



## 5 Minutes for Business

**COVID-19**  
*edition*

### COVID-19, Energy and Canada's Economic Choices Going Forward

Energy producers throughout the world are in uncharted territory. With nearly half the world's population under some form of lockdown, an equivalent of the United States' energy demand has evaporated from the global market. Poof.

This pressure alone was sufficient to put long shadows ahead of the industry, but the breakdown of the production cap brokered between OPEC nations and Russia has glutted the market with oil, sending prices down at a breakneck speed, in some corners of the market even into negative territory. Only an oracle would dare predict what is next for Canada's oil and gas industry. Mere mortals must content themselves with taking stock of what is and what is not within our power as we muddle through the shadow-world of an 'upside down' energy market

Until a vaccine is developed, the price of Canadian oil, like oil everywhere, will remain hostage to a pathogen. Strangely, what cannot be changed begets new choices. The federal government is at the crossroads. It can listen to the oil and gas sector's permanent critics and shutter the industry, punch a 6% sized hole into Canada's GDP, and put Canada in a position where we decide to let others be responsible for our energy security and for halting climate change internationally. Today, this might be the politically easy choice for our government to make, but easy choices pave roads to unhappy endings.

The other choice involves helping the industry carve a path in a global energy system that is most likely on a new trajectory. Peak oil may come earlier now, but there will still be demand, albeit less, for oil and gas over the next three decades, at least. With the right supports, Canada can gain market share by innovating to create less emission intensive oil and gas products, provide billions to governments in revenues, and drive investment in renewable clean technologies. Market share will increasingly be up for grabs given that current estimates suggest [nearly 100 U.S. shale producers](#) are likely to file for Chapter 11 in the months ahead. Decisions made today could see Canada improve its economic footing and maintain energy security in a world where autarky is fast becoming more attractive to world leaders of all political stripes.

So, what can the federal government do to help the industry, and the nearly one million women and men employed by the sector across this country, pass through the darkest valley they have ever faced?

Start by keeping as many of the people employed in the sector across the country working by targeting resources for well reclamation, and continue research and field work on carbon mitigation technologies. Government can also pause all new regulations and standards that increase the cost to the sector, from the Clean Fuel Standard to the increase in the carbon tax. This would provide



companies that have already slashed capital costs with a little more capital to ride out a period where they are producing at a loss.

Such measures would augment the benefits of the federal wage subsidy, increased to 75%, in giving these companies time to adapt.

Perhaps most importantly, Canada's energy producers have the vision to further reduce emissions, some before this crisis could see a path to net-zero by 2050. Realizing this vision demands new infrastructure projects and investment. The industry continues to be let down by a regulatory system that increasingly rewards investors looking outside of Canada. Infrastructure projects of all types will be crucial to Canada's economic recovery. Reduced decision timelines and concerted efforts to guide projects key to Canada's energy resiliency could go a long way to driving Canada's economy and supporting investment in the sector.

Some choices are hard. Some are not. Support for our oil and gas sector today, will allow the sector to carry Canada tomorrow.

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