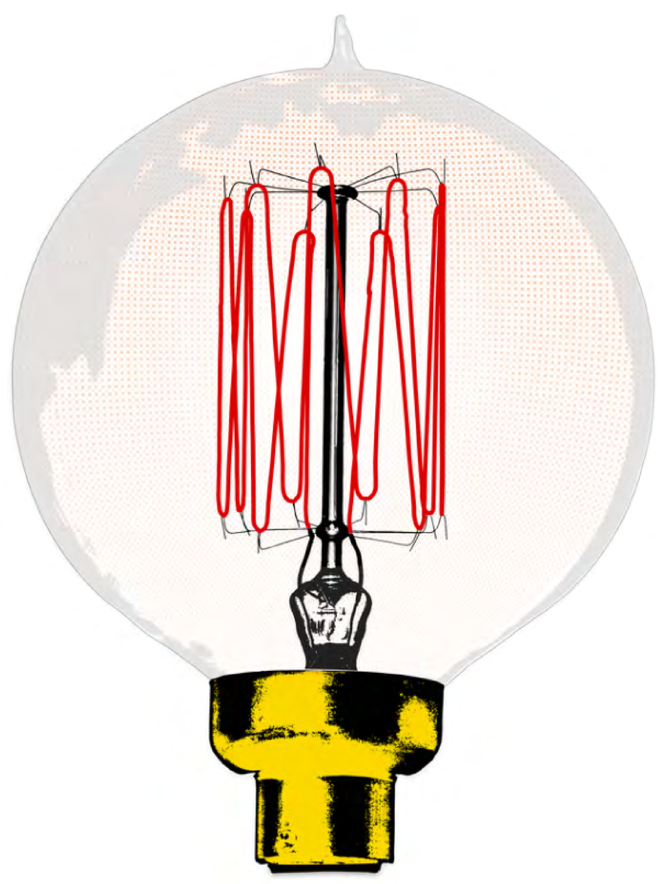


Gauging Canada's Energy Ambition

A Framework for Climbing the Ladder

With energy projects like TMX and LNG Canada, the country has begun to diversify its oil and gas exports. But in a geoeconomic world, these alone do not amount to a national playbook. Canada is competing in an arena where tariffs, sanctions, resource dominance, and fiscal coercion are weapons of statecraft. Here, we offer a framework defining four levels of energy ambition: from price-taker to power-broker.

Summary

- Canada's oil and gas exports remain heavily tied to the US, leaving the country exposed to price discounts and political pressure.
- Recent projects like TMX and LNG Canada mark progress, but without a clear national energy ambition, they amount to baby steps.
- Canada faces four levels of ambition—Market Hostage, Competitor, Negotiator, and Aggressor—each defining how much leverage we can exercise in a geoeconomic world.

Setting the Stage

Free market competition no longer governs prosperity—state power over markets is the new playbook. Strategic industries, from pipelines to semiconductors, have become extensions of statecraft, wielded as instruments of leverage, coercion, and survival. The global economy is starting to look like a geopolitical cage match. The impact of this new order—tariffs, sanctions, control of trade routes, and dominance over strategic resources—is now routinely felt in the global arena.[1] For Canada, this shift is not an abstract debate. It is an urgent strategic question: how should a resource-rich, trade-dependent nation position itself in a world where economic force and state capitalism, not market fairness, set the rules?

Canada in the Cage Match

Canada is privileged with nearly every resource the world covets—from agriculture to critical minerals—but oil and natural gas remain the most strategically significant. In 2024, Canada exported C$187 billion in upstream oils, natural gas, and refined products—that's a quarter of the C$780 billion in total exports that year.[2]

Unfortunately, we aren't showing up in the ring like a serious contender should. Our posture continues to be passive, with oil and natural gas exports overwhelmingly tied to the US, leaving us exposed to recurring price discounts and political pressure—realities that are now impossible to ignore. We've been on the receiving end—tariffs here, trade bans there—and from canola to copper, our defence has often looked more like curling up on the ropes than counterpunching. But the intent to fight has emerged.

Canada's federal and provincial governments are working to expand trade relationships and build infrastructure for new markets. The passing of Bill C-5 is a constructive step, akin to a pledge to hit the gym and add some muscle. But strength alone doesn't win a match. Building a pipeline yields just a pipeline—there must be a strategic purpose behind it.

The opening of the Trans Mountain Expansion (TMX) in 2024 improved our strategic position, at least for now. It narrowed the price discount for our heavy oil benchmark, Western Canadian Select, and sent over 220,000 barrels per day to Asia for the first time. When you consider that global consumption is over 100 million barrels daily, it's not a lot, but it's a start toward market diversification.[3] The table on the following page shows the latest data for tanker loadings from the TMX pipeline.

Similarly, LNG Canada sent the first cargoes of LNG off the BC coast at Kitimat this summer. The export

[1] For more on this, See Issue 002 - Geoeconomics and State Capitalism, Studio.Energy, September 8, 2025
[2] Canadian Exports of Crude Oil and Natural Gas, Canadian Association of Petroleum Producers, February 2025
[3] Oil Market Report, International Energy Agency, August 2025

Tanker Loadings from the TMX Pipeline

July 2025 Loadings by Destination in Millions of Barrels (MMB)

Destination	July Loadings (MMB)	Percent of Total (by Country)
US	5,398	45%
China	4,203	35%
South Korea	2,223	18%
In Transit	207	2%
Total	**12,031**	

Sources: Bloomberg, Studio.Energy

capacity for Phase 1 of this facility is about 14 million tonnes per year, roughly 1.8 billion cubic feet per day. While this is significant for easing Canada's upstream natural gas constraints, it is a drop in the Pacific Basin bucket, where annual trade exceeds 300 million tonnes.[4]

Canada has taken some long-overdue baby steps to improve access to oil and gas markets beyond North America. But it wasn't easy: the buildout of TMX and LNG Canada came after a dozen years of arduous, expensive infrastructure-building challenges. For now, all we have achieved is some better commodity pricing for oil; natural gas is still discounted. In this aggressive geoeconomic arena, that's just shadowboxing.

Levels of Ambition in a Geoeconomic Era

As Canada negotiates this new order, there are four levels of ambition we can pursue in terms of how active and strategic a player we choose to be in the arena. At the moment, our country and our energy industry are trying to escape the lowest level.

1. Market Hostage—Low level of ambition with a passive stance, highly vulnerable to market discounts and economic coercion

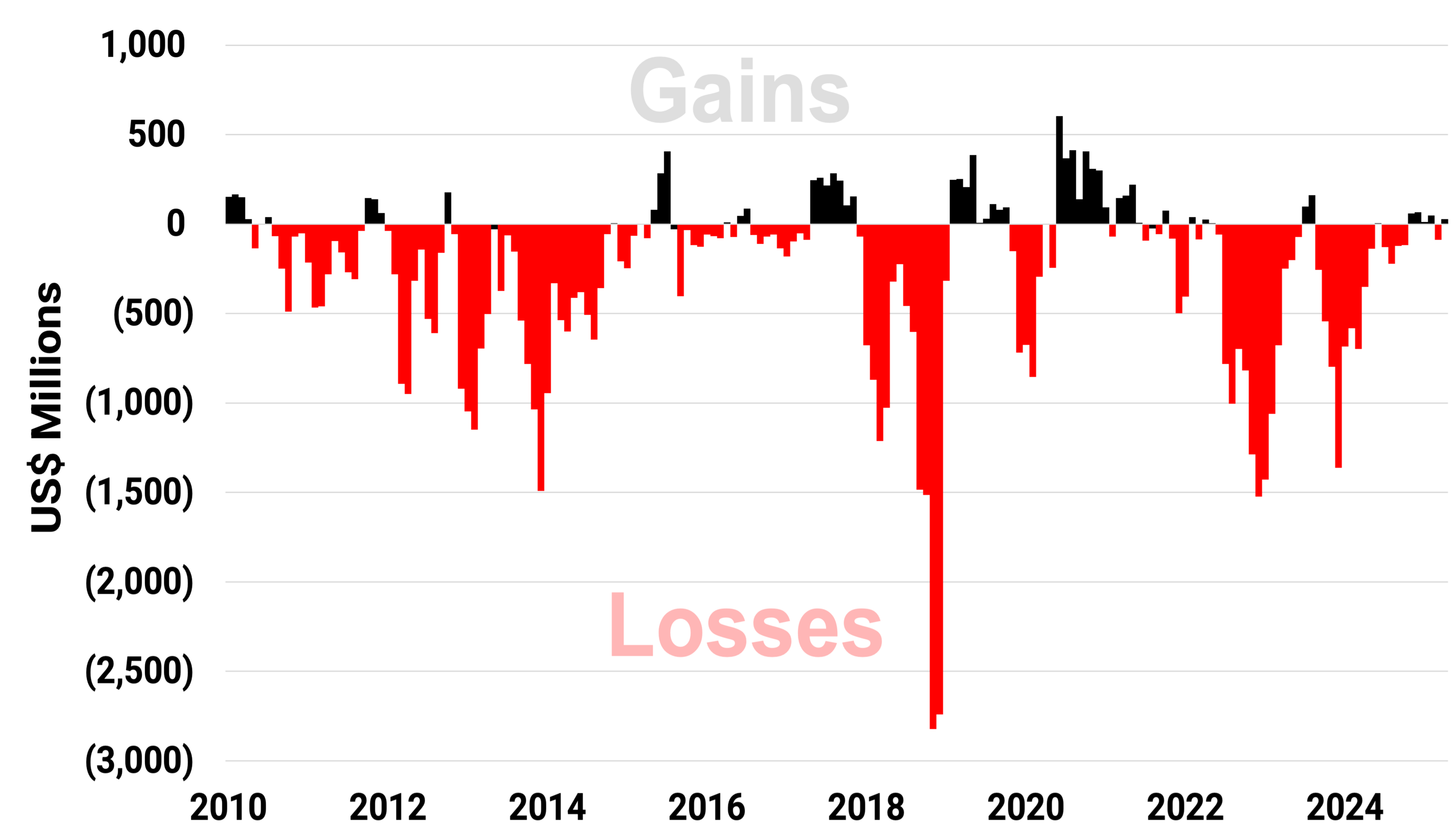
A passive stance is like watching a reality TV show—you see the drama but are powerless to shape the outcome. Hydrocarbon producers are forced to accept whatever price and terms buyers dictate, largely because they have no alternative markets.

The result is predictable: price discounts, lost revenues, royalties, and taxes, plus exposure to political pressure. Over the past 15 years, Canada's experience selling heavy oil at steep discounts due to pipeline bottlenecks and overreliance on US buyers is a textbook example of passive vulnerability.

The financial consequences of being a Market Hostage are significant to all levels of government. On heavy oil and bitumen sales alone, the forfeited revenue to Canada's upstream industry is of the order of a net US$49 billion over the last 15 years, or an average of US$3.3 billion per year. The chart below shows the monthly forfeitures since 2010, which peaked at US$2.7 billion in July 2018.

Estimated Monthly Revenue Losses and Gains Due to Oil Price Differentials

Canadian Upstream Heavy Oil Only, 2010–Present, Monthly



Sources: Bloomberg, Studio.Energy

2. Competitor—A competitive stance, able to maximize market potential and withstand pressure, but often playing defence

A Competitor-level nation, along with its industries, actively invests in getting products to market and diversifies its customer base, capturing more value and remaining attractive to investors. The completion of the TMX nudged Canada toward this level by opening access to Asia, narrowing oil price discounts, and expanding supplier options. But the gain is fragile—

[4] First Cargo Puts Canada on the Map of LNG Exporting Nations; LNG Canada; June 30, 2025

as the Tanker Loadings table shows, almost half of all new TMX exports still go to the US. Without more export capacity to a wider base of international customers, the relatively small amount of market access is not a strong strategy for the times. The same can be said for the country's first LNG export terminal, where export volumes are not yet significant enough to narrow Western Canadian natural gas price discounts.

3. Negotiator—Influential with the ability to use energy as a shield and a bargaining chip in national strategy

At this level, the energy sector, Indigenous communities, provinces, and federal government must be aligned to maximize profitability, royalties, and taxes and be ready to defend national economic interests if necessary. Oil and gas volumes become strategic bargaining chips, enabling Canada to respond to tariffs, sanctions, or other economic coercion.

Reaching this level requires building consequential global export capacity, meaning more transport to the coast from western producing regions. This would require aligning federal and provincial interests with upstream, midstream, and downstream sectors of the oil and gas industry.

At a time when many countries are increasingly migrating to various models of state-sponsored capitalism, Canada lacks the degree of state-industry alignment required to propel us to this level. Achieving Level 3 doesn't imply a need for state control or nationalization. A Negotiator ambition could be achieved if Canada were to realize better collaboration between and among federal and provincial governments, Indigenous communities, and alignment with the entire supply chain of the oil and gas industry, including investors.

4. Aggressor—Wields market power of vital resources to gain geopolitical advantage

This is the realm of nations that not only control vital resources but also wield them decisively to achieve their geopolitical aims. The label "superpower" fits here in its aggressive form, though the term is often

thrown around too casually. The US and China can be labelled as such. Alliances and cartels can achieve this ambition, with OPEC+ being a prime example. Canada, due to our lack of export scale beyond North America and collegial approach to international relations, is not likely to achieve Aggressor status, but understanding this level helps set realistic ambitions and clarify the gap between where we are and where we could be.

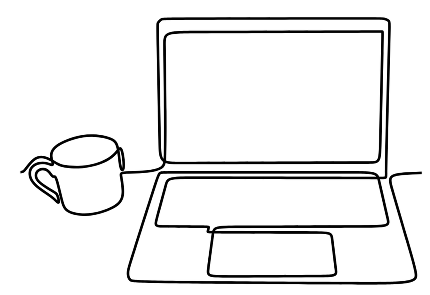
What Will It Take?

Canada is waking up to the understanding that a passive ambition is not acceptable in any circumstance, let alone in an era of economic aggression. The federal government’s creation of the Major Projects Office, designed to fast-track approvals for energy infrastructure, reflects this shift. Paired with a shared national ambition, the office could become a powerful tool to align government, Indigenous communities, investors, and strategic industries, turning Canada’s resource wealth into enduring economic leverage.

As you consider Canada’s energy ambitions in the broader context of geoeconomics and state capitalism,[5] ask yourself these questions:

- What oil and gas export volumes are necessary to achieve an ambition level of 2 or 3, or even 4?
- What would it take to build, and keep full, new oil and gas pipelines?
- What consumer markets should be targeted?
- What are the impediments and conditions required to achieving each level?
- Where should investment come from?
- How can investors—domestic and foreign—be enticed to help Canadian industry build the infrastructure it needs to further its ambitions?
- How will climate policies and objectives reconcile with a necessity to increase geoeconomic ambitions?

Studio.Energy will address these questions in future *Now You’re Thinking* articles.



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[5] For more on this, see Issue 002—Geoeconomics and State Capitalism; Studio.Energy; September 8, 2025.