POLICY BRIEF:
Putting Missed Natural Resource Projects into Perspective

Colin Craig
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Key highlights

- **SecondStreet.org added up the value of natural resource projects that have been stalled or cancelled in Canada over the past five years due to government policies. The total cost for those lost initiatives is roughly the equivalent of building a new NHL-sized arena every single day, for a year.**
- **These stalled projects mean that Canada is missing out on thousands of jobs, employment income for workers, opportunities for businesses and tax revenues for governments.**

Executive summary

When governments block or hold up oil and gas projects, new mines, forestry initiatives and other natural resource initiatives, there are serious consequences for workers and our economy.

Over the past five years, many significant natural resource projects have been stalled or cancelled at least in part due to government policies. SecondStreet.org added up the construction costs for those projects and the numbers are significant:

- From March 2014 to March 2019, government policies contributed to or directly led to the cancellation or delay of more than $196 billion worth of mining and oil and gas projects in Canada. To put that in perspective, that's roughly the cost of building a new NHL-sized arena every day for a year.
- While politicians routinely claim they're "creating" jobs when committing tax dollars to professional sports arenas, stadiums and other mega projects, the stalled natural resource projects we examined would have created thousands of jobs without requiring government funding to build them.
- As global demand for natural resources is expected to increase for years to come, Canada is missing out on enormous economic opportunities.[1 2 3] If Canada doesn't provide the petroleum products, mining materials and wood products necessary to make cell phones, bicycles, new homes and other commodities, the world will simply find those materials elsewhere.
- In addition to lost jobs and opportunities for Canadian companies, the stalled or cancelled natural resource projects we identified represent billions of dollars in tax revenue – funds which could be used to pay down government debt, lower taxes, build hospitals, schools and more.

This policy brief examines the magnitude of these missed opportunities and provides an overview of common concerns from industry.

Methodology

Our research looked specifically at the capital cost of private sector natural resource projects that were stalled or cancelled, at least in part, by government policies between 2014-2019. Our project list was compiled using publicly available information (corporate news releases, government reports and news articles) and through advice from industry experts. We were unable to accurately estimate the number of jobs that Canada is missing out on due to the limitations of the information available (not all projects identified labour requirements).

In 2013, international audit and consulting firm Deloitte estimated the $16 billion Energy East Pipeline project would have created upwards of 10,000 jobs.[4] Based on this estimate, it's reasonable to assume that Canada has missed out on tens of thousands of jobs in total when looking at the full $196 billion in stalled projects we identified.

One limitation of our research is that we relied on publicly available information and as such, our $196 billion billion estimate is quite conservative. This is due to the fact that many investment decisions are not discussed publicly.

For instance, one energy industry insider we spoke with described a significant oil and gas project in Canada that was abandoned by investors. Instead of choosing to invest in our country, the investors backed out and quietly chose to proceed with an opportunity in Tanzania. This decision has not been discussed publicly by the proponent.

A second energy sector insider that we spoke with also noted that investment decisions are often not discussed publicly. We were told, *"I believe your list could be a lot longer. The reality is there are lots of projects where proponents did not go public on, but they were trying to raise capital but were basically shunned because of the reputation that Canada has right now."*

In terms of the forestry industry, we did not locate any public examples of projects that were stalled or cancelled specifically due to government policy. However, we did find evidence that the forestry industry has serious concerns with being able to launch projects in Canada. For instance, in a December 2018 blog post, the Forest Products Association of Canada noted:

"Why is it that Canada, a country with among the most stringent environmental, health and safety, labour, and human rights laws and regulations in the world, is facing continued pressure to restrict resource development and losing jobs and economic opportunity in the process?"[5] The industry association's 2018 pre-budget submission also lists a number of concerns with market access, competitiveness and regulatory barriers.[6]

Finally, we would note that it is possible some of the stalled or cancelled projects we identified could still proceed at some point. However, governments would be wise to avoid simply sitting back and hoping that proponents find a way to get their projects off the ground (see section on concerns raised by industry and investors).

Stalled or cancelled projects in Canada (March 2014 – March 2019)

Project (Jurisdiction)	Cost
Ajax Copper Mine (BC)[7]	$1.50 billion
Alton Natural Gas Storage (NS)[8]	$0.13 billion
Aspen Oil Sands Project (AB)[9]	$2.60 billion
Black Thor Project (ON)[10]	$4.40 billion
Carmon Creek Oilsands (AB)[11]	$3.00 billion
Coffee Gold Project (YT)[12]	$0.40 billion
Dunkirk SAGD (AB)[13 14]	$2.40 billion
Eagle's Nest Project (ON)[15]	$0.40 billion
Energy East Pipeline (AB-NB)[16]	$15.70 billion
Frederick Brook Shale (NB)[17]	N/A
Grassy Point LNG (BC)[18 19]	$10.00 billion
Green Point – Shoal Point Energy (NL)[20]	N/A
Joslyn Oil Sands Project (AB)[21]	$11.00 billion
Mackenzie Valley Pipeline Project (NT)[22]	$16.10 billion
Matoush Uranium Project (QC)[23 24]	$0.34 billion
Muskwa SAGD Project (AB)[25]	$0.80 billion
New Prosperity Mine (BC)[26]	$1.50 billion
Northern Gateway Pipeline (BC-AB)[27 28]	$7.90 billion
Pacific Northwest LNG (BC)[29]	$36.00 billion
Prince Rupert LNG Aurora – Nexen (BC)[30 31]	$28.00 billion
Star Diamond Corp. Mine (SK)[32]	$1.40 billion
Steelhead LNG (BC)[33 34]	$18.00 billion
Trans-Mountain Pipeline Expansion* (BC-AB)[35]	$9.30 billion
WCC LNG (BC)[36]	$25.00 billion
TOTAL:	$195.87 billion

** This project initially started as a private sector initiative and its future is unclear*

Regional Perspective

To put the $196 billion estimate for Canada's missed natural resource sector opportunities into perspective, we compared that figure with the cost of major capital initiatives in different parts of Canada:

Province	What $196 billion is equal to:
British Columbia (Surrey/New Westminster)	Over 140 Pattullo Bridge projects[37]
Alberta (Edmonton)	Over 290 Rogers Place arenas[38]
Saskatchewan (Regina)	Over 600 Mosaic Stadiums[39]
Manitoba (Winnipeg)	Over 780 IG Fields[40]
Ontario (Toronto)	Over 35 Scarborough Subway Extensions[41]
Quebec (Montreal)	Over 45 Champlain Bridge Corridors [42]
Newfoundland and Labrador	Over 15 Muskrat Falls Dams[43]

See report notes for further details

Other benefits

Aside from direct benefits related to the construction of the aforementioned natural resource projects, there would be additional indirect benefits for Canadian workers, the government, businesses, Canada's economy and society.

For instance, Canada currently has a severe lack of pipeline capacity to the east and west coasts. As a result, 99% of the oil that is exported from Canada is shipped to the United States.[44] The United States in turn takes advantage of Canada's predicament, routinely paying Canada far less for each barrel of oil than the world price for oil. This price discount is known as the "differential" and it costs Canada's economy, Canadian businesses and Canadian governments, a substantial amount of money each year.

For instance, a November 2018 Scotiabank report estimated that a lack of pipeline capacity will cost Canadian oil and gas producers between $15-39 billion in 2019 and the Alberta government $1.5-4.1 billion in lost royalty revenues ($350-950 per Albertan).[45] Construction of the Energy East Pipeline and Trans Mountain Pipeline projects would allow Canada to export petroleum products outside of North America, helping to reduce the oil price differential by billions of dollars on an annual basis. For producers, reducing the differential would increase profits, providing them with more funds to expand and hire more workers. For governments, reducing the differential would mean more royalty revenues and income tax revenue (federal and provincial) to fund social programs, repay debt and reduce tax rates.

Beyond construction costs, each stalled or cancelled natural resource project would produce substantial spinoff effects throughout the economy. For example, a new mining project would require the purchase of materials and services from other Canadian businesses. Similarly, a worker who is employed to work at a new mine, or somewhere in the firm's supply chain, may decide to build a new home or buy a new car.

Concerns raised by industry and investors

To learn more about why so many natural resource projects are failing to launch in Canada, SecondStreet.org examined seven reports from industry associations, the Fraser Institute and the Canadian Chamber of Commerce. Our cursory review of those reports, and public comments made by industry representatives, identified three common concerns:

1. **Competitiveness –** Mining, forestry and oil and gas opportunities exist all over the world. With that in mind, the cost and regulatory structure in Canada needs to be competitive with other jurisdictions. Natural resource sector proponents have pointed to several areas where Canada could improve. For instance, when responding to the federal government's 2018 fall fiscal update, the Mining Association of Canada noted, "Canada's tax regime has fallen behind international competitors in recent years…Most recently, the US Tax Cuts and Jobs Act reforms significantly reduced Canada's mining tax competitiveness vis-à-vis the US."[46]

2. **Regulatory uncertainty and delays –** We found evidence from all three industries that suggests regulatory road blocks were restricting natural resource projects. For example, a report from the Canadian Association of Petroleum Producers indicated that it takes between 79 and 119 days in Alberta to obtain a permit to drill a well. However, in Texas, the permit period is only 30 to 60 days.[47]

   The regulatory hurdles facing larger projects can be even more significant. For example, when the Mackenzie Valley Gas project was cancelled in 2017, a spokesperson for Imperial Oil noted, *"Our initial estimate for the timing for the regulatory process was somewhere between 22 and 24 months … we filed for regulatory approval in October 2004 and we received final regulatory approval in 2011. I'll leave it up to you to decide if that is a reasonable amount of time for a significant capital investment project."*[48]

3. **Market access –** The value of Canadian natural resources is maximized when producers have access to a wide range of buyers spanning many different markets. As previously noted, in the oil and gas sector, Canada's lack of pipelines to the east and west coasts means producers essentially have only one export market for petroleum products – the United States. Producers in the forestry and mining sectors are not nearly as limited, but a lack of infrastructure is also limiting potential for those two industries. For example, mining executives have noted that a lack of infrastructure in the "Ring of Fire" region in northern Ontario is one of the biggest obstacles to mining development.[49]

Conclusion

Canada is missing out on enormous economic opportunities when it comes to natural resource development. Government policies restricting natural resource projects and investment have, in many cases, obstructed the creation of thousands of direct and indirect jobs. Unlike government megaprojects, the aforementioned jobs do not require government subsidies. Policy makers would be wise to prioritize efforts to address the barriers that are holding up development of Canada's natural resource sector.

About the author

Colin Craig is the President of SecondStreet.org. He has an MBA and a BA (economics) from the University of Manitoba and is the author of *The Government Wears Prada* – a book that examines how Canada can meet the needs of our nation's aging population without raising taxes.

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Report notes: To calculate the cost of an NHL-sized arena, we took the average of three recent arenas: Rogers Place in Edmonton, T-Mobile Arena in Las Vegas, the Videotron Arena in Quebec City – in addition to the midpoint estimate for a new arena in Calgary. The cost for the three existing arenas were adjusted to 2019 dollars. Regional projects (Mosaic Stadium, Pattullo Bridge, etc.) were also adjusted for 2019 dollars.

In order to analyze concerns among industry, SecondStreet.org examined the following reports:

- Fraser Institute – *Global Petroleum Survey 2018*
- Fraser Institute – *Annual Survey of Mining Companies 2018*
- Fraser Institute – *Permit Times for Mining Exploration in 2017*
- The Canadian Chamber of Commerce – *Death by 130,000 Cuts: Improving Canada's Regulatory Competitiveness (2018)*
- Canadian Association of Petroleum Producers – *A Competitive Policy and Regulatory Framework for Alberta's Upstream Oil and Natural Gas Industry*
- Mining Association of Canada – *Levelling the Playing Field: Supporting Mineral Exploration and Mining in Remote and Northern Canada (2015)*
- Forest Products Association of Canada –*2019 Pre-budget submission*.

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