

Canadian Consulate General



Consulat Général du Canada

April 24, 2020

The Honorable Bob Anthony
Vice-Chairman
Oklahoma Corporation Commission
State of Oklahoma
PO Box 5200
Oklahoma City, Oklahoma 73152-2000

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CORPORATION COMMISSION
OF OKLAHOMA

Dear Vice-Chairman Anthony,

The achievements of the oil and natural gas sector in the United States and Canada in the past dozen years have strengthened both North American energy security and the North American economy. Now we collectively face the twin challenges of demand destruction from COVID-19 and global oversupply.

The Consulate General of Canada for Oklahoma, Canada's oil and gas producing provinces, and our energy companies have followed with interest your discussions on prorationing and the diverse views which have been expressed in Oklahoma. We wanted to take this opportunity to provide an update to you on current Canadian exports to the U.S., and the most recent actions taken by the Government of Canada and the Province of Alberta in support of the oil and gas sector.

Access to secure and reliable energy is a critical element to the U.S. economy and North America's global competitiveness. We are each other's largest and most secure supplier of oil and natural gas resources, which flow both ways carried by some 74 oil and gas pipelines. In 2019, according to the U.S. Energy Information Administration, Canada supplied 3.810 million barrels per day (bpd) of crude oil to the U.S. Of this 496,000 bpd were supplied, mainly through the oil pipeline and storage hub in Cushing, Oklahoma, to PADD III's Gulf Coast refineries, some of which are configured to run heavy, sour crude such as that produced in Alberta's oil sands. Canada also is proud to be a reliable and friendly supplier to refineries across the Midwest in PADD II which includes Oklahoma, and to contribute jobs and prosperity to the Oklahoma economy.

American energy products also flow to Canada. In fact, in 2018, 70% of Canada's energy imports were from the U.S., equating to over \$35 billion in value, including crude oil, natural gas and petroleum products.

As is occurring in Oklahoma, crude oil producers in Canada have announced production cuts as a result of the current situation. The market price for western Canada's marker crude fell below zero dollars per barrel on April 20. Companies have already announced they are taking hundreds of thousands of barrels offline per day and the International Energy Agency forecasts these cuts will rise to above 1,000,000 bpd by June, about 20% of Canadian capacity.

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The Government of Alberta, Canada's largest crude oil producing province, instituted in January 2019 a crude oil production curtailment program to respond to production levels that exceeded what could be shipped for export by pipeline, rail or used internally within the province. The curtailment program continues today and is set currently at 80,000 barrels per day, although it was initially set at 325,000 barrels per day in early 2019. Alberta's curtailment program focuses on production cuts based on total production by the fifteen largest operators, rather than prorating by well.

Canada is proud to have played a key role in the recent G20 Energy Ministers Meeting, where countries agreed to use all available tools to improve market stability. We are committed to ensuring a strong energy economy, including through free, market-based trade, and are seeking to avoid mechanisms that increase production or destabilize prices. We are also focused on efforts to support our energy sector, and to provide certainty to industry and investors.

The Government of Canada has announced measures to support the energy sector so they can maintain operations and keep employees on the job. We have also provided up to \$1.72 billion to clean up orphan and inactive oil and gas wells – creating thousands of jobs and lasting environmental benefits. Finally, we are providing up to \$750 million for a proposed Emissions Reduction Fund, with a focus on reducing methane emissions in Canada's oil and gas sector.

Canada and the United States have a strong history of energy cooperation that arises from our highly integrated energy systems and mutual interest in a secure, reliable and sustainable energy economy. Our respective energy sectors are also resilient and will get through this period – and can do so more effectively by working together.

I would be pleased to answer any questions that you might have, to discuss Canada's complementary role in the North American energy scene with you and your staffs, and to provide any additional information that may be useful, as are my colleagues in the Province of Alberta.

Yours sincerely,



Rachel McCormick
Consul General of Canada

RM/cl

cc:

The Honorable Todd Hiett, Chairman, Oklahoma Corporation Commission
The Honorable Dana Murphy, Commissioner, Oklahoma Corporation Commission