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Why Eastern Canada needs a strategic oil plan

By Richard Gilbert

Special to Globe and Mail Update

The federal government should establish a petroleum reserve that would be able to replace imports for 80 days

A previous post - [Why Quebec is poised for an oil shock](#) - described the predicament of a part of North America that is among the most vulnerable to what may be increasingly likely interruptions in world oil supply. Just over 90 per cent of the crude oil used in Quebec is imported, compared, for example, with

63 per cent of the crude oil used in the U.S. (Data are for 2009.) Moreover, the U.S. has a Strategic Petroleum Reserve that could replace imports for up to 80 days. Quebec - indeed all of Canada - has no such reserve.

Western Canada doesn't need a reserve. It produces more than four times as much oil as it consumes, and there is a good distribution system from the Pacific coast to Manitoba's eastern border.

Eastern Canada receives some of the West's surplus. Oil from the West provides three quarters of Ontario's consumption, but every drop passes through the U.S. in pipelines whose main function is to carry oil from Alberta and Saskatchewan to U.S. customers. (Nearly all the balance of crude oil used in Ontario is imported, with OPEC countries providing the largest share.)

In the event of a crisis, the U.S. may decide it needs the oil en route from Western Canada to Ontario more than Ontario does. Western Canada producers may acquiesce, deciding that they need U.S. customers more than they need Ontario customers.

Eastern Canada also exports most of the oil it produces (from the Hibernia oil field). Unlike Western Canada, where 100 per cent of the region's oil needs are met from its own production, only 10 per cent of Eastern Canada's needs are met from Eastern Canada's production. More than 90 per cent of the oil used in Eastern Canada comes from or via another country.

In the event of a crisis, the Government of Canada could direct all Eastern Canada's oil production to Canadian use. This would cover Atlantic Canada's needs, but not much more.

Eastern Canada is thus highly vulnerable to an oil shock, whether in the form of higher prices, unavailability of imports, or both.

One part of a solution could be for the Government of Canada to establish a petroleum reserve for Eastern Canada, able to replace imports for 80 days.

Another part of a solution could be the construction of an oil pipeline from Western Canada to Eastern Canada, alongside the TransCanada pipeline, which carries natural gas from Western Canada to Ontario and Quebec. This would be an expensive proposition that may be justifiable only in terms of national energy security.

The main part of any solution, however, should be to make Eastern Canada less dependent on oil. This will mostly mean using less gasoline and diesel fuel for motorized transportation. This can be done by travelling less and moving less freight, or by using another fuel for transportation. Electricity is the most likely alternative fuel, especially for Quebec, but also for the rest of Eastern Canada. Future posts will explain why, and how a shift from internal combustion engines to electric motors could occur.

Richard Gilbert is a Toronto-based consultant who focuses on energy and transportation. His latest book is Transport Revolutions: Moving People and Freight without Oil, written with Anthony Perl.