

COMMUNICATION FROM CANADA

Initial Negotiating Proposal on Oil and Gas Services

The attached communication has been received from the delegation of Canada with the request that it be circulated to Members of the Council for Trade in Services.

1. Canada reserves the right to modify this proposal at any time. This proposal does not prejudice Canada's position on other service sectors, nor any future offer on this or other sectors. This proposal should be read in conjunction with the principles and objectives as outlined in Canada's initial negotiating proposal.

A. INTRODUCTION

2. Canada continues to conduct extensive consultations on issues that may be subject to negotiations. Although the process is still ongoing, Canada would like to share its preliminary thoughts concerning the GATS negotiations and oil and gas services.

3. For the purpose of this paper, oil and gas services include a wide range of services, such as: drilling services; derrick erection; repair and dismantling services; services necessary for oil or gas extraction such as well casing; cementing, pumping and plugging wells; as well as specialized fire extinguishing services. Small- and medium-sized businesses (SMEs) as well as large multinationals are involved in this sector.

4. The global market for oil and gas services is increasing rapidly. Market restructuring, technological advances and economic growth all point to an increased demand for oil and gas products, and the subsequent demand for the services to ensure a supply of these products.

5. Providing improved market access in this sector can have many beneficial effects for both developed and developing countries, including:

- increased innovation in the provision of oil and gas services;
- greater efficiencies that reduce the cost of oil and gas products to the consumer can also reduce the environmental impact resulting from the use of these products;
- more widespread use of environmentally friendly technology;
- additional opportunities to develop work force skills and management methods; and

- additional investment in technology, as well as increased opportunities for co-operation in the development of advanced technology.

6. Liberalization of oil and gas services does not mean an unregulated regime. For example, governments will continue to regulate to ensure performance and quality controls to preserve the environment and to protect consumers. However, rules should be clearly defined, non-discriminatory and transparent.

7. In many countries, including Canada, governments are vested with the ownership of natural resources in trust for their citizens. Nothing in these negotiations will address the ownership of resources.

8. Only 33 Members have taken commitments with respect to the services incidental to mining. Eleven of those Members have limited their commitments to advisory or consulting services. Canada has taken commitments on services incidental to mining.

9. Typical obstacles to trade in energy services include:

- restrictions for the entry and stay of energy services managers, professionals and experts;
- restrictions for the entry of the equipment and tools needed to provide the service;
- arbitrary business and licensing requirements; and
- absence of transparency of regulatory framework.

B. PROPOSAL

10. Canada believes that all services in the oil and gas sector can be found in the W/120. In addition to services incidental to mining, different related oil and gas services may be included in real estate services, rental/leasing services, technical testing and analysis services, services incidental to energy distribution, related scientific and technical consulting services, and construction and related engineering services. The current classification has certain merits and logic (e.g., all engineering services should be grouped together, irrespective whether it is civil, electrical or energy-related) and often, as is the case for engineering, it is a better reflection of the legal reality (i.e., regulates services of a same nature, not according to specialization areas). Services related to the sector could still be subject to a special “cluster” or “checklist” that Members may use as an aide-memoire during the negotiations.

11. By its proposal, Canada wants to encourage WTO Members to broaden and deepen commitments for the provision of oil and gas services. All four modes should be examined for greater liberalization.
