

Market Access for Alberta Based Energy Products

Issue

Alberta business will benefit from policies that promote increased value added from the resources extraction industry. Action needs to be taken by the Government of Alberta to facilitate value added industry to locate and remain in the province.

Background

The growth in the Alberta economy is driven by the export of hydrocarbons, hydrocarbon derivatives and related technologies. Capital investment in our economy by foreign, national and local firms puts money into the hands of Alberta businesses. Construction and continuing operations provides high paying jobs, creates long term employment opportunities and builds strong communities. .

The hydrocarbon market is wide, deep and competitive and competitive. Capital resources flow to the region that has the superior combination of a low price and stable supply. The greater value that we can obtain from our exports the great economic surplus that Alberta business and the people of Alberta can capture from our nonrenewable hydrocarbon resource base.

The possibility of increased economic value added in Alberta is a function of several related supply chain variables which must combine in the chain to provide a low cost, low risk supply. If achieved, value added industry and all associated benefits with those industries will locate and stay in the province. The variables are:

- Resource availability
- Facilities to convert the material to a higher value added product
- Access to markets

The element of the supply chain that is the greatest threat to expanding the value added industrial base in Alberta is access to markets. With the exception of the volumes that are consumed within Alberta and Canada, the vast majority of our raw crude oil and natural gas resources, along with our 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.

Low prices for international oil pricing ease capital cost inflation and create opportunities to invest in value add industries with improved economics in Alberta. In combination with the depressed pricing for

Alberta natural gas, which provide feedstock costs advantages, the current low-cost environment is an opportunity for developing value-added industry in Alberta. By increasing value-add industry capacity, a domestic market is created for Alberta feedstock products that can benefit when international pricing for hydrocarbon feedstock's is low.

With a strengthened value-add industry, Alberta's energy economy can benefit from both low and high cost international pricing environments for feedstock products. In addition to ongoing economic activity and job creation that come with a balanced energy industry across the hydrocarbon value chain, tax revenues that flow from value-add industry can provide stable energy-driven revenues streams to support the delivery of services by government.

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 population. The greater the economic value that is captured from the hydrocarbon industry, the greater the wellbeing of Alberta's business community and population.

Conclusion

Strategic investments in value add industry and technologies, combined with expanded infrastructure to access diverse markets for hydrocarbon products, can position Alberta businesses to fully benefit from the hydrocarbon energy industry in the long term.

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, where it makes sense, rail to refineries in eastern Canada, the US Gulf Coast, Canada's West Coast or Alaska for shipment to Asian Pacific regions.