

Box C: Canada's Energy Trade from a Global Perspective

Introduction

As a net exporter of energy resources, Canada is one of the few industrialized countries that benefits from higher world energy prices. During the 1990s, for example, the energy sector contributed to more than 65 percent of Canada's merchandise trade surplus. However, as energy prices have tended to be volatile, so too has Canada's surplus in trade in energy products. Since the second half of last year, energy prices have come down substantially, and have had an impact on Canada's energy trade. This section analyzes past trends in the energy market and attempts to determine what the future may hold for Canada's energy trade. It focuses on the extent to which Canada's trade balance would be affected in the event of a decline in oil prices.

Canadian Trade in Energy Products

Through much of the 1990s, Canada's energy exports kept pace with the growth in merchandise exports. In 2000, however, trade in energy grew substantially more rapidly than overall merchandise trade as a result of the dramatic increase in energy prices. Canada's surplus in energy trade shot up from \$19.1 billion in 1999 to \$35.1 billion in 2000, representing 3.3 percent of GDP in 2000. Energy trade accounted for 59.2 percent of the merchandise trade surplus of \$59.3 billion in 2000.

Traditionally, much of the energy surplus emanates from trade in natural gas. In 2000, 58.2 percent of the energy surplus was in natural gas, 16.3 percent in crude petroleum, 11.6 percent in electricity and 14.4 percent in coal. Imports of energy products, such as crude petroleum and coal, are significantly lower than those of exports. Provinces in Eastern Canada consume much of Canada's energy imports, while all of Canada's exports of oil, gas and electricity are destined for the United States.

Through the second half of 2001, Canada's energy trade was affected by the downturn in energy prices associated with weak demand. While trade in crude petroleum dropped sharply in 2001, Canada's energy exports increased by 4.5 percent on the strength of exports of natural gas, coal and electricity. The value of energy imports edged down by 0.9 percent in 2001, reflecting a 5.7 percent drop in imports of crude petroleum. In 2001, trade in natural gas accounted for more than two thirds of the energy surplus. Trade in coal became the second most important contributor to the energy surplus, followed by electricity and crude petroleum.

Table C.1: Decomposition of Canadian Energy Trade (\$ millions), 1992-2001

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Change (%)
Crude Oil											
Exports	5,885	6,223	6,507	8,264	10,497	10,366	7,830	11,017	19,166	15,469	-19.3
Imports	4,175	4,688	4,609	4,833	6,708	7,189	5,227	7,160	13,445	12,684	-5.7
Balance	1,710	1,535	1,898	3,430	3,789	3,177	2,602	3,857	5,721	2,785	-51.3
Natural Gas											
Exports	4,730	5,903	6,428	5,649	7,433	8,626	8,967	10,951	20,421	25,231	23.6
Imports											
Balance	4,730	5,903	6,428	5,649	7,433	8,626	8,967	10,951	20,421	25,231	23.6
Coal											
Exports	4,123	4,768	4,937	5,294	6,905	6,809	5,415	5,929	9,283	10,393	12.0
Imports	2,303	2,281	2,350	2,404	2,898	3,438	3,406	3,548	4,419	5,028	13.8
Balance	1,820	2,487	2,587	2,890	4,008	3,370	2,009	2,382	4,863	5,365	10.3
Electricity											
Exports	714	857	1,329	1,186	1,218	1,377	1,600	1,923	4,059	4,218	3.9
Imports											
Balance	714	857	1,329	1,186	1,218	1,377	1,600	1,923	4,059	4,218	3.9
Total Energy											
Exports	15,452	17,751	19,201	20,393	26,053	27,178	23,812	29,821	52,928	55,311	4.5
Imports	6,478	6,969	6,960	7,237	9,605	10,628	8,634	10,708	17,864	17,712	-0.9
Balance	8,974	10,782	12,241	13,156	16,448	16,550	15,179	19,113	35,064	37,599	7.2
Energy as percent of total merchandise											
Exports	9.5	9.3	8.4	7.7	9.3	9.0	7.3	8.2	12.5	13.4	
Imports	4.2	3.9	3.3	3.1	4.0	3.8	2.8	3.3	4.9	5.1	
Balance	99.3	82.4	60.3	37.2	38.8	64.5	66.6	49.8	59.2	60.1	

Source: Statistics Canada, CANSIM tables 226-0001, 226-0002 "Exports and Imports by Commodities, Customs basis"