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Putting Prosperity for Canadians First

Good morning. Thank you Bridgitte [Anderson] for having me, and to Pat [Maguire] for that introduction.

It's great to be here to open this year's Energy and Natural Resources Forum.

This year's forum follows a provincial election that was as close as could be. So, congratulations to Premier Eby on his majority government, and to all the re-elected and newly elected MLAs.

I would also like to congratulate the new cabinet ministers who were announced one week ago today. I would like to recognize the new Energy Minister, Adrian Dix as well as the new Indigenous Affairs Minister Christine Boyle along with Minister Tamara Davison in Environment and Minister Randene Neill who is responsible for Resource Stewardship. CAPP and our members look forward to working with you in the years to come.

I also want to take a moment to pay my respects to former BC Premier John Horgan, a genuine leader, and supporter of B.C.'s emerging liquefied natural gas (LNG) export industry in his time as premier. He will be missed.

Natural Resources Generate Much of Provincial & National Wealth

It's a fact. Here in British Columbia the vast majority of people live in urban centres – which means most of B.C.'s MLAs come from areas like the Lower Mainland.

Today, I want to talk about the importance of the parts of this province and country outside of our urban boundaries, about the areas where our natural resources are developed and where much of our provincial and national wealth is generated.

Canada's economy is built on a foundation of natural resources. By developing these resources, we help provide the essentials of modern life.

From oil and gas and mining to forestry, fishing, and agriculture – Canada produces the resources countries around the world need to power their businesses, feed their citizens, build their roads and buildings, and heat their homes.

British Columbia already plays an incredibly important role in the natural resources sector in Canada, not only as a resource-rich province but also as an international export hub with access to some of the world's largest markets.

But we are not truly leveraging our resource advantage, which is why the discussions planned for today are crucial at this time – for British Columbia and for the entire country.

First, we need to look at the current national and global context.

Polls around the nation show that Canadians are worried.

- They're worried about the rising cost of groceries and gas for their cars, and whether they'll have a job next month.
- They're worried about being able to pay their mortgage or if they'll ever be able to afford a home.
- They're worried about whether our healthcare system will be able to support them when they need it most.

Highlights:

- What we have working in our favour is that despite a decade of counter-productive energy and environmental policymaking, Canada's economic foundation as a resource-rich nation remains intact.
- It's clear the natural gas and oil industry is delivering significant benefits today for Canadians and British Columbians. But I believe we are just scratching the surface of our energy advantage – and B.C. is central to reaching our potential as an energy superpower.
- To achieve our full potential, we need to stand together against domestic policies that hurt our competitiveness. We need to get our own house in order, and we simply cannot afford to be illogically or ideologically dogmatic in the face of growing geopolitical volatility and a rapidly evolving bi-national trade context with the United States.

But what they're really feeling are **the impacts of a decade of regulatory complexity and investor uncertainty, declining business investment, lowering productivity, and an economy that is not generating enough opportunities for Canadians to prosper.**

Outside of Canada, our world is growing more and more unpredictable.

Violent conflicts in the Middle East and Russia's continued war against Ukraine are an increasing threat to global security and are realigning historical trading relationships.

As we look at our neighbour to the south – our largest trading partner and our largest customer for natural resources – Americans just re-elected a President who is threatening blanket tariffs on all Canadian imports. This would be catastrophic for Canada's resource economy.

These events underscore **the impacts of global instability and show how natural resources, energy, the economy, and national security are highly interdependent.**

What we have working in our favour is that despite a decade of counter-productive energy and environmental policymaking, Canada's economic foundation as a resource-rich nation remains intact.

Particularly at this critical moment, Canada's natural resource industries can play a pivotal role in solving the country's productivity and competitiveness challenges. And if properly leveraged, they can safeguard Canada's standing and influence on the global stage.

Where Would the Canadian Economy Be Without Oil & Natural Gas?

I represent Canada's oil and natural gas producers, so let's look at how projects in this area can help solve some of our country's biggest issues around productivity, affordability, and national and international energy security.

Here are some stats about the Canadian oil and gas sector that you might not know:

- Industry revenues to federal, provincial, and municipal governments across Canada reached over \$45 billion dollars last year – a ten-fold increase since the historically low commodity prices of 2020. [1]
- The industry's supply chain stretches across the country, reaching thousands of businesses, supporting about 900,000 jobs in every single province from coast to coast. [2]

- The jobs are high quality and high paying. The average wage within the conventional sector pays about \$47 per hour more than the national average. [3]
- The industry is one of the largest employers of Indigenous peoples in the country, and hundreds of Indigenous-owned businesses make up a significant part of the supply chain. [4]
- Here in B.C., from 2018 to 2021 the natural gas industry alone spent \$4.7 billion with more than 2,400 businesses spread across the province. [5]
- Annual royalties from natural gas production alone in this province over the past 10 years have grown from just \$169 million to \$684 million. [6]
- For the second year in a row, capital investment from the oil and natural gas industry is expected to reach about \$40 billion across Canada. In addition, Canadian producers spend about \$70 billion annually in operating expenses. [7]
- This year, we expect natural gas and oil producers will spend about \$5 billion in capital investments here in British Columbia. [8]
- Oil, natural gas and related petroleum sectors, such as refining and pipelines, together contribute about \$118 billion to Canada's GDP. [9]
- And the oil and gas industry makes up the largest part – or 20 percent – of Canada's trade balance, exporting some \$152 billion worth of product annually. [10]

In light of Canada's current productivity and economic struggles – and in light of a Canada-United States bilateral negotiation – can you imagine where we would be without our oil and gas industry?

GDP Booster: TransMountain Expansion

An example of how a single major project can contribute to solving productivity, affordability, and global energy security challenges is a local project, likely familiar to all of you:

Since the completion of the Trans Mountain Expansion, we are exporting record amounts of oil from B.C.'s coast – and for the first time, sending significant volumes to markets in Asia while also growing exports to refineries on the U.S. West Coast.

- The Bank of Canada estimated this single project would add a 0.25 percentage point to our GDP in the second quarter of this year – that translates into about a \$7 billion annual boost – enhancing our per capita GDP, which is a key measure of productivity. [11]
- On affordability: A C.D. Howe report showed that reduced gasoline prices in the Lower Mainland were linked to the completion of Trans Mountain. In fact, prior to the pipeline expansion, the average Metro Vancouver family was paying \$1,200 extra for gasoline each year. [12]
- And on energy security: Since the Trans Mountain Expansion became operational, exports of Canadian light sweet crude oil to U.S. West Coast refineries have grown from 7,000 barrels per day to about 100,000 barrels per day – reducing American reliance on other, less stable, overseas exporters. [13]

It's clear the natural gas and oil industry is delivering significant benefits today for Canadians and British Columbians. But I believe we are just scratching the surface of our energy advantage – and B.C. is central to reaching our potential as an energy superpower.

Reality Check: Demand for Oil & Natural Gas Is Not Going Away

To explain this better, let's first look at global energy demand.

- According to a report by RBC, world population is expected to rise by around 834 million by 2035, or the equivalent of another Europe. This growth will require close to what the United States currently consumes in energy. [14]
- The International Energy Agency's Stated Policies Scenario predicts that oil demand will rise to 107 million barrels per day by 2030 and still be 99 million barrels per day in 2035. [15]
- This year, the IEA also upwardly revised natural gas demand in all their scenarios, with their Stated Policies showing natural gas demand growing out to 2050. [16]

The LNG Opportunity Is Here & Now

Importantly for B.C., international LNG trade is forecast to grow by more than 50 percent out to 2050.

The need for oil and natural gas is not going away and frankly, British Columbia is perfectly poised to become one of the most significant energy export hubs on the planet. And the way to reach that status is by fully leveraging B.C.'s LNG potential.

This province has all the ingredients:

- Within B.C. sits the Montney Formation, largely recognized as one of the world's top natural gas plays – and it is already connected to tidewater through the Coastal Gas Link pipeline – with other similar projects being planned.
- In fact, B.C. is forecast to become the largest natural gas producing province in Canada in the next three to four years. [17]
- B.C. enjoys shorter shipping routes than other global competitors to some of the fastest developing energy markets in the world, namely China, east Asia, and India.
- B.C. also has abundant hydro resources to power natural gas production and LNG export facilities, giving B.C. natural gas an emissions advantage over other global sources of energy, particularly coal and even other LNG exporters.
- In addition, the LNG export industry here is building on a foundation of significant Indigenous participation and leadership.

The LNG opportunity is here and now.

We are closing in on the completion of LNG Canada – our first globally significant LNG export facility.

Royalties to the B.C. government are expected to reach \$23 billion dollars over the 40-year life of the LNG Canada project alone. [18]

An analysis from the McDonald-Laurier Institute showed that constructing a facility similar in size to LNG Canada directly boosts national GDP by \$4.5 billion annually through construction and creates more than 35,000 jobs. [19]

So, **there is clearly a business case for more LNG exports from Canada** because Greece, Germany, Poland, Japan, and most recently Taiwan, have all come to Canada looking for a partner in LNG to both support their transition from coal and to secure their long-term energy security.

This is British Columbia's opportunity. We can build an entirely new export industry for liquefied natural gas, bringing high value, high paying jobs and billions of dollars of investment to Canada while helping our trading partners secure their energy needs.

Challenges to Reaching Our Full Natural Resources Potential

I've highlighted the benefits and opportunities provided by the natural gas and oil industry, but we are just one industry. Every resource sector represented here today has a similar story to tell. Each contributes significant value to this province and to our country right now, while holding the potential to achieve even more – for decades to come.

But we have challenges.

The most important message I want to deliver to you today is that we must not allow domestic regulatory hurdles to stop us from reaching our real potential.

For my industry, the most pressing challenges are the proposed federal and provincial emissions cap regulations, which are an unnecessary policy layer on top of an already unwieldy stack of regulations on the oil and natural gas sector.

The cap – if implemented – will limit Canadian oil and natural gas production which would threaten any ambitions we have for B.C. LNG exports. The benefits and potential I've spoken about would disappear, causing significant negative impacts on the province and the entire Canadian economy.

Overall, domestic regulatory complexity is hurting Canadian competitiveness, and we can ill afford to make it harder to invest in Canada, especially now when we look at what's about to happen in the United States.

The Behemoth Next Door

After the presidential election, Canada faces greater challenges: NATO funding, borders, and immigration aside, we expect that the new Trump administration will ensure the American corporate tax structure and permitting processes are globally competitive. We, as Canadians, also need to be eyes-wide-open on the president-elect's threat for across-the-board tariffs of 25% on all Canadian products.

While the president-elect's tariff threat is meant to be provocative, Canadians need to remember how closely integrated Canada's market is with the United States:

Our supply chains are intertwined.

- In 2022, Canada exported \$438 billion USD worth of goods to the United States, and a significant portion (27%) of Canada's merchandise exports to the U.S. are energy-related – including oil, gas, electricity, and uranium. [20]

Imposing tariffs on products like energy would cause chaos in our integrated markets and supply chains and would have an especially devastating effect on Canada. [21]

Whether the tariff threat ever comes to fruition or not, Canada is at an inflection point:

We can keep dithering around with domestic policy that kills our biggest GDP generators and job creators and puts our country's economy further and further behind our OECD peers. The OECD is projecting Canada to be the worst-performing economy – dead last – out of all 38 advanced countries for the next 40 years, achieving the lowest real GDP per capital growth. [22]

- OR -

We can choose to move with alacrity to ensure Canada's place in the world.

Whether we like to admit it or not, Canada's natural resources underpin our hard and soft power on the world stage. We simply cannot be naive about that.

At this critical moment, Canada's natural resources industries are poised to play a pivotal role in solving our considerable productivity and competitiveness challenges. If we properly leverage them, we can enhance Canada's standing and influence on the global stage.

We are the solution to Canada's productivity, affordability, and security problems.

To achieve our full potential, we need to stand together against domestic policies that hurt our competitiveness. **We need to get our own house in order, and we simply cannot afford to be illogically or ideologically dogmatic in the face of growing geopolitical volatility and a rapidly evolving bi-national trade context with the United States.**

Getting Our Own House in Order

We are calling for our provincial and federal leaders to work towards a growth agenda, to put prosperity for Canadians first. To do that we must:

First, take a pragmatic approach to the energy transformation that's underway. We need a plan with pragmatic timelines that considers what can actually be achieved. Demanding more urgency without creating an environment for success will only result in disorder and failure. For example, here in B.C., we're asking those ministers I mentioned at the start of my speech to **create a government- and industry-led integrated natural-gas value-chain strategy to find ways to fully leverage this province's energy resources.**

Second, we need to fix **our approach to major projects** and ensure approvals and permitting can happen in a reasonable timeframe and be competitive with the United States. This will require cross-ministry coordination to enable regulatory efficiency and predictability.

Third, there is no investor certainty unless there is **regulatory certainty**. We need governments to champion major investment opportunities like they do in other jurisdictions around the world – and kill value-destroying policies like the emissions cap. We recommend the B.C. government not to proceed with the sectoral emissions cap on oil and natural gas as it would significantly impact production and limit economic growth and job creation.

If we get these things right, we can:

- **Ensure billions of dollars in investment comes to British Columbia** – unlocking long-term value to help the economy grow and prosper, creating high value, high paying jobs and opportunities for decades to come.
- **Take our place as a leader** in providing vital resources to our allies around the world.
- **Enhance our geopolitical influence** while strengthening our own energy and national security in an increasingly unstable world, and
- **Recapture Canada’s global position of economic strength.**

Thank you for having me here today.

Citations:

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