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VIEWPOINT

ENERGY SERIES

MARCH 2025

DIVERSIFYING OUR EXPORTS BY BUILDING ENERGY INFRASTRUCTURE IN QUEBEC

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Since the new American administration took office, Canada's federal and provincial governments have been looking to diversify their trading partnerships.[1] The Quebec Premier, for instance, recently said he was open to studying new energy projects modelled after Energy East and GNL Québec.[2] The cancellation of these two projects—in 2017 and 2021 respectively—severely restricted market opportunities for Canadian oil and gas companies, due to a lack of infrastructure.

It is essential for Canada to remove the obstacles to these strategic projects.

THE NEED TO DIVERSIFY

The Canadian oil sector is heavily dependent on the American market. Indeed, nearly four out of five barrels produced in this country in 2024 were exported to the United States, representing almost all (97%) of Canada's oil exports.[3]

As for natural gas, all of Canada's exports currently go to the United States, although this represents just under half of total production, the rest being consumed domestically.[4] The country lacks the large maritime terminals to export liquefied natural gas, and so exports to Europe or Asia are nonexistent.[5] Without such infrastructure, diversification of natural gas exports is practically impossible given Canada's geography.

Yet, Canadian companies' heavy dependence on the American market as a destination for their oil and gas is not insurmountable. It is the result of government decisions and regulatory barriers that restrained, and even sabotaged, the construction of energy infrastructure. This situation has become all the more problematic given the tariff war launched by U.S. President Donald Trump, and the urgent need for Canadian companies to diversify their markets.

Table 1

Potential diversification toward Eastern Canada with Energy East and GNL Québec

	Oil	Natural gas
	Energy East	GNL Québec
Capacity (per day)	1.1 million barrels	46 million m^3
Diversification potential	27.7%*	19.4%
Annual value of diversification	\$36.7 billion	\$1.73 billion

Note: This diversification potential rises to 46% if we include Trans Mountain, based on that pipeline's maximum transport capacity, not including the extent to which its use is already diversifying markets. To calculate this, we attributed the entire increase in exports to countries other than the United States since June 2024 solely to Trans Mountain. This is therefore an estimate.
Source: Author's calculations. See endnotes 4 to 9.

TWO PROJECTS THAT SHOULD NOT HAVE BEEN BLOCKED

To understand the importance of new energy infrastructure for diversification, imagine that the Energy East and GNL Québec projects, for Canadian oil and natural gas respectively, had not been blocked, but had proceeded. In this scenario, the former would have been in service since the end of 2021, while the latter would be close to completion, coming online in 2026 at the latest.[6]

Based on the transport capacity of these two projects, we can evaluate the potential diversification that Canada could have enjoyed from their full exploitation.

Diversifying oil exports—Energy East

In 2024, nearly four million barrels of Canadian oil per day were exported to the United States. The Energy East project, with a maximum capacity of 1.1 million barrels per day, could have transported a substantial portion of this production toward Eastern Canada, passing through Quebec. By increasing the capacity to export Canadian oil to countries other than the United States, redirecting 27.7% of the oil currently sent south of the border, this project would have represented a value of $36.7 billion annually, based on the total value exported in 2024[7] (see Table 1).

Diversifying gas exports—GNL Québec

In 2024, Canada exported the equivalent of 237 million cubic metres of natural gas per day south of the border. With a daily capacity of 46 million m^3, the GNL Québec project would have allowed for a reduction of nearly 20% of these exports toward the American market, representing an annual value of $1.7 billion.[8] This could have reduced the portion of Canadian natural gas production exported to the United States to about a third, rather than 45%, based on 2024 figures.

In total, over $38 billion of oil and gas per year could thus have been redirected toward other markets if we had built Energy East and GNL Québec. Moreover, these projects would have generated nearly $30 billion of capital investments for their construction, according to initial estimates.[9]

CONCLUSION

The provincial and federal governments need to establish a strategy to reduce Canada's dependence on the United States as a destination for its oil and gas exports. This means that the regulatory process needs to be simplified, notably by replacing the *Impact Assessment Act*.[10]

Our governments also need to adopt clear policies in favour of building major energy projects in their jurisdictions, including in Quebec where the population is in favour of this.[11] The message to investors would therefore be clear: Building oil and gas pipelines and liquefied natural gas terminals is not only possible; it is encouraged.

REFERENCES

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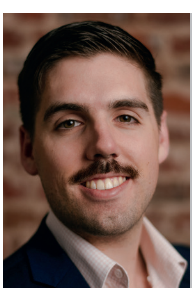

This Viewpoint was prepared by **Gabriel Giguère**, Senior Policy Analyst at the MEI. The MEI's Energy Series aims to examine the economic impact of the development of various energy sources and to challenge the myths and unrealistic proposals related to this important field of activity.

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