

ECONOMIC NEWS

U.S. Oil Gaining Ground in the Canadian Market

The fracking revolution has helped the United States radically boost its crude oil output, outpacing Saudi Arabia and Russia. Faced with this increased competition, the Organization of the Petroleum Exporting Countries (OPEC) and Russia were forced to cut back their production to sustain prices. As the United States also removed laws that were strongly limiting crude oil exports, the last few years have seen countries' oil import composition change, especially in Canada. OPEC has lost a major share of the Canadian market, as Canada's crude oil imports from OPEC members fell from 55% in 2012 to 22% in 2018.

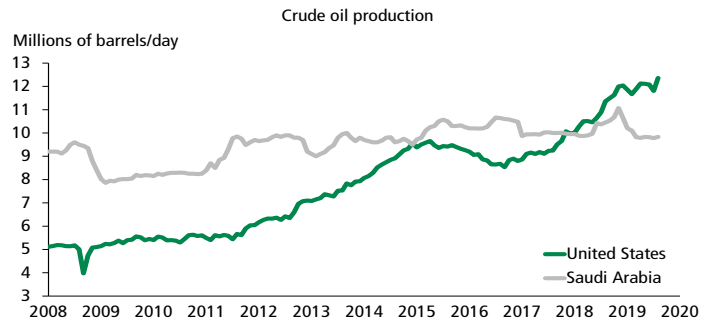
The United States quickly replaced OPEC oil in the Canadian market to achieve more than 60% of Canada's crude oil imports today. This trend is not likely to change, as U.S. production is expected to continue to grow in the medium term. Even though Canadian oil output also rose, 46% of refinery demand was met by foreign oil imports in 2018. The lack of infrastructure to transport oil in Eastern Canada and some specialized light crude oil processing facilities retain the demand for foreign oil.

IMPLICATIONS

OPEC is recognized as an unstable source of oil, as the geopolitical risk among its members is constantly elevated. By depending on a more stable and closer trading partner such as the United States, Canada is lowering the risk of a disruption to its economy. Still, less diversification does have a downside, especially at a time when the United States is introducing a growing number of protectionist measures. The energy sector is less likely to be a target, but an increased dependence on the United States does leave Canada more vulnerable to U.S. shocks.

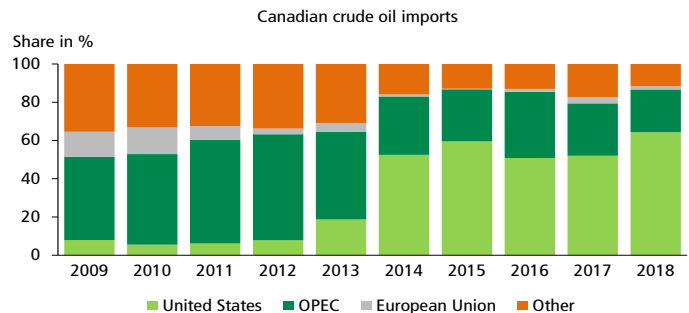
Carine Bergevin-Chammah, Economist

GRAPH 1
U.S. oil output has consistently exceeded Saudi Arabian output over the last two years



Sources: Bloomberg, Energy Information Administration and Desjardins, Economic Studies

GRAPH 2
OPEC lost market share in Canada to the United States



OPEC: Organization of the Petroleum Exporting Countries
Sources: Statistics Canada and Desjardins, Economic Studies