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## How Canada can get projects built

# Building Canada's future

March 2025

# The case for building

- **The United States buys about 95% of Canada's exported oil and 99% of our exported natural gas.**

- **The main reason for this overreliance on a single customer is that Canada doesn't have the infrastructure in place to directly access other global markets. Rather, we've seen hundreds of billions of dollars in export infrastructure projects get cancelled over the last decade.**

- **Canada will likely continue to sell the majority or our oil and natural gas to the United States for decades to come because it is the largest energy market in the world and the countries are physically connected by borders and shared infrastructure.**

- **However, recent trade tensions have awakened many Canadians to the fact we cannot take this relationship for granted, and we are not energy secure. Canada's inability to access global markets or even provide citizens across the country with our own energy has become a threat to our very sovereignty.**

- **Canada has opportunities to build a more resilient and prosperous economy. Major, economy-driving projects that can secure our energy future are waiting to be built. To act on these opportunities, we need a significant reset across Canada in terms of fiscal, tax, infrastructure, permitting, and energy and environmental policy.**

# A chorus of voices

**In recent years, Canada's capital spending in key sectors like oil & gas, critical minerals, and renewable energy has faced persistent challenges. Industry leaders say regulatory complexity, lengthy approvals, and high cost structures deter both domestic and foreign investment:**

*"We are uncompetitive on tax, on regulation, and on tone. And all levels of government – federal, provincial and municipal – must improve our competitiveness that underwrites our quality of life."*

– **Darryl White, CEO of BMO Financial Group**

(BMO February 5th, 2025. "The Trade Crisis Is a Wake-up Call to How Uncompetitive Canada Is." )

*"This (regulatory) climate has had a chilling effect on investment in Canada, is reducing Canadian competitiveness and is now seriously threatening national economic interests."*

– **Patrick Keys, Senior VP, TC Energy**

(TC Energy. April 9, 2019. "Bill C-69: Regulatory Uncertainty Has a Chilling Effect on Investment.")

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# Canada's regulatory hurdles have discouraged major project investment

- Investors and proponents identify an addressable market and propose a project designed to meet its demand and generate a positive return. Addressable markets are time-sensitive; delayed projects can and do miss their windows of opportunity.
- The proponent invests not only capital, but also time and up-front costs to advance the project.
- Canada has been unable to ensure projects can predictably navigate our regulatory processes, and many projects end up cancelled, over budget, or behind schedule.
- A slow and expensive regulatory process does not create the conditions required for major project investment, <u>so proponents increasingly look to other jurisdictions.</u>
- This is all especially true of large scale, capital intensive, and time-sensitive projects.
- Canada and Canada's oil and natural gas sector has an opportunity to build major projects

Cancelled projects

# Over the past decade, approximately $280 billion in Canadian oil and natural gas projects have been cancelled

**$164.1 billion**
in LNG projects

**$30.4 billion**
in oilsands projects

**$62.8 billion**
in pipeline projects

**$22 billion**
in refinery projects

Source: CAPP analysis, news articles, clippings, company releases

# Lost opportunity: the causes

## Investors and project proponents face significant regulatory and political hurdles, creating uncertainty and contributing to project cancellations and delays.

- Over the past decade, **approximately $280 billion in Canadian oil and natural gas projects have been cancelled.** While reasons for cancellation are not always public, many have been directly attributed to delays, divestment from Canada, regulatory uncertainty, political action, or the resulting loss of an addressable market.

- **Bill C-69 (2019)** introduced a new Impact Assessment process for projects. While intended to streamline reviews, it **has slowed approvals**.[1] These expanded requirements **have increased complexity and** affected several projects' timelines.

- **Certain policies**–including the proposed oil and natural gas emissions cap, the West Coast tanker ban (Bill C-48), and revisions to the Competition Act (Bill C-59)–have been cited by industry as creating a perception of **heightened risk or reduced openness** to major projects. These **regulatory concerns extend beyond oil and gas**, reflecting a **broader systemic challenge.**

Source: [1] Advisian, International Review of Environmental Regulatory Processes, 2023

Cancelled projects

# Big costs, long delays, and no final investment

| Project | Type | Capital Cost (Estimated) | Timeline | Sunk Costs | Outcome | Key Reason for Cancellation |
|---|---|---|---|---|---|---|
| Sanguenay LNG | LNG | $10 B | (2014-2021) | N/A | Cancelled | Major investor exit (Berkshire Hathaway) & GHG permit rejection |
| WCC LNG | LNG | $25 B | (2015-2018) | N/A | Cancelled | Slow permitting; eventual proponent withdrawl |
| Pacific Northwest LNG | LNG | $36 B | (2013-2017) | $400 M | Cancelled | Extended review; local/ Indigenous opposition; missed market window |
| Kitimat LNG | LNG | $30 B | (2010-2021) | N/A | Shelved | Decade-long timeline; repeated sponsor exits; rising costs & regulatory risk |
| Frontier (Teck) | Oil Sands | $20.6 B | (2012-2020) | $1.13 B writedown | Withdrawn | Huge write-off; unclear climate policy & politicized approval process |
| Aspen (Imperial) | Oil Sands | $2.6 B | (2013-2019) | N/A | On Hold | government production cuts; pipeline constraints (policy-driven risks) |
| Carmon Creek (Shell) | Oil Sands | $4.45 B | (2013-2015) | $2.03 B writedown | Cancelled | Pipeline capacity shorfalls; oil price collapse eroded economics |
| Northern Gateway | Pipe-line | $7.9 B | (2010-2016) | $500 M | Rejected | NEB approval overturned; tanker ban; Indigenous consultation challenges |
| Energy East | Pipe-line | $15.7 B | (2013-2017) | $1.0 B | Cancelled | Expanded GHG scope mid-review; local opposition high sunk cost |

Source: Company reports, regulatory filings, and news articles

**These select cancelled or withdrawn energy projects highlight Canada's regulatory, market, and policy challenges.**

- **Huge sunk costs:** Proponents spent between $400 million to over $1 billion on project feasibility, engineering, and approvals before being cancelled.
- **Long timelines:** Most spent four or more years in regulatory reviews, missing market windows and driving up costs.
- **Regulatory uncertainty:** Shifting government policies, expanded environmental/Indigenous consultations, and complex approvals raised significant risks.
- **Delays in non-oil and gas projects** are also common. Mines (Ajax, KSM, New Prosperity) and even wind developments (Chaleur Ventus) have faced local opposition and lengthy permitting timelines.

# What our competitors for capital are saying

## Other countries are growing and investing in their oil and natural gas sectors.

*"You wouldn't always know it, but it went up every year I was president...That whole, suddenly America is the largest oil producer, that was me"*
**– Barrack Obama, Former President of the United States of America** AP November 28, 2018

*"Drill, baby, drill...We have something that no other manufacturing nation will ever have: the largest amount of oil and gas of any country on Earth. And we are going to use it"*
**– Donald Trump, President of the United States of America** The White House January 20, 2025

*"If we are to uphold a stable production in the years to come, we must explore more and invest more"*
**– Norwegian Energy Minister Terje Aasland**
Reuters January 14, 2025

*"Australia accounts for about one fifth of global LNG exports and Australia is proud of its reputation as a trusted and reliable energy exporter."*
**– Madeleine King, Australian Federal Resources Minister** 29 September 2022

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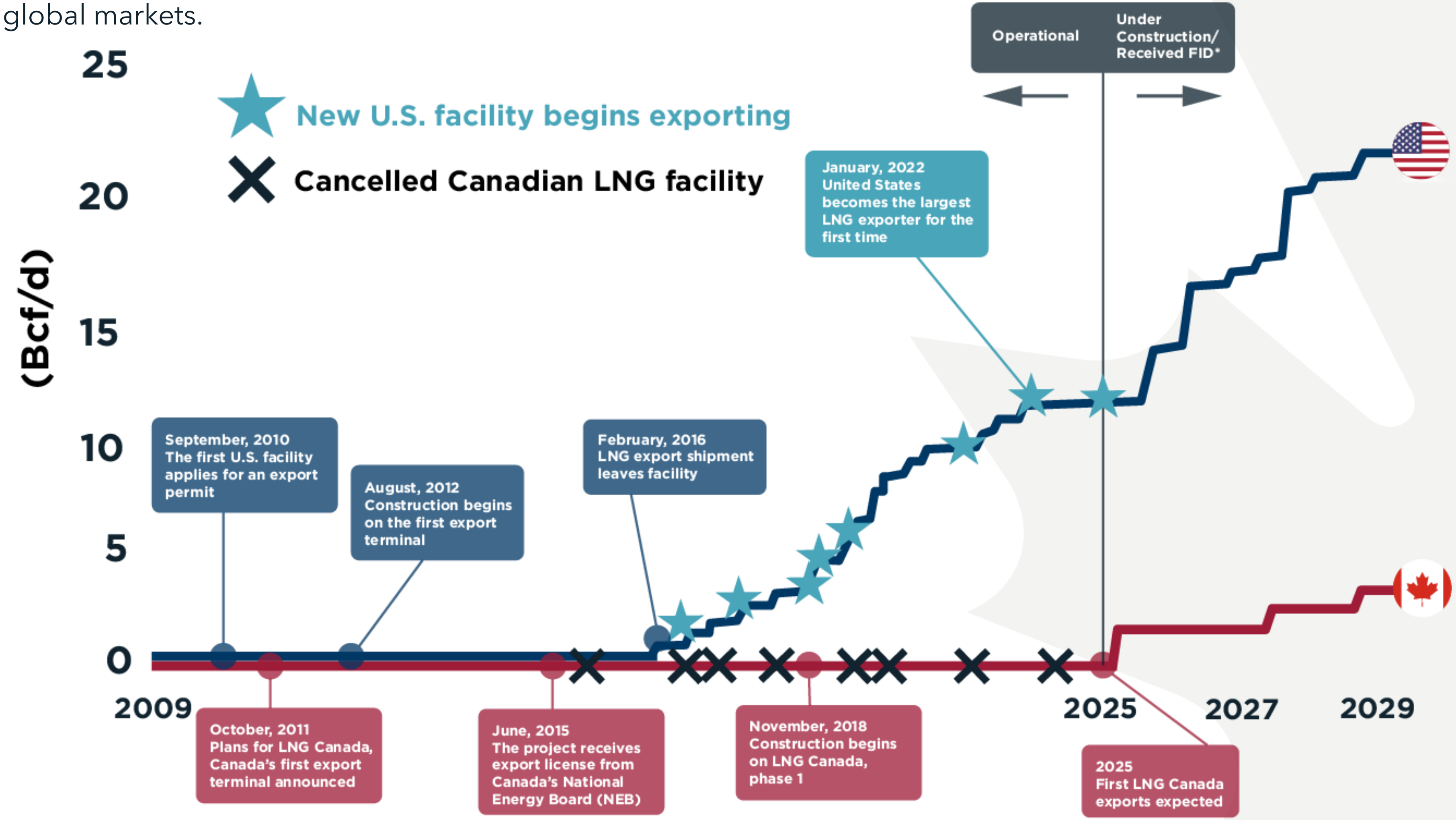
# LNG construction: Canada compared to the United States

- From 2010 to 2021, the United States grew their natural gas exports by 485% while Canada's exports declined by 18%. While the U.S. has become more self-sufficient, Over that the same period, Canada has inhibited LNG infrastructure growth, limiting its access to growing global markets.

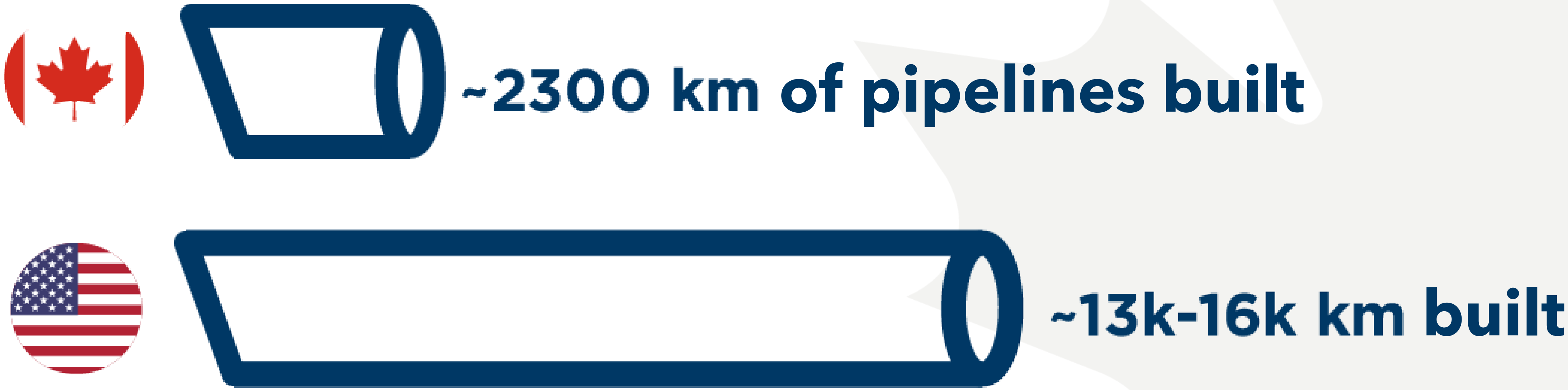


Cancelled projects

# Egress built: Canada compared to the United States

- While the construction of the Trans Mountain Expansion was a positive development–adding 590,000 barrels/day of egress capacity–the **project required nationalization** to get it built, an outcome that **clearly showing investors that Canada is not a friendly place to deploy capital.**

- Over the last decade, the United States has built a significant amount of egress:[1]




Sources: [1]Underground Construction 2024, CER Filings, Enbridge, TC Energy, Institute for Energy Research

# Major exits

**21** major corporate divestments

**$58** billion diverted from Canada

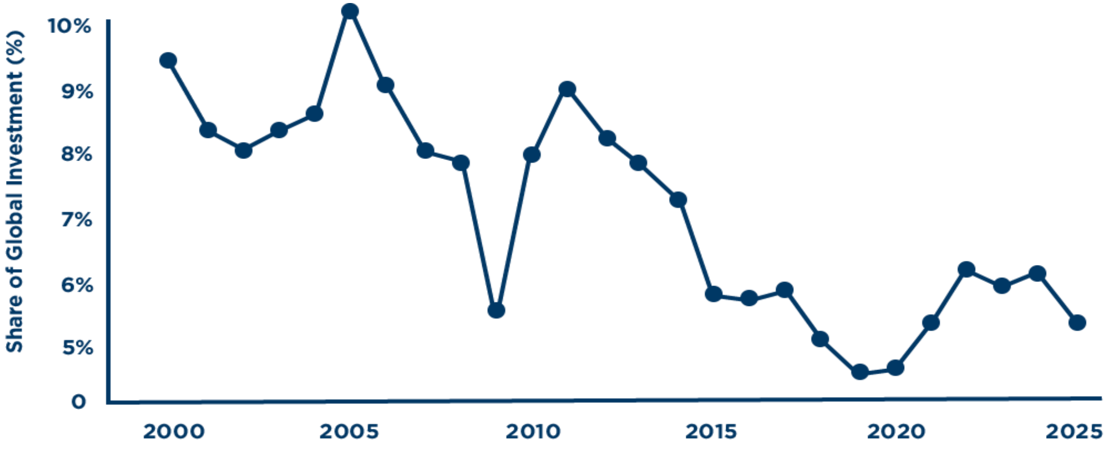
- **Government policies play a key role in shaping investment decisions.** Since 2014, almost $58 billion has been diverted from Canada's oil and natural gas sector. This has resulted in fewer industry participants. This huge sum was presumably recapitalized in other jurisdictions, such as the U.S., Middle East, and Africa.
- **Notable full exits:** Murphy (2016), Marathon (2017), Devon (2019), Repsol (2023), TotalEnergies (2023)

Source: Evaluate Energy, Rystad, company reports, press releases and news articles

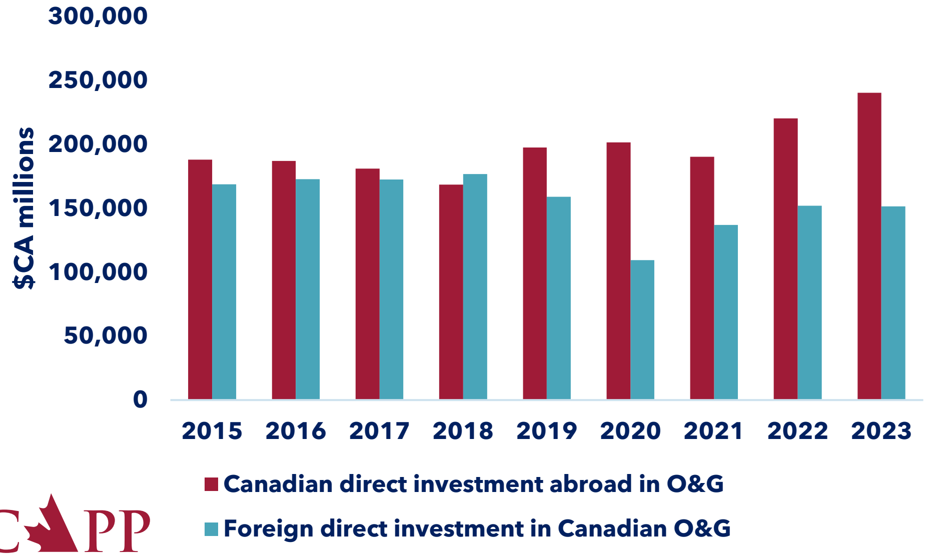
# Capital flight from Canada

# Investor flight and its consequences

**Canadian share of global investment[1]**




**The FDI gap widens in oil & gas in Canada[4]**




## When money can't work in Canada, it goes to jurisdictions where it can.

- Canada faces mounting challenges in launching major energy projects—repeated cancellations and capital flight have halved its share of global oil and gas investment (from ~10% in 2005 to <6% in 2024), underscoring waning investor confidence.

- From 2015 to 2019, StatsCan reported a net FDI outflow of $184.5 billion, and another estimate shows Canada lost $225 billion in foreign investment from 2016 to 2022,[2,3] indicating a sustained shift of capital out of the country.

Source(s): [1]Figure: Rystad Energy UCube Feb-25 E&P capex only
[2] Statistics Canada, Statistics Canada Table: 36-10-0009-01
[3] Another estimate
[4] Statistics Canada Table: 36-10-0009-01

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# Canada's loss is another jurisdiction’s gain

- When an investor leaves Canada or cancels a project, the addressable market still exists, but it has been met outside Canada via:
  a) An investment in another country, or
  b) A competing project in another jurisdiction that satisfied the addressable market.
- Thus, lost investment should be viewed through a zero-sum lens. That is, every project dollar Canada loses out on is being spent in a competitor's jurisdiction. This includes major economic benefits lost for Indigenous communities
- Addressable markets rarely disappear; if the market is not satisfied by a Canadian project, a competing project in another jurisdiction will meet the market's demand.
- Canada has cancelled approximately $280 billion in energy projects since 2015. This loss is another country's gain.
- While not all projects are expected to make it to construction, Canada’s regulatory environment has been deemed hostile enough to make that expectation appear to be reality.

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Restoring investor confidence in Canada

# Canada's opportunity: reduce risk, compete globally

## Recommendation #1. Global precedent: how regulatory speed wins investments

**U.S. fast-tracking:**

The U.S. Army Corps used "national energy emergency" powers to fast-track over 600 projects[1].
*Why it matters to Canada:* Faster U.S. approvals make American projects more appealing to investors.

**Germany's nine-month approval:**

Germany's LNG Acceleration Law (2022) shortened major project approvals from around five years to just nine months.[2] Three terminals went operational in under one year, with required habitat offsets[3].
*Lesson:* Swift approvals can coexist with strong environmental protections.

## Recommendation #2. Unlocking potential: practical measures for Canada

I. **Immediately streamline approvals for major projects already in the federal review process:** Eliminate Bill C-69's lengthy steps. Once technical reviews are done, have industry and governments to work together at a high-level to identify and advance projects of the highest value.

II. **Remove investment roadblocks:** Eliminate restrictive policies (e.g., West Coast tanker ban C-48, emissions cap, and Competition Act provisions C-59), and match U.S. tax incentives.

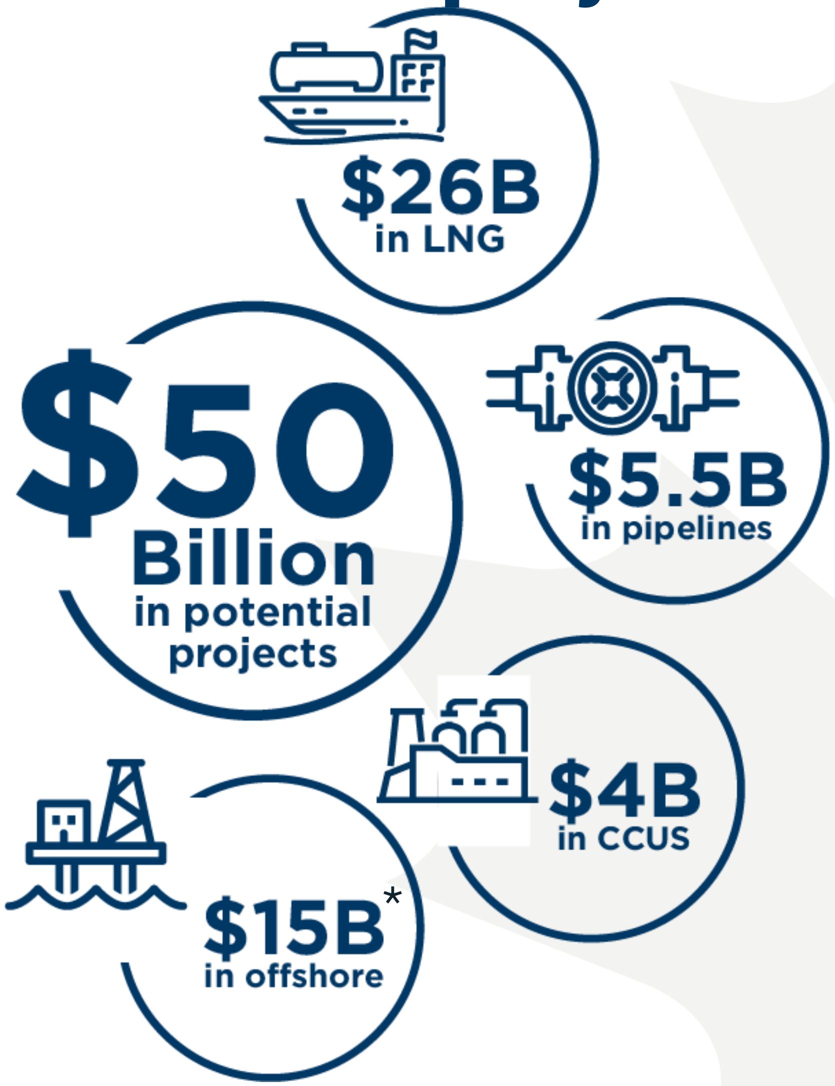
III. **Support the de-risking of infrastructure projects:** Implement stable regulatory frameworks that provide certainty for investors and project proponents.

Source(s): [**1**]: Valerie Volcovici. Reuters "Trump's Army Corps Seeks to Fast-Track 600 'emergency' Projects through Environmental Review." [**2**]: "LNG Terminal in Wilhelmshaven Reflects on the First Year of Operation…" [**3**]: Kantchev, Georgi, and Marzena Skubatz for WSJ "The Five-Year Engineering Feat Germany Pulled Off in Months."

Restoring investor confidence in Canada

# Canada can move forward and build projects now

- There are currently multiple "shovel-ready" projects in Canada **collectively representing around $50 billion**. These potential investments could bolster Canada's energy supply if regulatory hurdles are addressed.
- We have multiple LNG export projects in British Columbia, an offshore oil project in Newfoundland, and carbon capture projects—**all backed by investors ready to invest billions.**
- These projects would **create jobs, expand our global market access, and reinforce our economic security**. They also have **strong Indigenous support**, with some featuring direct Indigenous ownership interests.




*2022 figures; project being reshaped following 2023 postponement