CANADIAN ENERGY RESEARCH INSTITUTE

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An Economic Analysis of TransCanada's Energy East Pipeline Project

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Executive Summary

Western Canadian crude oil production is growing rapidly, but transportation has not kept pace. Most of Canada's crude oil lacks access to a deep-water port yet production is forecasted to potentially reach over 7 million barrels per day by 2030. These forecasts rely on the continued growth of conventional and unconventional oil production (primarily oil sands and tight oil) in Western Canada, which in turn, is dependent on gaining access to alternative markets. With approvals for pipelines heading south (Keystone XL) and west (Northern Gateway) being delayed, producers and transportation companies have begun to explore alternative routes. Primarily, proposals have come forward to send oil east to give east-coast refiners both access to currently discounted Western crude oils and gain tidewater access for markets abroad.

To transport oil eastwards, TransCanada Pipelines has proposed to convert a 3,000 km portion of the Canadian Mainline pipeline, and build an additional 1,460 km of new pipeline to transport oil from western to eastern Canada – the Energy East project.

The route would deliver crude oil and/or bitumen to eastern Canadian markets via an $11.3 billion pipeline and export terminal that begins in Hardisty, Alberta and ends in Saint John, New Brunswick. The pipeline will have a capacity of 1.1 million barrels per day and is scheduled to commence in 2018.

In pushing this project forward, TransCanada recently filed regulatory documents for the Energy East project with the National Energy Board (NEB).[1]

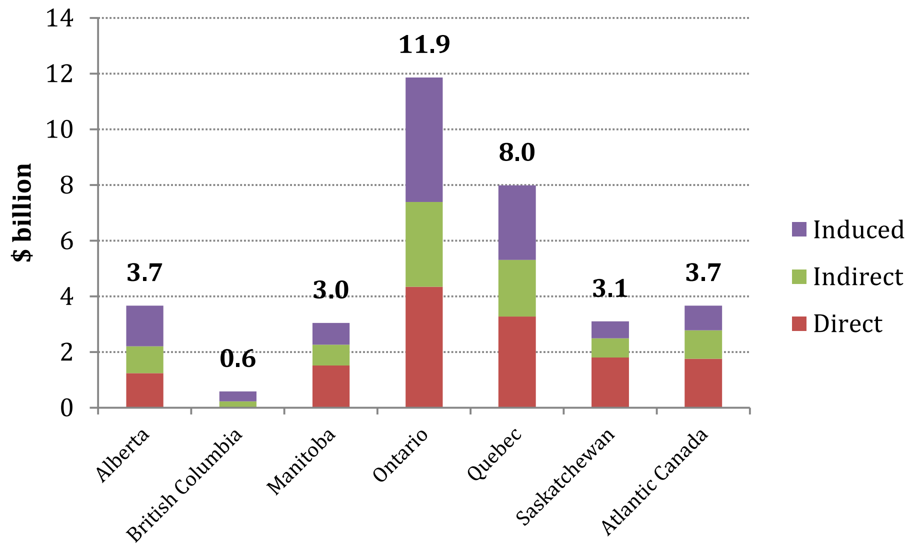
Along with providing tidewater access for western Canadian crude, other benefits could accrue to Eastern Canadian refineries. These include: providing a stable supply of crude, resulting in decreased dependence on foreign oil and at the same time improving netbacks. The benefits to refiners are not included in this report.

The Canadian Energy Research Institute's (CERI) modelling shows that the Energy East project is expected to deliver significant economic benefits to Canada, including:

- An additional $33.9 billion in GDP for the Canadian economy
- An additional 321,000 one-year full-time equivalent jobs across Canada in the construction and operation phases.
    - During the construction phase, jobs will peak at almost 48,700 and then level out at around 7,900 jobs during the operations phase
- An additional $7.6 billion in total tax revenue to Canada.

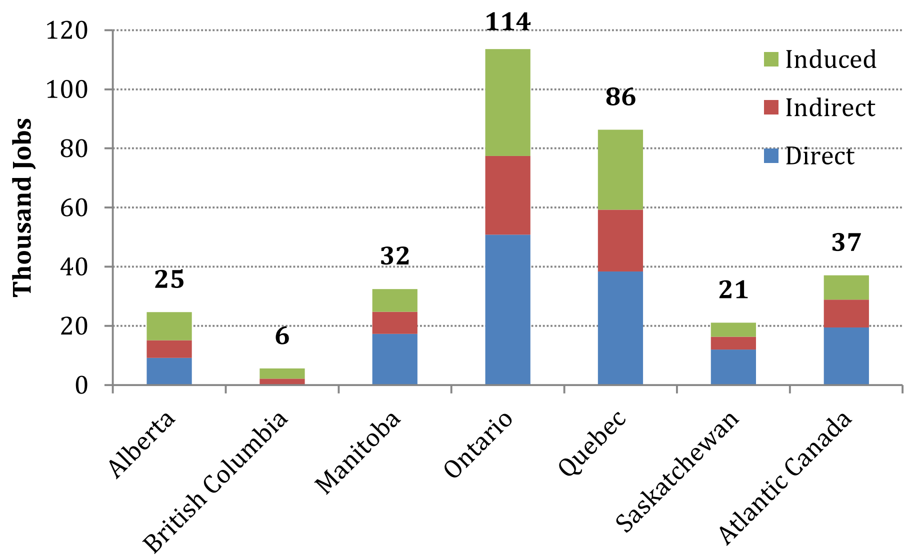
[1] TransCanada, Energy East Pipeline Project, Project Description Volume 1, March 2014

Figure E.1: Cumulative GDP Benefits by Type and Province



Source: CERI

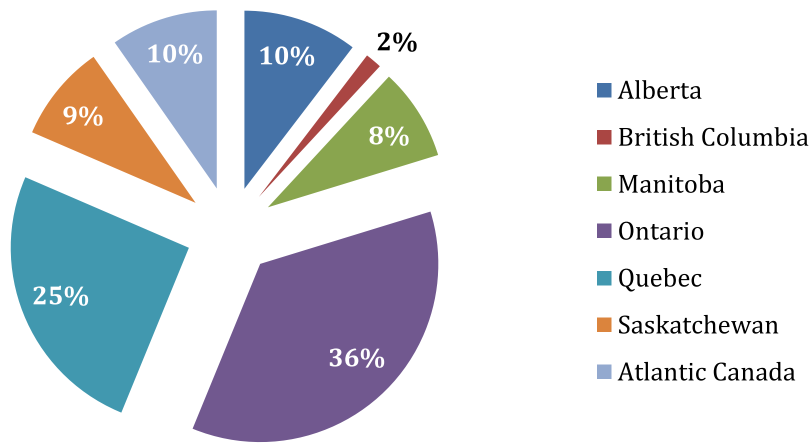
Figure E.2: Jobs Created and Preserved by Province and Type



Source: CERI[2]

[2] Yukon, the Northwest Territories, Nunavut and Government abroad are not included in the chart and have a combined total of 0.16 thousand jobs. Totals may not add to national total due to rounding.

Figure E.3: Tax Benefits



Source: CERI