INTRODUCTION TO NATURAL GAS

WHAT IS NATURAL GAS?
Natural gas is a naturally occurring hydrocarbon gas mixture consisting primarily of methane. It is formed when layers of decomposing plant and animal matter are exposed to intense heat and pressure under the surface of the Earth over millions of years. Natural gas is used in more than six million Canadian households for heating and cooking, and it can also be used to make fertilizers, fuel, paint and many other items.

Source: Canadian Energy Regulator (CER), 2019

ENERGY SUPPLY
Canada has enormous natural gas resources. In fact, given current domestic consumption, Canada has more than enough natural gas for at least 300 years.

Canada is the world’s fifth-largest producer of natural gas, with an estimated 1,383 trillion cubic feet (Tcf) of remaining natural gas resources and has been safely developing its natural gas resources for more than 60 years.

Source: CER, 2019

Canada’s natural gas industry is well-regulated, technically advanced, committed to improving environmental performance and is positioned to help meet growing global demand.

TOP 10 GLOBAL NATURAL GAS PRODUCERS

<table>
<thead>
<tr>
<th>Country</th>
<th>Trillion Cubic Feet Per Year</th>
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</thead>
<tbody>
<tr>
<td>United States</td>
<td>25</td>
</tr>
<tr>
<td>Russia</td>
<td>20</td>
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<tr>
<td>Iran</td>
<td>15</td>
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<tr>
<td>Qatar</td>
<td>10</td>
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<tr>
<td>Canada</td>
<td>10</td>
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<tr>
<td>China</td>
<td>5</td>
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<tr>
<td>Australia</td>
<td>5</td>
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<tr>
<td>Norway</td>
<td>3</td>
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<td>Saudi Arabia</td>
<td>3</td>
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<td>Algeria</td>
<td>2</td>
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</tbody>
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Source: BP Statistical Review, 2019

GLOBAL DEMAND FOR NATURAL GAS
Global demand for natural gas is expected to increase 36 percent by 2040.

Source: IEA World Energy Outlook 2019, New Policies Scenario
CHANGING MARKETS

Getting Canada’s natural gas to new global markets is critical. With advances in recovery technology that have unlocked shale and tight gas resources, Canada’s potential supplies of natural gas have grown significantly. Canada is challenged to move natural gas from Western Canada to eastern markets, into the United States, and to new global markets. While Canada has abundant natural gas resources, the United States is currently the only international customer for western Canadian natural gas and also the largest competitor.

Exports to the United States, have decreased to 7.3 billion cubic feet per day (Bcf/d) in 2019 from more than 10 Bcf/d in 2007, due to the U.S.’s growing domestic natural gas industry.

The U.S is becoming more self-reliant and is increasing production of their natural gas resources. The U.S. became a net exporter of natural gas in 2017, selling to international customers such as Mexico, China and South Korea.

Source: Energy Information Administration, 2018

BETWEEN 2008 AND 2019 THE U.S. HAS:

![Image showing increased production](image)

Source: U.S. Department of Energy, 2019

NEW MARKETS AND SIGNIFICANT GROWTH POTENTIAL

Canada’s natural gas industry is seeking new markets where natural gas can be exported overseas as liquefied natural gas (LNG). The need to find global customers, especially in Asia where demand for natural gas is growing, is crucial to Canada’s natural gas industry.

Canada has an opportunity to provide emerging economies in Southeast Asia, China and India with responsibly produced natural gas. These growing markets are close to Western Canada’s abundant natural gas resources in B.C. and Alberta. In fact, Asian markets are an eight-day to an 11-day sail from proposed West Coast terminals, two days closer than most of our international competitors.

An LNG industry in Western Canada can play a key role in supplying India and China with the additional 49 billion cubic feet per day (Bcf/d) of clean, affordable and reliable natural gas they are expected to need by 2040.

Source: IEA, World Energy Outlook, Stated Policies Scenario, 2019

Canadian LNG export opportunities are also being explored on Canada’s East Coast.

Nova Scotia’s offshore resource potential is 120 Tcf of natural gas, while offshore Newfoundland and Labrador the resource potential is more than 146 Tcf. To put this into context, the average home in Canada consumes about 95,000 cubic feet of natural gas per year.

Source: Nova Scotia Department of Energy and the Government of Newfoundland and Labrador and Natural Resources Canada

From heating homes to generating electricity, currently natural gas meets about 35 per cent of Canada’s energy needs.

Source: Statistics Canada, 2018

POTENTIAL NEW MARKETS

Asian markets are an 25-day sail (round trip) from proposed West Coast terminals, two days closer than most of our international competitors.