

# Canada-US Energy Sector Competitiveness Survey 2019

by Ashley Stedman and Elmira Aliakbari

This report presents the results of the Fraser Institute's 2019 Canada-US Energy Sector Competitiveness Survey regarding barriers to investment in oil and gas exploration and production facilities in each of the two countries. The survey responses have been tallied to rank Canadian and American jurisdictions according to the extent of such barriers. Those barriers, as assessed by the survey respondents, include high tax rates, costly regulatory obligations, uncertainty over environmental regulations, and the interpretation and administration of regulations governing the "upstream" petroleum industry, as well as concerns over political stability and security of personnel and equipment.

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This year's survey of senior executives in the upstream oil and gas sector is consistent with the methodology used in previous editions of the *Global Petroleum Survey*. A total of 81 respondents participated in the survey this year, providing sufficient data to evaluate five Canadian provinces and 15 American states.

The jurisdictions that are evaluated are assigned scores on each of 16 questions pertaining to factors known to affect investment decisions. These scores are then used to generate a "Policy Perception Index" for each jurisdiction that reflects the perceived extent of the barriers to investment.

According to this year's survey, Texas is the most attractive jurisdiction for oil and gas investment followed by Oklahoma (2<sup>nd</sup>) and Kansas (3<sup>rd</sup>). Seven other US jurisdictions also ranked in the top 10 this year: Wyoming (4<sup>th</sup>), US Offshore—

Gulf of Mexico (5<sup>th</sup>), North Dakota (6<sup>th</sup>), Alabama (7<sup>th</sup>), New Mexico (8<sup>th</sup>), Montana (9<sup>th</sup>), and Mississippi (10<sup>th</sup>). None of the top 10 most attractive jurisdictions are located in Canada. Among Canadian jurisdictions, Saskatchewan is the most attractive jurisdiction for upstream oil and gas investment (ranked 13<sup>th</sup> out of 20) while British Columbia poses the greatest barriers to investment (ranked 19<sup>th</sup> out of 20). Alberta ranks 16<sup>th</sup> out of 20 jurisdictions.

Investors pointed to the uncertainty concerning environmental regulations, taxation, and regulatory duplication and inconsistencies as major areas of concern in Canadian provinces compared to US states. In particular, in 2019, only 9 percent of respondents in Texas and 12 percent of respondents in Oklahoma indicated that uncertainty concerning environmental regulations was a deterrent to investment there, whereas in British Columbia it was an issue for

94 percent, and in Alberta a problem for 80 percent of respondents. On average, 65 percent of respondents for Canada are deterred by environmental regulations, compared to 37 percent for the United States.



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An Alberta/Texas comparison demonstrates how results vary by region: 53 percent of respondents identified taxation as a deterrent to investment in Alberta versus only 12 percent for Texas. Overall, investors expressed heightened concern over taxation in Canada compared to the United States. The percentage of respondents indicating that taxation in general was deterring investment was, on average, 60 percent for Canada compared to only 32 percent for the United States.

The Alberta/Texas comparison also shows that 65 percent of respondents identified regulatory duplication and inconsistencies as a deterrent to investment in Alberta compared to only 8 percent for Texas. Overall, regulatory duplication and inconsistencies are a significant concern for investors in Canada compared to the United States. On average, 53 percent of respondents indicated that this factor was a deterrent to investment for the Canadian provinces compared to only 31 percent for the United States.



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