

The Importance of Expanded Oil Pipeline Infrastructure to the Economy

Issue

Energy and its related products are a significant part of Canada's annual exports. Along with metals and mineral products, they represent the largest positive annual contribution to Canada's balance of trade. Through development of expanded pipeline infrastructure, such as Trans Mountain Expansion Project (TMEP), Canadian oil resources can create exceptional opportunities for Canada's small and medium-sized enterprises (SMEs), serve as an important source of near-term and long-term job creation and generate lasting benefit for the province, municipal governments and their communities. TMEP's benefits include thousands of short-term and long-term jobs, economic activity and tax revenue to support communities and government programs.

Background

It is clear that our oil pipeline infrastructure has national economic significance. This infrastructure is critical to the Canadian economy, with the ability to transform Canadian oil producers from price takers to price makers in international markets. Due to the lack of infrastructure to markets other than the U.S., Canadian producers are forced to sell their products at a discounted price, which can cost our economy up to \$50 million a day.¹ This price differential, which takes away potential tax revenues that could be used to provide services for the people of Canada, should be a concern for everyone.

The \$7.4 billion Trans Mountain Expansion Project is a key to unlocking that wealth. Through the expanded pipeline, oil producers gain increased access to tidewater, and see their product transported to new markets that would pay world rather than domestic prices.² Despite a fallback in oil prices, the NEB estimates oilsands output will double between 2015 and 2020, demonstrating the ongoing need for the Project.

TMEP will generate \$3.3 billion in labour income across Canada. Aboriginal residents stand to benefit from consideration for hiring and the initiation of an Aboriginal employment and training program to increase access to Aboriginal employment opportunities to meet the demands of projects such as Trans Mountain.

The project will generate large demands for goods, services and workers, with an emphasis on local hiring, procurement, and sourcing. In addition to direct construction work for British Columbians, there are indirect or supply chain job opportunities across the country in:

- Rail transportation;
- Marine transportation;
- Equipment rental and leasing;
- Truck transportation;
- Steel products;
- Transportation support activities;
- Computer services;
- Engineering;
- Machinery and equipment wholesalers.

1 Canadian Chamber of Commerce, *\$50 Million a Day*, http://www.chamber.ca/media/blog/130917-50-Million-a-Day/1309_50_Million_a_Day.pdf

2 Referenced by Kinder Morgan Canada

In December of 2013, Kinder Morgan applied to the National Energy Board (NEB) to expand its existing Trans Mountain pipeline system, increasing daily capacity from 300,000 barrels to 890,000 barrels. Following a 29-month review, the NEB concluded that the TMEP is in the Canadian public interest and recommended that the federal Governor-in-Council approve the expansion. The NEB's review was rigorous, involving a record 404 intervenors and more than 1,200 commenters, resulting in 157 conditions to address: public safety; economic benefits; local job creation; emergency preparedness and emergency response; Aboriginal interests; environmental protection; safety; and the marine tanker transport routes.

On November 29, 2016, the Government of Canada accepted the NEB recommendation, noting that Canada needed to expand the markets for its oil products and saying that the Trans Mountain Expansion Project "will make that possible."

On January 11, 2017, the Province of British Columbia announced that the Project had received its environmental certificate from the BC's Environmental Assessment Office subject to 37 Conditions and has met the Requirements for British Columbia to Consider Support for Heavy Oil Pipelines, known as B.C.'s 5 Conditions.

Through the extended pipeline, oil producers gain increased access to tidewater, and see their product transported to new markets that would pay world rather than domestic prices. Despite a fallback in oil prices, the NEB estimates oilsands output will double between 2015 and 2020. This demonstrates the ongoing need for the Project.

Economic benefits generated during construction and 20 years of operations from the Trans Mountain Expansion Project include:

- \$46.7 billion in federal/provincial taxes, including \$19.4 billion to Alberta and \$5.7 billion to B.C.;
- \$23 billion and \$45 billion in GDP effects for B.C. and Alberta respectively;
- 800,000 person years of work for Canadians from project development and operations;
- excluding construction, 7,600 jobs per year (e.g. 1,100 full time marine sector jobs in the Lower Mainland due to an increase from one tanker call per week at Westridge Marine Terminal to one per day);
- \$3.3 billion in labour income across Canada from project development.

The Trans Mountain Expansion Project is important and timely. The economic benefits are substantial and will be available to fund core government projects and services including health care, education, roads and infrastructure, as well as support local economic activity in municipalities and Aboriginal communities along the route. Operators of small and medium businesses can also expect to benefit from the economic expansion the Project creates.

Recommendations

That the Federal Government, working with the Government of British Columbia and the Government of Alberta:

1. Continues to supports the Trans Mountain Expansion Project to ensure that the project meets its commitment to deliver jobs and economic benefits and fulfills its regulatory requirements during the construction and operation of the pipeline; and
2. Engages Chambers and other organizations from communities hosting the pipeline to maximize opportunities for Canadian businesses during construction and operation of the project, including increased opportunities for First Nations participation.