

British Columbia accounted for about half of the export revenue in 2000 and 2001, although it was ranked second to Quebec in terms of export volume. The provinces of Manitoba, Ontario and New Brunswick also accounted for an important share of electricity exports (Table C-2).

In 2001, Canada's trade in electricity accounted for 11.2 percent of the energy surplus of \$37.6 billion. The \$4.2 billion surplus in electricity trade in 2001 was substantially larger than that of the \$2.8 billion surplus in Canada's crude petroleum trade.

Energy Prices and the Impact on the Trade Balance

Canada's energy trade surplus typically fluctuates along with the growth in energy prices. Historically, energy prices have tended to be very volatile, as they reflect a number of economic and political developments. Events such as the Gulf war, the Asian economic and financial crisis, cyclical developments in the U.S. economy, the September 11 attacks on the United States, and OPEC production cutbacks, have affected world oil prices in a major way. Over the short term, weather conditions and changes in the level of inventories also have affected energy prices. Changes in the price of crude petroleum also have implications on the demand for natural gas, coal and electricity, which in turn impacts the prices of such alternative forms of energy over time.

In the course of 2001, the price of Canada's exports of crude petroleum fell by 10.5 percent, a major factor behind the decline in the value of crude petroleum exports. However, the price impact on Canada's balance of crude petroleum trade was mitigated by a corresponding drop in the value of crude petroleum imports. The value of Canada's imports of crude petroleum was 82 percent that of Canada's crude petroleum exports. In the case of coal, the import offset is somewhat lower, as the value of imports is typically half of that of exports. By contrast, movements in natural gas and electricity have a direct impact on the energy balance, as there are virtually no imports of natural gas and electricity. In any event, Canada's energy exports increased to a new record high in 2001, as there were widespread increases in the prices of Canada's exports of electricity, natural gas and coal.

It appears that the decline in the international price of crude petroleum seen throughout 2001 had halted by the end of the year. Indeed, Canada's crude petroleum export and import prices shot up in December 2001, resulting in increases in the value of exports and imports. Energy prices have increased further in the first quarter of 2002. With economic growth in the United States and elsewhere in the world picking up steam as the year progresses, further increases in energy prices and then on Canada's trade balance can be expected.

Canada's Energy Export Potential

Measured in gigajoules, Canadian production of all types of energy commodities and products increased by 33 percent between 1989 and 2000, at twice the rate of the growth of domestic consumption. As a result, Canada's exports of energy shot up by 84 percent over the same period. As production increased at a much faster rate than the growth in consumption, the share of energy production that is exported rose from 38 percent in 1989 to 53 percent by 2000. Canada's surplus in energy trade has more than doubled since 1989, despite robust increases in oil and coal imports in the second half of the 1990s. As of 2000, Canada's energy surplus represented 35 percent of Canada's energy production.

Canada has substantial potential in oil production even though its proved conventional oil reserves (recoverable under existing economic and operational conditions) of 6.4 billion barrels are just 0.6 percent of the world total of 1,046.4 billion barrels in 2000.⁹ Canada's offshore reserves for Hibernia totalled 515 million barrels, and Terra Nova has reserves of 370 million barrels. In addition to conventional and frontier oil reserves, Canada's Athabasca has the world's largest recoverable oilsand reserves of 300 billion barrels, a level that exceeds the 262 billion conventional oil reserves of Saudi Arabia.

Canada is the world's third-largest producer of natural gas, after the United States and Russia. In 2000, Canadian production accounted for 6.9 percent of world production of 2,422 billion cubic metres, compared with 22.9 percent for the United States and 22.5 percent for Russia. Over the last decade, Canada's natural gas production has trended up sharply. U.S. reliance on imports of natural gas from Canada has increased sharply, with the volume of imports having quadrupled since 1985. However, Canada's proved natural gas reserves of 1.73 trillion cubic metres represented only 1.1 percent of the world total of 150.2 trillion cubic metres at the end of 2000. Deliverability in the conventional producing

⁹ Essentially, Canada's level of reserve would be depleted in only 8.5 years at the current rate of production in the absence of new discoveries.