

Canada-US Energy Sector Competitiveness Survey 2020

by Jairo Yunis and Elmira Aliakbari

This report presents the results of the Fraser Institute's 2020 *Canada-US Energy Sector Competitiveness Survey* regarding barriers to investment in oil and gas exploration and production facilities in each country. The survey responses have been tallied to rank Canadian and American jurisdictions according to the extent of such barriers. Those barriers, as assessed by the survey respondents, include high tax rates, costly regulatory obligations, uncertainty over environmental regulations, and the interpretation and administration of regulations governing the "upstream" petroleum industry, as well as concerns over political stability and security of personnel and equipment.

This year's survey of senior executives in the upstream oil and gas sector is consistent with the methodology used in previous editions of the *Global Petroleum Survey*. A total of 86 respondents participated in the survey this year, providing sufficient data to evaluate five Canadian provinces and 16 American states.

The jurisdictions that are evaluated are assigned scores on each of 16 questions pertaining to factors known to affect investment decisions. These scores are then used to generate a "Policy Perception Index" for each jurisdiction that reflects the perceived extent of the barriers to investment.

According to this year's survey, Oklahoma is the most attractive jurisdiction for oil and gas investment followed by Kansas (2nd), and Texas (3rd). Six other US jurisdictions also ranked in the top 10 this year: Arkansas (4th), Utah (5th), North Dakota (6th), Wyoming (7th), Mississippi (9th), and New Mexico

(10th). Saskatchewan (8th) is the only Canadian jurisdiction featuring in the top 10 while British Columbia (20th) continues to pose the greatest barriers to investment among Canadian provinces. Alberta ranks 12th out of the 21 jurisdictions.

Investors pointed to the uncertainty concerning environmental regulations, the cost of regulatory compliance, and regulatory enforcement as major areas of concern in Canadian provinces compared to US states. In particular, in 2020, only 16 percent of respondents for Oklahoma and 24 percent for Texas indicated that uncertainty concerning environmental regulations was a deterrent to investment whereas the proportion who indicated it was an issue for Alberta and British Columbia was 64 and 80 percent, respectively. On average, 66 percent of respondents for Canada are deterred by environmental regulations, compared to 45 percent for the United States.

An Alberta/Texas comparison demonstrates how results vary by region: 47 percent of respondents identified regulatory enforcement as a deterrent to investment for Alberta compared to only 10 percent for Texas. Overall, investors expressed heightened concern over regulatory enforcement in Canada compared to the United States. The percentage of respondents indicating that this factor was deterring investment was, on average, 53 percent for Canada compared to 32 percent for the United States.



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Another Alberta/Texas comparison shows that 65 percent of respondents identified the cost of regulatory compliance as a deterrent to investment for Alberta compared to only 24 percent for Texas. Overall, the cost of regulatory compliance is a significant concern for investors in Canada compared to the United States. The percentage of respondents for the Canadian provinces indicating that this factor was a deterrent to investment was, on average, 66 percent compared to only 45 percent for the United States.



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Overall, our analysis of the 2020 survey results indicates that the extent of negative sentiments regarding key factors driving petroleum investment decisions is higher in many Canadian provinces than in competing American jurisdictions. In fact, the US performs better than Canada in 12 out of the 16 policy factors.



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However, it is worth noting that all Canadian provinces improved their policy scores and ranking positions relative to last year's survey with the exception of British Columbia which, despite improving its score by almost 20 points, continues to be second to last in the overall ranking.