

IF OUR NAFTA PARTNERS CAN HAVE NATIONAL ENERGY PROGRAMS, WHY CAN'T WE?

One of the goals that President George W. Bush laid out in his State of the Union address was "to promote energy independence for our country."

Mexico, Canada's other North American Free Trade Agreement (NAFTA) partner, also has a policy of oil energy independence and public ownership. Canadians seem blissfully unaware that, while our NAFTA partners are looking after their own energy security, Canada is the only NAFTA country prevented from doing so. The recently announced Security and Prosperity Partnership of North America may well tie Canada's hands tighter.

Four years ago, the United States adopted a national energy policy that emphasizes energy security, self-sufficiency, and even financial support for domestically owned firms. The terms are reminiscent of Canada's national energy program in Pierre Trudeau's time. Canada, meanwhile, is required by NAFTA to continue exporting oil and gas to the U.S., even if it experiences shortages.

Canadians have not faced oil shortages since the 1970s, so managing without seems a remote possibility. But several recent changes should give us pause.

First, supplies have become precarious because of even greater instability in the Middle East, the illegal occupation of Iraq, and recent strikes in Venezuela and Nigeria. Add to this uncertainty a dwindling potential supply, because peak production was reached in most producing areas of the world some time ago. Demand, meanwhile, is rising quickly, primarily in energy-hungry China and India, but also in the gas-guzzling United States.

Second, after September 11, 2001, the U.S. turned toward security issues, including the national security of its energy supply, and away from encourag-

ing free trade and corporate rights everywhere in the world. American oil transnationals have displaced French, Russian and Chinese corporations in Iraq. American security now trumps global trade. The U.S. national energy policy (NEP) pledges to look after American oil and gas demand, not that of its NAFTA partners.

Third, at a meeting with Bush and Vicente Fox in Texas in March, Canada caved in and agreed to negotiate the Security and Prosperity Partnership of North America. Consequently, we should expect to see further erosion of Canadian energy sovereignty in the near future.

A national energy policy for the U.S. and a continental energy market for Canada is a raw deal for Canada.

How did Canada get saddled with having to continue oil and gas exports even in times of shortage, when Mexico got exempted?

When NAFTA was being negotiated in 1993, oil and gas corporations based in Canada, many of them foreign-owned, lobbied for a proportionality clause to be included in the agreement. Under proportionality, Canada can cut exports to the U.S. to deal with shortages only if it cuts the same proportion of supplies to Canadians.

Canada currently produces about 40 per cent more oil than it consumes and so should not have to worry about shortages. Yet, because of NAFTA, Canada has put itself in a position that is as precarious as that of the United States, relying on imports of oil from offshore. Canada now exports 70 per cent of its supply to the U.S., and imports almost 60 per cent of the oil it consumes.

The Mexicans were smart and got an exemption from energy sharing in times of shortage. Consider the respect that the exemption got Mexico in the U.S. national energy task force report: "Mexico will make its own sovereign decisions on the breadth, pace, and extent to which it will expand and reform its electricity and oil and gas capacities."

Contrast this with the U.S. NEP report's assessment of Canada: "Canada's deregulated energy sector has become America's largest overall energy trading partner, and our leading foreign supplier of natural gas, oil and electricity."

A national energy policy for the U.S. and a continental energy market for Canada is a raw deal for Canada. Instead of negotiating further integration with the U.S., why not push for a Mexican-style exemption for Canada?

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