

Global Affairs Canada

Consultations on the renegotiation and modernization of the North American Free Trade Agreement

Submission of the Canadian Association of Petroleum Producers

Summary

Our strong desire is to have the current provisions of NAFTA remain in place but with changes to rules of origin and verification procedures that reflect commercial reality with procedures that are effective, simple, low cost and predictable. We have three rules changes that we would wish to have adopted in a modernized NAFTA. Without these changes Canadian crude oil and natural gas will continue to be unreasonably denied the NAFTA preference. These changes are explained in the body of our submission.

Introduction

Free trade in energy is a great North American success story. The Canadian Association of Petroleum Producers (CAPP) supports the continuation of free trade in energy under the North American Free Trade Agreement (NAFTA).

CAPP represents producers, large and small, that explore for and develop Canada's oil and natural gas. Our members produce about 80% of Canada's oil and natural gas. The upstream petroleum industry, despite the current low price environment, remains the largest private investor in Canada and among the largest sources of export revenue. Capital expenditures in 2016 are estimated to be \$37 Billion with net export revenues of \$40 Billion.

Free trade in energy is fundamentally a reciprocal relationship. Access to export markets for Canadian oil and natural gas is vital for our industry and the Canadian economy. Our export markets also depend on secure access to Canadian oil and natural gas to meet their energy needs and to support infrastructure and investments made in reliance on that access.

The United States is the largest export market for Canada's crude oil and only market for natural gas. Canada is also the largest, and most secure, supplier to the United States for the imports it

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requires to fuel its economy. Eastern Canadian refineries have also become a new market for growing U.S. light oil production while U.S. shale gas now fuels homes in eastern Canada. Along with the flow of energy goods and products, North America enjoys rapid transfers of technology and continental flows of investment capital all of which sustain the North American energy advantage.

NAFTA has led to the creation of an integrated North American energy market which has spurred technological innovation, growth in energy supplies, a vast expansion of economically recoverable resources, and growth in energy demand. NAFTA has provided an extraordinary opportunity for energy self-sufficiency and security for many generations throughout the North American free trade area. This was unimaginable even in 1994 when NAFTA came into force. This alone demonstrates the value to all parties from free trade and the value of retaining and building on this successful framework.

We welcome this opportunity to share our views and we look forward to providing further support to you as you advance the renegotiation.

While we are concerned about the uncertainty caused by the reopening of NAFTA and would wish an expeditious conclusion, we believe it is most important to achieve a good outcome.

Free Trade Principles

CAPP supports a North American free trade agreement that embodies the following principles:

- **Tariff reduction and elimination** in the trade of crude oil and natural gas, refined products, equipment and other goods and services supporting exploration, production, manufacturing (refining) and marketing of hydrocarbons.
- **Liberalized trade of all oil, natural gas and derived products**, including crude oil, gas, liquefied natural gas (LNG) and all refined products and petrochemicals or other energy intensive manufactured goods reliant on natural gas.
- **Liberalized trade of all products essential to oil and natural gas industry integrated supply chains.** Retaining competitive and transparent bidding for project approvals and operational licenses and sourcing of labor and materials.
- **Market access – national treatment afforded to foreign investors** in domestic markets, without exceptions.
- **Investment protections, including strong Investor-State Dispute Settlement (ISDS) provisions**, with coverage of investment agreements, that provides for fair and equitable treatment of investments; full protection and security of investments; rules that restrict expropriation of investments and that provide for prompt, adequate and effective compensation when expropriation does occur; provisions that provide for

disputes to be decided in a neutral forum; and limits on the use of performance requirements.

- **Co-existence clauses** that preserve the strongest investment protections and free trade provisions among overlapping agreements between parties.
- **Intellectual property rights** that conform to the norms of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).
- **Rules of Origin and Verification** that are clear, reasonable, and that support the free trade tariff and customs fee preference:
 - **Open cross-border flows of trade data (e.g. import, export, production, investment).**
 - Recognition of underlying **commercial and market realities** in the design of protocols aimed at compliance and risk of circumvention ('back door' issues)
 - Allowing for **product-specific rules**, such as one allowing for "diluent" (light oils added to crude oil) in cross-border pipeline transit of oil.
- **Trade Remedy Measures (anti-dumping/countervailing) consistent with Article VI of GATT**, which states that "dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in the territory of a contracting party or materially retards the establishment of a domestic industry."
- **Regulatory Cooperation, Coherence, and Harmonization** that, while preserving regulatory autonomy for the parties, establishes or supports a regulatory cooperation and harmonization process and addresses compatibility of environmental, fiscal, and other regulatory policies that affect trade.

The NAFTA Success Story

Gilbert Winham, Professor Emeritus, Dalhousie University, in his 1992 book *The Evolution of International Trade Agreements*, reminds us that, in free markets, enterprise and trade have flourished and, when markets are constrained by intense regulation, enterprise and trade languish.

The maintenance of frameworks that support the operation of free markets and enable a globally competitive Canadian industry is a fundamental premise of free trade and it is the cornerstone of CAPP's position on free trade.

Thirty years ago, in 1987, Canada and the United States were negotiating a free trade agreement. Those negotiations were successful for many reasons not the least of which is the simple fact that Canada and the United States are substantially free market economies with a

common acceptance of the primacy of competition and with economies that already had in 1987 many interconnections and interdependencies.

On energy, by 1987, both Canada and the U.S. had adopted similar policies that relied on market forces to drive the energy economy. Both countries today continue to operate on the basis of market-based energy policies.

The Canada/U.S. Free Trade Agreement came into effect January 1, 1989. It eliminated non-tariff barriers to energy trade, including those related to tax policies, and set the stage for elimination of tariffs and customs processing fees.

In 1994 the free trade area was expanded to include Mexico and NAFTA superseded the earlier Canada/U.S. agreement.

The creation of a North American free trade zone has been and continues to be beneficial to all three countries: Canada, the U.S., and Mexico. The expectation of reciprocal, mutual benefit that drives nations to enter into trade agreements has been a reality for North America.

In the decades since, our economies have become even more interconnected and integrated. The logic of a North American free trade zone is even more compelling now than it was three decades ago:

- The energy economies of the NAFTA countries have expanded and the energy economy has grown. All of us in the free trade area have shared in that growth.
- Supply and demand have increased significantly in Canada and the U.S..
 - Canadian oil supply has grown and oil exports in 2016 were over 3,000,000 barrels per day compared to less than 700,000 in 1987.
 - Canadian natural gas production has grown with exports of 8 billion cubic feet per day compared to less than 3 in 1987. U.S. oil production is back to 1970 levels and has made large in-roads into eastern Canada displacing offshore oil supply to eastern Canadian refineries.
 - With the boom in shale gas production, U.S. natural gas has displaced Canadian natural gas in traditional eastern U.S. markets as well as in eastern Canadian markets.
 - In 1987 U.S. exports of oil and natural gas to Canada were nil to negligible.
- Technology has made vast resources of oil and natural gas economic at prices that are affordable for consumers.
 - The economically recoverable natural gas resource in Canada is five times what it was thirty years ago (more than 1000 Tcf compared to about 200 Tcf 30 years ago).
 - Canada is now recognized to have the third largest oil reserves in the world (after Venezuela and Saudi Arabia).

- Billions upon billions have been invested in the upstream industry in North America and in related midstream and downstream infrastructure.
 - Capital has flowed freely across borders.
 - Pipelines have indeed been built and expanded across the entire free trade area and more will be built.

Sustaining Level Competition and Securing the Promised NAFTA Preference

Canadian producers are exposed to intense competition but are competing and will continue to compete at every opportunity but we need policy frameworks that recognize the competitive forces affecting investment flows and the relative ability to compete. We are becoming increasingly uncompetitive relative to our NAFTA neighbours as environmental and other regulatory costs diverge

Our industry is regulated to standards that are among the highest in the world. Work by Worley Parsons that is referenced by CAPP in the review of the Canadian Environmental assessment Act demonstrates that Canada's environmental assessment processes are among the best in the world but, while Canada is a world-leader, we also have one of the most expensive, time and resource consuming processes in the world.

We have a technologically vibrant and innovative industry that is one of the largest, direct and indirect, employers in the country, including of indigenous peoples. In the order of 440,000 Canadians are employed because of the oil and natural gas industry. In Alberta alone, and just in the oil sands, upstream oil producers spent over \$3.98 Billion in 2013-14 for goods and services from businesses owned in whole or part by Indigenous Peoples.

The success of NAFTA and the integration of energy markets across North America has led energy businesses wherever they are located within the free trade area – Canada, the US, or Mexico – to look at a North American energy market when they make investments and conduct business. The opportunity now is to build on this success and to enhance the benefits of free trade.

One area that requires attention is rules of origin and verification. The current rules of origin and approach to verification deprives Canadian oil and natural gas the promised NAFTA preference and these must be changed in a modernized NAFTA.

When modernizing NAFTA, the starting point is to recognize the shared fundamental value of free markets and competition and focus on sustaining the free market structures that we know lead to positive outcomes. The goal is to maintain the fully reciprocal market access provided under NAFTA for energy goods between Canada and the U.S., as well as the opportunity Mexico enjoys to further liberalize trade. With that goal in mind, one can seek to improve competitive opportunities for energy goods within the free trade area.

In the process, we should do no harm to the deep trade relations that have developed and long term investments that have been and are being made on the basis of secure access to the North American market that is both the legacy and promise of NAFTA.

Our positions on a number of specific issues and, in particular, on the changes to rules of origin and verification that are needed to ensure Canadian oil and natural gas receives the promised NAFTA preference are set out below.

CAPP Proposal on Rules of origin and Verification

We have three proposals that we particularly wish to have adopted. We have worked with IE Canada to develop these proposals and we very much appreciate having the benefit of their tariff expertise. IE Canada is making its own submission which contains these and other proposals, such as one related to *de minimis*, and we support their submission.

We support:

- Rules for qualification for NAFTA treatment in accordance with principles that are acceptable (no backdoor) and that fit commercial reality and
- Verification that is predictable, simple and low cost so that sellers will have the incentive to issue certificates of origin. Unduly burdensome and unpredictable verifications are a deterrent to commercial parties providing NAFTA certificates of origin.

NAFTA has not kept pace with the development of the energy commodity market place where crude oil and natural gas are digitally traded. Efficient, liquid markets have evolved since NAFTA was negotiated and the current rules do not work in this new context. Increased market efficiency is highly positive for both buyers and sellers and a natural and welcome development in the competitive energy market place that NAFTA supports.

The rules of origin developed under NAFTA are difficult to apply in the context of a highly liquid commodity market place with electronic bulletin board trading where buyers and sellers are blind to each other, multiple trades before a transaction physically settles, and commingling of goods in pipeline transport. The result is that all too often sellers do not provide the certificates of origin required to obtain access to the U.S. free of duty and customs fees.

An overly zealous approach to verification by U.S. Customs and Border Protection (U.S. Customs) has exacerbated the problem. U.S. customs has engaged in numerous verifications with the view that each import transaction must be accounted for throughout the chain of trade back to the well head for the full volume imported. This has meant that the NAFTA preference would be denied where a producer had the paperwork necessary to trace the transaction back to the battery¹ but could not go back to the specific well feeding the battery. Denied also where the pipeline had added a small amount of diluent to 'trim' the batch for ease of movement in the

¹ A battery is a tank facility located in the production area to gather crude oil produced in that locality.

pipeline and the producer could not identify the source of this diluent. There is simply no incentive for sellers to provide certificates of origin in this environment.

Where electronic trading occurs, there is no ability to trace the transaction past digital trading platforms with the result that claims of NAFTA origin are being denied.

The result is that much Canadian oil and natural gas is not receiving the tariff preference promised in NAFTA. Natural gas that is exchange traded and imported into the U.S. is being charged merchandise processing fees. Crude oil imported from Canada is being charged both duties and fees to U.S. Customs due to technical rules of verification.

Currently it is estimated that U.S. \$20 - \$30 Million in duties and fees are being paid to U.S. Customs, on Canadian heavy crude oil with similar amounts being paid by Canadian light oils.² Natural gas that is deprived the NAFTA preference is being charged MPF (merchandise processing fees) of U.S.\$400.00 per day per importer per pipeline (\$12,400/month per importer per pipeline). The promise of tariff elimination is not a reality for too much Canadian oil and natural gas. These import charges are paid by the U.S. importer and hence are also a cost to the U.S. consumer.

We of course share the objective of ensuring no country in the free trade area becomes a back door for goods from countries outside the free trade area. We do, however, believe that finding a solution to the rules of origin problem must be part of any renegotiation of NAFTA.

We have been working with IE Canada to develop solutions and support their efforts to support our industry. We appreciate their expertise in these matters and have drawn on that expertise in identifying those proposals that we believe best fit the circumstances of Canadian crude oil and natural gas.

1. Product Specific Rule for Diluent

We support a **product-specific rule in NAFTA for diluent** (light products added to crude oil) in cross-border pipeline transit of oil.

- Oil producers often blend bitumen and heavy crude with condensates or diluents to transport the oil by pipeline³. When this occurs, in order for the blended crude to qualify NAFTA status as "wholly obtained or produced" in the Mexico, the US or Canada, alternative rules of origin will be necessary.
- We support new language in NAFTA for diluent rules of origin and the percentages allowable that aligns with the text that was agreed by the parties in TPP but with a

² Data does not take into account any post-import NAFTA claims.

³ Diluent may be added into the production process as a solvent or for dewatering but when left in the produced oil continues to facilitate transportation to market and reducing the need for diluent that would otherwise be required. Once it leaves the field, a pipeline may add some diluent to further ease transport on its pipeline system. The rule should be expressed in a form that will recognize that diluent wherever added and even if added for reasons ancillary to transport, also serves to facilitate transport.

modification to reflect the fact that diluents can enter into the process prior to or after first receipt into a pipeline while ultimately serving the purpose of facilitating transportation⁴. This new language would make it easier for importers of crude and natural gas in Mexico, the US and Canada to claim NAFTA benefits on entries of hydrocarbons crossing borders between the three countries.

- Proposed new product specific rule (minor modification of TPP rule):

For the purposes of determining whether or not a good of heading 27.09 is an originating good, the origin of diluent of heading 27.09 or 27.10 that is used to facilitate the transportation, regardless of the place or time at which it is added, between Parties of crude petroleum oils and crude oils obtained from bituminous minerals of heading 27.09 is disregarded, provided that the diluent constitutes no more than 40 per cent by volume of the good.

- To support the application of this product specific diluent rule, we believe that U.S. Customs should accept records created by producers in the ordinary course of business to demonstrate this rule is being met without the need to incur additional costs of record keeping or inventory management. Such records might include production records that show the diluent blending or royalty reporting records provided to government agencies.

2. Product Specific Rule for LNG

We also support the **product specific rule agreed to in Track 4 for LNG** that treats natural gas when converted from liquid to gaseous form as being NAFTA qualifying.

- This addresses an issue of imported LNG which, once landed, is re-gasified and put into the North American pipeline system. With the commingling of natural gas in the integrated North American pipeline system, once this natural gas enters the pipeline system it should be treated as part of the North American supply. To do otherwise means that any gas anywhere on the North American pipeline grid could fail the test for origin and the commercial parties at that point would have no ability to prove origin by proving the absence of the negative, no gas from LNG is their specific transaction. In this regard, LNG is higher cost and only imported into North America to meet seasonal or regional demand that exceeds what can be supplied from within North America.
- Proposed new product specific rule for LNG (as agreed to in Track 4):

A change to subheading 2711.21 from any other subheading.

⁴ TPP Text: *For the purposes of determining whether or not a good of heading 27.09 is an originating good, the origin of diluent of heading 27.09 or 27.10 that is used to facilitate the transportation between Parties of crude petroleum oils and crude oils obtained from bituminous minerals of heading 27.09 is disregarded, provided that the diluent constitutes no more than 40 per cent by volume of the good.*

3. General Rule for Goods Loaded In and Exported From a NAFTA Country

These two product specific rules, while important and necessary, do not address the problem for crude oil or natural gas that passes through many hands or is traded electronically.

The rules of origin should recognize any crude oil or natural gas or refined product that is received into a pipeline or loaded onto a ship, train, or truck in North America as being of NAFTA origin. There simply is no back door for crude oil or natural gas into North America.

- Natural gas and crude oil entering the U.S. from western Canada cannot by any reasonable assessment come from anywhere else but Canada and NAFTA should require customs officials in the US when verifying NAFTA origin for hydrocarbons at the border, to accept general representations that crude oil or natural gas is originating from western Canada and, therefore, qualifies for NAFTA preferential tariff treatment.
- The requirement to trace each import to the well head is unreasonable and unnecessary.
- There simply is no physical or realistic economic potential for western Canada to be a backdoor into the U.S. for non-NAFTA natural gas or crude oil.
- Natural gas only enters the U.S. from Canada by pipeline and the only supply that can enter the pipelines exiting western Canada is from western Canada. There are no LNG import terminals on the west coast of Canada: instead Canadians are trying to establish LNG exports from the west coast. LNG enters Canada only in Saint John, N.B. and once that is re-gasified and in the pipeline system should be considered to be of NAFTA origin. Also, western Canadian natural gas is fighting to retain market share against the onslaught of U.S. shale gas.
- The crude oil that enters the U.S. from western Canada, whether by pipeline or rail, also comes from nowhere else but western Canada (with the exception of some imported diluent). No one would ship crude oil all the way from an offshore production region to western Canada as a way to avoid U.S. duties and fees to access the U.S. market. Moreover, western Canadian crude oil supply exceeds the capacity of the pipeline systems and high cost rail is increasingly being used. Crude oil is imported into eastern Canada to meet refinery demand, with much of that now coming from the U.S.
- Trans-shipment through Canada to the U.S. as a means to avoid U.S. duty and/or fees is not realistic for either crude oil or natural gas as the costs of transportation, storage and handling exceed the duty and fees that would be incurred. Tankers from non-NAFTA countries would sail directly to U.S. ports, as they do today, and compete for market there.
- There is no realistic back door and the rules of origin and verifications procedures should recognize this.
 - Proposed language (for inclusion in the appropriate Annex to the modernized NAFTA and reflected in applicable tariffs as a general note similar to GN 12(u) of the HTSUS):

Energy products, whether raw or refined, from oil and natural gas exported from the commerce of one party, loaded for transportation in any one of the

territories, imported into another party should be considered an originating product to support North American energy independence. List all applicable headings, i.e. 2709, 2710, and 2711.

The proposals we have outlined above are very much needed if the NAFTA preference is to be obtained. Other proposals by IE Canada also have merit and we endorse those as well.

CAPP Position on Other Specific Issues

Tariff Reduction & Elimination

CAPP supports the preservation of NAFTA's elimination of tariffs in the trade of crude oil and gas, refined products, and other goods supporting exploration, production and manufacturing (refining). NAFTA eliminated tariffs for crude oil, gasoline, motor fuel blending stock, distillate fuel oil and kerosene type jet fuel – all of which would increase without NAFTA. CAPP also supports the elimination of tariffs on other goods such as equipment that supports oil and natural gas exploration, production, transportation, and manufacturing (refining). CAPP proposes that further NAFTA drawdowns in tariffs apply immediately rather than over long, multi-year timelines.

Liberalized Trade of all Oil, Natural Gas & Derived Products and Supply Chain Inputs

CAPP supports fully liberalized trade across Mexico, the US and Canada in crude oil, gas, liquefied natural gas (LNG) and all refined products and petrochemicals or other energy intensive manufactured goods reliant on natural gas. CAPP also supports fully liberalized trade of all products such as equipment that is essential to the oil and natural gas industry's integrated North America supply chains.

CAPP supports transparency in project approvals and operational licences as well as competitive and transparent bidding for hydrocarbon blocks, leases and licenses (as applicable).

Market Access

CAPP supports "national treatment" afforded to NAFTA country investors in domestic markets, without exceptions. Generally, NAFTA requires Mexico, the US and Canada to give non-discriminatory treatment (i.e., "national treatment") to investors from those countries.

When NAFTA first came into force, that obligation did not apply to Mexico's hydrocarbon market. Mexico subsequently made constitutional reforms that open the hydrocarbon market to foreign investment. That opening triggered a NAFTA "ratchet clause" that locks in market access and investment protection for foreign investors – meaning that NAFTA prohibits Mexico from

reversing course and returning to the prior, discriminatory approach to investment in oil and natural gas.

CAPP believes that a modernized NAFTA should codify with clarity that the energy industry is included in the general, horizontal “national treatment” conveyed to Mexican, US and Canadian investors across all three countries.

Investment Protections, including Investor-State Dispute Settlement (ISDS)

CAPP supports investment protections that provide for fair and equitable treatment of investments; full protection and security of investments; rules that restrict expropriation of investments and that provide for prompt, adequate and effective compensation when expropriation does occur; provisions that provide for disputes to be decided in a neutral forum; and limits on the use of performance requirements. CAPP supports NAFTA investment protections that are at least as strong as those currently in NAFTA and that provide equal protections to investors from all three countries for investments in all three countries (i.e., that do not allow for any exceptions or non-conforming measures for any of the parties).

Procurement: Competitive and transparent bidding and sourcing of labor and materials

CAPP supports the sourcing of local employment and equipment; however, the cost burden of establishing new local industry should not rest solely on foreign or domestic investors through overly prescriptive local content requirements. In practice, these policies can be discriminatory, contrary to national production targets and difficult to implement.

CAPP supports labor and materials sourcing policies in NAFTA that retain a free market orientation, that promote competitive and transparent bidding, that provide opportunities to suitably qualified local and global suppliers and that allows companies make independent decisions on procurement of labor and materials.

Duty Drawback

CAPP supports the addition of new language in NAFTA that allows for full access to all duty drawback provisions for Mexican, US and Canadian manufacturers to obtain a refund (or “drawback”) of duties, taxes and fees that were paid on imported goods as applicable. The drawback of duties, taxes and fees helps North American manufacturers (refiners) compete in the global marketplace by reducing the distribution and production costs of exports from Mexico, Canada and the US.

Labour Mobility

The TN nonimmigrant classification permits qualified Canadian and Mexican citizens to seek temporary entry into the United States to engage in business activities at a professional level.

Among the types of professionals who are eligible to seek admission as TN nonimmigrants are accountants, economists, engineers, lawyers, pharmacists, scientists, and teachers.

CAPP supports provisions that would allow for the mobility of oil and natural gas industry personnel, including for emergency response, within the free trade area. CAPP supports the expansion of the list of professionals⁵ in Appendix 1603.D.1 to include occupations such as computer scientists, software specialists and entrepreneurs.

Data Sharing by Government Statistics Agencies

CAPP supports the enhancement of the quantity and consistency (accuracy, completeness, comparability) of publicly available data on energy that is made available to the public from Mexican, US and Canadian government statistics agencies. We support agencies making available to the public the following:

- imports and exports of oil and natural gas products and oil and natural gas equipment – disaggregated by product, country and monetary value;
- data on production and monetary value and maps of cross-border crude oil pipelines, natural gas pipelines and electricity transmission lines; and
- data on foreign direct investment in oil and natural gas disaggregated by international surveys industry (ISI) and by monetary value by year.

Regulatory Cooperation & Coherence

CAPP supports a modernized NAFTA that includes a Regulatory Coherence Chapter that, while preserving regulatory autonomy for the parties, establishes or fortifies a regulatory cooperation process, with strong mechanisms to promote harmonized and compatible regulations that are risk-based; outcome focused; use sound science and data; incorporate cost-benefit analysis; and that promote increased transparency, accountability, enhanced information quality and timely stakeholder consultation.

Compatibility of environmental and tax policies, and related cost implications for industry, are also an increasing concern. The U.S. is our major export market for oil and our only market for natural gas. There are presently strong indicators of divergence on environmental policies and continued discussion of unwelcome potentially trade distorting tax policies.

As a consequence, there is much uncertainty as to the degree to which the U.S. and Canada may diverge on key policies that impact trade and the extent to which industry in Canada may be disadvantaged competitively relative to a company operating in the U.S. The uncertainty is already impacting investment and that is simply because significant divergence drives investment out of Canada.

⁵ <https://www.nafta-sec-alena.org/Home/Texts-of-the-Agreement/North-American-Free-Trade-Agreement?mvid=2#Ap1603.D.1>

State-owned Enterprises

CAPP supports inclusion in NAFTA of the TPP provisions that were to apply to state-owned enterprises (SOEs). We support commitments by NAFTA Parties to require that any SOEs make commercial purchases and sales on the basis of commercial considerations and that they do not discriminate against the enterprises, goods, and services of other Parties. We also support NAFTA commitments for the Parties to not cause injury to another Party's domestic industry by providing non-commercial assistance to a SOE that produces and sells goods (directly or indirectly) in the territory of another Party or produces and sells goods that may have an impact on the price of goods in the territory of another party.

In addition, CAPP supports the coverage of SOEs in NAFTA to include any province/state-level SOEs. We also support NAFTA extending the commitments on SOEs to disallow the preservation of monopolies or "golden shares" controlling stakes of state-owned oil and natural gas companies.

Conclusion

CAPP appreciates the opportunity to share its perspectives on NAFTA and items to include as the US, Canada, and Mexico approach negotiations to modernize NAFTA. We look forward to providing further support to you to modernize NAFTA and to continue improved trade relations with our North American allies.

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