

NEWS RELEASE

Lack of pipelines will cost Canada \$15.8 billion this year

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For Immediate Release

CALGARY—A shortage of pipeline capacity is driving down the price of Canadian oil and will cost the country’s energy sector CAD\$15.8 billion in lost revenues this year, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Without adequate pipelines to tidewater ports, Canadian oil producers are forced to sell their product in the U.S. at dramatically discounted prices, which results in substantial losses for the energy sector and the economy more broadly,” said Kenneth Green, senior director of natural resource studies at the Fraser Institute.

The study, *The Cost of Pipeline Constraints in Canada*, finds that as oil production ramped up in Canada in recent years, pipeline construction has not kept pace. And despite approvals from review agencies, the status of several major pipeline projects remains uncertain.

This lack of adequate pipeline capacity has created an overdependence on the U.S. market and an increased 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—the heavy oil extracted from Canada’s oilsands—sells for much less than comparable West Texas Intermediate oil.

In fact, this year, the price difference between Canadian and US oil is US\$26.30 per a barrel, which will lead to a CAD\$15.8 billion loss for Canada’s energy sector.

Between 2012 and 2017, the price difference averaged US\$16.54 per barrel, costing Canadian producers an estimated CAD\$20.7 billion in foregone revenues.

“More pipeline capacity would not only benefit the energy sector and our economy, it would also benefit the environment because pipelines are safer than rail,” Green said.

“For Canadians to continue prospering from our natural resources, the federal and provincial governments must work together to expedite the pipeline process and connect Canada’s oil producers with markets overseas.”

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