the oil companies or the producing provinces..

Each time oil prices rise, the bulk of the money paid by consumers goes to the producing provinces and the petroleum industry; only about a fifth of the revenue goes to the federal government, which can use it to subsidize oil prices in Eastern Canada.

A $4 to $5 increase would be necessary under existing arrangements to pay the import subsidy, which probably explains the willingness of Premier Davis to negotiate on the basis of a $5 increase.

However, a completely different approach is possible. The federal government could raise the necessary money to maintain one price for oil across Canada through taxation rather than an enormous price hike.

We estimate that a tax of $1 per barrel next January, and $1 per barrel next July would produce enough revenue to pay the additional import subsidies required by future increases in OPEC oil prices.

Revenue would also be available to support energy conservation programs and projects, and develop renewable energy supplies and systems.

While an increase averaged over 1980 of $1.50 per barrel would have significant effects on Ontario's economy, it would be much easier to take than increases of the magnitude proposed by Premier Davis.

What is required is strong political will to present the case for the Ontario consumer in Ottawa, and to make it plain that Alberta and the oil companies will not be reaping extra revenue at the expense of the people of this Province.

The power to set the price of oil, and to implement the alternative policy which we have proposed rests solely with the federal government. Alberta's approval, consent and co-operation are unnecessary.

The only essential is for the federal government to be determined to recognize that our Province has rights too, and that the time has come to say to Premier Lougheed, for the present at least, that enough is enough.

Stuart Smith has publicly called upon Premier Davis to recall the Ontario Legislature without delay.