



Market Access for Alberta Based Energy Products

Issue

Alberta businesses will benefit from policies that help our people, products and services find new markets. Better market access will promote increased growth in the resources extraction and value-added industries. Action needs to be taken by the Government of Alberta to facilitate its existing hydrocarbon industry and attract more companies.

Background

Alberta's vast supply of hydrocarbon resources have provided the province with a wealth of investment opportunities. The industries that extract these resources and add value through further processing to meet market demands serve as important sources of long-term job creation, and they generate lasting benefits for municipalities, the province, and the country. High-paying jobs means economic activity and tax revenue to support communities and government programs.

Our pipeline infrastructure has economic significance to Albertans and all Canadians. Due to the lack of pipelines to markets other than the U.S., Canadian producers are forced to sell their products at a discounted price. Bottlenecks in our infrastructure have exacerbated the price gap between Western Canada Select (WCS) and West Texas Intermediate (WTI), which has ranged from \$7 to nearly \$40 per barrel in recent years.¹

This discount on Alberta oil has a severe negative impact on our economy. The Canadian Chamber of Commerce estimates that a \$10 improvement in the price differential would result in \$50 million injected into Alberta's economy every day.² Continued pipeline paralysis amounts to an extraordinary transfer of wealth from Canada to the United States.

Market access impacts the value-added sector as well. The American Chemistry Council estimates that while over \$250 billion in new chemical investments are announced or underway in North America, only 1% of this investment is located in Canada.³ Investors have identified the transportation service being a concern in competitively accessing markets in a timely manner. Alberta has seen investors more inclined to invest in the US to hedge against logistical uncertainty and to guarantee access to tidewater than invest locally. As Alberta promotes further investment opportunities to build upon our existing industries, it will be critical to ensure that all pipeline, road, and rail transportation services are readily available and provide reliable and competitive service that supports the government's strategy for product and market diversification.

The energy industry has been a critical component in the growth of Alberta's economy. Economic surplus captured by Alberta businesses is reinvested in the economy and creates a more productive and prosperous

¹ Alberta Economic Dashboard

² <http://www.chamber.ca/media/blog/130917-50-Million-a-Day/>

³ https://www.canadianchemistry.ca/library/uploads/2018_CIAC_Pre-Budget_submission_-_July_10_Final.pdf

population. Tax revenues that flow from the hydrocarbon industry provide stable cash streams to support the delivery of services by government. The greater the economic value that is captured from the hydrocarbon industry, the greater the well-being of Alberta's business community and population.

In 2018, the Government of Alberta established the Market Access Task Force to respond to challenges facing the construction of critical infrastructure projects, namely, the Trans Mountain Pipeline Expansion Project⁴. The objectives of this Task Force are,

- consider any and all measures to ensure that all provinces respect their constitutional responsibilities
- assess Alberta's current national market access situation including pipeline and rail infrastructure, issues, opportunities, economic impacts, legal implications and relationships
- openly share information and intelligence among Task Force members to ensure decisions are fully informed
- provide recommendations to advance Alberta's oil and gas market access through pipelines, rail or other means
- provide advice for tangible market access promotion that Alberta could consider and act as an informed and confidential sounding-board to test Alberta government responses to market access issues
- explore opportunities for government and industry to work jointly to advance Alberta's oil and gas market access
- provide legal advice to government on priorities and mechanisms to leverage efforts where engagement actions are being considered
- prepare responses to market access decisions and policy changes in other provinces over which Alberta has limited influence

Conclusion

The element of the supply chain that is the greatest threat to expanding the hydrocarbon industry in Alberta is access to markets. The vast majority of our raw crude oil, natural gas resources, and value-added products such as refined petroleum and petrochemical products are exported to the United States. This domination of a single customer is not efficient nor does it provide opportunity to capture the full value that petrochemical products command in international markets.

Expanded infrastructure to access diverse markets for hydrocarbon products can position Alberta businesses to fully benefit from the hydrocarbon industry in the long term, by transforming Alberta producers from price takers into leaders.

The Alberta Chambers of Commerce recommends that the Government of Alberta:

1. Facilitate the development of new market access for Alberta's raw energy resources and value-added products, which includes development of energy transportation infrastructure such as pipelines and railways to tidewater.
2. Support the objectives of the Market Access Task Force

⁴ <https://www.alberta.ca/market-access-task-force.aspx>