NEWS RELEASE

Dearth of pipeline capacity cost Canada's energy sector $20.6 billion in foregone revenues in 2018—nearly eclipsing loss of previous five years combined

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For Immediate Release

CALGARY—Lack of pipeline capacity is driving down the price of Canadian oil, costing the country's energy sector C$20.6 billion in lost revenues last year, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

"Without sufficient pipelines to coastal ports, Canadian oil producers must sell their product to the United States at dramatically discounted prices, which leads to large losses for the energy sector and more broadly Canada's economy," said Elmira Aliakbari, associate director of natural resource studies at the Fraser Institute and co-author of ***The Cost of Pipeline Constraints in Canada, 2019***.

The study finds that Canada's overdependence on the U.S. market (again, due to Canada's lack of pipeline capacity to tidewater) has led to a greater reliance on oil-by-rail—a more costly (and less safe) mode of transport.

The result?

Even after adjusting for quality differences and transportation costs, Western Canada Select (WCS)—the heavy oil extracted from Canada's oilsands—sells for much less than comparable West Texas Intermediate (WTI) oil.

In fact, last year the price difference between Canadian and U.S. oil was US$26.50 per barrel. Put differently, in November 2018, WCS traded at roughly 30 per cent of WTI, representing a 70 per cent price discount.

And crucially, last year's lost revenue ($20.6 billion) nearly eclipsed the revenue loss for the previous five years combined (2013 to 2017) when Canada's pipeline shortage cost our energy sector $20.7 billion.

"Clearly, the federal and provincial governments must better cooperate to get pipelines built so Canada's oil producers can connect with markets overseas," said Ashley Stedman, study co-author and senior policy analyst at the Fraser Institute.

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