

Ensuring the Future of Canadian Oil and Gas

Issue

Canada has an abundance of natural resources that generate direct wealth for Canadians through production and export. Increasingly, these commodities represent a large contribution to Canada's economic growth; however, Canada still spends \$26 billion on oil imports annually. Access to markets for commodities, specifically oil and gas, represents a significant obstacle in Canada's ability to secure a competitive position in the global economy. Further, failure to develop these projects leads to negative impacts on Canadian businesses and ultimately their families.

Background

The Canadian oil and gas industry employs 533,000 workers across the country⁵⁶. In 2017, approximately 272,000, or 12% of workers in Alberta, were directly or indirectly employed in the mining, quarrying, and oil and gas extraction sector; that is about 9,000 more, as compared to 2016⁵⁷. This production generated over \$118.5 billion in 2017, following a 10.9% decline in 2016⁵⁸, which in turn funded many public services. This highlights the importance of the oil and gas industry for the wellbeing of Canadians. For every 1 job created in the oil sands, 1 indirect and 1.5 induced jobs are created throughout Canada⁵⁹. The significant drop on oil prices beginning in 2013 has left Canada in a vulnerable position.

Traditionally, the United States has been Canada's largest buyer, but their recent supply surplus has positioned them to energy independence and exportation. What this means is that Canada is finding itself in an increasingly competitive relationship with its biggest trade partner. In fact, in 2010 Canada imported only 6% of its oil from the United States and that number jumped to over 60% of the share in 2015⁶⁰. The United States is predicted to continue to drastically reduce its oil and gas imports over the next 25 years⁶¹.

Regardless of its current price of oil, Canada still has to sell its oil and gas at a discount due to the lack of market access. This equates to \$18 or \$19 billion that could otherwise be gained by selling directly to the Asian-Pacific market. Loss of this revenue puts severe pressure on all Canadians, as evidenced by job losses and strain on social services currently being experienced across the nation.

⁵⁶ Context Energy Examined. "How many jobs does natural gas support?," accessed April 15, 2019, https://context.capp.ca/infographics/2018/infographic_533000-jobs

⁵⁷ Alberta Government. "Mining and Oil and Gas Industry," accessed April 15, 2019. <https://work.alberta.ca/documents/industry-profile-mining-oil-and-gas-extraction.pdf>

⁵⁸ Statistics Canada. "Oil and gas extraction, 2017," accessed April 15, 2019. <https://www150.statcan.gc.ca/n1/daily-quotidien/180924/dq180924d-eng.htm>

⁵⁹ Jeff Gaulin, "The State and Future of Canadas Oilsands" *Canadian Association of Petroleum Producers* Presentation to Lethbridge Chamber of Commerce, April 28, 2016.

⁶⁰ Peter Tertzakian, "Like a rocky romance, the oil relationship between Canada and the U.S. is complicated," accessed May 4, 2016, <https://www.nationalnewswatch.com/2016/05/04/like-a-rocky-romance-the-oil-relationship-between-canada-and-the-u-s-is-complicated/#.XLYqHfZFyas>.

⁶¹ Canadian Chamber of Commerce, "Canadian oil and gas: the US needs less. Asian needs more," accessed April 15, 2019. file:///C:/Users/polic/AppData/Local/Temp/50_Million_a_Day_brochure.pdf

Despite economic uncertainty, Canada has been unable to build any major pipelines. In particular, Trans Canada's Energy East and Mainline projects were cancelled due to significant regulatory hurdles. Moreover, despite receiving the necessary regulatory approvals, Canada's remaining pipeline projects, Line 3 Replacement Project, Keystone XL, and the Trans Mountain expansion have all faced delays related to market uncertainty, environmental regulatory concerns, and political opposition⁶².

A key piece of critical infrastructure that is ready is the Trans Mountain Expansion Project (TMEP). The pipeline runs from Edmonton to the Westcoast, and is a key component in getting Canadian oil to tidewater – and ultimately to international markets. The development phase of this expansion will boost Canada's GDP by \$13.3 billion in the first 20 years of its operation⁶³. Total tax payments from the construction and operation of TMEP will total \$18.5 billion to Canada, with \$2.1 billion to B.C., \$9.6 billion to Alberta, and \$6.8 billion to other provinces and territories⁶⁴. This will bring 58,000 person-years of employment, with majority of these being well-paid family supporting jobs.

On February 22, 2019, the National Energy Board released its report supporting the Trans Mountain pipeline expansion. Of its many recommendations, the National Energy Board urged the federal government to make a decision on the project within 90-days which has currently not done.

Ultimately, in an increasing competitive global oil and gas market, Canada needs to take action. The United States has moved from becoming a reliable customer, to seeking energy independence through exportation of oil to international markets, particularly Canada. This is why Canada needs to develop its own reliable infrastructure to make sure all Canadians have access to a stable supply of oil.

The Alberta Chambers of Commerce recommends the Government of Canada:

1. Prioritize supplying all Canadians with a secure and stable source of Canada's natural resources; and
2. Accept the recommendations proposed by the National Energy Board in respect of the Trans Mountain Expansion Project as soon as possible to allow the project to move forward.

⁶² Fraser Forum. "Cost of cancelling Trans Mountain could be staggering," accessed April 16, 2019, <https://www.fraserinstitute.org/blogs/cost-of-cancelling-trans-mountain-could-be-staggering>

⁶³ Kinder Morgan. "Trans Mountain, accessed May 6, 2016, <http://www.transmountain.com>

⁶⁴ *Ibid.*