



Select Standing Committee on Government Services Budget Consultation

Victoria, British Columbia
June 3, 2020

CAPP CANADA'S OIL & NATURAL GAS
PRODUCERS

Overview

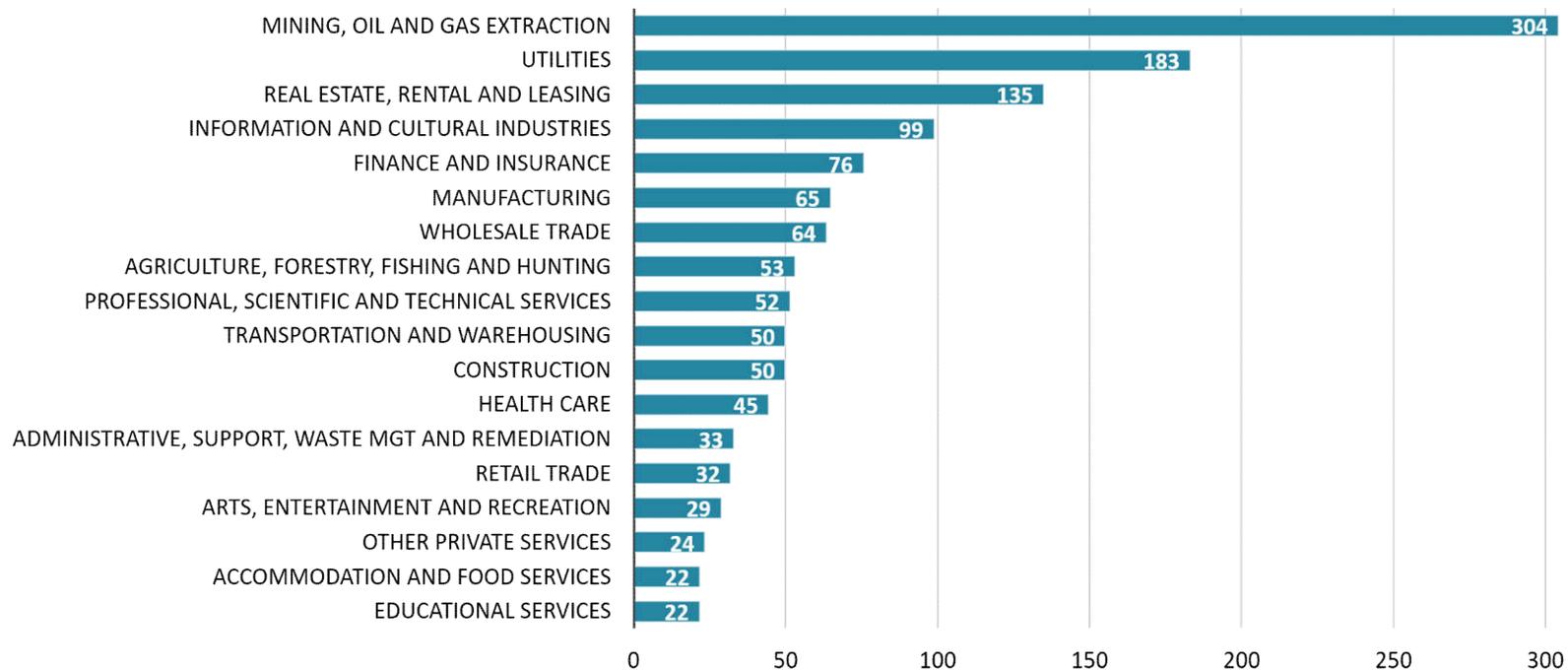
- **Our industry is a cornerstone of Canada's and B.C.'s Economy and can provide a solid foundation for near and long-term economic recovery, while ensuring there is no disruption of essential, abundant and affordable energy during uncertain times**
- **We have enormous opportunity to leverage B.C.'s carbon advantage to create jobs, government revenues, rural economic development, advance reconciliation and improve environmental performance**
- **We are asking government to think globally on a climate and competitive basis**
- **We are seeking a recovery strategy with industry as a partner in developing B.C.'s resources**

Resource Industries are B.C.'s Economic Drivers

- Resources lead B.C.'s exports
- For every hour worked in the natural resources sector in 2018, Canada generated \$304 of real income

WHICH INDUSTRIES “PAY THE BILLS” FOR CANADA?

Labour productivity (Real GDP at basic prices per hour worked), 2019, Canada



Source: Statistics Canada.

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COVID-19 Economic Reality Check and Recovery

- **Canada is experiencing the worst GDP shock since the 1930s**

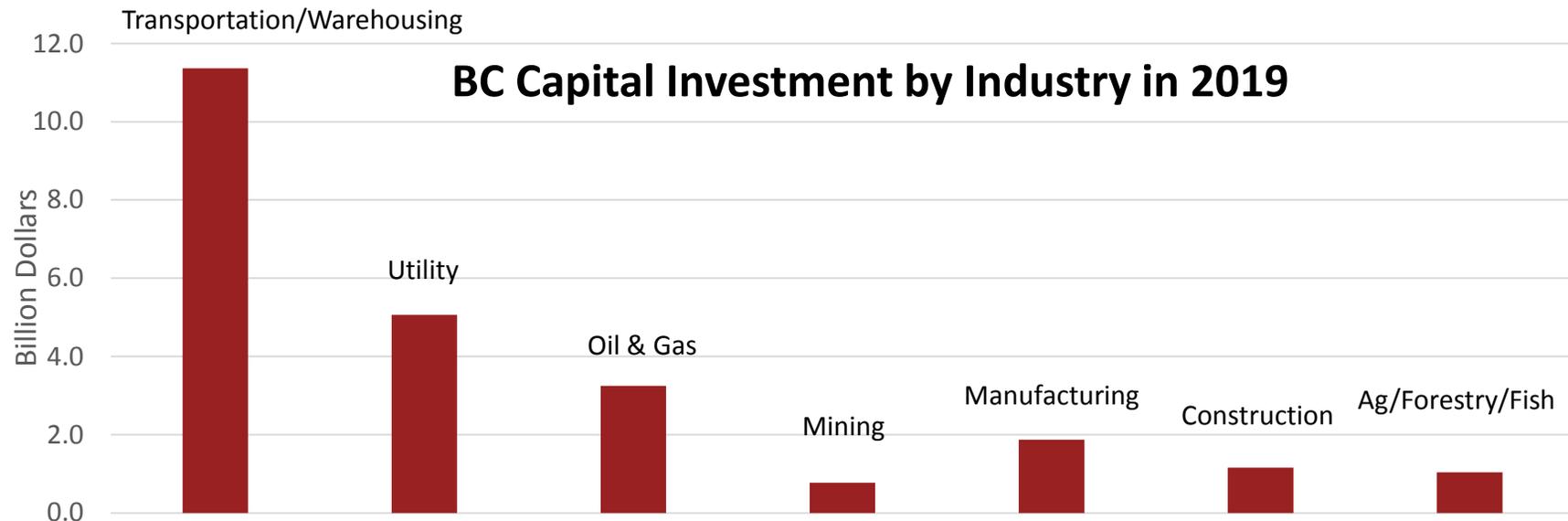
STEEP JOB LOSSES = 14 YEARS OF JOB GROWTH



Latest: April 2020, seasonally adjusted. Source: Statistics Canada, Labour Force Survey, Table 14-10-0287-01.

- **B.C. recovery and job creation will require a strategy to attract investment in a more competitive world**
 - B.C. needs to address EITE competitiveness and make the prevention of carbon leakage as a core principle in policy development and implementation
 - B.C. needs to include carbon offsets and market mechanisms as compliance tools
- **Oil and Natural Gas is a cornerstone of B.C.'s economy and will be an important part of B.C.'s recovery, reconciliation and lower carbon energy**

Oil and Natural Gas is a Foundation of B.C.'s Economy

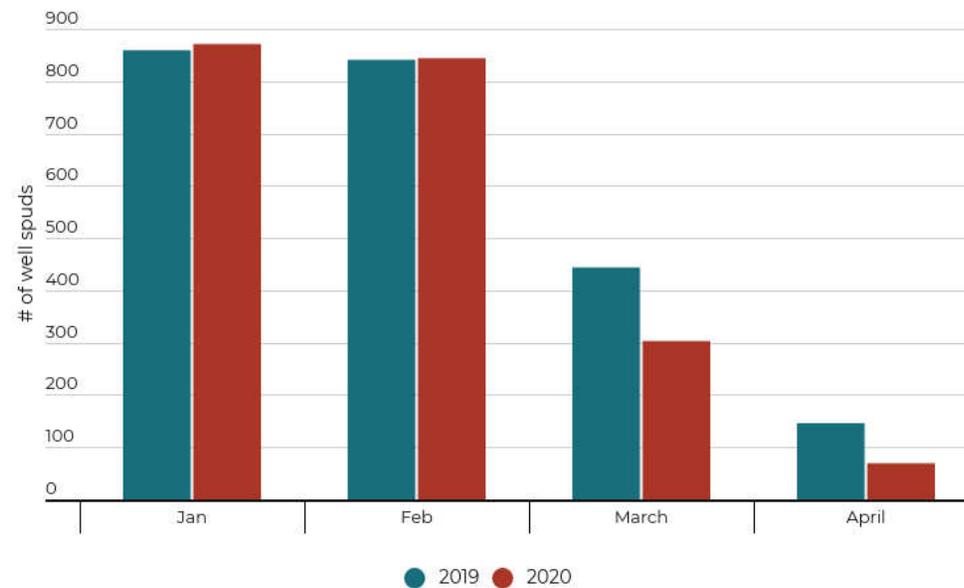


Source: Statistics Canada Table 34-10-0035-01

- **Upstream oil and gas is the largest investor of capital in the Canadian economy**
- **B.C. typically attracts 14% of all Canadian conventional oil and gas capital investment**
- **Oil and gas is the 3rd largest investor in the B.C. economy**
- **Canadian upstream announced investment cuts since March - almost \$9 billion**
- **Upstream oil & gas capital investment in B.C. is for 2019 is estimated to be \$3.3 billion**
- **Best estimate for 2020 is \$2.1 billion - 36% decline over 2019**

Drilling is a leading indicator – jobs, revenues, affordability follows

Spud counts across Canada, Jan. to April -- 2019 vs 2020



Daily Oil Bulletin

- Capital investment is a prerequisite for sustained productivity growth
- Rig count show a big shortfall in investment over previous years
- Lowest April “spud rate” in 30 years
- 18 B.C. wells were drilled in March, compared to 34 wells last year

Focus on Competitiveness to Attract Investment needed for Recovery and Jobs

- **Oil and Natural Gas is the 3rd leading industry for capital investment in B.C.**
 - Capital expenditures in Canada and B.C. are in a nosedive
- **Economic recovery and job creation is not possible without resource industries like Oil and Natural Gas**
- **LNG represents the largest opportunity in Canada to drive economic development and displace higher GHG intensive sources of energy globally**
- **B.C. has a huge opportunity to leverage its' carbon advantage**
 - Address EITE competitiveness
 - Adopt a stringent policy to prevention carbon leakage
 - B.C. needs to include carbon offsets and market mechanisms as compliance tools



Thank You

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