ECONOMIC NOTES

ENERGY SERIES

The Economic Benefits of Building New Energy Transport Infrastructure

By Gabriel Giguère

MARCH 2026

MEI Ideas for a More Prosperous Society

The need to build new oil and gas pipelines and natural gas liquefaction terminals in order to diversify our export markets has been clear since the new Trump administration took office.[1] While Canadian oil exports outside of the United States have increased somewhat, much remains to be done to fully realize our energy resource potential.

DIVERSIFYING OUR EXPORT MARKETS

The Canadian oil sector exports more and more barrels of oil to markets other than the United States. Before the expansion of the Trans Mountain pipeline, these exports represented around 3% of all Canadian oil exports. With the expansion of the oil pipeline's transport capacity—increasing from 300,000 barrels per day to 890,000 barrels per day[2]—the diversification of export markets has increased (see Figure 1). This has led to an increase in the value of non-U.S. oil exports from $4 billion in 2023 to $14.2 billion in 2025.[3]

This rapid diversification of oil exports to countries outside of the United States, notably to Asia, accounts for one in ten barrels on average, even hitting 14% in the fourth quarter of 2025. Moreover, the year 2024, during which the pipeline expansion was completed, coincided with an increase of more than 5% in exports of Canadian oil.[4]

The main destination for recent non-U.S. Canadian oil exports was China, primarily in October and November 2025. That country imported over $3 billion worth of this resource in the fourth quarter of 2025.[5] The demand for Canadian oil has thus been, and remains, strong both in Asia and elsewhere around the world.

This diversification of export markets reduces Canadian dependence on the United States and allows our producers to respond to international market demand.

Canadian companies also began exporting their natural gas elsewhere than to the United States in mid-2025. Prior to that, gas pipelines to the United States were the only way to ship the resource out of the country. Now, Canada's first natural gas liquefaction terminal has begun operating in Kitimat, on the West Coast. The terminal's liquefaction capacity is around 52 million m^3 per day.[6] This has led to an increase in non-U.S. exports from 0% before July 2025 to 7% (around 1.7 billion m^3) in the fourth quarter of the year.[7] Indeed, in January 2026, liquefied natural gas exports hit their highest level yet, which shows the strong potential of diversification.[8]

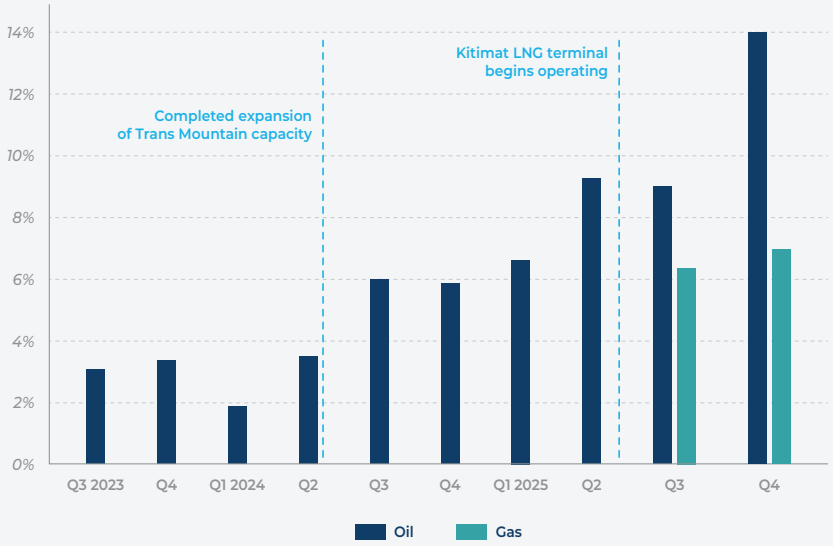
This diversification of export markets reduces Canadian dependence on the United States and allows our producers to respond to international market demand, notably in Asia. Japan, South Korea, and China are among those buying the

resource since the liquefied natural gas plant began operating.[9] In 2025, Canada exported more natural gas than it has in 10 years.[10]

While Canada's first large liquefied natural gas terminal coming online is a good thing for the energy sector and market diversification, it also illustrates Canada's considerable lag behind the United States. Indeed, American liquefied natural gas exporters opened their first terminal in February 2016, and the United States has already become the world's largest exporter of this resource.[11]

FIGURE 1

Proportion of oil and natural gas exports outside the United States



Sources: Author's calculations. Statistics Canada, Table 25-10-0063-01: Supply and disposition of crude oil and equivalent, March 2, 2026; Statistics Canada, Table 25-10-0055-01: Supply and disposition of natural gas, monthly (data in thousands) (x 1,000), March 2, 2026.

BILLIONS OF DOLLARS MORE

The benefits of diversifying markets for Canadian energy resources are obvious: it reduces our dependence on a single market and allows us to sell for a higher price than when our neighbours to the south were the only practical destination.

This dynamic of higher sale price and revenues for Canadian firms is particularly well illustrated in the oil sector, where Western Canadian Select (WCS) oil sold at a significant discount compared to West Texas Intermediate (WTI) oil, which serves as a reference.[12] Indeed, diversification led to relatively higher prices for WCS than before, and thus to a smaller gap with the price of a barrel of WTI. The spread between a barrel of Canadian oil and a barrel of American oil averaged US$19.82 between November 2022 and April 2024, the 18-month period that preceded the completion of the Trans Mountain pipeline capacity expansion (see Figure 2). Even though the full effect of diversification will undoubtedly only be felt over time, this gap nonetheless shrank to US$12.52 for the 18 months that followed, from June 2024 to November 2025. This represents a reduction of $7.30, or 37.5%.[13]

This reduction in the price gap between Canadian and American oil allows the Canadian industry to capture a larger share of the value produced.

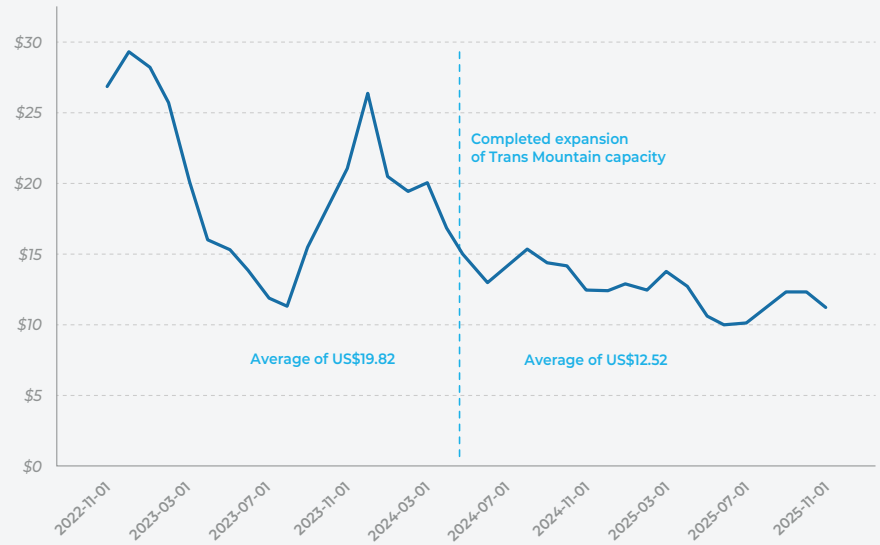
This has positive effects on the revenues of firms in this sector. With total exports of 2.3 billion barrels of oil between June 2024 and November 2025,[14] the total additional revenue, due in part to the Trans Mountain expansion, is estimated at over US$16.7 billion.[15] This reduction in the price gap between Canadian and American oil allows the

Canadian industry to capture a larger share of the value produced. This is the main rationale behind investing in new energy infrastructure. It is also the reason why the provincial and federal governments must remove all obstacles to building more of it.

This infrastructure moreover generates additional revenue for the federal and other governments through taxes and royalties. Indeed, in the November 2025 federal budget, the government reiterated the importance of energy export market diversification for Canadian public finances.[16] For the government of Alberta, 2025-2026 budget documents highlight the importance of each dollar for the province's revenues.[17] Indeed, without the Trans Mountain capacity expansion, the Alberta government would have collected billions of dollars less.[18]

FIGURE 2

Spread between the price of a U.S. barrel of oil (WTI) and a Western Canadian barrel (WCS)



Source: Author's calculations. Government of Alberta, WCS oil price, consulted March 6, 2026.

INTERNATIONAL DEMAND FOR CANADIAN ENERGY

The construction of new infrastructure is all the more beneficial given that international demand for these resources is likely to last. Over the past few years, several countries have indeed shown an interest in Canadian energy products. Countries like Japan, Germany, Poland, and Greece have indicated their wish to purchase liquefied natural gas from Canada.[19] This Japanese demand has in fact already led to imports of Canadian natural gas.[20]

More recently, India's leaders indicated, in February 2026, their interest in all forms of Canadian energy. It is worth noting that India aims to nearly triple the share of natural gas in its energy basket, from around 6% to 15%.[21]

Over the past few years, several countries have shown an interest in Canadian energy products.

On top of this, there is the recent conflict in Iran and the global energy market disruptions that have ensued, which highlights the importance of Canada being able to supply its trading partners.[22] Diversifying energy supply sources is thus becoming an indispensable factor to ensuring energy security in numerous countries.

CLEARING THE WAY

It is evident that Canada is a reliable and stable partner when it comes to energy supply, and that to increase exports, it will be necessary to build more energy transport infrastructure. In November 2025, the federal government signed a Memorandum of Understanding with the Alberta government in order to demonstrate its political will to build a new oil pipeline to the West Coast.[23] This would enable additional diversification, but it would be ill-advised to limit our ambitions and the potential for even more diversification.

The construction of more oil and gas pipelines and liquefied natural gas terminals is of strategic importance for Canada.

The increased exports to new markets, since June 2024 in the case of oil and since July 2025 in the case of liquefied natural gas, demonstrate the importance of infrastructure that allows for the opening up of new markets. If the regulatory framework and political decisions hold back the development of this kind of infrastructure, it is the Canadian economy as a whole that pays the price. For this reason, the construction of more oil and gas pipelines and liquefied natural gas terminals is of strategic importance for Canada.

The Marinvest project to build a liquified natural gas plant in Quebec, for one, would aim to export natural gas overseas, thereby serving to diversify our export markets.[24] Preliminary information indicates liquefaction capacity similar to that of the GNL Québec project, which would have increased diversification by approximately 20 percentage points when fully in use,[25] had it not been stopped in its tracks by the government.

Political decision-makers, both federal and provincial, must avoid repeating the errors of the past and instead allow for the accelerated development of projects in the mold of Energy East and GNL Québec in Eastern Canada, and Northern Gateway in the West.

Given the benefits of market diversification, both in terms of reduced dependence on the United States and of the ability to capture more value in the price of each oil barrel sold, governments must understand the urgency of establishing an attractive regulatory framework for the development of new infrastructure.

This Economic Note 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.

REFERENCES

1. Gabriel Giguère, "Diversifying Our Exports by Building Energy Infrastructure in Quebec," Viewpoint, MEI, March 2025.
2. Canada Energy Regulator, Trans Mountain Expanded System, Description, October 2024.
3. Author's calculations. Statistics Canada, Table 12-10-0179-01: Canadian international merchandise trade for total exports, domestic exports and re-exports, customs-based, monthly (x 1,000), February 19, 2026.
4. Statistics Canada, Table 25-10-0063-01: Supply and disposition of crude oil and equivalent, March 2, 2026.
5. Author's calculations. Statistics Canada, *op. cit*., endnote 3.
6. Author's calculation. Government of Canada, Natural Resources Canada, Energy sources, Fossil fuels, Canadian liquified natural gas projects, January 7, 2025.
7. Author's calculations. Statistics Canada, Table 25-10-0055-01: Supply and disposition of natural gas, monthly (data in thousands) (x 1,000), March 2, 2026.
8. Canada Energy Regulator, Natural Gas Trade Summary – Liquefied Natural Gas (LNG) Export Volumes, consulted March 12, 2026.
9. Canada Energy Regulator, Natural Gas and LNG – Historical Summary of Export and Import Volumes (From 2016), consulted March 12, 2026.
10. *Idem*.
11. Brent Jang, "U.S. LNG exports hit record highs as Ottawa seeks to boost Canada's modest output," *The Globe and Mail*, January 2, 2026; U.S. Energy Information Administration, "Ten years after first Sabine Pass cargo, U.S. LNG exports are still on the rise," February 24, 2026; U.S. Energy Information Administration, "The United States became the world's largest LNG exporter in the first half of 2022," July 25, 2022.
12. Author's calculation. In addition to export capacity (which has increased markedly), the type of oil and the distance travelled in the pipeline network also explain a portion of the price gap between WCS and WTI. Canada Energy Regulator, Market Snapshot: Trans Mountain Expansion eases pipeline constraints and increases exports to overseas markets, September 3, 2025; Government of Alberta, WCS oil price, consulted March 6, 2026.
13. Author's calculations. *Idem*.
14. Statistics Canada, *op. cit*., endnote 4.
15. Author's calculation: 2,290,997,512 barrels x $7.30 (reduction in the spread) = $16,724,281,837.
16. Government of Canada, *Canada Strong – Budget 2025*, November 2025, pp. 35 and 79.
17. Government of Alberta, *Budget 2026*, Fiscal Plan, Revenue Tables, Tab 9: Sensitivities to Fiscal Year Assumptions, 2026-27a.
18. *Idem*.
19. Spencer Van Dyk, "'Of course, yes': Poland latest European country with interest in Canadian LNG," *CTV News*, April 28, 2024; Spencer Van Dyk, "Greece would 'absolutely' be interested in purchasing Canadian LNG: Greek PM," *CTV News*, March 24, 2024; Ryan Tumilty, "Being reliable supplier of energy important, Trudeau says as Japan looks to Canada for LNG," *National Post*, January 12, 2023; JP Alegre, "Germany Signals Long-term Interest in Canadian Natural Gas Despite Climate Goals," *The Deep Dive*, September 26, 2025.
20. Petronas, "PETRONAS Ships First LNG Cargo from LNG Canada to Japan," Press release, July 7, 2025.
21. John Paul Tasker, "Energy-hungry India tells Carney 'we are willing to buy whatever Canada is offering'," CBC, February 27, 2026; International Energy Agency, India, consulted on March 6, 2026.
22. David Thurton, "Nervous nations calling Canada's energy minister after Iran strikes," CBC, March 3, 2026.
23. Prime Minister of Canada, Canada-Alberta Memorandum of Understanding, November 27, 2025.
24. Gabriel Giguère, "A Liquefied Natural Gas Plant: A Priority Project for Quebec," Economic Note, MEI, February 5, 2026; Mitchell Beer, "Quebec to 'Carefully Examine' Proposal for New LNG Megaproject," *The Energy Mix*, July 7, 2025.
25. The Marinvest project is planned for eastern Quebec. The estimates cited here are preliminary, since project documentation is not yet fully accessible. Gabriel Giguère, *op. cit*., endnote 1.

910 Peel Street, Suite 600, Montreal (Quebec) H3C 2H8 T 514.273.0969
150 9th Avenue SW, Suite 2010, Calgary (Alberta) T2P 3H9
170 Laurier Avenue W, Suite 716, Ottawa (Ontario) K1P 5V5