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Highlights:

- The oil and natural gas industry's relationship between **Canada and the USA is far more than a simple economic relationship or trading partnership. Combined, Canada and the USA produce about 30% of the world's natural gas, and 25% per cent of the world's oil [1]** – and we're just scratching the surface of our collective continental potential as a global energy superpower.
- At this important moment in time, **Canada should be actively pursuing energy policy alignment with the USA.** First we need to align on the goal: we should do absolutely everything in our power to protect and preserve the Canada-USA energy partnership, as it underpins energy security for the western world.
- **Canada needs to be eyes-wide-open on domestic policies that threaten our energy partnership with the USA. Canada's proposed emissions cap** will not only be a cap on Canadian oil and natural gas production, it will actually lower Canadian production, thereby lowering the availability of Canadian energy to the USA and to the rest of the world.

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The Benefits of North American Energy Interdependence

Check against Delivery

Good morning – and thank you for having me here today. I am going to talk about the benefits of the interdependence and abundance of Canadian oil and natural gas to the North American energy partnership, as well as two policies – one on each side of the border – that could harm this.

Let me start by saying that the **value of our North American energy partnership cannot be overstated. We truly have an energy advantage.**

The oil and natural gas industry's relationship between Canada and the U.S. is far more than a simple economic or trading partnership. It started over 130 years ago when natural gas was transported by pipe from Welland County in Ontario to Buffalo, New York in 1891.

Today, our companies operate seamlessly across the border. **Our energy infrastructure is incredibly interconnected and designed to provide Americans and Canadians with the energy they need, every single day.**

- Canada is the largest source of American oil imports, supplying nearly 4.5 million barrels of oil each day to the U.S. [2]
- About 99% of the natural gas imported into the U.S. comes from Canada. [3]
- Together this represents about \$150 billion in annual energy trade between our two nations. [4]

And **this trade relationship is reciprocal.** The largest source of oil and natural gas imports to Canada is the United States.

- Our trade routes run north and south, as many parts of the western U.S. are supplied with natural gas from Alberta and British Columbia, while energy consumers in Ontario are supplied with gas from Pennsylvania.
- Refineries in central Canada import light crude from the U.S. while those in the Gulf Coast and U.S. Midwest are set up to receive heavier crudes supplied by Alberta's oil sands. [5]

This relationship helps keep energy costs lower for Canadians and Americans while creating a secure, reliable energy network.

I would also like to note that our energy partnership has continued to grow regardless of the political parties in power. In recent years, under Presidents Obama, Trump, and Biden, American oil and natural gas production and exports grew – in fact, over those three presidential terms, the U.S. became the largest oil and natural gas producing nation on the planet and the largest liquefied natural gas (LNG) exporter in the world. We hope this trend continues under the new administration.

In Canada, over the past decade and even in spite of ill-informed domestic energy policy, Canadian oil production has reached record levels. The industry completed the TransMountain Expansion Project and will complete our first globally significant LNG export facility in 2025.

Whether the administration is Democrat, Republican, Conservative, or Liberal, the power of our bilateral energy partnership transcends political parties – and has done so for generations.

Leveraging Our Continental Energy Advantage to Grow our Global Geopolitical Influence

I believe **we are just scratching the surface of our collective potential as a global energy power.**

- While Canada has been exporting oil and natural gas for decades, nearly all of those exports have come here to the United States.
- And here in the U.S., you have been exporting crude oil and LNG for less than a decade – and just became a net oil and gas exporter four years ago.
- What this means **is we are just starting to build North America's global oil and gas market share.**
- **Growing our global market share enhances the energy security of our allies AND grows our geopolitical influence on the world stage.**

Combined, Canada and the United States produce about 30% of the world's natural gas and 25% of the world's oil.

Yet I believe both Canada and the United States have more to give on the global stage. For example, Canada has some of the largest oil reserves in the world – larger than the reserves here in the United States and larger than those in Russia.

- Yet Canada annually produces only about half of what is produced by the U.S.
- In North America we have world-class oil and natural gas reserves, we produce them with some of the highest environmental and human rights standards in the world, and we have a growing list of customers that want their energy to come from North America.

In a world with a continuously growing need for energy, together our two countries have the potential to be the most powerful bilateral energy relationship on the planet.

Policy Action Necessary to Preserve, Protect, and Grow

Through the discussion here today I want to stress that **we must avoid energy policies that could damage this relationship.**

Our North American energy partnership needs to be preserved, protected – and should continue to grow through greater access to resources between our countries and increased access to global export markets.

The time is now for us to work together and fully realize our North American energy advantage and take it to the next level.

North American Energy Abundance Closely Correlated to Continental Security

The abundance of North American oil and natural gas resources are closely correlated to national security and continental security.

- First, it's **important** to look at global demand for oil and natural gas.
 - The recent International Energy Agency (IEA) outlook shows in their Stated Policies Scenario that oil demand is expected to rise to 107 million barrels per day by 2030 and still be 99 million barrels per day in 2035. By 2050, IEA predicts oil demand will still be at 93 million barrels per day. [6]
 - This year, the IEA also upwardly revised natural gas demand in all their scenarios. The Stated Policy scenario shows natural gas demand growing to 2050. [7]
 - Importantly for Canada and the U.S., international LNG trade is forecast to grow by more than 50 percent by 2050.

What that means is the need for oil and gas is not going away. In a world with growing demand, you cannot have national security or continental security if you don't have energy security. And we can extend that to the security of the Western Alliance.

When it comes to energy security – the data shows that when we produce more oil and natural gas, we increase our security:

- A study commissioned by the American Petroleum Institute showed that from 2010 to 2019, growth in North American oil production and cross-border trade helped to drive a sharp decline in oil imports from overseas suppliers. [8]
- During that time of rapid growth – which was the decade in which Canada's oil sands were expanded and the shale revolution was at its peak – imports from OPEC fell from around one-third of total supply in both countries to approximately 9% in the United States and 12% in Eastern Canada.
- A more recent example: Since the TransMountain Expansion became operational, imports 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 reliance on other overseas exporters. [9]

Growth in North American oil and gas production and international exports have changed the global supply picture. With the resources we have access to in both countries, we have the potential to offset the supply our other western allies are receiving from OPEC, Russia, Iran, and other nations.

- We have seen this with growth in U.S. LNG trade where nations in Europe are replacing Russian natural gas with American LNG.

- We could be doing more in Canada where our developing Canadian LNG export industry is geographically situated with efficient routes to East Asia, China, and India.
- And if we work together, we can do the same for oil.

The Biggest Policy Risks to Energy Abundance and Energy Security

I said in my opening comments that regardless of political parties, prime ministers, or presidents – North American oil and gas production has remained resilient. However, there are two policies being talked about that would seriously threaten that resiliency.

The first policy is the proposed emissions cap regulation in Canada. Because of its complexity, this regulation will be a cap on Canadian oil and natural gas production – actually, it won't just cap production, it will lower production.

- An analysis of the first draft of emissions cap proposal completed by S&P Global Commodity Insights found the emissions cap being added to Canada's current suite of climate policies is likely to lower production by 2 million BOE/d by 2035. [10]
- This would not only hamper Canada's LNG potential but would also lower the availability of Canadian oil to the United States – and to the rest of the world.
- Also, it would be very difficult for U.S. producers to cover that gap in supply which would mean other producing nations would take that market share.
- Less oil and gas production from North America means higher costs, less energy security, and higher risks to our continental security because we would be forced to import more energy.
- In short – the emissions cap puts American energy security at risk – so both countries should be very concerned about the impacts of this policy.

The second policy is the potential for trade tariffs being placed on Canadian oil and natural gas by the U.S.

While there are optimistic and informed views that tariffs won't be placed on Canadian oil and gas because of the costs it would inflict on American households, at this juncture there is no guarantee of a Canadian exemption.

Indeed, there are also informed views that, depending on how Canada responds to the U.S.'s planned tariff approach on China and related American expectations that Canada will not be used as a back door for China, that across-the-board tariffs on Canada are possible, at least in the beginning.

This policy would have significant negative consequences for Canadian producers with knock-on impacts to U.S. refiners, and ultimately, American energy costs.

- First, Western Canadian Select (WCS) – our heavy crude oil – is the cheapest oil in the world for U.S. refiners. Placing a tariff on it would change that – and refining margins would become significantly challenged for any U.S. refinery relying on WCS. [11]
- This would be felt acutely in the U.S. Midwest where the refineries are highly dependent on heavy crude from Canada. Midwest refiners would have to out-price those on the Gulf Coast to receive oil supplies from southern production regions.
- This scenario could play out in two ways: One – the shutting down of the Midwest refineries because they are no longer profitable – which would mean lost jobs and higher energy costs in that region. Or two – the higher prices paid for crude means higher prices for refined products, in particular gasoline prices, across the country. [12]
- In Canada, the impact of tariffs on Canadian producers would likely be devastating – and result in lower production of oil and natural gas as it would make sales to our largest customer suddenly uneconomic.

Lower production in North America means less energy security and higher costs to consumers. In short, this is what I mean when I say we need to prevent policies that will lower North American oil and gas production. And we need to work like hell to preserve and protect Canada-U.S.A. energy interdependence and abundance.

The pause on LNG development is also a concern. Canadian producers have reached agreements to export their natural gas through LNG facilities in the U.S. While I have said that investment uncertainty into LNG here could benefit Canada's aspirations, in the long term I believe it's better to have more LNG being exported from both the U.S. and Canada.

- Additionally, if we are unable to get our LNG export facilities built, the U.S. offers potential for more Canadian natural gas producers to reach global markets through a growing American LNG export network.
- Ultimately, Canadian natural gas flowing to U.S. LNG export facilities is a win-win for the U.S. First, it benefits the export facilities with access to affordable product to export but it also mitigates one of the bigger concerns Americans have with exporting LNG. Many believe that increasing LNG exports means higher heating and energy costs for consumers. Supplying LNG export facilities with abundant Canadian natural gas would alleviate that concern as domestic U.S. natural gas supply is less impacted.

Canada and US Energy Policy

- First, we should align on the goal – which should be to grow North American oil and natural gas production and our access to global markets.
- I have spoken a lot about the benefits of abundant oil and gas supplies and the benefits of selling it to each other and our global allies. So, the simply stated goal should be: **“export more.”**
- That could mean more access to Canadian oil and natural gas to the U.S. to enable higher levels of exports and continuing to strengthen the integration of our energy infrastructure.
- If we agree on that goal, then we can start to look at what policy environment is required.

- I also want to address a myth about Canadian oil and gas that seems persistent here in the U.S. – and was frankly the justification for cancelling the Keystone project.
- The myth is the belief that Canadian oil and gas is higher emission than others around the world.
- On the contrary, from 2013 to 2022, the last year for which national emissions data is available, absolute emissions from natural gas production and processing have fallen by 17% and conventional oil production emissions have declined by 27%. The oil sands’ absolute emissions flattened in 2021 and 2022 while reaching record levels of production. [13]
- It is incredibly important for U.S. policy makers to understand that Canadian oil and natural gas is lowering its emissions and is the responsible choice, environmentally, economically, and for our national security.

The Need for Energy Security

Let me give you a couple of anecdotes on the need for energy security:

In February 2021 Texas experienced an intense multi-day winter storm that crippled its energy production, particularly its natural gas and renewable infrastructure – causing an energy crisis. [14]

- This was not just confined to Texas, as the natural gas the state provides to other western states was threatened.
- Canada was able to quickly supply natural gas from British Columbia to those U.S. states to prevent the energy crisis from spreading further and lasting longer.
- In the days after the storm natural gas exports from Canada went from 6 billion cubic feet per day to 8 billion cubic feet per day. [15]
- This is a demonstration of how fast our continent can respond to challenges to our energy supply because of our integrated infrastructure.

Looking at the data centre opportunity in the Pacific Northwest, one of the barriers to the expansion of pipeline infrastructure or any expanded oil and gas transport through this region is that there is little to no political support from Washington State and Oregon. But this barrier can be an opportunity through cooperation.

- Energy demand is growing in the region, which is being driven by the massive investments going into data centres to support the advancement of Artificial Intelligence (AI).
 - According to a Wells Fargo report, AI data centers are expected to add about 323 terawatt hours of electricity demand in the U.S. by 2030, This amount is seven times greater than New York City’s current annual electricity consumption. [16]
- With Washington State being the home of Microsoft and a strong tech sector, a number of those data centres are being built there and are expected to be powered by hydro. However, hydro resources are finite.
- There are existing, efficient North-South corridors for natural gas transport from Canada whereas the state is underserved by East-West pipelines across the U.S.
- Canadian natural gas can be used to help meet expanding energy demand so support a growing tech sector. In addition, the TransMountain pipeline with access to tidewater can support growth in oil demand along the west coast of the United States.
- This keeps energy prices lower in the region which supports economic growth across the board.

Thank you for having me.

Appendix:

Key import/export stats:

Canada is the United States largest source of oil imports. In 2023 Canada supplied about 4.4 million barrels per day oil – the next largest importer was Mexico at less than 2 million barrels per day.

EIA <https://www.eia.gov/tools/faqs/faq.php?id=727&t=6>

About 99% of natural gas imports to the United States come from Canada (about 3 trillion cubic feet per year)

EIA <https://www.eia.gov/energyexplained/natural-gas/imports-and-exports.php>

- Canada exports about half its natural gas production each year to the United States

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