Energy Policy Development in the Globalized World: A Comparison of the USA, Canada, Britain and Norway[1]

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Introduction

Following World War Two, the importance of oil escalated and western countries were increasingly restructured physically, politically and economically around oil. Oil ushered in different forms of transportation (such as personal automobiles and planes), meaning that people could travel further distances in shorter periods of time. People no longer had to live close to their places of work and many chose to move to the suburbs, away from the hectic city life. It was also not necessary for shopping to be done close to home, thus the explosion of urban sprawl, car-oriented shopping centers and the decline of local neighborhood stores. Travelling for pleasure also increased. All of this meant a changing physical structure of society: a system of roads had to be built, as did gas stations and road stops to support drivers. Oil also had a dramatic effect on how and why we fight wars. Oil powered new types of weaponry and methods of transportation. Troops could be mobilized much more quickly and face to face combat became less necessary. Finally, economies changed when oil resources were discovered and many countries saw oil as a new hope to prop up their economies. Francisco Parra states that, "Oil has for many years now been essential to modern economies, and imports have become a matter of economic life or death" (Parra 2004:293).

While the restructuring of society did not happen overnight or ubiquitously throughout western countries, it was the general trend beginning in the 1950's. The US is the earliest and most dramatic example of the physical, political and economic changes that took place with the rise of oil. It was an early producer, thus had an abundant and cheap supply. This meant that development around oil was easy and inexpensive. Other countries, such as those in Europe, did not have an abundant supply at this time, thus did not develop in the same way (at first, and when they did it was not to the same extreme). However, US dependence became a problem when supplies began to decline and it was forced to begin looking elsewhere to secure its oil.

Producing countries have many issues to consider when devising oil policies and one is often stressed over the others, depending on the socioeconomic and political context at any given time. There are two issues that have constantly come up in countries with oil resources. The first is that the government wants oil to be produced so that its economy will benefit. This involves implementing strategies that will induce companies

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to develop oil resources and strategies to capture revenues from this development for the government. The second issue is that the government needs to ensure an adequate and secure supply of oil for its people. However, the way that one goal is accomplished has often been contradictory to the other. For instance, if a country allows foreign companies to dominate its industry, as some did to hurry development, the country is left vulnerable if there are supply disruptions, such as those that took place in the 1970's. Suddenly, a country that has always assumed an abundant supply of oil experiences a shortage. The oil price shock of the 1970's acted as a wake-up call to many countries that had focused almost entirely on developing oil resources rather than securing supply. These countries reacted by stressing the second goal and implementing more protectionist strategies.

While each country implements its own policies, it is acting within the greater global economic context; when the global economy changes, individual countries feel it and have to react. The oil shock of the early 1970's proved how enmeshed each country's economy was in the global arena. Thus, when the economy changed again during the 1980's, the policies of individual countries changed as well. Since the 1980's the world has been experiencing globalization. Privatization, liberalization and a focus on the market have been the trends; countries are becoming more integrated and interconnected as trade agreements lift barriers. This has meant that the protectionist policies of the 1970's have come up against the increasingly globalized world. In some countries the nationalist strategies did not stand a chance and quickly dissolved in favor of the new neoliberal agenda, while in others they held out longer. However, just as there was no turning back once society was restructured around oil, there is no turning back from globalization and its implications.

This paper will address the ways that four western, developed, oil producing countries have addressed the issue of protecting their country in the increasingly globalized world economy. It will examine the policies of Canada, the United States, Norway and Britain in the context of the world economy from the 1950's to the present. It will explore the goals and policies with regard to oil, how these goals and policies have changed in relation to the global economy, and how countries are responding to globalization. This requires not only looking at the specific country, but the global economy and the relationship of the specific country to the bigger picture.

The United States

Introduction

The history of oil in the United States begins earlier than in other developed countries. Oil was first discovered in 1859 in Pennsylvania. However, it was not until the First World War that the importance of oil became clear. Matthew Yeomans claims that this war proved that "…the great powers needed oil to survive" (2004:10). The US was a major supplier at this point and in 1917 was producing 67 percent of world output, with one quarter of this exported to Britain (Yeomans 2004:9). The importance of oil and the US's role in oil production was again demonstrated in the Second World War when the US provided itself and Great Britain with all of the oil needed to fight the war (Yeoman 2004:13). Following this, the US and other countries (although more slowly at first) became dependent on oil and society was gradually restructured.

During the 1950's there was an abundance of oil in the US; oil production was high and prices were low. This ushered in the era of the personal automobile. While the automobile was introduced throughout the western world, it took off most extensively in the US because oil was so plentiful and cheap. The increasing availability and affordability of the car, thanks to Henry Ford's system of mass production, brought forth new opportunities for organizing our lives. People could work and shop further away from their homes, move more easily and travel more easily. These changes were accompanied by changes in the physical structure of society; dependence on oil required that the infrastructure of society be altered. Ian Rutledge states that, "by the early 1960's, the die was cast. The whole socio-economic structure of American society - and the geo-strategic consequences of that structure - had been constructed in a manner which would make it virtually impossible to modify in future years without a major effort of political will" (2005:20).

Restructuring around oil meant that the US was now dependent on oil to maintain its current way of life. This was not a problem as long as oil was cheap and abundant. However, oil production peaked in 1970 and then declined. Because of its early dependence and restructuring there was no turning back and the U.S. needed to devise other ways to obtain its oil needs. Energy security became the buzzword: how could the US ensure that it would have the energy it needed to maintain its oil dependent way of life? This theme runs throughout US energy policy up to the present day.

The early years

The United States has faced energy security concerns from an early stage in its oil dependence (the 1950's). The concern did not spring from the need to ensure a plentiful supply (because the US was producing plenty), but rather from the possibility for lower oil prices through imports. The US had the option of importing oil from the Middle East, which would have provided oil more cheaply than could be produced domestically. However, this would mean increasing dependence on areas of the world that were not necessarily stable. This issue caused a debate between large multinational oil companies and independent oil companies. The large multinational companies pushed for Middle East oil imports because they were just beginning to produce there (Rutledge 2005:40). On the other hand, the independent oil companies advocated import restrictions because cheap imports from the Middle East could put them out of business. This debate prompted Congress to add the National Security Amendment to the 1955 Trade Act, giving the President the power to restrict oil imports if they were deemed a threat to national security (Rutledge 2005:41). While it was not immediately used, President Eisenhower exercised this power in 1959 and implemented mandatory oil import quotas that restricted oil imports to no more than 12.5 percent of domestic production (Rycroft 1984:58).

During the 1960's there was plenty of oil and prices were low. Political actors were preoccupied with import restrictions and did not pay attention to production and consumption amounts within the country. Consumption and dependence on oil had been steadily increasing, but domestic supplies had not. In response, President Nixon lifted import restrictions on oil in 1973. This allowed the US to continue consuming at its current rate, but also meant that it became more dependent on oil produced elsewhere. By 1973, 30 percent of US oil was coming from areas that were not secure. However, although foreign imports increased, the US did not enact policies that would manage a scenario in which supplies were disrupted. Scarcity had never been a problem in the US, thus it never seriously considered how it would respond to a situation in which supplies were cut short. Thus, when the oil price shock hit in 1973, the US was completely unprepared. It was given a wake-up call and its energy policy would change as a result.

The 1970's - Oil Price Shocks

The economy during the early 1970's was riddled with problems prior to the 1973 oil crisis. These problems included high levels of inflation and unemployment. In an attempt to control them, Nixon froze both prices and wages. In October of 1973 war broke out in the Middle East. OPEC (Organization of Petroleum Exporting Countries) implemented an oil boycott and price increases in order to punish those countries (including the US) that supported Israel. This led to a dramatic increase in prices and a shortage of petroleum, leaving countries around the world considerably disrupted. Immediately following the embargo, President Nixon announced that US oil supplies would fall at least 10 percent below demand (Vietor 1984:244). Because the government had been completely unprepared to deal with an oil supply problem, the shock acted as a wake-up call and prompted the government to implement immediate changes. The government found itself having to address the issue of oil supply security much more seriously than previously, which caused changes in policy that have lasted to the present day. It was as a result of this crisis that modern energy policy began (Barton et. al. 2004:151).

In November 1973, as a response to the oil shock, Nixon introduced Project Independence. The goal of Project Independence was for the US to achieve energy independence by 1980 (Parra 2004:186). Among its proposals was a 10 percent decrease in fuel for aircraft, 15 percent reduction for space heating fuel, a nationwide lower speed limit of 50 mph, incentives to discourage the switch from coal to oil utilities, and an increase in the ease of obtaining a license to construct nuclear power plants. Nixon also asked for voluntary conservation, reduced environmental standards, and an increase in production from naval petroleum reserves (Vietor 1984:244). The Emergency Petroleum Allocation Act (EPAA) was passed which "authorized the imposition of price, production, allocation and marketing controls and required the administration to prepare allocation plans within 30 days" (Parra 2004:252). The Nixon administration also responded by organizing an energy conference in Washington in February 1974. The conference resulted in the creation of the International Energy Agency (IEA). This group constructed a plan for allocating oil supplies in the case of another oil crisis. Its plan was signed in September 1974 by the EEC countries, US, Canada, and Japan. Despite Nixon's actions, however, Parra states that, "The aim to make the United States self-sufficient in energy by 1980 was absurdly unrealistic, and everyone in the administration knew it, as did anyone at all familiar with the oil industry" (Parra 2004:252).

In 1975, president Gerald Ford proposed the Energy Independence Act, the goal of which was to reduce dependence on imports, create a free market in petroleum and provide money so that energy research could be conducted (Parra 2004:253). However, Ford's original draft was not passed and what did finally pass, the Energy Policy and Conservation Act, was significantly different. This new act included the establishment of the Strategic Petroleum Reserve, which was a stockpile of up to one billion barrels of oil that would be stored within the country in case of a future oil shortage (Yeomans 2004:26). The new act also delayed the implementation of the Clean Air Act, promoted oil conservation and the use of coal, and decontrolled oil and natural gas (hoping that this would lead to increased domestic production) (Vietor 1984:249). However, Parra states that, "there were few teeth to bite into demand or stimulate the use and production of alternatives" (Parra 2004:253).

In order that the US could become more independent, domestic production would have to increase. However, during the 1970's oil supply was declining. Easily reached oil had already been extracted, which left the more difficultly extracted and expensive oil. Due to the difficulty and costs of reaching these oil resources, companies had little incentive to develop them; oil companies would only develop them if it meant increases in profits, something that would only happen if prices of oil were high. Presidents Nixon and Ford both thought that oil prices should be regulated by the market so that they would be high enough to induce domestic production (Rycroft 1984:195). However, both also supported a tax on the increased profits that oil companies would make. Rycroft and Kash state that, "oil price regulation had two objectives: First, regulation should provide incentives for the industry to search for and produce high cost new oil or oil that was not economically viable without high prices…Second, the industry should not enjoy excess profits" (Rycroft 1984:196). However, in the economic climate of the 1970's, neither Congress nor the public supported deregulation.

Jimmy Carter took office in 1977 and, while the crisis of the early 1970's had settled, he was still very concerned with the degree of US dependence on foreign sources of oil. Parra states that, "What gripped Carter's imagination, however, was the dreaded pincer movement of rising US demand for oil and declining domestic production" (Parra 2004:253). He feared US dependence on Middle Eastern oil. This fear was based on the understanding that oil would decline worldwide, but also on the potential for the Soviet Union to gain control of Middle Eastern oil. In response to these fears, Carter made a bold statement that initiated a new era of US foreign policy: "Let our position be absolutely clear. An attempt by any outside force to gain control over the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America and such an assault will be repelled by any means necessary, including military force" (Yeomans 2004:27). This strategy has carried on to the present and has been illustrated most clearly by the Bush Administration.

Carter's oil policy was much more interventionist than Ford's, and he "brought to the White House a strong commitment to conservation" (Kash and Rycroft 1984:196). Carter proposed the National Energy Program which was "the most comprehensive energy policy package introduced by a president during the 1970's. It included both "an excise tax at the wellhead equal to the difference between existing controlled prices and the uncontrolled or OPEC price" (Rycroft 1984:197) and a tax on gasoline that would increase as long as consumption increased (Rycroft 1984:197). However, Carter's original plan changed significantly after the second oil crisis in 1979 and now paralleled that of both Nixon and Ford. Carter now supported the deregulation of oil and the implementation of a windfall profit tax. "The decision to deregulate oil was a clear indication that cheap energy was no longer viewed as a practical goal for United States energy policy and that conservation was to play a larger role. On the supply side, these deregulation actions triggered the most rapid increase in drilling for oil and gas in the nation's history" (Rycroft 1984 198).

Throughout many of the policies implemented as a result of the 1973 oil crisis, there is the concern for conservation. While environmental policies were enacted during the 1970's, many were more a reaction to the oil crisis than specifically protecting the environment. However, Vietor claims that the decreased oil supply and rising demand were major contributing factors to the environmental movement of the 1970's (Vietor 193). Thus, it seems no coincidence that the modern environmental movement became mainstream in the 1970's. Kash and Rycroft (1984:10) state that the energy crisis "dramatized the critical relationship between energy and the environment" so that it was no longer possible to separate energy and environmental concerns. The previous presidents' policies make it clear that there was a greater concern for conserving oil than the environment. For instance, in 1975, the Energy Policy Conservation Act was enacted which implemented the corporate average fuel economy (CAFÉ). These doubled the fuel economy standards of passenger cars from 1975 to 1985 (Yeomans 2004:179). However, this was more about conserving oil for fear of a shortage than about the environment, something that has become increasingly obvious as the US becomes more militant about oil and these standards lose any meaning. However, despite the progress, or lack of progress on environmental issues during the 1970's, this era did usher environmental issues into mainstream debate so that in the upcoming years it would become harder and harder for government to ignore them.

The 1980's - The era of free trade

President Ronald Reagan, elected in 1981, helped usher in the era of neoliberalism. Privatization and liberalization were the trend and trade agreements were put in place specifically to open barriers and make trade freer. The FTA (Free Trade Association) and later NAFTA (North American Free Trade Association) were meant to open markets and make trade between countries easier. However, as will be discussed in the next section, these agreements were most beneficial to the US.

Reagan brought with him a philosophy on oil policy that contrasted with the previous administration's approach. In fact, Reagan dismissed the need for an energy policy altogether and, rather, declared that the private sector could best manage energy (Rycroft 1984:18). Reagan was also unsupportive of environmental regulations, stating that the environment could best be managed by the market. Thus, Reagan did what he could to decrease the importance and power of the agencies and people concerned with the environment. He cut the budgets of environmental agencies and appointed people to run them who seemed to have goals contradictory to protecting the environment (Grant 2003:75).

In 1986, there was a significant drop in oil prices. While this was good for consumers because it lowered prices at the pump, it hurt producing nations. This was particularly true for the US because of the large number of high-cost fields that produced very little oil. Together, these fields were responsible for one-quarter of the country's production (Parra 2004:290). However, when the cost of oil decreased dramatically in 1986, over half of these wells had to be permanently shut down. This decrease in domestic production meant that imports from foreign sources, such as the Middle East, had to be increased. Thus, the US became even more dependent on outside sources for its oil security.

Bush's Energy Plan

The United States did not have another energy policy until George W. Bush was elected in 2000. After his election, Bush put Dick Cheney in charge of the National Energy Policy development group. This group included members from the electricity, oil, gas and coal industries, who were asked for their input on the future energy policy of the US. This group, however, did not include any critical or environmental organizations (Yeomans 2004:165). Based on his consultations with the National Energy Policy development group, Cheney produced a report in 2001 that included recommendations on energy. Rutledge states that this "was a mouthwatering cornucopia of potential deals, promotions and exemptions for US oil, gas, coal and electricity companies with whose projects the organs of state are repeatedly required to collaborate and provide support" (Rutledge 2005:67).

Cheney's main concern in developing an energy policy was familiar: "how to deal with America's dependence on imported oil, especially from the Gulf, and the perceived threat that this posed to America's energy security (Rutledge 2005:67). While it was obvious that the US could never be self-sufficient and would have to continue depending on foreign sources of oil, Cheney wanted to decrease dependence on unstable areas and use the US's "enormous economic and geo-strategic influence to leverage political control over the world's major oil-producing regions outside the Gulf" (Rutledge 2005:67). The plan focused on a number of strategies. The first was to increase domestic production by increasing the areas in which exploration and drilling could take place. This included areas such as national parks and the Arctic Wildlife Refuge that had previously been protected. The second strategy was to increase oil imports from safe sources in the western hemisphere such as Canada, Mexico and Venezuela. Rutledge states that this meant pushing for the dissolution of nationalist policies; it meant:

> overcoming of any nationalistic tendencies in these countries which might elevate questions of sovereign interest over and above the energy needs of the USA…the dismantling of any legal barriers to the acquisitions of these countries' energy resources by US companies…the privatization of their state oil companies-ideally in a manner which would facilitate the sale of their equity to US companies or citizens (Rutledge 2005:80).

Cheney's final strategy was to increase imports from the Caspian Sea so that less oil would be needed from the Middle East.

Since the rise of environmental activism around clean air and water during the 1970's, climate change has emerged as a major issue that requires policy attention. The ties between climate change and energy consumption have become difficult to argue, and this difficulty has caused the Bush administration trouble. If the administration were to admit that climate change were a problem and vow to do something about it, the collapse of our current consumption-based way of life would ensue Therefore, it is not surprising that shortly after entering office Bush stated that he would not ratify the Kyoto Protocol. He argued that there was not adequate research about climate change and that Kyoto would have serious negative implications for the economy. Instead, Bush proposed another solution, which was introduced in February 2002. However, the World Energy Outlook argues that the change proposed in this policy would have happened regardless of any new policy (143). While the Kyoto Protocol certainly was not the answer to the world's climate change problems, it was at least a symbolic gesture to show concern and a united effort to address it.

Canada

Introduction

Canadian energy policy is closely linked to the United States. However, while the US has increasingly had to rely on foreign oil imports, Canada's supply has been abundant. This supply, however, has long been eyed by the US (whose supplies are declining) because Canada is a close and politically stable area. Early policies regarding oil resources in Canada led to a large US presence in the oil industry. Thus, while the amount of oil produced in Canada has been large, these early policies meant that a secure supply for Canadians was still a policy concern. The history of Canadian oil production is one in which lack of control over domestic resources is a recurrent theme.

Canada's policies regarding oil have gone through several stages, which may be identified on the basis of their specific goals and the amount of government intervention. Natural Resources Canada states that throughout the history of Canada's energy policy there have been three goals: security, prosperity and the protecting the environment. They argue that these goals can be conflicting and that at any given time, one is usually dominant. During the 1970's and early 1980's security dominated, followed by a time in which prosperity through market-based strategies was emphasized. Recently, there has been an increased emphasis (at least rhetorically) on environmental issues. However, it was the early policies, created prior to the oil crisis of the 1970's, that have had a lasting effect on the country and its ability to control its resources.[2]

WWII-1973: Passivity

Oil policy in Canada until 1973 was primarily focused on development. Bruce Doern states that from 1960 to1973 the main goal in Canada "was almost exclusively on the expansion and development of the oil industry (Doern and Toner 1985 in Doern

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[2] http://www2.nrcan.gc.ca/es/es/policy_e.cfm

2003:27). He also states that, “The main concern with oil was to move it and sell it efficiently so as to earn the highest rate of return” (2003:26). Thus, the government was fairly passive when it came to regulating the oil industry and oil companies were essentially left to themselves (Laxer 1983:2). The government’s main role at this time was essentially to facilitate the exploration and development of oil and gas resources (Gattinger 2003:27). It made no effort to restrict which companies developed the resources, and this led to a situation in which development was dominated by US companies. Laxer states that, “In the two decades following the crucial discovery of oil at Leduc, Alberta, in 1947, the subsidiaries of the majors enjoyed their classic period of domination in the Canadian petroleum industry” (1983:2). Thus, during this early period, the Canadian government and the US dominated oil companies shared the goal of exporting oil to the US.

The Canadian government implemented specific policies to make development easier. Laxer states that, “Petroleum policy was articulated as a passive response to the strategies of industry” (Laxer 1983:2). In 1959, the National Energy Board was established “to preside over this basically dynamic developmental phase of nation-building…” (Doern 2003:27). In 1961, the Diefenbaker government launched the National Oil Policy. This policy split Canada into two oil markets. The area west of the Ottawa valley received oil from the production taking place in Alberta, while the eastern part of the country was supplied with oil from Venezuela and the Middle East (Laxer 1983:8). This meant that western consumers paid more for oil because imports from Venezuela were significantly cheaper than oil produced in Alberta. Pipelines were built that linked Canada and the US in order to export oil more easily (Gattinger 2003:26). Canada was so closely integrated with the US market that the price for western oil conformed to the price set in Chicago.

It is clear that during these early years there was a mutual desire for energy integration between the US and Canada. At the time of the oil price revolution in 1973, about half of the oil produced in Canada was being exported to the United States (Laxer 1983:28), which translated into US dominance of Canadian energy resources. However, prior to the 1973 oil price shock, US dominance did not matter because oil was plentiful and cheap. Canada could easily supply its own oil needs as well as export to the US. While Canada’s energy future seemed bright through June of 1973, optimism was soon extinguished as the world experienced a major disruption in oil supplies later that year. The problems resulting from the government’s passive role at such an early stage became clear; this passivity provided a background and structure for oil policy that would continue to haunt Canada for years to come.

1973-1984: Intervention

The second phase in Canadian energy policy began with the oil price shock of 1973. As was the case throughout the world, this shock triggered major changes in energy policy in Canada. It led the Canadian government to examine the oil industry closely and realize how little control it actually had of resources within the country. After 1973, Canada’s goal switched from one in which it wanted to export as much oil as possible to one in which it wanted to protect itself and gain control of the oil industry. Bruce Doern states that while it was never achieved, the goal of energy policy during the mid 1970's was now to decrease exports to the United States.

In contrast to the previous passive policies, the government now took an active approach and implemented nationalist strategies so that it could gain control of its resources and protect itself from high world oil prices. One of the immediate actions taken by the Canadian government in response to the oil price increase of 1973 was to freeze the price of Canadian domestic crude oil at four dollars per barrel. This meant that the price of Canadian oil was now different from the world price of oil. The government also created a tax on this price difference for the crude oil exported to the US (Laxer 1983:39). This was not welcomed by the United States or by the big oil companies that were based in Canada. The tax meant that the Canadian government rather than the oil companies received the money on the price differential if the prices were higher. The United States urged Canada to increase its price to match the world price so that the price differential would disappear (Laxer 1983:41).

In 1974, the Trudeau government established Petro-Canada, a state-owned oil company, in an attempt to gain more control over oil resources. Owning an oil company meant that the government would have direct involvement in the oil industry so that it could influence oil development in ways that it could not from the outside. Petro-Canada could influence investments in specific projects as well as bargain with the private sector (Laxer 1983:52). A state owned oil company would also allow the government to move forward with development projects that the private sector could not be trusted to fund; Petro-Canada could take the risks needed to further develop the oil industry (Laxer 1983:56).

In 1979, there was yet another oil price increase and again the government was confronted with its lack of control over oil resources. This prompted the Trudeau government to establish the National Energy Program (NEP). The goal of the NEP was to gain control over Canadian energy resources so that Canada would benefit rather than the U.S. The NEP set a target for Canada to become self sufficient in oil production by 1990. It also wanted to see Canada gain 50 percent ownership in its energy resources and to channel a greater part of the revenues to the federal government (Rutledge 2005:81). Laxer states that the NEP "was the most ambitious effort ever undertaken by Ottawa to reverse the foreign control of a major industry in favour of Canadian control" (1983:73).

The NEP caused problems between the western producing provinces and the eastern part of the country (where the government was located). The western provinces wanted to receive the higher world price for the oil it produced. Doern states that "These resentments are not just a product of energy issues. They reflect a larger historical view, especially in Western Canada, that national economic policy as a whole has favoured Eastern Canada, especially Ontario and Quebec" (Doern 2003:25). The western provinces saw the NEP as the east (the government) trying to control western resources (Doern 2003:31). However, the NEP lasted for only a short period of time; it could not withstand the pressure of the US and the global economic trends of the 1980's.

1980's and the era of free trade

During the early 1980's the scare over oil prices subsided. Government felt less anxious and this led to a relaxation of nationalist policies (Rutledge 2005:82). Pressures to dismantle the NEP were mounting, coming from within Canada as well as from the US. Reagan was elected president shortly after the NEP was introduced and his administration was very critical of the plan, putting tremendous pressure on Canada to dismantle it. Within Canada, many policy advisors were also advocating the demise of the NEP, claiming that it was flawed. The general economic context at the time, which was increasingly pro-market, also influenced Canada. In fact, Rutledge (2005) states that this free market ideology led to the election of Mulroney in 1984. Mulroney's election changed the course of energy policy in the Canada dramatically. His government adopted a market based approach, which was a complete turnaround from the NEP.

The Mulroney government set out from the beginning to get rid of the NEP. The government, influenced by the US and Britain, supported market based strategies for managing oil resources. It also wanted to stop the energy wars that had sprung up between the east and west over the NEP. In 1985 the Western Accord, which officially dismantled the NEP, was signed (Brownsey 2005:211 in Doern). This agreement healed the rift between the east and west by deregulating oil and restoring continental markets. The Atlantic accord was also signed with Newfoundland. While this did not specifically mirror pro-market tendencies of the government, it reflected the desire to unify the country and stop arguments over oil and gas.

Unlike the NEP policies, the Mulroney government wanted to strengthen Canada's relationship with the US (Doern 2003:32). One way it did this was through the FTA. The FTA was signed in 1989 and made trade more open and free between the U.S. and Canada, "mainly by preventing the future use of two-price systems and by restraining the Americans from using many restrictive measures that they had resorted to in the postwar era with respect to Canadian oil and gas (and uranium) exports" (Doern 2003:33). Doern claims that lessons learned from past energy polices (such as the rift between the eastern and western parts of the country) were "a major contributing factor in later discussions during 1987-8 when energy free trade was secured through the Canada-U.S. Free Trade Agreement" (Doern 2003:31).

The implications of the FTA for Canada could not have been further from the goals of the NEP only a few years earlier. Article 904 pulled Canada into a close relationship with the US and essentially eliminated its ability to implement nationalist strategies to protect itself in the case oil scarcity. "It provided that Canada could not arbitrarily cut off contracted American buyers of Canadian oil and gas. If declared shortages occurred, Canada could only reduce supply proportionately over an agreed three-year base period" (Doern 2003:33). This essentially stripped Canada of any future possibility to return to nationalist policies (Brownsey 2005:212 in Doern). Thus, the FTA meant less security for Canada (because it could not protect itself in the case of a crisis), and more security for the US (because more oil from Canada meant less dependence on insecure oil from the Middle East). Doern states that "…the FTA provided the capstone to the Mulroney government's pro-market energy policies, in effect quasi-'constitutionalizing' them" (Doern 2003:33).

In 1993, NAFTA, another free trade agreement, was signed by Canada, the US and Mexico. With respect to energy, NAFTA essentially re-stated the same issues as the FTA and amounted to a "North American energy resource supply guarantee" (Barton 2004:194). Section 607 of NAFTA "limits the national security exemption found elsewhere in the Treaty, to justify restrictions on energy exports. Such restrictions are allowed only in specified circumstances, such as when necessary to 'respond to a situation of armed conflict involving the party taking the measure'" (Barton 2004:194).

The privatization of Petro-Canada meant that one of the last nationalist policies had been dismantled. While Petro-Canada was involved in exploration drilling and high risk projects, the economic situation took a negative turn in 1986. Petro-Canada's financial situation had been the object of criticism for years due to its heavy spending, but when oil prices declined in 1986, its activities became expensive. The Mulroney government announced Petro-Canada's failure in 1991. However, it had to tread carefully on the issue of privatization. Nationalist sentiments had been strong only a few years earlier and there was a fear that if Petro-Canada were fully privatized there would be a resurgence of nationalist sympathies in the public. Thus, privatization was at first restricted to 20 percent of the company's equity (Rutledge 2005:83). The government also required that foreign ownership be no more than 25 percent and individual shareholders less than 10 percent (Rutledge 2005:84). However, these restrictions did not last; by 2000 the government had lifted the restriction on foreign ownership (Rutledge 2005:84) and in 2005 the remaining state equity was sold to private investors.

By the late 1980's and early 1990's the NEP had been completely dismantled and the free market ideology had become dominant. Due to Canada's integration in the world economy, it could not help but be influenced by the global trends of the 1980's. Canada's brief stint of nationalist policies did not last and, by the 1990's, the US and its interests dominated Canada yet again

Incorporating the Environment

During the 1980's and 1990's free trade became the norm. However, the 1990's was also a time when the environment became a more visible issue in government policies. The concept of sustainable development was adopted by the Chrétien government soon became the dominant strategy for both government and industry to address environmental problems. The concept of sustainable development argues that a society in which the economy is growing provides the best opportunity for protecting the environment. Thus, Canada has integrated its energy and environmental policies. Natural Resources Canada states that, "Sustainable development is the overarching objective of Canada's current energy policy and is achieved through four key principles: Reliance on the market to allocate resources. Prices are established and investment decisions are made in competitive energy markets under the NAFTA framework; Respect for jurisdiction. Energy and other resources are owned by the provinces in which they are located;

Regulation to ensure that markets work; Targeted investment to supply goods and services that the market cannot or will not supply".[3] After 1995, each federal department was required to incorporate sustainable development into its strategies and policies and had to publish a report every three years on its progress and goals.

While the effectiveness of Canada's climate change actions is contestable, unlike the Bush administration, Canada has at least accepted that climate change is a problem to which energy is linked. In 2002, Chrétien declared that Canada would implement the Kyoto protocol and reduce greenhouse gas emissions to 6 percent below 1990 levels (Brownsey 2005:200 in Doern). In April of 2005, the government of Canada began Project Green. The first phase was called 'Moving Forward on Climate Change: A Plan for Honoring our Kyoto Commitment.' Project Green is "a national project to create a healthier environment and a stronger economy by combining the efforts of governments, non-governmental organizations, businesses and all Canadians to build a more sustainable future".[4]

The Canadian government states on its website that, "The Government of Canada is committed to the transformative, long-term change required to make reductions in GHG emissions while ensuring continued economic growth. In achieving that transformation, we believe we will meet our Kyoto target while maintaining a productive and growing economy" (http://www.climatechange.gc.ca/english/canada/). While it is certainly arguable how well Canada's policies have worked and will work in the future, Canada has at least accepted that climate change is a problem while the US still essentially dismisses and ignores it.

Britain

Introduction

In 1959, the discovery of an oil field off the coast of the Netherlands prompted companies to seriously consider exploration in the North Sea. This exploration began in the southern areas in 1962. The way that the British government approached oil development in its offshore can only be understood in the context of its economy, which, at the time when offshore oil was discovered, was suffering from high levels of unemployment and slow growth. The possibility of oil was seen as something that could turn this around. Thus, the government took an active approach so that these oil and gas resources could be developed as quickly as possible (Anderson 1993:9). However, like Canada, the desire to develop quickly meant that Britain lost a degree of control over its own resources. Its initial strategies were based on the assumption of abundance and no strategies were put into place to protect itself in the case of a shortage. These initial strategies had a large influence on the future of the country.

Early Years

Because Britain's main focus during the early years was to develop the oil industry as quickly as possible, its policies were focused on ensuring that companies did not acquire

[3] http://www2.nrcan.gc.ca/es/es/policy_e.cfm.
[4] http://www.climatechange.gc.ca/english/canada/.

the right to explore land and then hold it until it became more profitable to exploit. This was mainly accomplished through the licensing system. Britain divided its portion of the North Sea into blocks that would then be granted to companies on a discretionary basis. The discretionary method, as opposed to auctioning areas off to the highest bidder, allowed the government to have more control of development because the government could favor British companies or companies that bought British products (Nelsen 1991:14). Thus, more of the benefits remained within Britain.

Britain's licensing system stated that after six years the license holder had to return half of the original license area. The returned area was exchanged for an extension of 40 years on the area that the license holder had kept. This ensured that the holder explored the original license area quickly and thoroughly in order to keep the section that would be most profitable (Nelsen 1991:21). Companies also had to submit a schedule of work which they committed to complete over a certain period of time. These work schedules later became part of the license negotiations between companies and the government, and a way for companies to outdo each other in attempts to get the same license area (Nelsen 1991:21). However, aside from these rules to ensure quick development, the British government was not strict about issuing licenses.

The oil crisis of 1973

Like in the US and Canada, the energy crisis of the early 1970's acted as a wake-up call for Britain. Although no policies were in place to protect British supplies in the case of a shortage, Britain assumed that it would have first access to the oil being developed off its coast. However, it soon discovered that this was not the case. Although based in Britain, the oil companies developing off the coast argued that they could not give Britain special treatment compared with other customers (Anderson 1993:90). This prompted the government to re-evaluate its initial development strategy and realize that, in its haste to develop the industry quickly, it had been extremely liberal when issuing licenses. Blinded by the desire to develop, the government had not planned any way to protect itself in the case of a shortage. Nelsen states that the "oil supply crisis confirmed once again Britain's vulnerability to outside disruptions of supply and rekindled its traditional sense of insecurity" (Nelsen 1991:48). Thus, like Canada, the oil crisis prompted the British government to implement policies that would give it more control over Britain's oil resources. Thus, British energy policy changed dramatically in the 1970's.

Initial exploration and development was more expensive in the North Sea (and much more challenging due to the climate) than other places, but the price increase in 1973 changed this by bringing the cost of North Sea production to the same level as world production. This, coupled with the fact that the North Sea countries were politically stable, meant that the North Sea became a much more attractive place to produce (Anderson 1993:72).

Following the price shock of 1973, the Labour Party in Britain began restructuring government policy regarding oil and energy issues. They issued a White Paper in July of 1974 which outlined the government's new goals and strategies relating to the oil industry. The government's new goals were to obtain more of the large profits made by oil companies and to gain more public control over the industry (Nelsen 1991:48). One of the Labour Party's strategies to accomplish its goals was to pass three new taxes on oil exploitation. These taxes - a royalty, a petroleum revenue tax and a corporation tax (Anderson 1993:91) - were in response to the discovery of how much profit the oil companies were making in relation to how much the government was receiving.

In an attempt to gain more public control of the oil industry, the Labour government established the British National Oil Company (BNOC), which was a completely state-owned oil company. BNOC was involved in exploration, production and sales of gas in Britain.

> BNOC was to operate as a commercial oil company, while also acting as an instrument of government policy. It was empowered to explore for and exploit petroleum resources anywhere in the world; take over the government's participation interests (including current holdings through the National Coal Board); buy and sell petroleum; trade in petroleum products; and build, hire, or operate refineries, pipelines and tankers (Nelsen 1991:51).

BNOC would allow the government to gain more control over the industry so that the profits would accrue to Britain rather than foreign companies. Owning a state oil company also meant that in the case of another oil crisis, Britain would have a more secure supply. The legislation that created BNOC had specific stipulations (1) that oil had to be landed in the UK and (2) that there was an expectation that two-thirds would be refined in the UK. There was also the expectation that BNOC should be able to buy a major part of British offshore production so that it could sell it to companies that would refine it in Britain (Anderson 1993:92). BNOC would also get 51 percent of existing and future licenses.

The 1980's - the era of deregulation and liberalization

In 1979, the Conservatives came to power in Britain and established a different strategy for managing Britain's oil resources. Britain had become self- sufficient in oil by 1980. Thus, when the oil crisis of 1979 hit, it faired better than many other countries (Anderson 1993:92). The Conservatives then argued that there were better ways to maintain self-sufficiency than through strict government regulation and intervention. Rather, they thought that the private sector could more efficiently maintain oil resources. In other words, the Conservatives supported the government giving up its involvement in the oil industry and leaving it to the private sector and the market. Anderson states that, "The major objective was to increase the amount of commercially exploitable resources on the British shelf, thereby prolonging self sufficiency. The instrument was a more liberal tax regime for new developments" (Anderson 1993:143). Anderson states that, "The only task left to the government would be to provide the industry with favourable working conditions, mainly through the tax system" (Anderson 1993:131).

Almost immediately after entering office, the Conservative government attacked BNOC. The Conservatives had opposed it for years while Labour was in office and now that they were in power, moved to dismantle it. As in Canada, the Conservatives did not completely dismantle the state oil. In July of 1979 the government implemented changes that essentially brought BNOC to the same level as other companies. BNOC would no longer be given special treatment, such as automatically gaining 51 percent of each license or getting preferential treatment in licensing rounds (Nelsen 1991:90). In 1982, BNOC was partially privatized and was essentially split into two companies. Britoil, was created from the exploration and production part of the company, leaving BNOC as a trading company (Nelsen 1991:159). This trading company was then dismantled in 1985 (Anderson 1993:136).

The Conservative government also changed the tax system when it entered power. These changes were based on observations made by Labour of how much profit the oil companies were making while government revenues remained the same. The Conservatives implemented a plan that, among other things, raised the petroleum revenue tax from 45 to 60 percent (Nelsen 1991:138). The Thatcher government increased this tax to 70 percent about a year later. However, increased taxes at the end of the 1970's and early 1980's had to be rethought as the price of oil declined in the early 1980's. In order to ensure that exploration continued at an acceptable rate, the government changed the tax laws yet again in 1983.

Norway

Introduction

While interest in the North Sea began in the early 1960's, it remained in the south, with little interest in the northern areas. The Norwegian government did not think that there was any oil in the area of the North Sea off its coast. Therefore, they deemed involvement in offshore exploration too risky and discouraged Norwegian companies from participating (Claes 2003:47). Thus, when oil companies first approached Norway for exploration licenses, the government essentially turned them away, stating that there was nothing there. Companies, however, continued their interest and eventually Norway began granting licenses, even though it was not expected that anything would be found. Sentiments changed, however, when the Ekofisk field was discovered in 1969 and the skeptics were proved wrong.

As with the US, Canada and Britain, the strategies that Norway chose to address the offshore oil industry at the outset prepared the stage for future developments in policy. Norway's goal from the beginning was to ensure that it did not lose control of its oil resources to foreign companies; the government wanted the oil industry to benefit Norway and its people. While Norway had a history of distrusting multinational companies, it also had to face the fact that it had no experience with oil and did not know how to proceed. Thus, Norway needed these foreign companies to be involved at first. However, unlike Britain, whose economy was struggling at the time of oil discovery, Norway's economy was stable and strong. Thus, Norway did not feel the same pressure to immediately succumb to foreign companies and could implement policies to protect itself instead. Therefore, Norway's strategy from the beginning was based on a cautious and untrusting view of big oil companies (Anderson 1993:57).

Initial Strategies

Norway was not over-eager for production like Britain, and its initial purpose for awarding licenses was simply to discover if any oil existed. However, there was a general perception that Norway was a less desirable place to explore due its harsh conditions, so the government included in the licensing system measures to increase the attractiveness of exploring. One strategy for doing this was to create larger licensing blocks than did Britain. Companies prefer larger blocks because it increases the likelihood of a major find in the license area. Norway granted reconnaissance licenses for a period of three years, which allowed the holder to conduct exploration in the area. The government required that all companies holding a license provide their findings to the government twice each year. This ensured that the government knew everything that the companies knew and that the companies would not get the upper hand. Another incentive to explore in Norway was that, unlike Britain where companies had to give back half of the license area after the first six years, companies in Norway only had to give back one-quarter after the first three years, then another quarter after three more years (Nelsen 1991:24). This was done in exchange for a production license that lasted 46 years.

While the licensing systems in both Britain and Norway were similar, the Norwegian government became much more involved in the process in order to maintain control of its resources and not develop them too quickly. The government’s involvement is exemplified by how it dealt with licensing groups. Companies often like to hold licenses in groups so that risks are minimized. However, who creates these groups can have an impact on who has the power over the resource. The British government allowed companies to choose their own groups and then apply for a license together. This meant that companies could have pre-established goals and strategies for developing the license area. These goals might or might not be the same goals as those of the government. However, the government would have no control once the license was given. On the other hand, the Norwegian system had companies apply individually and state whether they would like to be considered individually or as part of a group. The government would then form the license groups (Anderson 1993:58), thus allowing it to maintain more control over offshore development.

The first licensing round in Norway took place in 1965 when 22 production licenses were awarded (Norway n.d.:11). While Norway had wanted to award licenses to more Norwegian companies, they were all given to foreign companies because no Norwegian companies knew anything about offshore oil (Anderson 1993:59). Thus, due to the lack of knowledge, Norway initially had to rely on foreign companies to develop its industry. However, because they were suspicious of big companies from the start, Norway established a strong system of regulations (Anderson 1993:59). Anderson states that, “One could say that through regulation, Norway tried to reduce the foreign investors’ role to one of operator” (Anderson 1993:25).

After oil was discovered

In 1969, the first commercial oilfield in the North Sea, Ekofisk, was discovered. Ekofisk was a larger discovery than anyone had expected and it meant that Norway no longer had to create incentives for companies to explore there over Britain; it was now clear that Norway had a lot to offer and the government could use this to gain control over the industry.

When the Labour government came to power in 1971, it reviewed government participation in the oil industry, studied how other countries had been affected by it and passed the 'ten oil commandments' as an indication of its desire to establish control over oil development. The ten commandments were:

> (a) national governance and control of all activities on the Continental Shelf, (b) that the petroleum resources contribute to the development of new industrial activities in Norway, (c) that oil and gas should be piped to Norway, (d) that the state engages in all aspects of the petroleum activities where it seems appropriate, and (e) that a state oil company should be established (Claes 2003:48).

In an attempt to accomplish these goals, the Labour government restructured its involvement in the oil industry by separating its functions into policy making, technical control and commercial participation. This, in turn, led to the creation of the Division of Oil and Mining, the Petroleum Directorate and a state oil company (Anderson 1993:96).

The new Division of Oil and Mining was "to take responsibility for guiding government policy by framing national objectives, writing laws, overseeing the licensing process, and coordinating the petroleum-related activities of other ministries" (Nelsen 1991:35). The Petroleum Directorate's purpose was "to serve as the technical advisor to the ministry and the enforcer of laws and regulations" (Nelsen 1991:35). Commercial participation was accomplished through the creation of Statoil, a state oil company, in 1972. The purpose of Statoil was to reduce the role of foreign companies in the oil industry (Anderson 1993:97). Unlike Petro-Canada and BNOC, Statoil was not a response to the 1973 oil crisis. Because Statoil had already been established, the company provided some protection to Norway when the crisis hit (Anderson 1993:6).

While previously licenses had been given fairly liberally, their issuance slowed after the government was restructured. The government realized that both Statoil and the new government agencies needed time to learn more about the oil industry in order to control its development. Anderson states that, while Statoil was created in the 1970's, it "could not expect to be operational until the early 1980's" (Anderson 1993:98). The government decided to use its new power to slow development so that it could proceed in a manner that would limit any negative effects to the economy (Nelsen 1991:61). Thus, the period of 1974-1978 "was used for reflection and the building of competence" (Anderson 1993:98). Because of this, Anderson states that, "Eventually, Norwegian companies, led by Statoil, would be able to take over the major part of offshore activities" (Anderson 1993:98).

Because Norway now had confirmed oil, it no longer had to make itself look better than Britain to the oil companies. This meant that the government was now in a better bargaining position and could tighten the regulations regarding oil development in

Norway's favor. In 1973, the government decreased the amount of time that a license could be extended from 46 to 30 years, and only after half of the block was returned to the government (Nelsen 1991:37). The state now also insisted that Statoil be given a minimum of 50 percent participation in all licenses (Nelsen 1991:59) with the possibility of increasing participation to 70 percent if a field were deemed commercial. The government further gave itself the right to postpone the development of a commercial discovery for up to five years, later changing this to the ability to postpone development indefinitely (Nelsen 1991:59). This was done as a response to the fear that developing the oil industry too quickly would negatively affect the economy. Thus, after oil was confirmed, the Norwegian government began taking more and more control of the industry.

The 1970's

The oil price shock of the early 1970's caused major disruptions in the US, Canada and Britain, causing them to implement strategies to protect themselves. Norway, however, already had such policies in place, so the oil price shock did not have the same impact as it did in other countries. Anderson states that, "the development of the 1970's must be regarded as a gradual elaboration of the basic framework and ambitions that had been formulated during the 1960's" (Anderson 1993:95).

While Norway did not have to implement strategies to protect itself and gain control over its oil industry as a result of the 1973 price shock, the shock did impact other policies. The oil price increase made the North Sea oil industry much more attractive and viable financially for development. Nelsen states that, "The revolution was a devastating defeat for the international oil companies, but it was a profitable one (Nelsen 1991:43). Norway was also more attractive at this time because companies were looking for areas to develop that were politically stable, friendly and secure. Thus, while the government did not need to implement interventionist strategies, it did implement policies to take advantage of Norway's new, more attractive place in the oil world. The government passed the Petroleum Tax Act of 1975, which increased the taxes that oil companies had to pay. The Act introduced the Special Tax, which was 25 percent on net income of petroleum production. Companies also had to pay royalties and a regular corporate tax of 50.8 percent (Nelsen 1991:43).

The 1980's

Privatization and liberalization (or an increase in neoliberal policies) took place in many countries during the 1980's. It led to the privatization of state oil companies and the liberalization of energy markets in the US, Canada and Britain. However, this was not the case in Norway. While privatization did eventually take place, it was slower to come than in other countries.

The 1980's did not see the privatization of Norway's state owned oil company, but there were questions regarding Statoil's power that contributed to the eventual privatization of the company. During the 1980's, Statoil had grown and become quite powerful. Nelsen states that, "Its phenomenal growth and impressive technical abilities earned it the respect (although sometimes grudgingly) of the international oil community and the near awe of the Norwegian people. Statoil had gotten quite large and was beginning to show signs of independence" (Nelsen 1991:78). The government began to fear that it would lose control of Statoil, and thus, the oil industry. Nelsen states that the larger the company grew, the more arrogant it became so that “Soon it was very difficult to know if the Storting was controlling Statoil, or vice versa” (Nelsen 1991:175).

The early 1980’s was the peak era for the Norwegian oil and gas industry. After having spent several years during the 1970’s building a base of knowledge, the oil industry thrived. However, while the industry thrived, Norway became more and more dependent on oil to keep its economy afloat. Like the other countries prior to the 1973 oil price shock, Norway had not considered its dependence on oil a problem and did not have a plan to deal with changes in this situation. Anderson states that the tax system “was based on the assumption that the oil price could only move one way-up! Therefore, the main concern was to capture the super profit in a high price scenario” (Anderson 1993:150). This became a problem in 1986 when the price of oil declined dramatically. Unlike the previous problems in the 1970’s, which were based on shortages and predominantly hurt consumers, the 1986 price collapse was predominantly a problem for producing countries. Norway was hit very hard because much of what it produced was exported. It also had very high production costs which, coupled with a low oil prices, caused oil production in the country to become much less attractive.

Following the collapse, Norway experienced the strongest recession since the 1930’s (Anderson 1993:114). The government realized that it had become addicted to oil revenues and that its strong nationalist policy not only nationalized oil production, but also nationalized risks as well. Thus, in its effort to protect itself, Norway actually paved the way for being harder hit by a collapse in prices. Following the price collapse, the government made changes. Cleas states that, “When the economic situation changed so radically, the pressure for drastic political action increased. The Norwegian government introduced harsh measures in the country’s macroeconomic policy” (Claes 2003:52).

One example of a change that took place to decrease the risks to Norway was the creation of The State Petroleum Fund. This Fund was created in 1990 in an attempt to incorporate the petroleum industry into the longer term economic plans of the country. It was meant to act as a buffer if the government ran a deficit. The Petroleum Fund receives all revenue acquired by the government from the petroleum industry and invests all of its capital into financial assets abroad. This strategy addresses the problem of nationalized risks by spreading them throughout the world, but also helps to protect the Norwegian system in the case of a deficit. Another interesting part of the Petroleum Fund is that it has recently come to include ethical guidelines. These guidelines state that the Fund should not be invested in anything harmful such as something that contributes to violations of humanitarian and human rights, corruption or major environmental degradation.[5]

[5] http://www.odin.dep.no/fin/engelsk/p10001617/p10002777/006051-990432/dok-bn.html

Privatization
While the 1980's was a time of privatization and liberalization in developed countries, Norway did not follow right away. Questions relating to privatization had been circulating for years, but it was not until 2001 that a serious move toward privatization took place. In June 2001, Statoil was partially privatized when 18.2 percent of the company was sold to private shareholders. One of the arguments made for this partial privatization was that:

> complete state ownership was a liability when Statoil was seeking access into other petroleum regions around the world…In order to participate in such areas, alliances and partnerships with other IOC's seemed the only feasible strategy. Such alliances and partnerships were made more difficult when no shares were available to buy. Thus, the argument put forward was that Statoil should be partly privatized and given the opportunity to engage in more formal long-term or strategic alliances with private international firms(Claes 2003:57).

After the decision to partially privatize Statoil, the government created Petoro, which was a completely state-owned company. Petoro was not an oil company, but rather had the purpose of managing the SDFI (State Direct Financial Interest) on behalf of the government. The SDFI had been created in 1985. Under this system, the state would invest in a project and then receive a proportion of the revenue based on that investment (The Pembina Institute 4). The SDFI had previously been the work of Statoil, but the government, wanting to keep this responsibility wholly within the hands of the government, thus created Petoro.

As of January 2004, the government still owned 81.7 percent of Statoil, an amount that Claes argues, "…still implies a substantial state ownership on the Norwegian Continental Shelf" (Claes 2003:57). Thus, while Norway followed the global trend of privatization, it still seems to have a more nationalist perspective than the countries that wholly privatized. Claes states that, "It hardly can be concluded that the Norwegian state, along these lines, is losing out to global private capital forces. The flow of money is tightly controlled by the state" (Claes 2003:57).

Environmental Policy
Nordic countries are generally thought of as being at the forefront of environmental policies. They have been some of the first to sign onto environmental commitments and have also been at the forefront of renewable energy technology. Norway has led the way with regard to policies for addressing energy intense industry and greenhouse gas emissions. Although regulations are still the predominant method for protecting the environment, Norway is also making use of tax instruments because of their ability to provide incentives for businesses to run in a more environmentally friendly way (Norway 2:1). Norway introduced a Co^2 tax in 1991. However, this tax was not implemented evenly throughout the industry sector. For instance, the offshore petroleum industry is heavily taxed, while some onshore industries that are energy intensive are completely

exempt (Andersen et al: 47). Due to this structure only 60 percent of the CO^2 emitted is actually taxed (Andersen et al: 47). Kasa states that:

> The transportation sector, consumers, small industries and the petroleum companies have been obliged to carry the whole burden of satisfying some of the climate policy ambitiousness of the Norwegian government. While these groups have to accept relatively high CO^2 taxes, some of Norway's most emission-intensive industries have managed to avoid any taxation (making up as much as 40 percent of CO^2 emissions)(Kasa 2005:93).

Recent developments and considerations

During the 1970's and 1980's the promise of oil in Norway was stable and meant that Norway was in a good bargaining position. Recently, however, while Norway is still a strong producer, its oil fields are now considered mature. This means that discoveries are fewer, smaller, and more expensive to produce. While the price increases during the 1970's, as well as the fact that Norway was stable politically, made Norway a worthwhile location for oil investment, this has again changed recently, largely as a result of the end of the Cold War. The end of the Cold War opened up new areas to international oil companies. Noreng states that now:

> Oil provinces with more promising geology and less severe conditions are opening up in OPEC countries and in the Former Soviet Union. Political stability is less important for countries whose rulers, in any case, will be desperate for oil and gas revenues. Hence, Norway's bargaining position with international oil no longer is what it used to be (Noreng 2000: par 2).

A current trend on the continental shelf is that companies are beginning to withdraw their interests in the area in order to go to places where growth is very rapid (thus cheaper), such as Latin America. This prompted Norway to yet again change its tax system to make itself more attractive (Claes 2003:52). Presently, taxes are still undergoing changes in order to tempt companies into the area. While previously companies had to pay a 78 percent tax rate regardless of whether or not they found oil, beginning January 1, 2005 the 78 percent tax rate will only apply to those companies whose drilling is successful. This policy decreased the risks associated with drilling in the North Sea tremendously, thus making Norway a much more attractive place to drill. In fact, in light of the recent changes in the UK policy which increased the rate of corporation tax from 30 to 40 percent, it is likely that Norway will now be favored over the UK. Some firms have already declared that their investments in the UK will decline due to these tax increases (Webb 2005: par 8).

Conclusion

In the US, oil was produced earlier than in the other countries. This led to the reorganization of society around oil and the assumption that oil would always be abundant. However, once society was reorganized, there was no turning back. Thus, when oil supplies began to decline, the US strategy was different from other countries. The oil crisis made other producing countries focus inward, creating ways to protect their own oil and to gain more control over it. These countries had the possibility of being self sufficient if they implemented the right policies. On the other hand, the US did not have enough oil resources to try to secure (and did not have to secure them from anyone). While to some extent increasing national production has always been stressed as a way to make oil supplies more secure, the US has never thought that it could become self-sufficient. Rather, the point on focusing on national production was simply to decrease dependence on insecure sources from abroad. However, as with the push toward drilling in the Arctic Wildlife Refuge, which is unlikely to produce very much oil, it seems like it may be more a symbolic gesture to draw attention away from the US's militant oil agenda abroad. Thus, in contrast to how other countries responded to the oil crisis (looking inward), the US had to look outward to secure oil supplies. Most oil security policies of the US are based on foreign policy. There has been a push toward decreasing the amount of oil from insecure places and increasing imports from places like Canada and other western producing countries that can be trusted. This sometimes conflicts with other countries' attempts to protect themselves (such as Canada). While in places that have insecure political situations, the US can often find an excuse to invade or bomb (Iraq, Afghanistan), in western countries it needs different tactics; the strategy has to seem like it has been mutually agreed. Thus, trade agreements are used. These agreements are signed by governments hoping they will benefit their countries benefit. However, in reality, the agreements are likely hurting them more than helping because the countries are being stripped of their right to protect themselves.

Canada has felt the effects of the US and its desire for Canadian oil resources from the beginning of its oil development. Canada's oil supply was abundant when oil was first produced and its goal was to export as much as possible in order to make as much profit as possible. Because of this goal, the government did not consider that it was doing nothing to screen the companies that were developing its resources. One company was as good as the next to develop oil. This passive policy led to a US dominated oil industry in Canada. However, because much of the oil was exported to the US, this was not initially seen as a problem. It did, however, become a problem when the oil crisis took place in 1973. All of a sudden, Canada was confronted with its lack of control over its oil industry. The government could not protect Canada and fulfill its oil needs before exporting to the US. Canada was not happy with this situation and the government decided to make changes; Canada had to regain control of its resources. Thus, the government began implementing policies focused on gaining control so that the benefits of oil development were no longer channeled to the US and Canada could fulfill its own needs first. These policies included a state owned oil company, Petro-Canada, and the NEP in 1980. These nationalist goals, however, were short-lived. It seems that, despite the fact that there were serious nationalist tendencies in policy (and people), Canada could not get out from under US influence that had been dominating it since the beginning of its oil history. Because its policies were built around a heavy connection to the US, as well as the fact that the US is powerful and was pushing market-based strategies, Canada could not hold onto its nationalist policies for long. Thus, when Canada adopted market-based strategies and trade agreements, the US regained its hold on the Canadian industry. Thus, the strategy was switched back to one in which the US had a great deal of power in Canada. While only a few years earlier this fact met with disapproval in Canada and caused the federal government to implement nationalist strategies, it now seemed to be accepted. The difference was that it was now legally binding so that Canada could not change its mind even if it wanted to.

Britain's oil policy development has a lot in common with Canada's. It began with the goal of developing quickly so that revenue could be collected to help its troubled economy. Because it was distracted by this goal, the government did not consider who was developing its oil industry and what future implications this might have. Thus, like Canada, it did not put policies in place to protect itself in the case of an oil shortage. In fact, Britain assumed that just because companies were operating off its coast it would get first rights of access to the oil produced. However, Britain soon discovered that it was mistaken when the oil price shock took place and the oil companies, with no particular allegiance to Britain, declared that Britain was no more or less important to them than any of the other countries with whom they dealt. Britain learned its lesson, which was that if it wanted to secure its oil in a time of crisis, it had to use the government to put policies in place. Thus, Britain, like Canada, changed its policies and attempted to gain more control over the industry so that if another crisis took place, it would be in a better situation. In fact, this is what happened. When the second oil price crisis took place in 1979, Britain was in a much better situation than previously. However, Britain's nationalist policies did not last long either, and privatization began in the 1980's. The state owned oil companies were dismantled and everything was left to the market.

Norway seems to be the exception in some ways. However, at the same time, it is hard to determine how much difference it actually makes in the long run. Norway's oil resources developed differently from the US, Canada and Britain due to the strategy it took from the very beginning. Its goals from the start were to maintain control over the oil industry. While one could claim that policy makers in other countries simply did not have the kind of foresight that Norwegians did (or that they were overly greedy), it is better to look toward the economic situation for an explanation. If an economy is struggling, such as Britain's was, policy makers will jump on any opportunity to boost the economy. However, in Norway, the economy was strong when oil was first discovered and it did not need oil to prop it up. Thus, Norway was able to take a slow approach to development. It studied other countries and learned from what happened there. Even though it had to rely on foreign companies at first to explore and develop oil resources (while it learned the ropes), Norway put measures in place to ensure that it remained in control; the government wanted to be able to reign in these companies whenever necessary. Thus, because these policies were already in place, the oil crisis did not affect Norway as it did the rest of the world. Norway remained true to its original goals even through the 1980's when the other countries were throwing away their nationalist policies. However, while Norway has maintained a greater degree of its original goals, it has still caved in to the global market. This can hardly be helped when a country is integrated into a world economy based on free markets and globalization. After the price collapse of 1986 and the subsequent recession, Norway realized that it could use this globalized world to its advantage. By decreasing its nationalist policies, it also decreased the risks to its national economy. Thus, Norway, like the rest of the countries, fell into the trap of the globalized world.

What has become apparent through the discussion of each country's energy policies is that policies are highly dependent on both the economic situation in the country and the world economy. The goals that each country had at the outset of its oil development influenced policies later on. The problem that many countries faced was that they did not consider (and could not consider) everything when first establishing policies relating to oil. While at one point countries could focus on their own economies and put policies in place to protect them, this became increasingly difficult. As globalization becomes more widespread, economies are being pulled in and are forced to put aside nationalist goals. Even if a country still wants to protect itself, globalization is making this nearly impossible. Globalization enmeshes economies so much in the world economy that they cannot separate themselves/their own economies to protect it.

The main point is that they are all capitalist countries with oil companies that are based on making a profit, and the governments are interested in getting some of this profit - so even if they have some protectionist strategies, they will not last because the neoliberal agenda and globalization are moving in a direction completely opposite to these protectionist strategies. Therefore, if these countries want to continue to have the companies make a profit and gain some of this profit for the government, they will have to go along with the neoliberal agenda.

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