

Canada-US Energy Sector Competitiveness Survey 2021

by Jairo Yunis and Elmira Aliakbari

This report presents the results of the Fraser Institute's 2021 *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* and the *Canada-US Energy Sector Competitiveness Survey*. A total of 71 respondents participated in the survey this year, providing sufficient data to evaluate five Canadian provinces and territories and 17 American states.

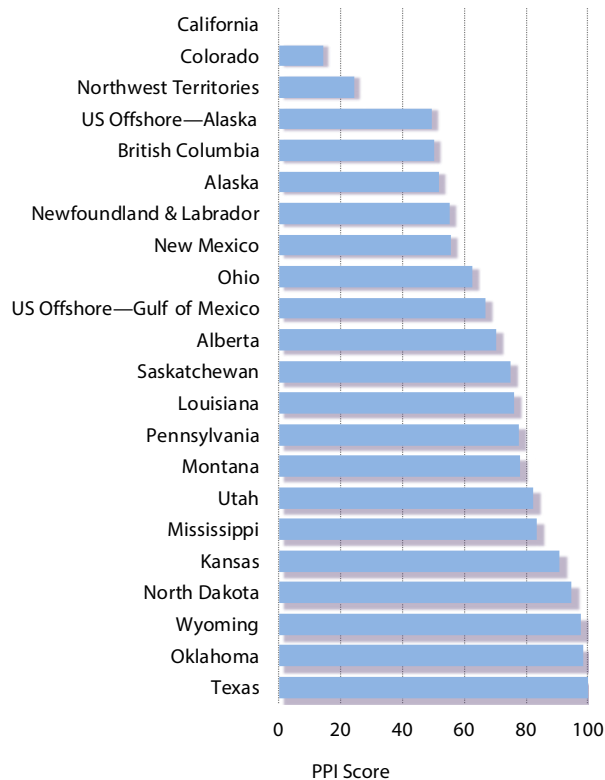
The jurisdictions that are evaluated are assigned scores on each of 16 questions pertaining to factors known to affect investment decisions. These scores are then used to generate a "Policy Perception Index" for each jurisdiction that reflects the perceived extent of the barriers to investment.

According to this year's survey, Texas is the most attractive jurisdiction for oil and gas investment followed by Oklahoma (2nd) and Wyoming (3rd). Seven other US jurisdictions also ranked in the top 10 this year: North Dakota (4th), Kansas (5th), Mississippi (6th), Utah (7th), Montana (8th), Pennsylvania (9th), and Louisiana (10th).

This year, no Canadian jurisdiction featured in the top 10. Saskatchewan (11th) is the highest-ranked Canadian province followed by Alberta (12th). In addition, Newfoundland & Labrador, which did not appear in last year's survey due to low response rates, ranked 16th this year. British Columbia (18th) is no longer the worst performing Canadian jurisdiction as this year the Northwest Territories (20th) posed the greatest barriers to investment among Canadian jurisdictions.

According to investors, regulatory factors continue to be a defining issue hampering Canada's energy competitiveness. This year's respondents pointed to the uncertainty concerning environmental regulations, regulatory duplication and inconsistencies, and the cost of regulatory compliance as key areas of concern in Canada compared to the United States. In particular, in 2021, only 13 and 20 percent of respondents indicated that uncertainty concerning environmental regulations in Texas and Oklahoma, respectively, was a deterrent to investment, whereas the proportion who

Policy Perception Index



indicated it was an issue in Alberta and British Columbia was 65 and 91 percent, respectively. On average, 76 percent of respondents for Canada are deterred by environmental regulations, compared to 49 percent for the United States.

An Alberta/Texas comparison demonstrates how results vary by region considering that 71 percent of respondents identified regulatory duplication and inconsistencies as a deterrent to investment in Alberta compared to only 10 percent for Texas. Overall, investors expressed heightened concern over regulatory duplication and inconsistencies in Canada compared to the United States. The percentage of respondents

indicating that this factor was deterring investment was, on average, 72 percent for Canada compared to 45 percent for the United States.

An Alberta/Texas comparison also shows that 56 percent of respondents identified the cost of regulatory compliance as a deterrent to investment in Alberta compared to only 9 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, 70 percent compared to only 43 percent for the United States.

Overall, our analysis of the 2021 survey results indicates that negative sentiment of the industry’s senior executives regarding key factors driving petroleum investment decisions continue to be higher in many Canadian provinces than in competing American jurisdictions. In fact, the US performs better than Canada in 14 out of the 16 policy factors.

However, it is worth noting that all Canadian provinces improved their policy scores relative to last year’s survey, largely driven by improvements in fiscal and taxation areas.



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