ALBERTA
ECONOMIC DEVELOPMENT AND TRADE

Office of the Minister
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MLA, Edmonton-Beverly-Clareview

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Office of Policy and Strategic Planning
Department of Commerce
1401 Constitution Avenue NW
Washington, DC 20230

RE: Docket number:170309252-7252-01; (DOC-2017-002)

This letter is submitted on behalf of the Government of Alberta, Canada, as information relevant to the Department of Commerce's consideration of plan for the domestic sourcing of materials for the construction, retrofitting, repair and expansion of pipelines inside the United States.

Summary

The steel and energy industries are substantially integrated between Canada and the U.S. Requirements to use only local materials will disrupt existing supply chains on both sides of the border, decrease supplies of needed material and ultimately increase costs. Any plan submitted to the President should recognize the fundamental linkages between Alberta, Canada and the U.S. in this sector and the contribution of these linkages to energy security in both the U.S. and Canada.

Alberta supplies 33% of U.S. oil imports and over 90% of U.S. natural gas imports and regulates the second largest pipeline network in North America. We have a fundamental interest in sound policy with respect to pipeline infrastructure.

Alberta would like to highlight the following areas for consideration:

Potential transport mode switching

Statistics show that shippers are price sensitive and when differentials between the costs of moving oil by rail compared to pipelines have diminished, shippers have moved product by rail. For 2015, the Canadian National Energy Board (NEB) estimated that total crude oil rail loading capacity in western Canada was approximately 1.08 million barrels per day. The NEB also estimated that shipments of crude oil by rail in 2015 averaged over 110,000 barrels per day. These figures would imply that shippers could have relatively easy access to an alternate shipping method.

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A policy choice that increases the cost of pipeline expansion or refurbishment relative to rail may have the unintended consequence of moving product onto a different mode of transportation. Should this occur, energy consumers will see increased costs, and there will be reduced utilization of pipeline steel.

Trade Implications

An integrated steel industry benefits both Canada and the U.S. Pipeline companies and their supply chains operate on both sides of the border. Supply chains include not only large companies but many small and medium sized enterprises. Cross-border trade in steel products, including products used in pipelines, shows a surplus in favour of the U.S.

Requirements to use goods and services from one location would disrupt this balanced trade and the established supply chains, to the detriment of firms operating on both sides of the border. Moreover, the unilateral imposition of domestic content measures could trigger long and costly disputes under trade agreements.

Alberta is home to the second largest oil and gas pipeline network in North America at approximately 275,000 miles of provincially-regulated pipeline infrastructure. This figure does not include the approximately 45,000 miles of federally regulated pipelines that cross provincial or national borders.

A pipeline network as large as Alberta's is in a constant state of expansion, refurbishment, renewal, repair or decommissioning. In fact, the pipeline network in Alberta grew by approximately 26,000 miles over the past decade. This is roughly equivalent to building the entire North Dakota pipeline network (oil and gas, both distribution and transmission) twice. Between 2010 – 2015 alone, the growth of Alberta's pipeline network was slightly greater than the growth of the entire U.S. crude oil pipeline network (both inter and intra-state), i.e., approximately 20,000 miles.

All of this work requires goods and services from an integrated supply chain with both U.S. and Canadian participants. The growth in energy development in Alberta over the past two decades has made our province one of the most important global markets for U.S. equipment and services companies.

Should the U.S. choose to impose measures that are counter to current trade agreements, Alberta will work with the Government of Canada to vigorously defend its interests within the appropriate fora.

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Conclusion

An open and competitive market gives Alberta, Canada and the U.S. the best opportunity to use the most suitable technology, materials and equipment at the best price. Alberta does not restrict or direct which goods and services firms may use to carry out their required pipeline construction and maintenance activities.

For this, and the reasons mentioned above, we would urge the Department of Commerce to recognize the fundamental linkages between Alberta, Canada and the U.S. in this sector and to recognize the contribution of these linkages to energy security in both the U.S. and Canada.

Sincerely,

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Minister of Economic Development and Trade