

Market Access for Alberta Based Energy Products

Issue

Alberta businesses will benefit from policies that help our people, products and services find new markets. As a trade-exposed province, we must facilitate international market access through trade enabling infrastructure, export promotion, and market diversification. To that end, we urge the provincial government to take action to enhance market access that will promote increased growth in the resources extraction and value-added industries.

Background

Alberta's vast supply of natural resources have provided the province with a wealth of investment opportunities. The industries that extract these resources and add value through further processing to meet market demands serve as important sources of long-term job creation, and generate lasting benefits for municipalities, the province, and the country. High-paying jobs means economic activity and tax revenue to support communities and government programs.

When it comes to energy market access, our overwhelming reliance on the US market means that Canadian producers are often forced to sell their products at a discounted price. Bottlenecks in our infrastructure have exacerbated the price gap between Western Canada Select (WCS) and West Texas Intermediate (WTI) with the differential of WTI over WCS at US\$13.85 in June 2023, and between approximately \$7.00 and \$45.00 in recent years.¹

This discount on Alberta oil has a severe negative impact on our economy. The Canadian Chamber of Commerce estimates that a \$10 improvement in the price differential would result in \$50 million injected into Alberta's economy every day.² This estimate suggests that lack of infrastructure contributes to an extraordinary transfer of wealth from Canada to the United States.

Investors have identified the transportation service being a concern in competitively accessing markets in a timely manner. Alberta has seen investors more inclined to invest in the US to hedge against logistical uncertainty and to guarantee access to tidewater than invest locally. As Alberta promotes further investment opportunities to build upon our existing industries, it will be critical to ensure that all pipeline, road, and rail transportation services are readily available and provide reliable and competitive service that supports the government's strategy for product and market diversification.

The energy industry has been a critical component in the growth of Alberta's economy. Economic surplus captured by Alberta businesses is reinvested in the economy and creates a more productive and prosperous population. The greater the economic value that is captured from the energy industry, the greater the well-being of Alberta's business community and population.

Conclusion

The element of the supply chain that is the greatest threat to expanding the energy industry in Alberta is access to markets. The vast majority of our raw crude oil, natural gas resources, and

¹ Government of Alberta. "Alberta Economic Dashboard." <https://economicdashboard.alberta.ca/dashboard/wcs-oil-price/>. Accessed February 7, 2024.

² <http://www.chamber.ca/media/blog/130917-50-Million-a-Day/>

value-added products such as refined petroleum and petrochemical products are exported to the United States. This domination of a single customer is not efficient, nor does it provide opportunity to capture the full value that petrochemical products command in international markets.

Expanded infrastructure to access diverse markets can position Alberta businesses to fully benefit from the energy industry in the long term, by transforming Alberta producers from price takers into leaders. It will also position Alberta as energy leaders, both in traditional and non-traditional forms of energy production.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Facilitate the development of new market access for Alberta's raw energy resources and value-added products, which includes development of energy transportation infrastructure such as pipelines and railways to tidewater.