



Importance of NAFTA to US and Canadian oil & gas companies

**Enercom Energy
Investment Conference
Dallas, TX
February 22/2018**

**Delon Chan
Consul & Trade Commissioner
Consulate General of Canada in Texas**

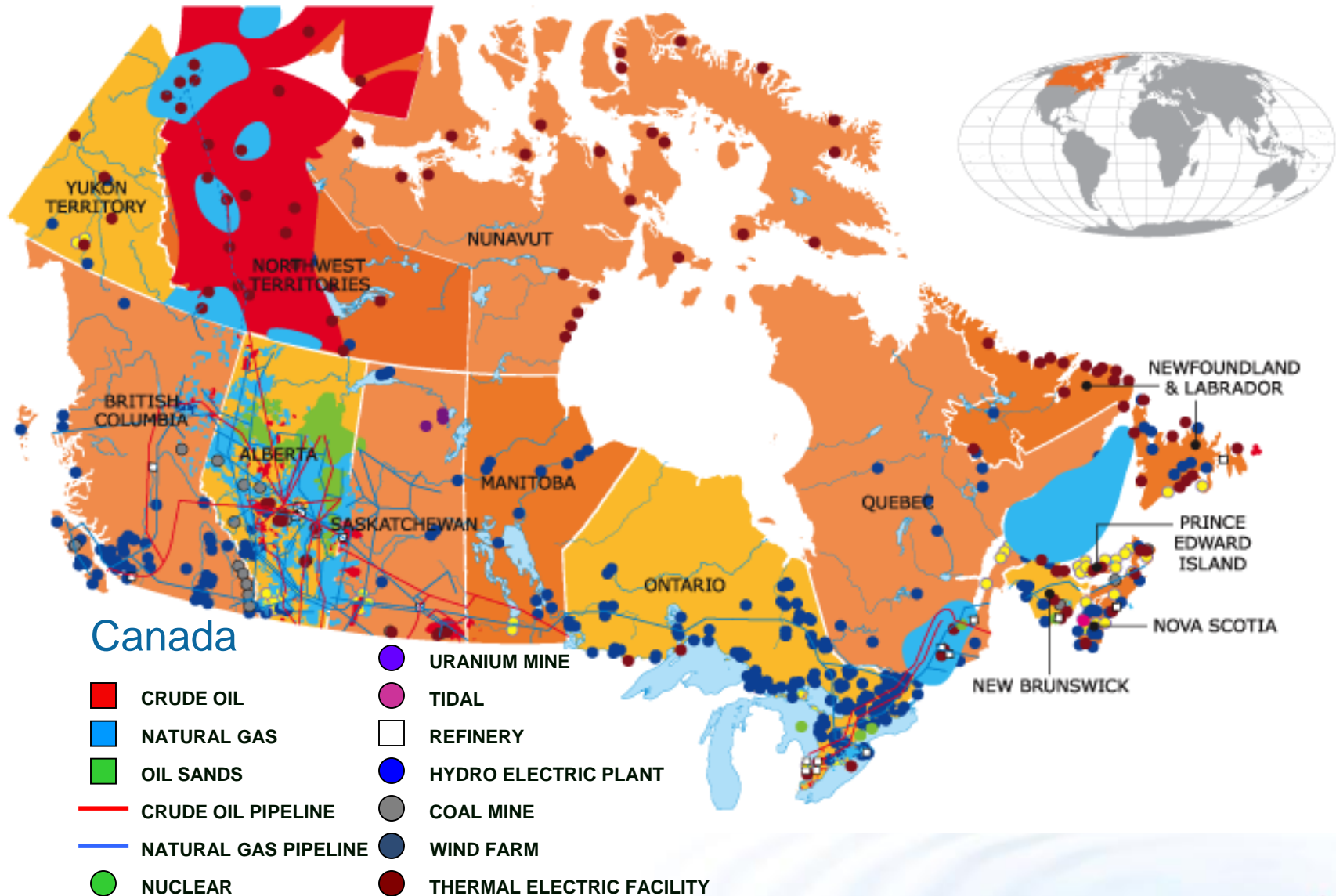
Canada 

Topics Covered in This Presentation

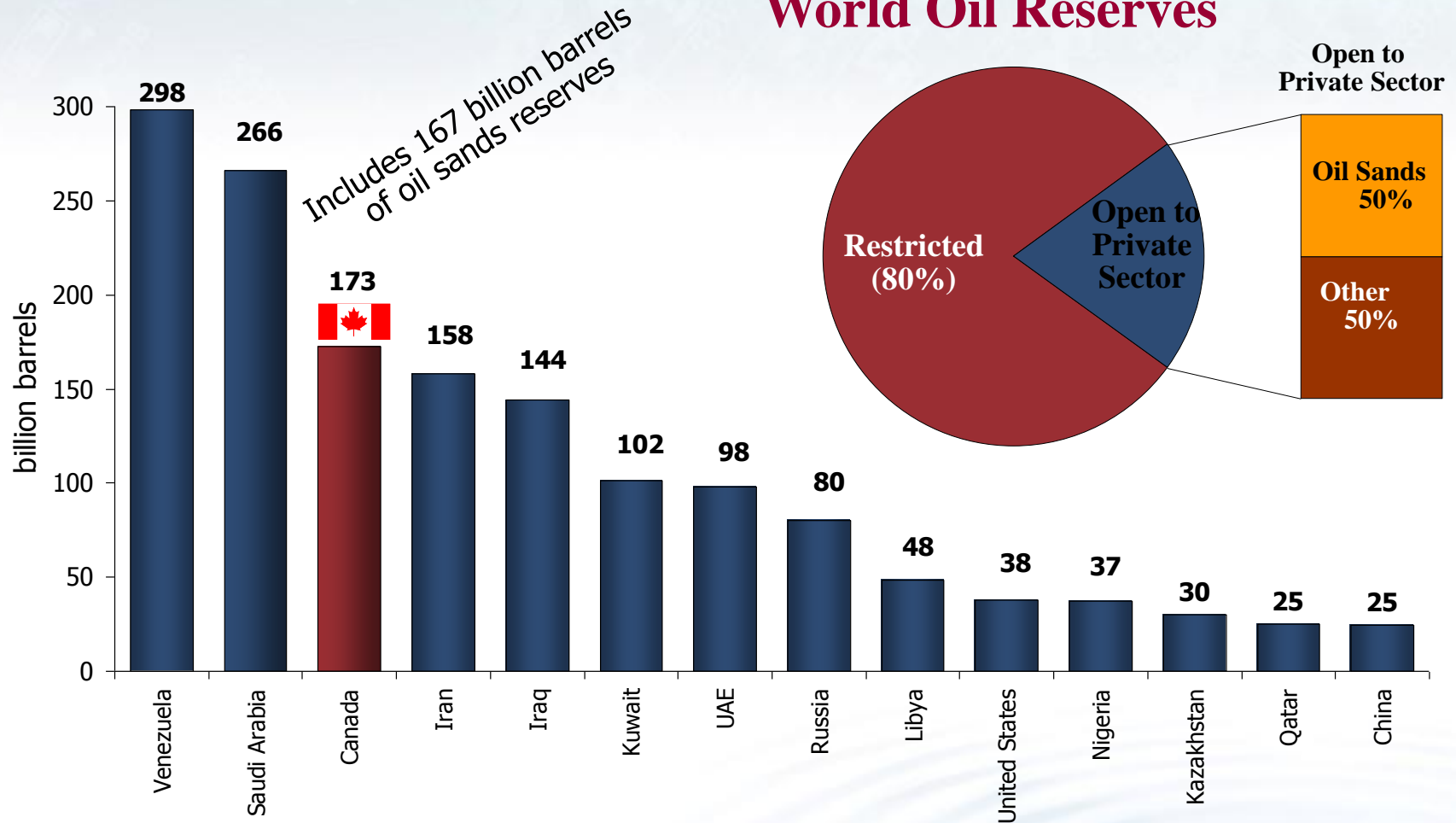
- Overview of Canada's Oil and gas sector
- Why Canada's Oil and gas sector is a great place to invest
- Why NAFTA & Canada matters to US businesses
- US - Canada Oil and gas trade and investment relationship
- Importance of NAFTA to the US - Canada Oil and gas sector



Canada's energy endowment stretches across the country



Canada – an open supplier Crude Oil to the world

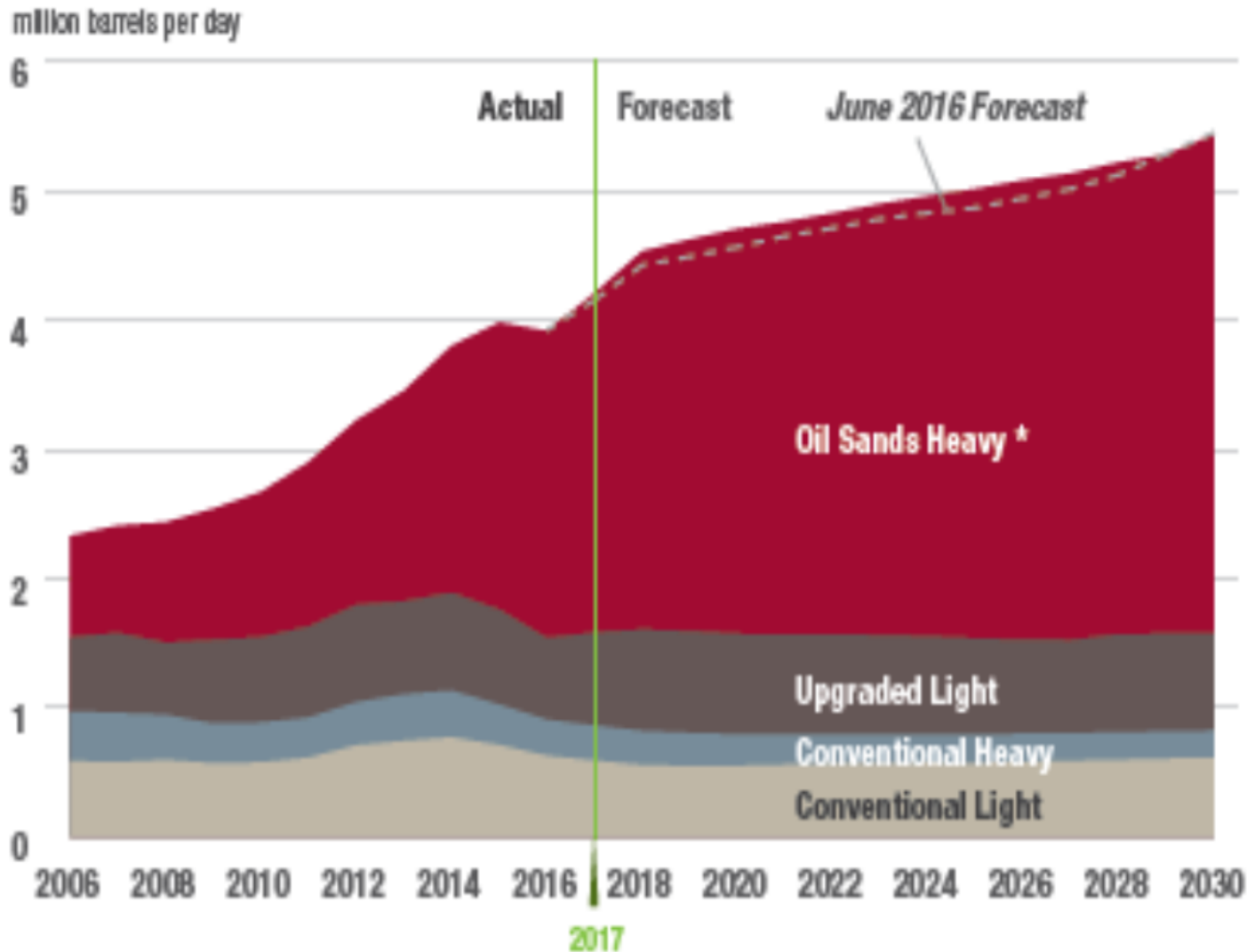


Source: Oil & Gas Journal

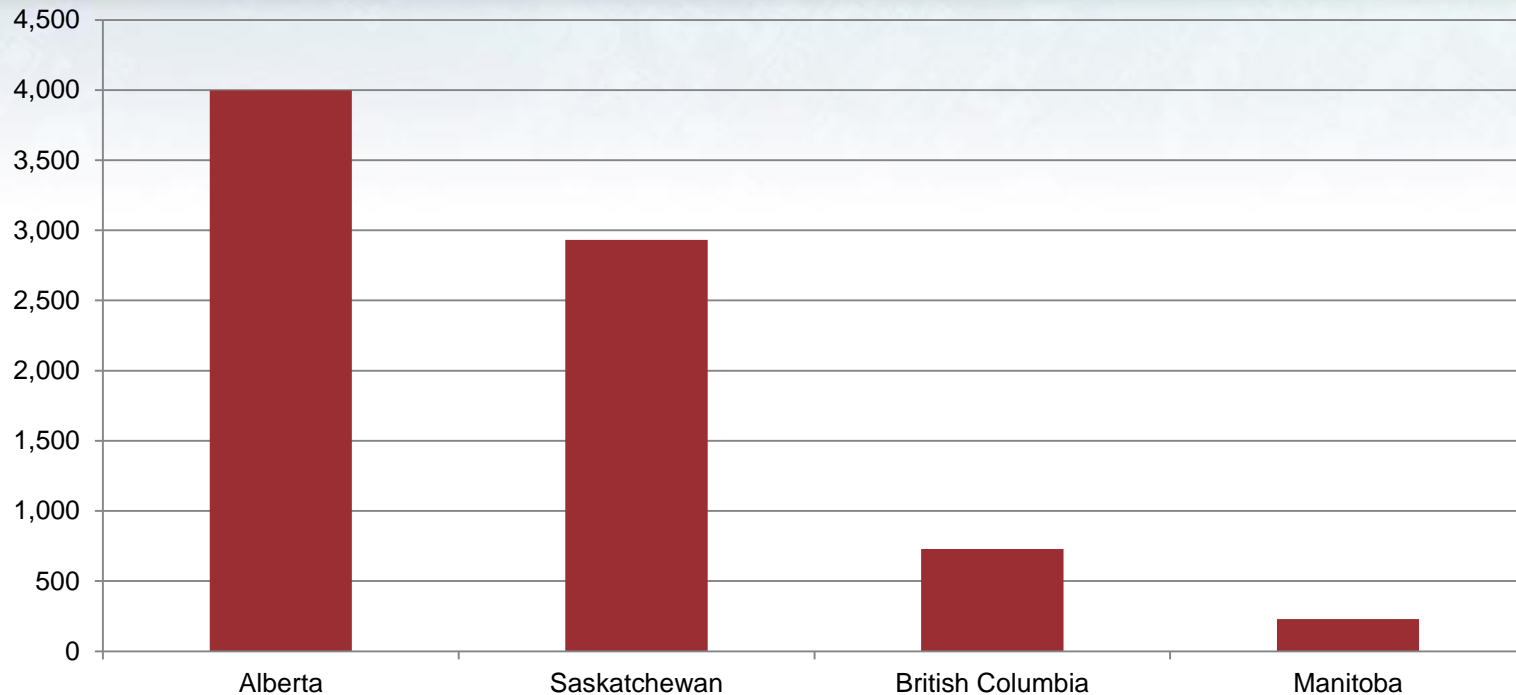


Canadian Production – Eastern + Western Canada

FIGURE 2.6 WESTERN CANADA OIL SANDS & CONVENTIONAL SUPPLY



Western Canada's 2018 Drilling Forecast

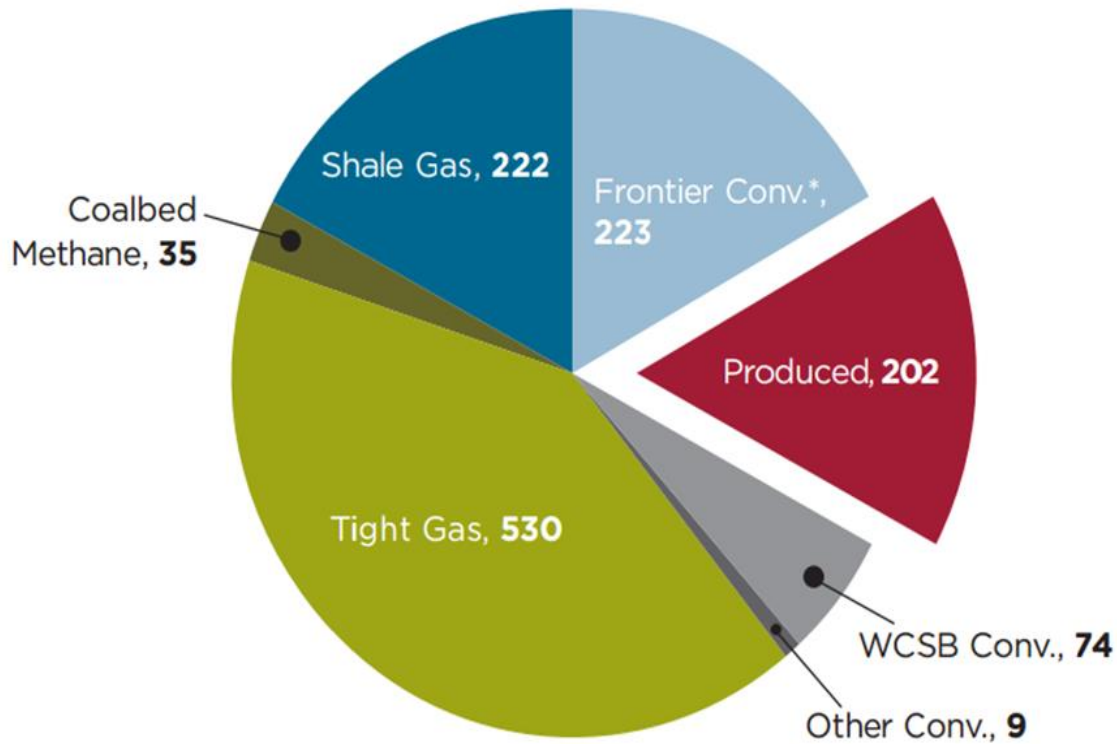


- Petroleum Services Association of Canada forecasts Western CDN wells drilled to be 7,900 in 2018
- Forecasted wells drilled by province (2017):
 - Alberta: 3,998
 - Saskatchewan: 2,931
 - British Columbia: 730
 - Manitoba: 230



Natural Gas in Canada

CANADA'S NATURAL GAS RESOURCES (TCF)



Source: National Energy Board

*Inc. Northern Canada & Eastcoast Offshore

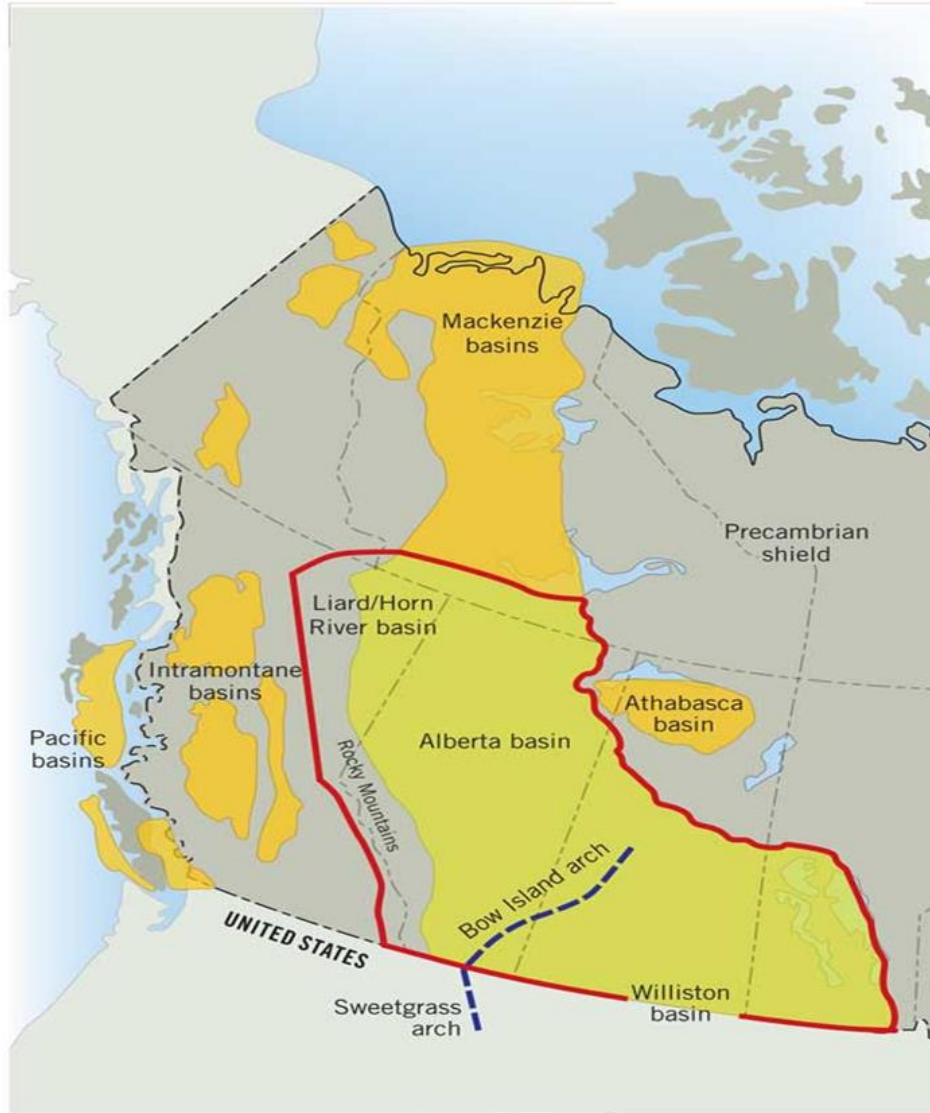
- Canada ranks 5th in production and 4th in exports
- 51% of Canadian production is exported with the majority going to the U.S.
- The net value of Canadian exports was \$5.7 billion in 2015.



Shale Gas and Liquefied Natural Gas

WESTERN CANADA SEDIMENTARY BASIN

FIG. 1



Source: Alberta Energy Resources Conservation Board (ERCB) report ST98-2013

- British Columbia, Alberta, Saskatchewan and Northwest Territories all have significant reservoirs
- Currently there are 26 proposed LNG projects, with the majority based along the B.C. Coast and the remaining in the Maritimes.



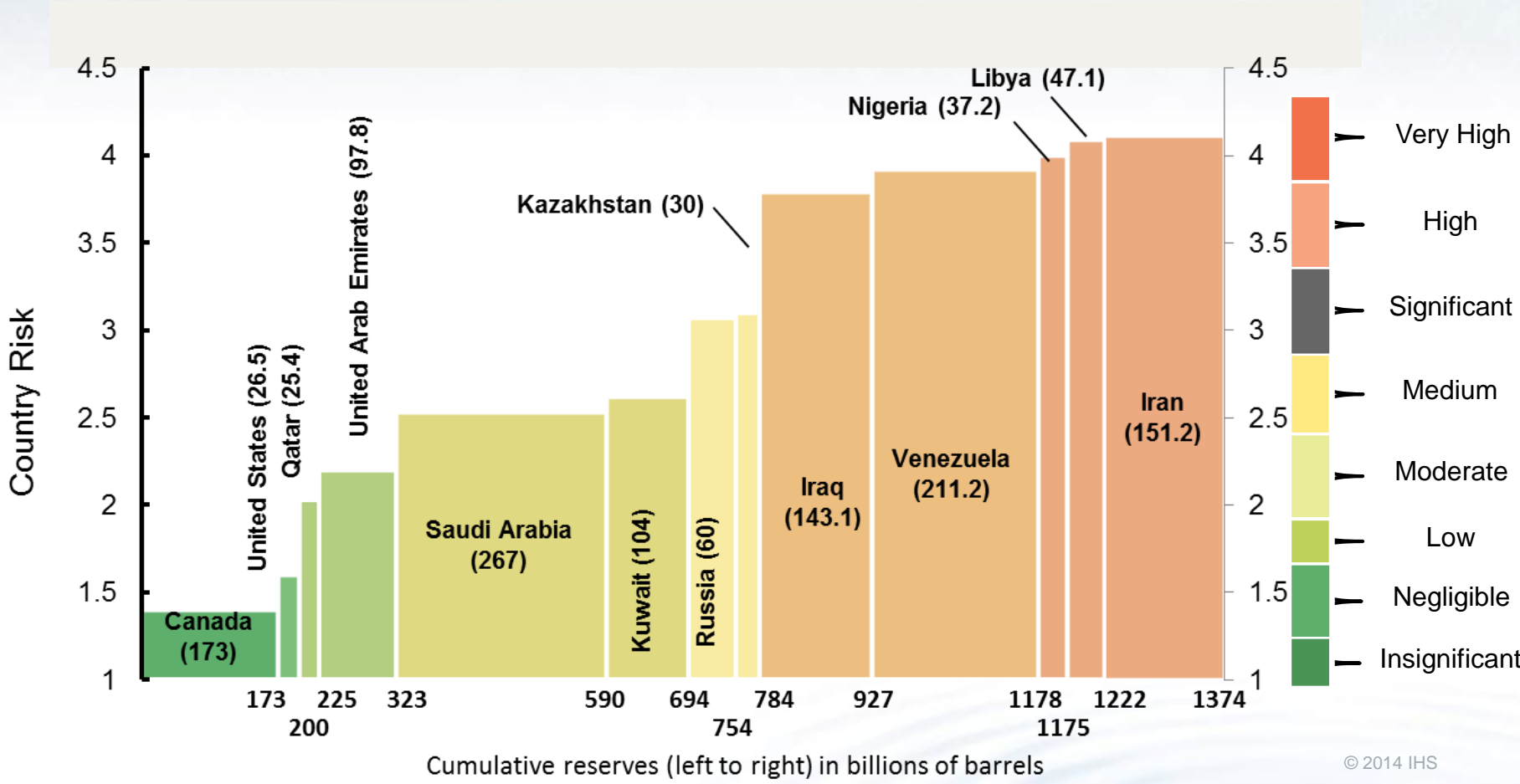
Major Development Projects

- Frontier Oil Sands Mine – **Teck Coal Ltd.**, \$16.4 billion
- Fort Hills Project – **Suncor Energy Inc.**, \$13.6 billion (>83% completed)
- Aspen Oil Sands Project – **Imperial Oil Ltd.**, \$3.2 billion
- Trans Mountain Expansion – **Kinder Morgan**, \$5.9 billion
- Line 3 Replacement Program – **Enbridge Inc.**, \$7.5 billion



Canada has one of the most stable investment climates among major global reserve holders

Country risk of nations that contain 90% global reserves (billions of barrels)



© 2014 IHS

Source: IHS Country Risk, Q2 2014, and US EIA

IHS Country Risk Analysis provides a comprehensive picture of the quality of conditions and level of stability in over 205 countries around the world. The overall Country Risk Ratings aggregate six component ratings—Political (25%), Economic (25%), Legal (15%), Tax (15%), Operational (10%), and Security (10%). The principal quality these ratings are measuring is stability.



Access to capital & Events



- **Financial incentives such as Flow-Through Shares (FTS)** enable companies to transfer eligible exploration and development expenses to investors, which can then apply for tax credits for these expenditures. This feature enables a company involved in exploration, drilling, production, refining or pipeline operation to fund its activities more easily.
- **Toronto Stock Exchange (TSX)** ranks 1st among all exchanges globally, with 35% of the world's public oil and gas companies listed in Canada. Further, 21% of oil and gas services companies are also listed on the TSX, making Canada one of the largest capital markets for oil and gas plays.
- We have **technical expertise**. Foreign companies can assess Canada's deep talent pool in exploration (seismic, geophysical), drilling/casing, primary production, hydraulic fracturing and enhanced oil recovery. Also, Canadian pipeline companies are leaders in the transportation of their products.
- **Global Petroleum Show** <http://globalpetroleumshow.com/>
 - › June 12 to 14, 2018 (65,000 plus attendees, 2000 + exhibitors)

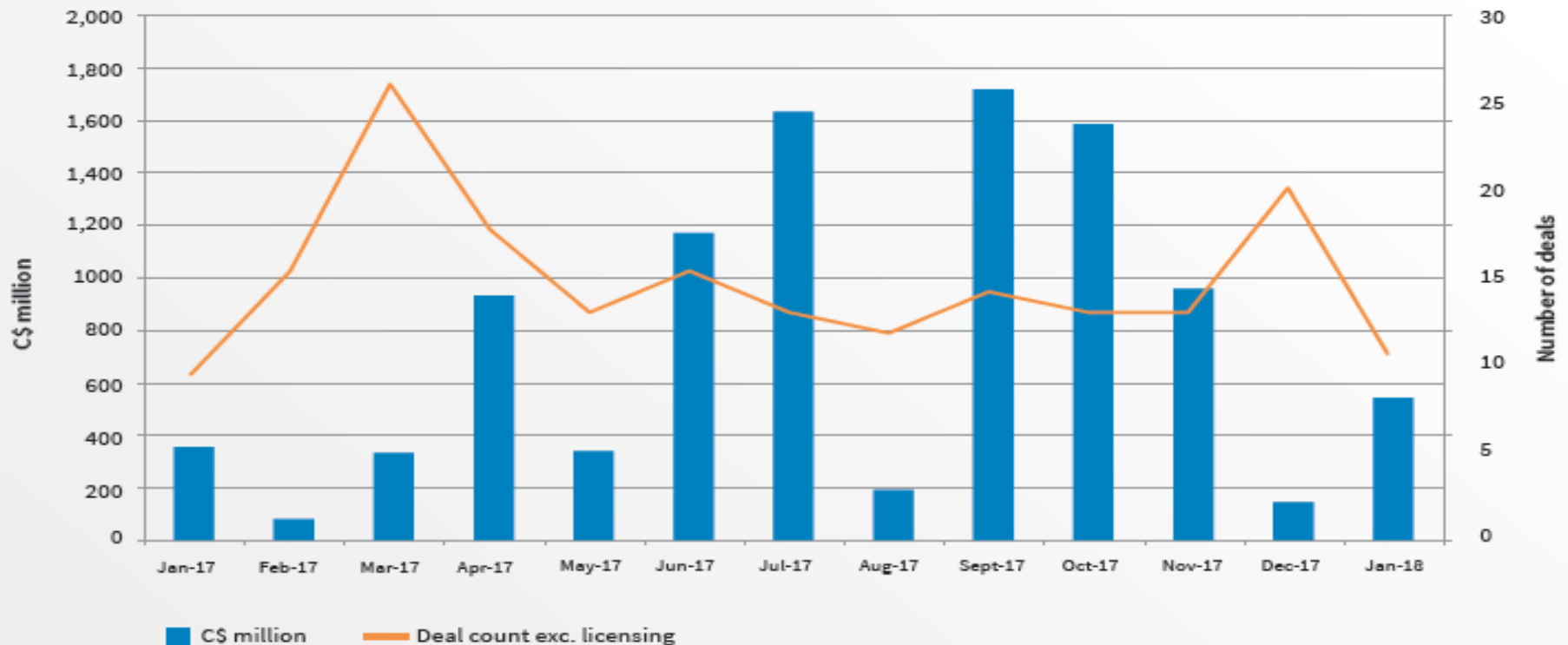


M&A deals in Canada

Canada's upstream sector sees C\$553 million in M&A deals in January 2018

CanOils upstream M&A review - January 2018

Canadian upstream total deal value and deal count by month excluding March '17 oilsands deals



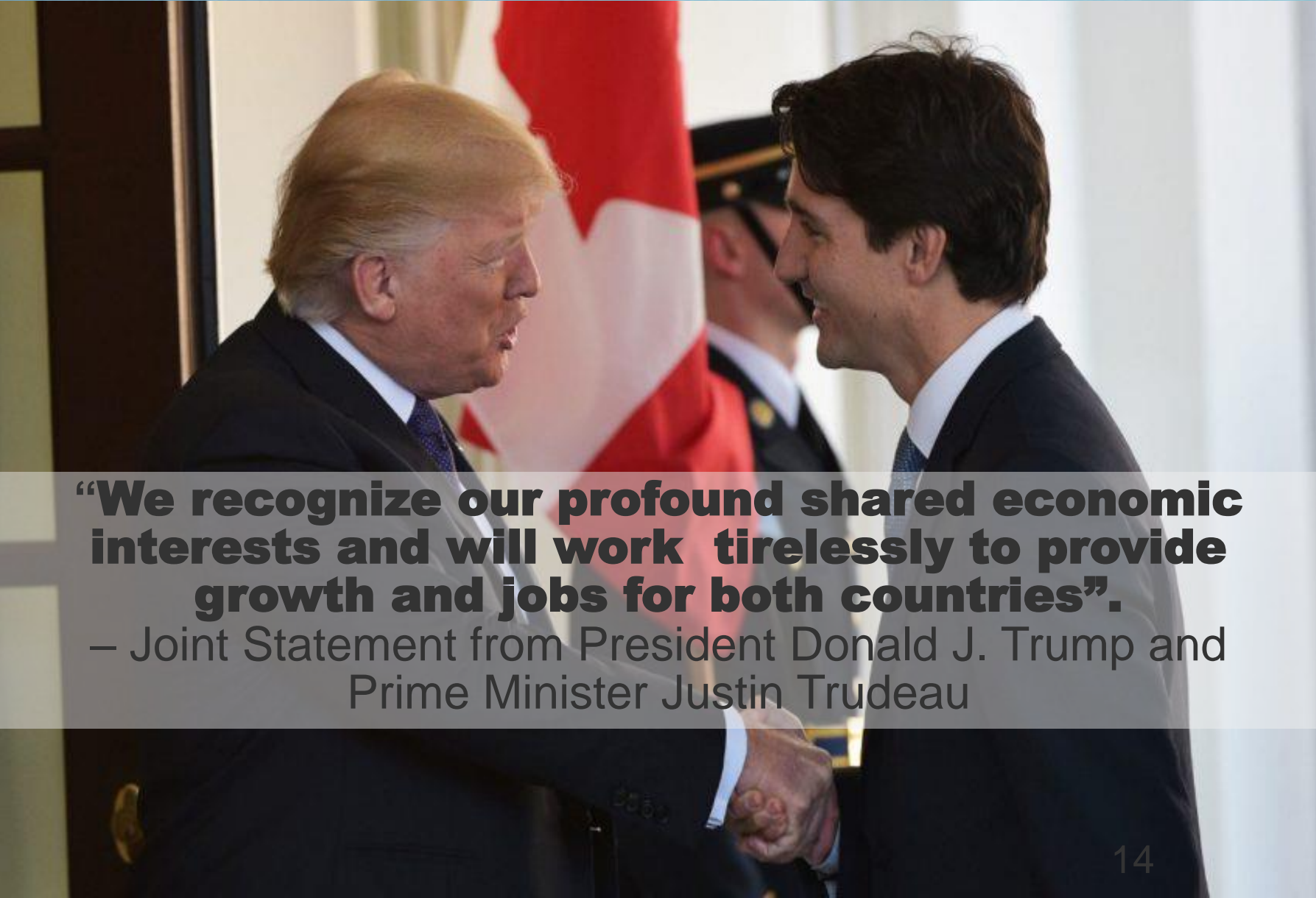
Not all deals in all periods had a value attached, which can lead to the appearance of discrepancies between deal count and monthly total values

Canadian presenting companies at Enercom

- Vermillion
- Surge Energy
- Razor Energy
- Tamarack Valley
- RS Energy Group



USA & Canada: No Two Nations Closer



“We recognize our profound shared economic interests and will work tirelessly to provide growth and jobs for both countries”.

– Joint Statement from President Donald J. Trump and Prime Minister Justin Trudeau

Canada: USA's Biggest Customer

US has a \$8.1 Billion Trade SURPLUS in G&S with Canada

Canada is the USA's largest Customer

- Canada bought \$321 Billion USD in G&S from USA in 2016
- Canada is the #1 export market for 35 U.S. states.

US exports to Canada has increased since NAFTA

- US goods exports up 179%
- US services exports up 237%



Canada: One of USA's largest investors

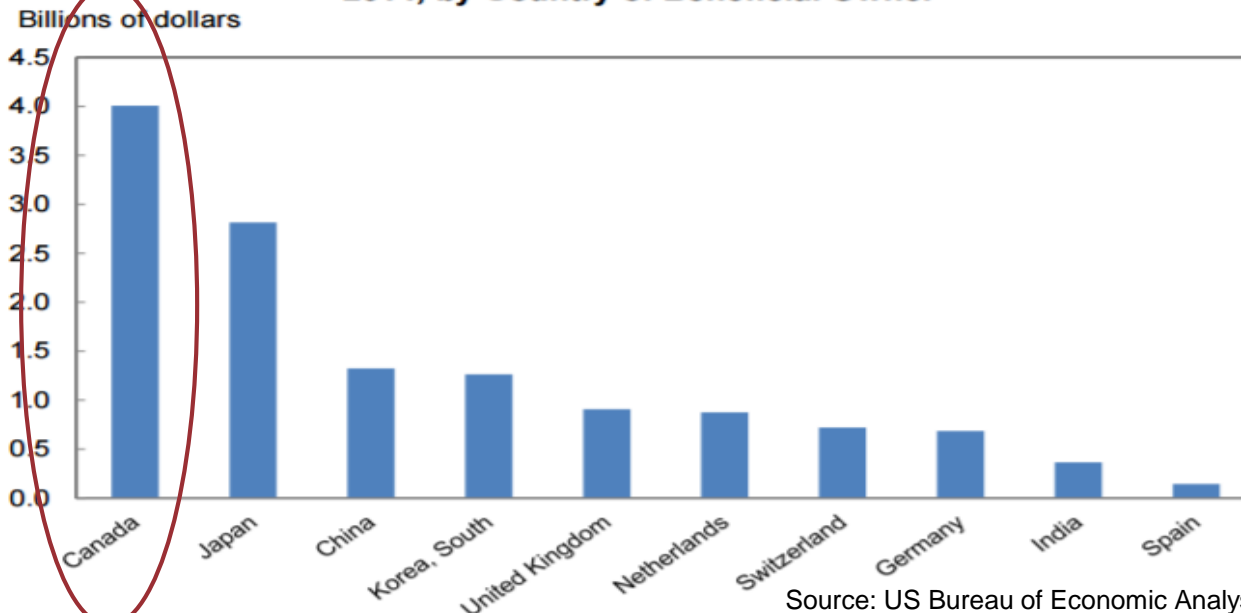
Canada: your largest source of Greenfield FDI

- Canada invested \$341 Billion USD in 2015.
- Canadian companies employ over 621,000 US Workers

Canadian-owned businesses in the U.S



Figure 12: Expenditures on Greenfield Foreign Direct Investment, 2014, by Country of Beneficial Owner

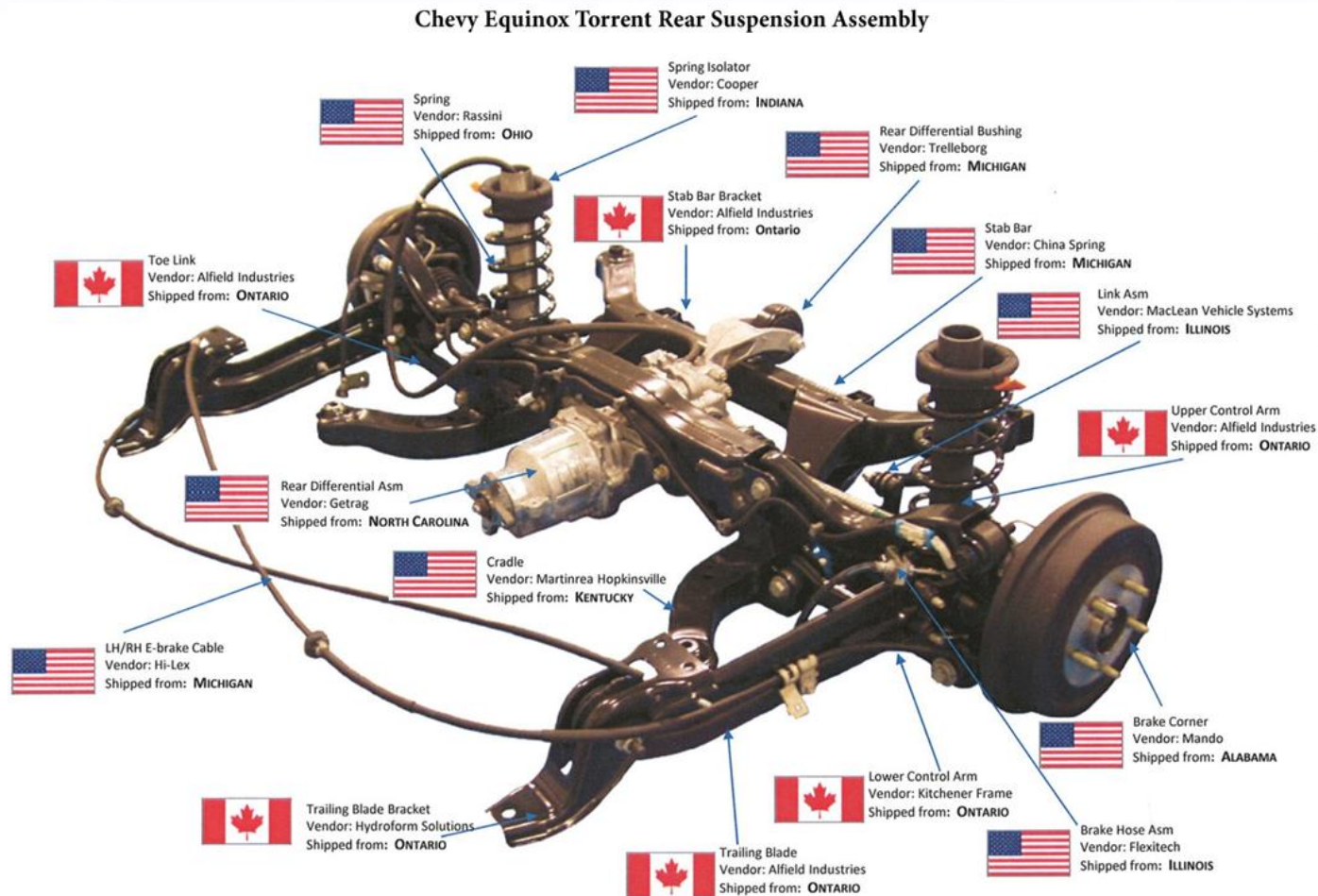


**Nearly 9 MILLION
U.S. Jobs depend
on trade &
investment w/
Canada**



Canada-US makes things together!

- 25% of everything the US buys from Canada is made in the USA.
- 1/3 trade is within companies & 1/3 trade established supply chains



Canada: Creates Jobs in Texas

Canada an important trading partner for TX

TX has a \$4.7 Billion trade surplus with Canada

Canada invests in TX

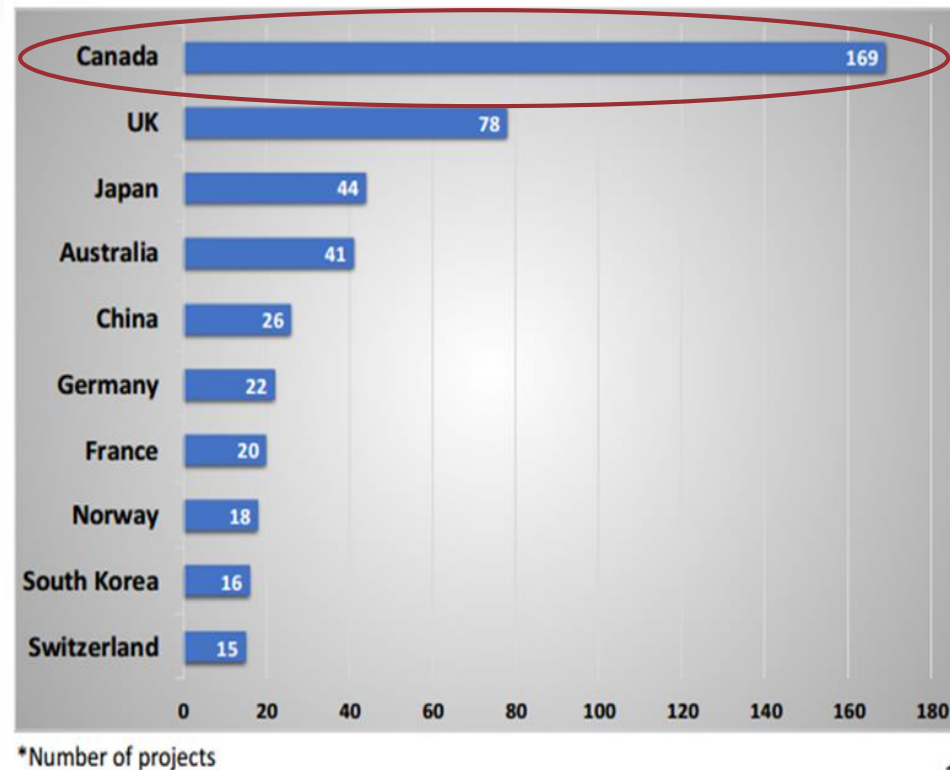
- \$31 B from 2010-15

Texas - Canada Tourism

- 617,200 Canadian Visits to Texas – \$454M spent

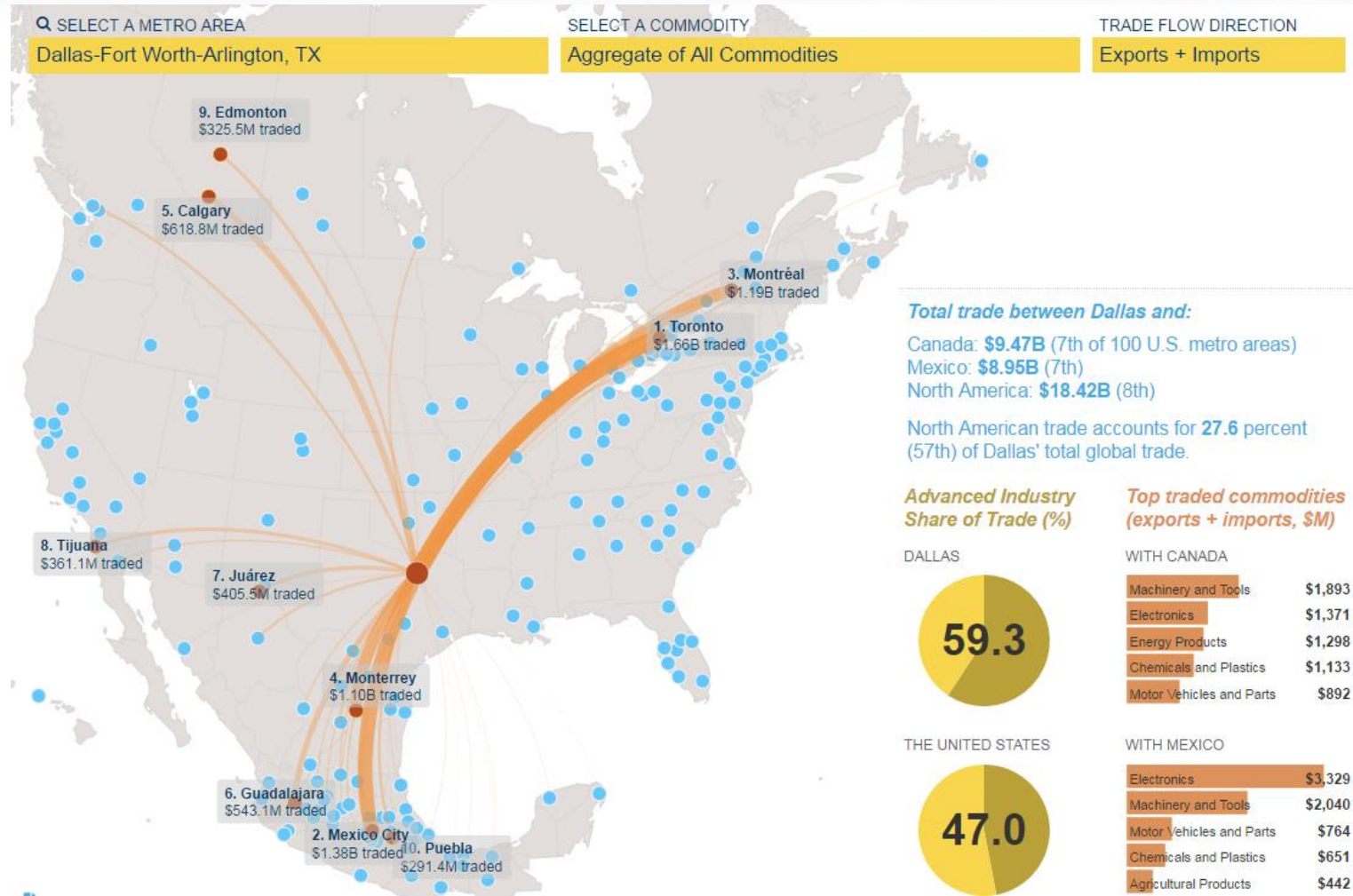
Over 459,700 Texas jobs depend on trade & investment with Canada

Leading Countries for M&A FDI Projects in Texas



Canada an important trading partner to DFW

- Bilateral Trade between DFW and Canada is \$9.47Billion
- Dallas trades more with Canada than Mexico
- Dallas's largest N.A municipal trading partner is Toronto



Source: The Brookings Institution

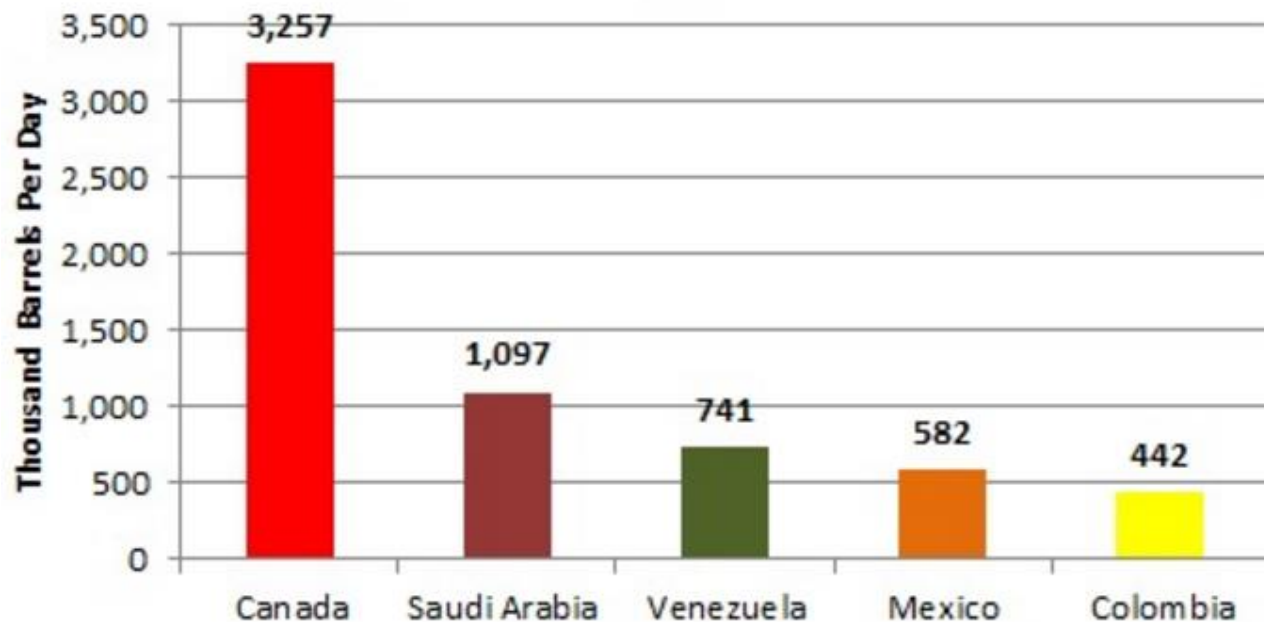
Canada – leading, most secure, reliable, and competitive energy supplier to the U.S

“U.S.-Canada energy and environmental cooperation are inextricably linked, and we commit to further improving our ties in those areas. We have built the world’s largest energy trading relationship.”

President Trump & Prime Minister Trudeau – February 13th , 2017

Canada Exported 3.26 million bpd of crude oil to the U.S., 41% of total U.S. petroleum imports (more than Saudi Arabia, Venezuela, Mexico, and Columbia combined)

Top U.S. Oil Suppliers 2016



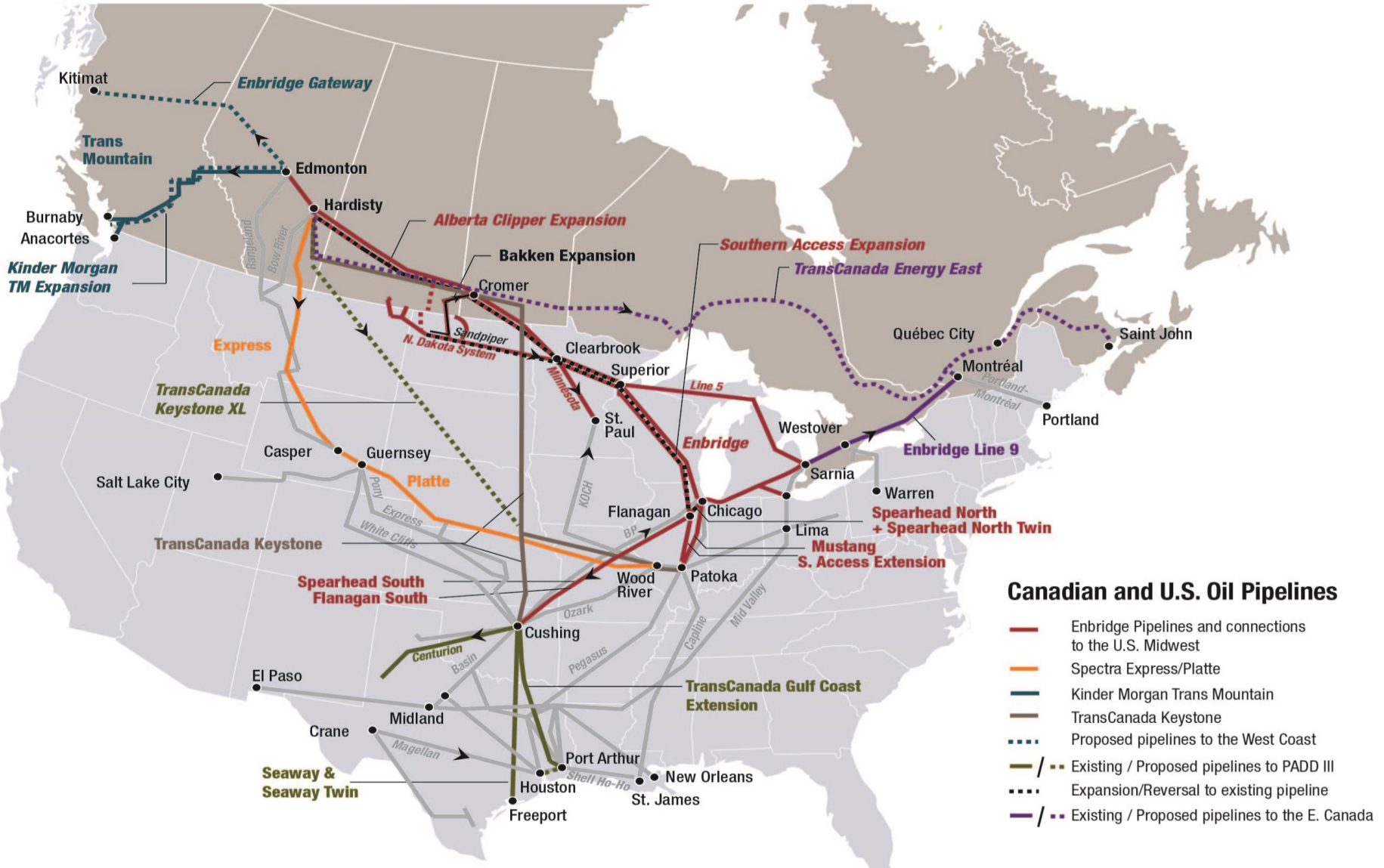
EIA: <http://bit.ly/2llovyyp>

Canadian Energy: Leads to US Security

CANADIAN ENERGY

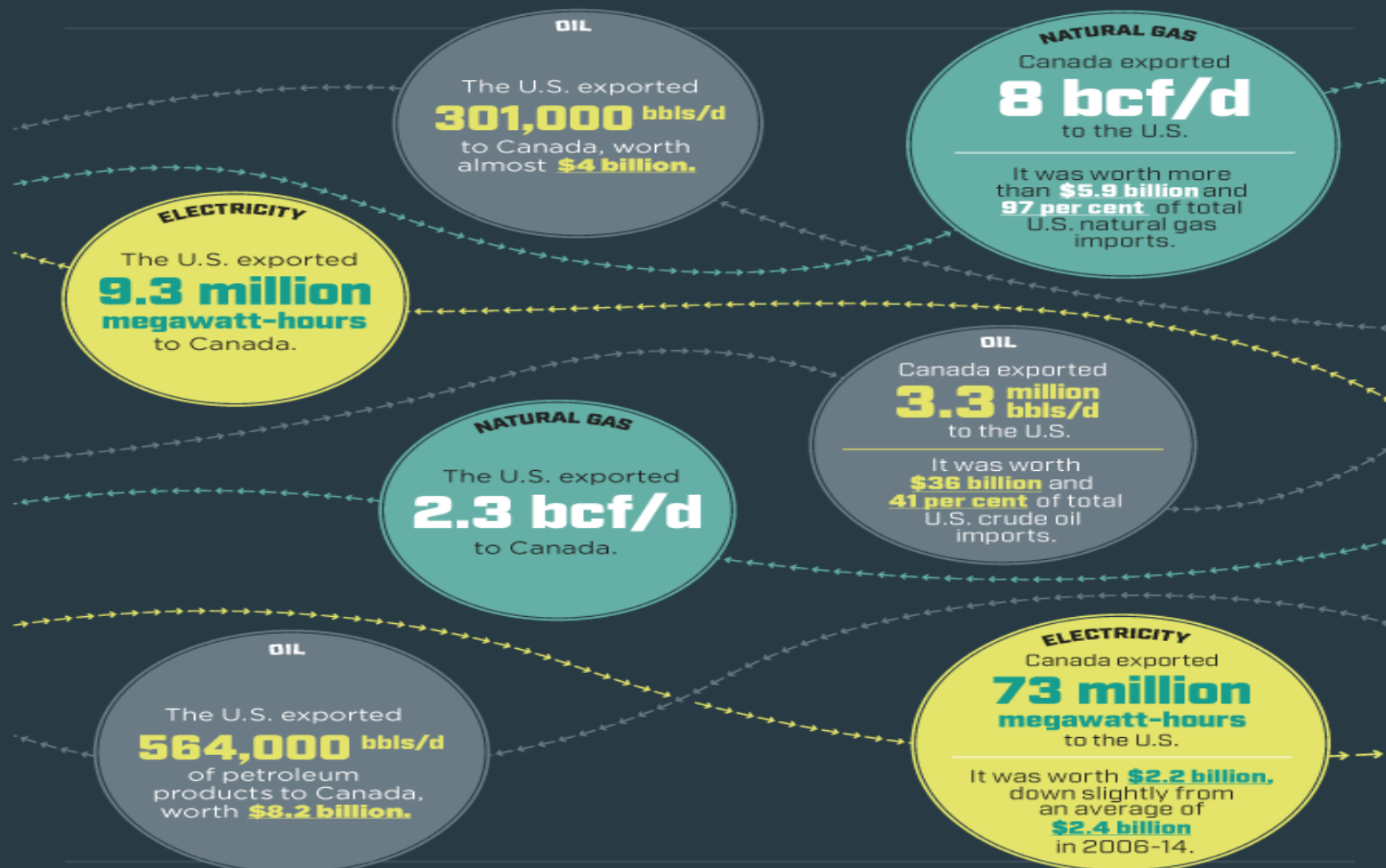
- Contributes directly to **U.S. energy security.**
- Is safe, reliable and secure.
- Is critical to U.S. competitiveness and **long term energy independence.**

Canada-US Energy Integration



The Canada-U.S. energy trade

Canada and the U.S. enjoy one of the strongest trade relationships in the world with more than \$2 billion in goods and services crossing the border each day. Energy is a major part of that trade. Here is a look at that cross-border flow of energy in 2016.



Canadian Energy development creates jobs in the USA

U.S. SUPPLIERS TO CANADA'S OIL SANDS

2 ALASKA



Source: CAPP, 2016

What is NAFTA?

The North American Free Trade Agreement (NAFTA) between Canada, Mexico and the United States came into effect on **January 1, 1994**;

NAFTA was built on the **success of the 1989 Canada-U.S. Free Trade Agreement (CUSFTA)**;

NAFTA's objective is to **facilitate cross-border trade and investment** opportunities;

Provided for the **elimination of most tariffs** on products traded among the three countries.



North American free trade agreement (nafta)

Canada • U.S • Mexico



Significantly increased
trilateral trade to
\$US 1 TRILLION
IN 2016



Trilateral trade has
grown more than
THREE TIMES
since the entry into
force of NAFTA (1994)



North American free trade agreement (nafta)

Canada • U.S • Mexico



A Free Trade
ECONOMIC POWERHOUSE

28% of global GDP
with under 7% of the world's population



Why NAFTA is a good deal for the United States

LOWERED PRICES AND INCREASED OPTIONS

OPENED EXPORT MARKETS

BOOSTED ECONOMIC OUTPUT

REDUCED ENERGY DEPENDENCY

INCREASED FOREIGN INVESTMENT

INTEGRATED PRODUCTION PLATFORMS



NAFTA NEGOTIATIONS

- Canada's objective is to make a good agreement even better and to align NAFTA to new realities
- NAFTA renegotiation offers us an opportunity to integrate progressive, free, and fair approaches to trade and investment
- All three countries have committed to continuing discussions and engagement with stakeholders



ENERGY BENEFITS OF NAFTA

U.S. NORTH AMERICAN ENERGY EXPORTS

FIGURE 3. NORTH AMERICA ENERGY EXPORTS, 2016



FOUR REFINERIES, FOUR CASE STUDIES

A number of U.S. refineries rely on supplies of crude oil from Canada and Mexico – which they turn into beneficial products we use daily, supporting domestic jobs and economic growth. A look at four facilities helps illustrate these points:

#1 EXXONMOBIL JOLIET, ILL.

- WORKERS: 600
- INFLOW ARROW FROM CANADA: 250,000 BPD
- OUTFLOW ARROW TO U.S.: 9 MILLION GALLONS GASOLINE/DIESEL FUEL DAILY

#2 BP WHITING, IND.

- WORKERS: 1,650
- INFLOW ARROW FROM CANADA: 320,000 BPD
- OUTFLOW ARROWS TO U.S.: GAS/DIESEL PRODUCTION FOR REFINERY: 14 MILLION GALLONS

#3 SHELL/PEMEX DEER PARK, TEXAS

- WORKERS: 1,500
- INFLOW ARROW FROM MEXICO: 170,000 BPD
- OUTFLOW TO U.S.: GAS/DIESEL TO U.S.: 6 MILLION GALLONS
- OUTFLOW TO MEXICO: 136,000 BPD

#4 CHEVRON PASCAGOULA, MISS.

- WORKERS: 1,593
- INFLOW ARROW FROM MEXICO OR APPROXIMATION: 48,000 BPD
- OUTFLOW ARROW TO U.S.: 8 MILLION GALLONS FOR GASOLINE/DIESEL PRODUCTION

Canadian Consulate Services to US Companies

- **One 12 Consulate General of Canada's in the U.S**
- **Canadian Consulate services are FREE of charge**

▪ **SOURCING FROM CANADA**

- Introductions to Canadian suppliers

▪ **INNOVATION and R&D WITH CANADA:**

- Assisting in conducting R&D in Canada or licensing Canadian technology

▪ **INVESTING IN CANADA:**

- Pathfinding key government contacts
- Facilitation of site visits
- Information and advice on how to set up a business in Canada, taxation, regulations and government programs
- Assistance in developing an investment business case

Exporting to Canada: State of Texas and/or US Commercial Service – Main point of contact



Contact the Consulate General of Canada - Dallas



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Suite 2900
Dallas, TX 75201
Phone: (214) 922-9806
Fax: (214) 922-9815

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