

POLICY BRIEF:

Majority support producing more oil and gas to replace Russian oil and gas

Colin Craig | March 2022



Executive Summary

In late February 2022, Russian forces invaded Ukraine, causing shock and anger around the world. Immediately after the invasion, many commentators discussed how the West indirectly paid for the invasion – through the purchase of billions of dollars' worth of Russian oil and natural gas resources.

Many observers, including SecondStreet.org, noted that Canada was well-positioned to develop and export more natural gas and oil, helping the world to reduce its dependence on Russia. This shift couldn't occur immediately though, major oil and gas projects often take years to plan, pass regulatory processes and construct. However, over time, Canada could help improve global security.

As this approach would run counter to political decisions in the recent past to reject major oil and natural gas projects, SecondStreet.org decided to hire public opinion firm Leger to poll Canadians on the idea of developing and exporting more natural gas and oil in light of the Ukraine invasion. Highlights from the March 11-13 poll include:

- 78% support developing and exporting more oil and natural gas to reduce Russian oil and natural gas sales (53% strongly support this option, 25% somewhat support, 6% somewhat oppose and 4% strongly oppose).
- 68% support developing and exporting more oil and natural gas, but using the tax revenues to pay for activities to reduce emissions.
- 65% of Quebecers support reversing the province's ban on natural gas development and exports to reduce European dependence on Russia.

Overall, strong support exists for Canada to develop and export more oil and natural gas resources in light of Russia's invasion of Ukraine.



Introduction

According to the White House, U.S. President Joe Biden spoke with Russian President Vladimir Putin on December 7, 2021 and expressed deep concerns with the build-up of Russian forces near Ukraine.¹ Over the next two months, various media outlets reported on a pending Russian invasion into Ukraine.

On February 24, 2022, these concerns proved to be warranted as Russian forces invaded Ukraine.

Many observers, including SecondStreet.org, drew attention to one way Russia was paying for its invasion – through tremendous oil and natural gas exports – especially to Europe.

Russia is the third-largest producer of oil in the world and the second-largest producer of natural gas.^{2,3} A large portion of those resources are exported. According to the European Union, Russia is their largest supplier of both oil (27%) and natural gas (41%).⁴

Data from the United States government's Energy Information Administration (EIA) shows the U.S. imported an average of 405,000-795,000 barrels per day of Russian crude oil and petroleum products between July 2021 and December 2021.⁵ For perspective, this represents approximately 7.4% of the country's total crude oil and petroleum imports during the six-month period.

Even Canada, a nation with the third largest oil reserves in the world, spent [\\$3.6 billion](#) on importing Russian petroleum products between 2012 and 2021.⁶

Overall, research by the EIA shows oil and gas revenues are crucial for Russia's government:

"The prioritization of exports and revenue is indicative of the central role hydrocarbons play for the Russian government. Crude oil and natural gas revenue comprised approximately 43%, on average, of the government's total annual revenue between 2011 and 2020. This includes export and tax revenue that the government collected from oil and gas production and sales."⁷

While Russia is highly dependent on oil and gas sales, many nations are equally dependent on Russia for the resources.

One potential competitor for Russia is of course Canada. With the third largest oil reserves in the world, and significant natural gas potential in Quebec, the East Coast, British Columbia and Alberta, Canada could help reduce the world's dependence on Russia for energy.⁸

Approving the development of major oil and gas projects would, however, result in a completely different policy direction for many governments in Canada. Much of the past decade has trended towards rejecting or obstructing most major oil and gas projects – the Energy East pipeline, the Northern Gateway pipeline and the Teck Frontier Mine to name a few. Most major liquefied natural gas (LNG) opportunities in British

Columbia have also failed to materialize. The same is true for major natural gas opportunities in Quebec and other parts of Eastern Canada. According to the Canadian Association of Petroleum Producers, there have been five proposed projects to develop natural gas in Eastern Canada, but none have moved forward.⁹ Had any of those projects been approved by government, Canada could be exporting natural gas to Europe right now, reducing the continent's reliance on Putin's Russia.

SecondStreet.org research has identified 17 major private sector oil and gas projects which were delayed or rejected due to government decisions between 2014 and 2020. These projects totaled more than \$206 billion.¹⁰ (Note: This list includes \$9.3 billion for the Trans-Mountain Pipeline project which originated as a private sector activity, but was nationalized by the government.) However, what this list doesn't include is the rejected \$10.6 billion Saguenay LNG facility (more on this later) and projects which proponents privately worked on, but didn't disclose publicly when plans were abandoned.

To be sure, major oil and natural gas resource projects cannot begin operations in short order. These projects often take years to plan, pass standard regulatory approval processes and build. However, one should note that regulatory approval processes are determined by governments – and governments have the power to expedite these processes. Further, many abandoned projects have already completed at least part of these review processes. Some projects could pick-up where they left off, rather than starting fresh.

Finally, policymakers should reflect on the fact that Russia is a neighbour of Canada's in the Arctic. There is not only a benefit to weakening Russian oil and gas sales for global geopolitical stability, there's an argument to be made that this should be a strategic priority for Canada.

In order to gauge public opinion on the idea of developing and exporting more oil and natural gas resources in light of the invasion of Ukraine, SecondStreet.org hired Leger in March 2022."

Methodology

The data represented in this report is from a national online survey conducted by Leger of 1,515 Canadian adults between March 11–13, 2022. The respondents to this survey were drawn from Leger’s research panel, a representative sample of the broader Canadian population. Were this a probability sample, the margin of error of a survey of this size would be +/- 2.5 %, 19 times out of 20. The numbers have been rounded to the nearest whole number and as a result, may not add up to 100. Please see appendix for polling data.

Findings

SecondStreet.org’s first question simply asked Canadians if they supported moving forward with developing and exporting more Canadian natural gas and oil to reduce Russian sales of the resource.

A large majority of Canadians support this idea across the country, covering all age groups and both men and women.

The second question posed to respondents was designed to explore whether or not public support for oil and gas development increased if governments committed to direct some or all of the billions of dollars in resource royalties and corporate taxes from these initiatives towards efforts to reduce emissions.

Readers should note the word “new” in this question. This option envisions that existing revenue streams from current oil and natural gas projects would still be used by each respective government as they see fit. However, some or all of the revenues from new projects would be utilized for emissions reduction activities.

Moving forward with major oil and natural gas projects could unlock an immense amount of new capital for environmental initiatives. Note that the proposed Teck Frontier oil sands mine alone was projected to pay \$55 billion in taxes and royalties to Alberta’s government and \$12 billion in federal income and capital taxes.¹¹

As this project was cancelled in 2020, it is not paying a cent to the government of Alberta. It is not inconceivable to think that Alberta, with an unemployment rate that is above the national average, would agree to use the resource royalties (or a large share) from this project to reduce emissions, in exchange for federal approval of this project along with, perhaps, federal approval of a major pipeline.¹²

Q1

One way Vladimir Putin has paid for his invasion of Ukraine is through selling Russia’s oil and gas resources to Europe, the United States, Canada and other countries.

Do you support or oppose Canada developing and exporting more oil and natural gas resources so that the world can reduce how much it purchases from Russia?

53%	Strongly support
25%	Somewhat support
6%	Somewhat oppose
4%	Strongly oppose
12%	Don’t know

Q2

Do you support or oppose the idea of Canada developing and exporting more oil and natural gas resources BUT taking the tax revenues from those new projects to pay for environmental projects to reduce emissions?

33%	Strongly support
35%	Somewhat support
9%	Somewhat oppose
6%	Strongly oppose
16%	Don't know

A large majority of Canadians support this idea across the country, covering all age groups and both men and women. However, it's interesting to note this option received less support than simply developing and exporting the resources to reduce reliance on Russia for oil.

The concept in question two could position Canada with a unique value proposition as our nation sells oil and natural gas resources on the world stage: *“buy a barrel of oil from Russia and you help pay the bill for Putin’s invasion. However, if you buy a barrel of oil from Canada, the government is using its share of the revenues to reduce CO2 emissions.”*

There are several ways governments could use the revenues to reduce emissions.

One option would be to simply plant more trees – natural carbon sinks. Another might be to share the funds with municipal governments so they can purchase hydrogen-powered buses, instead of relying on diesel-powered buses.

A third example, would be to use the funds to pay Canadian companies when they remove emissions from the atmosphere. This would be similar to how a municipal government might hire a private business to pick-up garbage once a week in a city park.

For example, Calgary start-up Carbon Upcycling is using captured CO2 to make an additive that is used to make concrete stronger.¹³ Another Calgary start-up, Carbonova, is making carbon nanofibers with captured CO2. This material can be used to make products such as lightweight bicycle frames, badminton rackets and more. In New York, a start-up called Air Company is even making vodka with captured CO2.

Unlike subsidies, this approach would pay firms for output. A major potential benefit of this option is that as businesses mature and expand their operations into other countries, their technologies could be used abroad, compounding emissions reduction activities.

Q3

Quebec has vast natural gas resources, but the Quebec government has committed to ban natural gas production in the province and expropriate foreign investors who found the gas. In light of what is happening in Ukraine, do you support or oppose the idea of the Quebec government reversing this decision and allowing natural gas production and possibly exporting to countries in Europe to reduce their reliance on Russia?

39%	Strongly support
28%	Somewhat support
8%	Somewhat oppose
6%	Strongly oppose
19%	Don't know

For this question it is important to note two recent developments related to the natural gas industry in the province of Quebec. First, in October 2021, the Quebec government officially announced that it would be banning natural gas exploration and development in the province.¹⁴ Second, the Quebec government and federal government rejected the proposed Énergie Saguenay Project natural gas export facility. This facility would have chilled natural gas to the point that it becomes a liquid and allow for shipping the resource beyond Canadian shores.

The poll results from Leger show a clear majority (67%) of Canadians believe the province of Quebec should reverse its decision to ban natural gas development and exports. Most notably, a majority of respondents in Quebec (65%) believe their provincial government should reverse its decision in light of what's happening in Ukraine.

SecondStreet.org research has shown that if Quebec developed and used its own natural gas resources, instead of importing natural gas from outside the province, it could reduce emissions by approximately 170,000 tonnes of carbon dioxide. For perspective, this is roughly equivalent to taking 35,000 cars off the road each year.¹⁵ Thus, in addition to global security benefits, there are environmental benefits from Quebec developing its natural gas resources.

Conclusion

Canada has an abundance of natural resources, including oil and natural gas. In light of Russia's invasion of Ukraine, it is difficult to see how the Western world could continue to purchase Russian oil and natural gas over the medium and long-term.

A clear majority of Canadians support the idea of our nation stepping up to develop and export natural gas and oil in order to offset Russian sales. Aside from geopolitical security benefits, reducing Russian oil and gas sales could help Canada's national security in the Arctic. Simply put, fewer oil and gas sales equals fewer dollars for potential Russian aggression in the north.

About the Author

Colin Craig is President of SecondStreet.org. He has an MBA and a BA (Economics) from the University of Manitoba and is the author of *The Government Wears Prada*, a book that examines how governments could be more cost-effective. Most recently, Colin authored several chapters for *Life After COVID: What's next for Canada?* He has contributed to public policy changes at the federal, provincial and municipal levels in Canada.

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Report

Canadian Oil & Gas Production

Impact of Russia – Ukraine War 2022



DATE 2022-03-15 PROJECT NUMBER 45 915-006



METHODOLOGY

Methodology

Study Population

- Canadian residents, aged 18 and older.

Data Collection

- A total of n=1515 online surveys were conducted via Leger's online LEO panel.
- Interviews were conducted from March 11 to March 13, 2022.

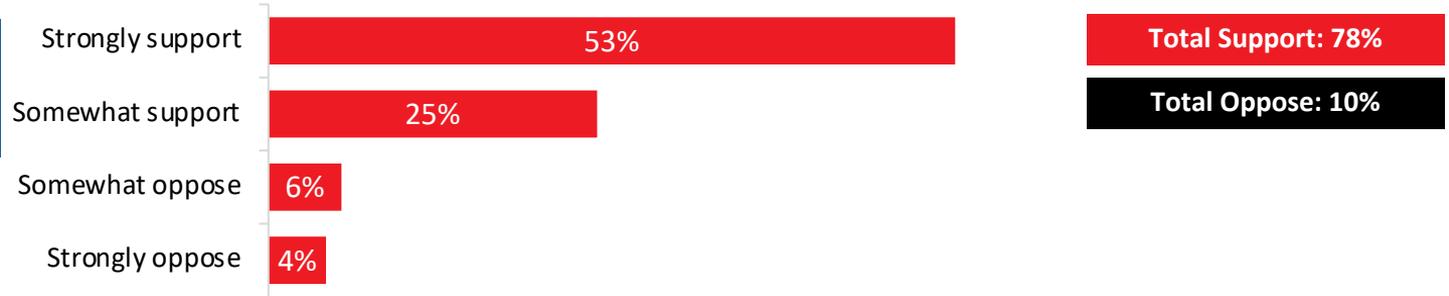
Statistical Analysis

- As a non-probability online survey, a margin of error is technically not to be reported.
- If the data were collected through a probability sample, the margin of error would be (n=1515) $\pm 2.5\%$, 19 times out of 20.
- Using data from the 2016 Census, results were weighted according to age, gender, and region in order to ensure a representative sample of the population.
- The numbers presented have been rounded to the nearest whole number. However, raw values were used to calculate the sums presented and therefore may not correspond to the manual addition of these numbers.

DETAILED RESULTS

Over three-quarters Canadians support increasing Canada's oil & gas production to reduce world's dependence on Russian energy

Canada increasing oil & Gas production to substitute Russian Export



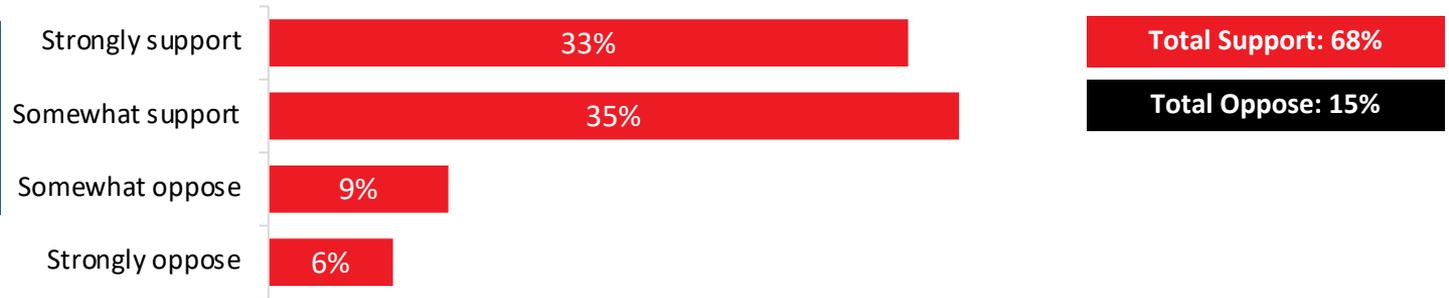
	TOTAL CANADA	ATL	QC	ON	MB/SK	AB	BC	East	West	18-34	35-54	55+	Male	Female
Weighted n =	1515	104	355	581	99	170	206	1041	474	413	516	585	736	779
Support	78%	79%	75%	76%	84%	85%	79%	76%	82%	70%	75%	85%	81%	75%
Oppose	10%	11%	15%	10%	8%	3%	7%	12%	6%	12%	12%	7%	12%	8%
Don't Know	12%	9%	10%	14%	8%	11%	14%	12%	12%	18%	13%	7%	8%	16%

Q1. One way Vladimir Putin has paid for his invasion of Ukraine is through selling Russia's oil and gas resources to Europe, the United States, Canada and other countries. Do you support or oppose Canada developing and exporting more oil and natural gas resources so that the world can reduce how much it purchases from Russia?

Base = All respondents (n=1515)

Good support for using tax revenue from new oil and gas projects to pay for environmental projects to reduce GHG emissions

Canada increasing oil & Gas production but use tax revenue to develop cleaner projects



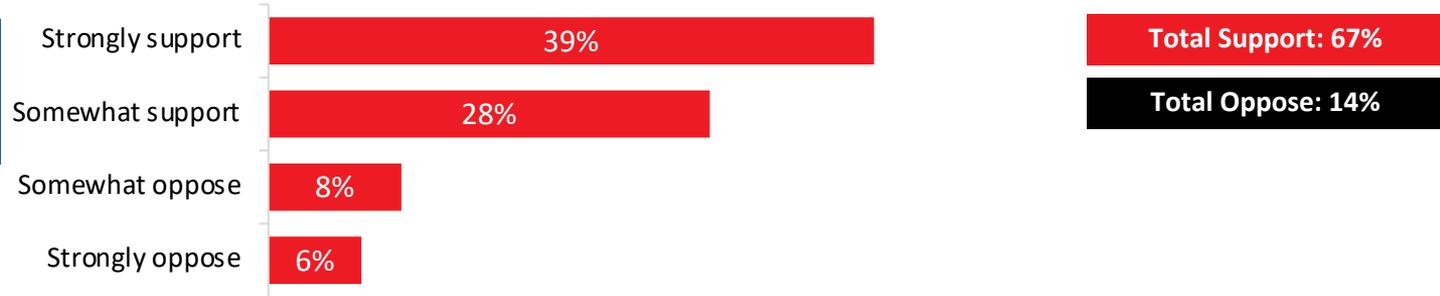
	TOTAL CANADA	ATL	QC	ON	MB/SK	AB	BC	East	West	18-34	35-54	55+	Male	Female
Weighted n =	1515	104	355	581	99	170	206	1041	474	413	516	585	736	779
Support	68%	74%	76%	66%	64%	65%	62%	70%	64%	61%	63%	77%	71%	65%
Oppose	15%	11%	15%	15%	22%	16%	17%	15%	18%	17%	18%	12%	19%	12%
Don't Know	16%	15%	9%	19%	14%	19%	21%	15%	19%	23%	18%	10%	10%	22%

Q2. Do you support or oppose the idea of Canada developing and exporting more oil and natural gas resources BUT taking the tax revenues from those new projects to pay for environmental projects to reduce emissions?

Base = All respondents (n~1500)

Two-thirds Canadians, including 65% of Quebec residents, support reversing Quebec government's ban on natural gas production to help lessen Europe's reliance on Russian energy

Reverse Quebec government's ban on natural gas production



	TOTAL CANADA	ATL	QC	ON	MB/SK	AB	BC	East	West	18-34	35-54	55+	Male	Female
Weighted n =	1515	104	355	581	99	170	206	1041	474	413	516	585	736	779
Support	67%	57%	65%	66%	78%	71%	70%	65%	72%	61%	64%	74%	72%	62%
Oppose	14%	15%	22%	12%	8%	12%	12%	16%	11%	17%	14%	13%	17%	12%
Don't Know	19%	28%	13%	22%	14%	17%	18%	19%	17%	22%	22%	13%	12%	25%

Q3. Quebec has vast natural gas resources, but the Quebec government has committed to ban natural gas production in the province and expropriate foreign investors who found the gas. In light of what is happening in Ukraine, do you support or oppose the idea of the Quebec government reversing this decision and allowing natural gas production and possibly exporting to countries in Europe to reduce their reliance on Russia?

Base = All respondents (n~1500)

RESPONDENT PROFILE

RESPONDENT PROFILE - *Canada*

	Weighted
n=	1515
Gender	(%)
Male	49
Female	51
Age	
18 to 34	27
35 to 54	34
55 years of age or older	39
Household Income	
Less than \$40,000	22%
\$40,000 to less than \$80,000	29%
\$80,000 or more	39%

	Weighted
n=	1515
Gender	(%)
British Columbia	14
Alberta	11
Saskatchewan	3
Manitoba	4
Ontario	38
Quebec	23
New Brunswick	2
Nova Scotia	3
Prince Edward Island	<1
Newfoundland and Labrador	2

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