



66/2026

6 de octubre de 2026

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Geopolitics of Energy – A View from Canada

*Geopolitics of Energy – A View from Canada*¹

This analysis is part of the Strategy Notebook:
[Energy and Geostrategy 2026](#). Published in April 2026

Abstract:

Canada is a major energy producer and exporter, yet its role in the global energy system is often understated. This paper examines Canada's position in the global geopolitics of energy. In doing so, it considers the geographical and geological determinants of Canada's international energy trade and energy dependencies, alongside the country's constitutional structure, Indigenous rights, climate policy, and security partnerships. The paper finds that the obscurity of Canada's role in global energy systems stems from its close energy interdependence with the United States. Canadian energy geopolitics is therefore defined by tensions between economic gravity and political autonomy, infrastructure constraints and export diversification, and economic security and social license. These findings illuminate the formidable barriers facing Canada's current efforts to diversify its energy trade.

Keywords: United States, dependence, diversification, sovereignty, environment.

How to cite this document:

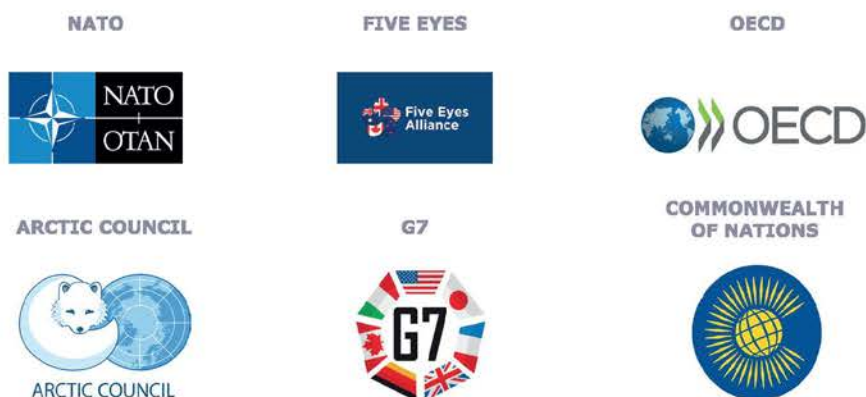
CALNAN, Joe. *Geopolitics of Energy – A View from Canada*. Documento de Analysis Paper IEEE 66/2026.

¹ Chapter originally written by its author in English.

***NOTE:** The ideas contained in the **Analysis Papers** are the responsibility of their authors, and do not necessarily reflect the views of the IEEE or the Ministry of Defense.

CANADA'S INTERNATIONAL CONTEXT AS AN 'ENERGY SUPERPOWER'

CANADA'S IMPORTANT MEMBERSHIPS



CANADA'S TWO HALVES



WESTERN CANADA NET ENERGY EXPORTER:

BC - BRITISH COLUMBIA SK - SASKATCHEWAN	AB - ALBERTA MB - MANITOBA
2024 PRIMARY ENERGY PRODUCTION (PJ)	2024 SECONDARY ENERGY CONSUMPTION (PJ)
22,608.6	3,996.0

EASTERN CANADA NET ENERGY IMPORTER:

ON - ONTARIO QC - QUEBEC NL - NEWFOUNDLAND AND LABRADOR	NB - NEW BRUNSWICK NS - NOVA SCOTIA PEI - PRINCE EDWARD ISLAND
2024 PRIMARY ENERGY PRODUCTION (PJ)	2024 SECONDARY ENERGY CONSUMPTION (PJ)
1,987.7	4,345.3

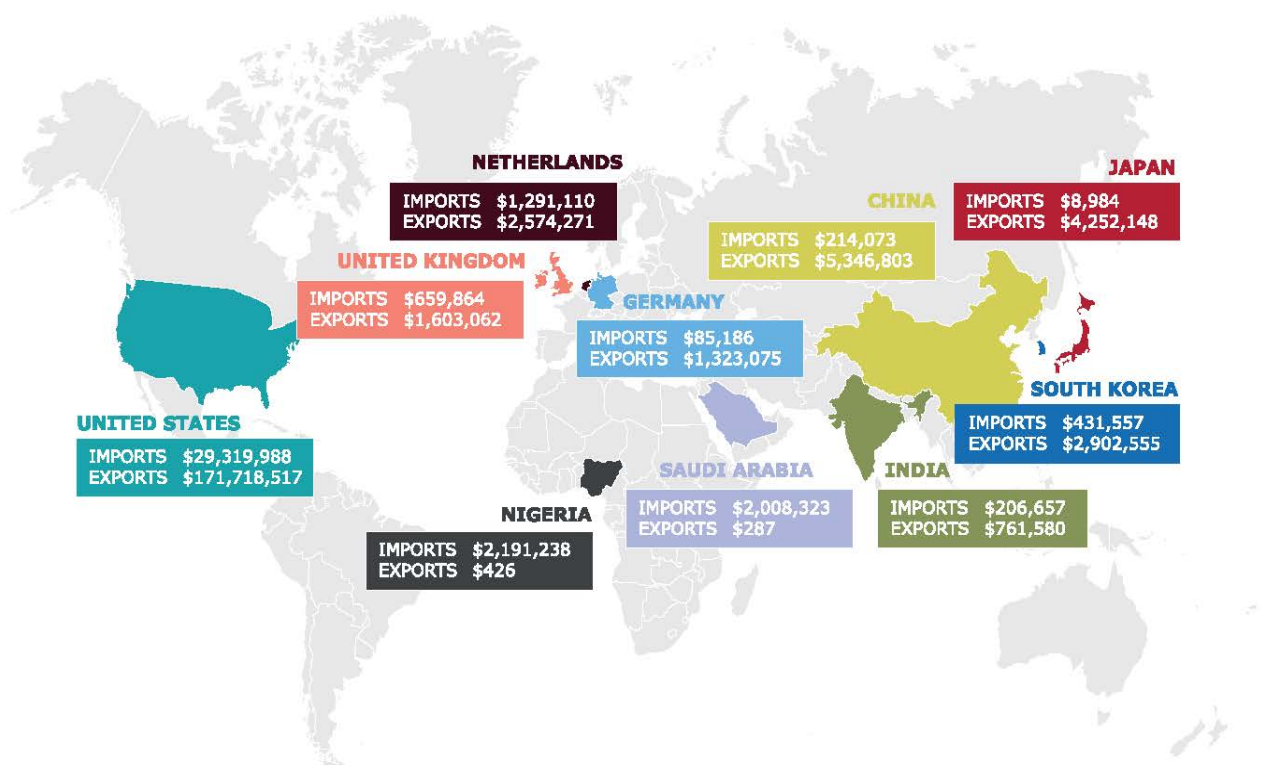


Fuente: Statistics Canada. Table 25-10-0029-01. Supply and demand of primary and secondary energy in terajoules, annual.
<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2510002901>

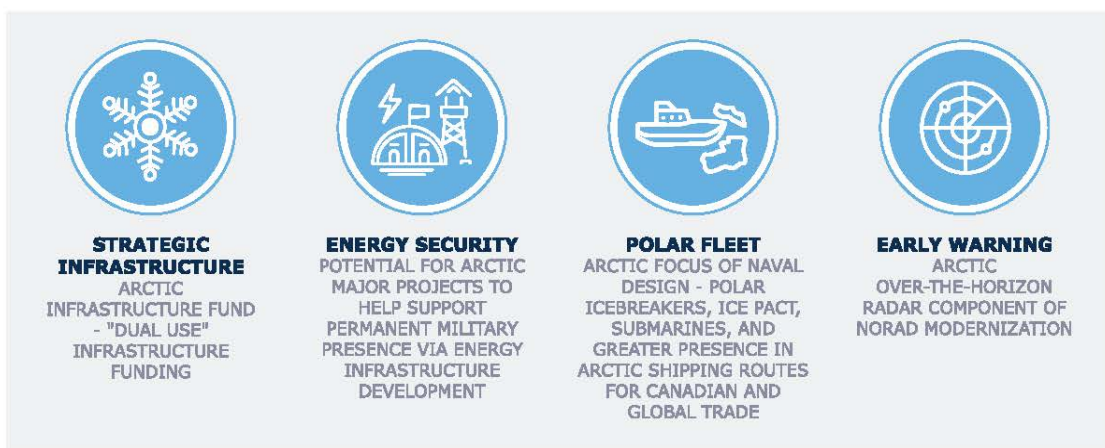


CANADA'S MAIN BILATERAL ENERGY TRADE PARTNERS

2024 CANADIAN ENERGY IMPORTS (\$'000 CAD) /EXPORTS (CAD \$BILLION)



CANADA AS A KEY PLAYER IN THE ARCTIC



Fuente: Statistics Canada. Table 12-10-0171-01. Canadian international merchandise trade by country and by product section, customs-based, annual (x1,000). <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1210017101>

Introduction

Canada's energy development has been shaped by geography, geology, and the country's asymmetric relationship with the United States. Proximity to the world's second-largest energy market has pulled Canadian oil and gas southward, despite anxieties about overdependence on a larger and more powerful neighbor. This energy dependence results in a dual vulnerability on energy supply and energy demand with a single trade partner. Canadian energy geopolitics is therefore defined by tension between economic gravity and political autonomy, infrastructure constraints and export diversification, and between economic security and social license.

This paper attempts to answer an important question: what is Canada's position in the global geopolitics of energy?

Geopolitics can be defined as the study of foreign relations and international policy through the lens of geography, economics, and demographics. Energy geopolitics therefore can be considered as the geographical and geological determinants of a country's international energy trade and energy dependencies. These factors are central to understanding Canada's position in the world. However, understanding Canadian energy geopolitics also requires consideration of Canada's constitutional structure, Indigenous rights, climate policy, and security partnerships. At the core of this question is Canada's unusually close economic and security integration with the United States, and how geography, economics, and demographics overdetermined the integration of their energy systems.

To engage with this question, this paper first situates Canada within the global energy system. It reviews Canadian energy production and consumption, highlighting the paradox of a country that is simultaneously a major energy exporter and dependent on imports. It then examines Canada's principal energy trade relationships, emphasizing the outsized role of the United States for exports and supply security. This section also considers how geography and geology have determined the regional concentration of Canadian energy resources and constrained the development of East-West energy infrastructure.

This paper then turns to Canada's domestic energy endowment and infrastructure. It traces the historical development of pipelines, ports, and electricity interties, showing how

these assets have entrenched Canada's economic integration with the United States. It then examines the growing political, legal, and social barriers to building new energy infrastructure, including protections for Indigenous rights, Federal-Provincial jurisdictional disputes, and evolving public attitudes toward climate change.

Finally, this paper examines Canada's international position and prospects for diversification. Canada is a trans-Atlantic Western country embedded in post-war security and economic institutions with limited influence within those frameworks. This paper then explores potential avenues for energy diversification: eastward toward Europe, westward toward the Indo-Pacific, and northward into the Arctic. While each pathway faces significant obstacles, the Indo-Pacific emerges as the most credible medium-term option for diversification.

The paper concludes by assessing the Carney government's renewed ambition to position Canada as an "energy superpower." It evaluates whether accelerated energy infrastructure permitting can realistically enhance Canada's geopolitical autonomy, or whether structural dependence on the United States will continue to define Canada's energy future.

Framing Canada's Energy Geopolitics

Canada's position in the global geopolitics of energy can be understood as a balance among four forces:

- 1. The economic gravity of the United States, which draws Canadian energy into its orbit;*
- 2. Persistent anxiety about the economic, social, and environmental impacts of new energy infrastructure;*
- 3. Recurring political pressures to diversify export markets and reduce vulnerability;*
- 4. Occasional security of energy supply concerns arising from overdependence on a single energy partner.*

Historically, the gravitational pull of the U.S. market has dominated. Efforts to diversify trade and build alternative infrastructure have repeatedly failed in the face of geography, cost, political opposition, and regulatory complexity. As concerns about climate change and social impacts have intensified, the difficulty and expense of building major energy

infrastructure have increased further, reinforcing Canada's reliance on existing North-South systems.

Whether the current period of political tension with the United States will be sufficient to overcome this inertia remains an open question.

Canada's Geography, Resources, and the Structure of Energy Dependence

Canadian leaders sometimes describe Canada as an energy superpower. By most production metrics, this description is justified. Canada produces more than twice the energy it consumes, placing it among the world's largest energy exporters. Yet this national surplus masks significant regional imbalances. Canada's energy system is deeply integrated with the larger American market, and in several regions, most notably Eastern Canada, security of supply depends heavily on imports.

Canada's geography is both its greatest strategic asset and its most enduring constraint. With a landmass of 8.8 million square kilometres (twice the European Union) Canada possesses extraordinary natural wealth, estimated by Statistics Canada at CAD\$1.36 trillion, of which energy resources account for approximately \$833 billion (Statistics Canada [StatsCan], 2025a). Oil, natural gas, hydroelectricity, and uranium underpin Canada's economic strength and international relevance. Yet the geographical distribution of these resources, combined with formidable physical barriers, has profoundly shaped how Canada produces, consumes, and trades energy, reinforcing dependence on the United States while complicating domestic integration and export diversification.

Canada's oil and gas resources are concentrated in three regions: the Western Canadian Sedimentary Basin (WCSB), offshore Newfoundland and Labrador, and the Arctic. Of these, the WCSB, stretching from northeast British Columbia through Alberta, Saskatchewan, and into southwest Manitoba dominates production. Following the Leduc No. 1 discovery in 1947, pipelines rapidly spread east, south, and west in the 1950s to connect Western supply to Canadian and U.S. markets. The oil sands, known for decades but commercially developed beginning in 1967, experienced explosive growth between 2000 and 2020. While technologically impressive, offshore production in the Atlantic remains modest by comparison, and supplies primarily U.S. East Coast and European

markets. Arctic oil and gas resources remain underdeveloped, constrained by high costs and lack of local social license.

Canada's electricity system reflects similar geographic concentration. Hydropower supplies more than 60 per cent of national electricity generation, making Canada the world's third-largest hydro producer (Natural Resources Canada [NRCan], 2024a; Energy Institute 2025). 90 per cent of that capacity is in Quebec, British Columbia, Manitoba, and Newfoundland and Labrador, clustered along a handful of major river systems. Provinces lacking comparable hydro resources such as Ontario, Alberta, Saskatchewan, and the remaining Atlantic provinces rely on nuclear and fossil fuel generation. Wind and solar play a growing but still secondary role, with adoption highly dependent on local weather conditions. Together, these patterns reinforce regional fragmentation rather than national energy integration.

Physical geography constrains Canada's linear energy infrastructure. The Canadian Shield, an immense expanse of exposed bedrock, effectively divides eastern Canada from western Canada along the Manitoba-Ontario border, making pipelines and transmission lines prohibitively expensive to build across it. As a result, Canada lacks a direct oil pipeline connecting Western production with Eastern demand. Instead, oil destined for Ontario and Quebec flows through the United States via Enbridge pipelines originally routed south in the 1950s (Taylor, 2019, pp. 165). Electricity trade follows a similar logic: Manitoba exports far more electricity generated by hydropower to the United States than to neighbouring Ontario, despite significant domestic demand (Manitoba Public Utilities Board, 2013). These structural realities help explain why Canada is simultaneously the largest exporter of energy to the United States and one of the largest importers of American energy, leaving Eastern Canada's energy security reliant on American cooperation.

Western export routes face their own geographic barriers. The North American Cordillera encompassing the Rockies, Coast Mountains, and interior ranges forms a steep barrier to Westward export from the WCSB. Overcoming it required extraordinary engineering feats such as the Trans Mountain oil pipeline and the Westcoast natural gas pipeline in the 1950s (Saywell, 1975, pp. 227-244). These projects, assisted by American capital and materials, connected Western Canadian energy to Pacific markets in Vancouver and the American Northwest. In the contemporary period, the same geographic imperatives

shape diversification efforts: Trans Mountain's 2024 expansion and LNG Canada's 2025 opening represent rare cases where political will and capital overcame terrain, regulatory complexity, and social opposition to access Asian demand.

Taken together, Canada's incumbent energy infrastructure reflects decades of adaptation to geography, political, and social constraints rather than deliberate national design. Pipelines overwhelmingly flow south toward U.S. markets, where demand is large, proximate, and accessible. East–west integration remains limited. Electricity grids are independent, with larger electricity transmission lines connecting Canada's provinces to American states than to fellow provinces. These patterns anchor this paper's central argument: Canadian energy geopolitics is not the product of a single strategic choice, but of a persistent balancing act between the economic pull of the United States; constrained and incremental diversification elsewhere; the need to maintain domestic energy security across fragmented regions; and enduring anxiety over the cost, feasibility, and social and environmental consequences of building national energy infrastructure.

Energy Production

In 2024, Canada produced approximately 5.1 million barrels per day of crude oil and natural gas liquids, alongside roughly 18.8 billion cubic feet per day of marketable natural gas (NRCan 2025a). Converted into energy terms, Canadian oil and gas production amounted to approximately 21.71 exajoules (EJ) of primary energy. Coal production added 1.15 EJ, primarily from British Columbia mines serving export markets in Asia. Non-fossil primary electricity, including hydro, nuclear, wind, tidal and solar generated 1.72 EJ. In total, Canadian primary energy production adds up to around 24.66 EJ (StatsCan, 2025b).

To put the scale of Canada's energy industry in context, Canada's total energy production is comparable to the combined energy consumption of Germany, France, and the United Kingdom. Canada is structurally important to global energy markets, even if that importance is unevenly translated into global influence.

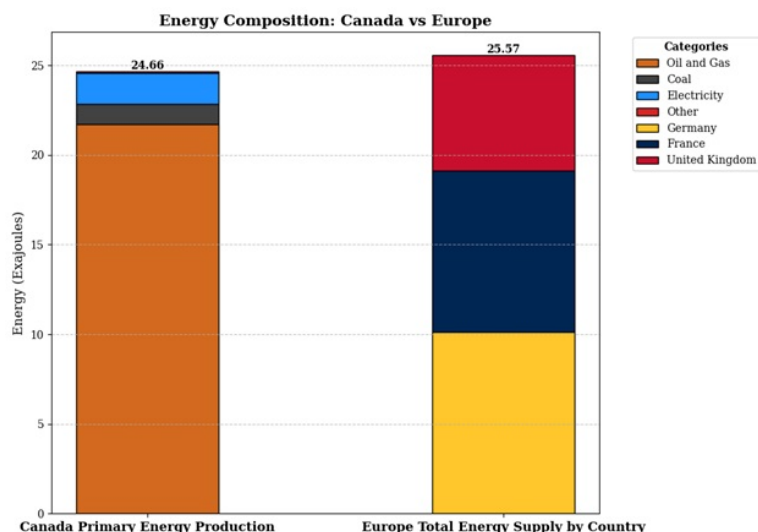


Figure 1 - Data from StatsCan, 2025b; Energy Institute, 2025

Regional Imbalances

National production figures obscure regional divides. Canada's primary energy production is concentrated in the provinces West of the Canadian Shield, while population and consumption are more evenly distributed. Alberta alone accounts for the majority of Canadian oil and gas output, whereas Canada's two largest provinces by population, Ontario and Quebec, fail to produce enough energy to meet their needs. As a result, Canada is one of the few net exporters whose most populous regions depend on foreign energy imports. This paradox is central to understanding Canada's energy geopolitics.

Table 1 – Canadian Energy Production and Consumption by Region, PJ		
Region	Primary Energy Production	Secondary Energy Consumption
Canada	24,664.4	8,505.4
Canada East of Canadian Shield	1,987.7	4,345.3
Atlantic Provinces (excl. New Brunswick)	663.0	275.3
Quebec	670.7	1644.7
Ontario	654.0	2425.3

Canada West of Canadian Shield	22,608.6	3,996.0
Manitoba	199.7	285.4
Saskatchewan	1,318.3	568.1
Alberta	16,409.8	2,224.6
British Columbia	4,680.8	917.8
Yukon, Northwest Territories and Nunavut	14.8	33.3

Table 1 - Data from StatsCan, 2025b; NRCan, 2025b

Domestic Energy Consumption

Canada has one of the highest per-capita energy consumption rates in the world. At approximately 299 gigajoules per capita, this is nearly three times the European average (Energy Institute, 2025). Canada's climate and geography explain part of this gap. Long, cold winters increase heating demand, while vast distances raise transportation energy use. Despite Canada's vulnerabilities, it has much lower energy prices than Europe. This encourages consumption by households and provides fuel for a large base of energy-intensive industry, particularly oil and gas production, mining, and heavy manufacturing.

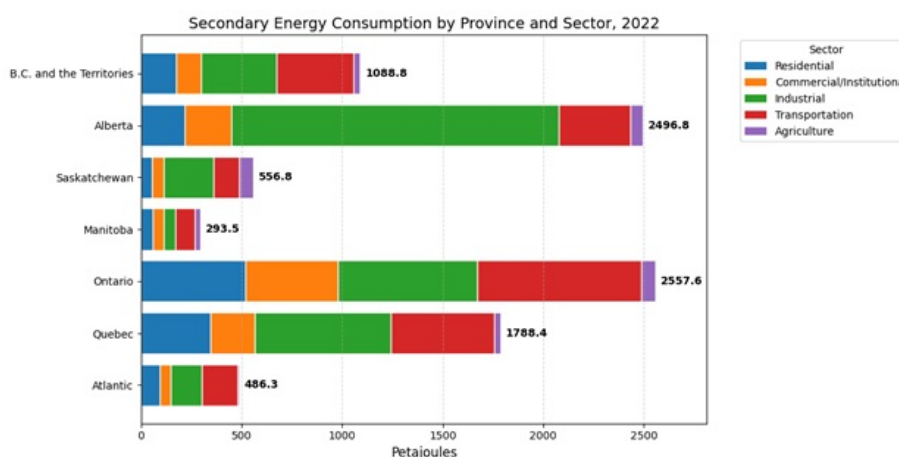


Figure 2 - Data from NRCan, 2025b

In 2024, Canada's total energy supply (a measurement of primary energy consumption) was approximately 11.75 EJ (Energy Institute, 2025). This figure is dominated by natural gas and oil consumption. Secondary energy consumption (energy consumed in its final useful form) is lower, reflecting efficiency losses in electricity generation and fuel conversion. Industrial activity accounted for the largest share of final energy use, followed by transportation, residential, and commercial services.

OIL SANDS, ENERGY USE, AND EMISSIONS

The oil sands dominate Alberta's energy profile and account for a disproportionate share of Canadian natural gas consumption and greenhouse gas emissions. Approximately half of oil sands production comes from in-situ facilities, which rely on steam injection to produce bitumen from underground deposits. Large volumes of natural gas are burned to generate this steam.

In 2024, oil sands operations consumed roughly 21 billion cubic metres of natural gas, comparable to the total national consumption of a mid-size European country (AER, 2025; Energy Institute, 2025). This energy intensity translates into high emissions per barrel of oil sands crude. The oil and gas sector is Canada's largest source of greenhouse gas emissions, with oil sands operations accounting for a substantial share.

Industry-led initiatives like the Pathways Alliance aim to reduce emissions through large-scale carbon capture and storage. The question of who is responsible for paying the enormous costs associated with such a project is a key policy question.

Consumption broadly tracks population with one major exception: Alberta. Despite having less than one-third of Ontario's population, Alberta consumes nearly as much energy. The main driver of the province's unusually high consumption is the oil and gas sector, and especially the energy intensity of oil sands production (Alberta Energy Regulator [AER], 2025).

Canadian Energy Trade and Strategic Vulnerabilities

Canada's role in global energy systems is defined by the concentration of its trade relationships with a few key partners. Canada is among the world's largest exporters of oil and natural gas, yet its export profile is overwhelmingly oriented toward the United

States. Canada also imports substantial volumes of energy from both the United States and elsewhere, creating a set of economic vulnerabilities on both security of energy supply and security of energy demand.

Energy Exports

Table 2. Top 10 Canadian Energy Trade Partners (CAD \$000).		
Data from StatsCan, 2025c		
	2024 Canadian Energy Imports	2024 Canadian Energy Exports
United States	\$29,319,988	\$171,718,517
China	\$214,073	\$5,346,803
Japan	\$8,984	\$4,252,148
Netherlands	\$1,291,110	\$2,574,271
South Korea	\$431,557	\$2,902,555
United Kingdom	\$659,864	\$1,603,062
Nigeria	\$2,191,238	\$426
Saudi Arabia	\$2,008,323	\$287
Germany	\$85,186	\$1,323,075
India	\$206,657	\$761,580

Table 2 Data from StatsCan, 2025c. Source: Data from StatsCan, 2025 c

In 2024, Canada exported more than CAD \$200 billion of energy products (NRCan, 2025a). Energy is the largest single category of Canadian goods exports, and these exports underpin a substantial share of national income, employment, and government revenue, particularly in Western Canada.

The United States dominates this picture. 88 percent of Canadian energy exports by value were sold to American customers in 2024 (StatsCan, 2025c). All forms of Canadian energy are exported Southward. Crude oil accounted for the largest share, followed by

natural gas, refined petroleum products, electricity, and coal. This concentration reflects decades of infrastructure development optimized for north-south trade, as well as the scale and reliability of U.S. demand.

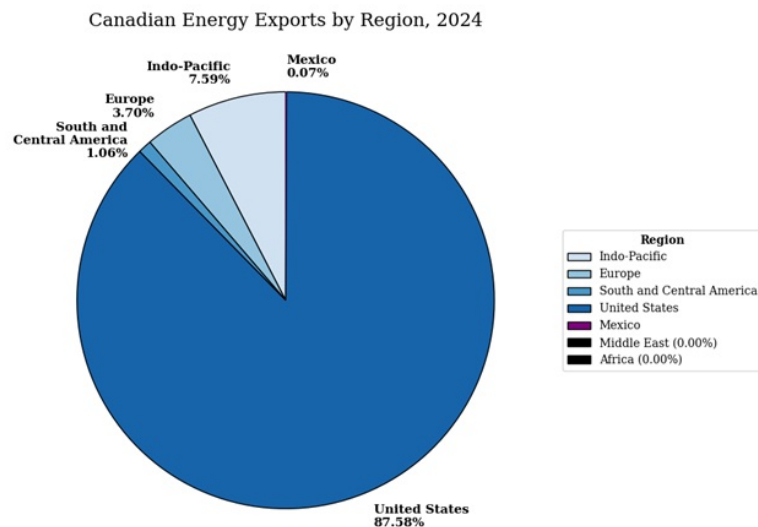


Figure 3. Data sourced from StatsCan, 2025c

Canada's non-U.S. exports are modest by comparison. The Indo-Pacific accounted for around 7.6% of total energy exports, with China, Japan, and South Korea as the principal destinations. Indo-Pacific countries are expected to receive a larger share of Canadian energy into the future owing to the completion of the Trans Mountain Pipeline Expansion and the LNG Canada project, which has allowed more WCSB resources to reach the Pacific. Europe received only a modest share of Canadian energy exports. Cut off from Western Canada's energy resources, exports to Europe are sourced from Canada's Atlantic offshore oil industry.

Energy Imports

Despite its status as a net energy exporter, Canada also imports large quantities of energy. In 2024, Canada imported CAD \$56.1 billion of energy from international trade partners, primarily crude oil, refined petroleum products, and natural gas (NRCan, 2025a). Unsurprisingly, the United States is once again the dominant partner. More than

four-fifths of Canada's energy imports originate south of the border. These imports are critical to Eastern Canada's economy, supplying fuels and electricity to Ontario, Quebec, and the Atlantic Provinces (Statistics Canada 2025d). Crude oil and refined petroleum products from Europe, the Middle East, and West Africa supplement American supplies for some refineries and product import terminals in Quebec and New Brunswick (Statistics Canada 2025d)

Canada's dependency on energy imports is intertwined with geography and infrastructure. Eastern Canada lacks a direct pipeline route to access Western Canadian oil, and is therefore dependent on foreign imports and infrastructure which crosses U.S. territory. Another important consideration is economics. Even though Eastern Canada has a pipeline to bring in Western Canadian natural gas, the deployment of hydraulic fracturing in the Marcellus Shale in the United States just south of Ontario has resulted in a massive increase in regional natural gas production and low prices. As a result, much of Eastern Canada's traditional supplies sourced from Western Canada have been displaced by imports from the United States (Canadian Association of Petroleum Producers [CAPP], 2025).

Strategic Vulnerabilities

Canada's energy trade profile creates a dual vulnerability. On the supply side, Eastern Canada depends heavily on imported energy. While Western Canadian oil and gas provides a large share of Eastern Canadian energy supply, much of these supplies (particularly for oil) are moved through American-regulated pipeline systems in the Midwestern United States. On the demand side, Western Canada relies on continued access to the U.S. market to absorb the bulk of its energy exports. These separate vulnerabilities can result in disjointed Canadian policy when engaging with the United States on energy, as explored later in the paper.

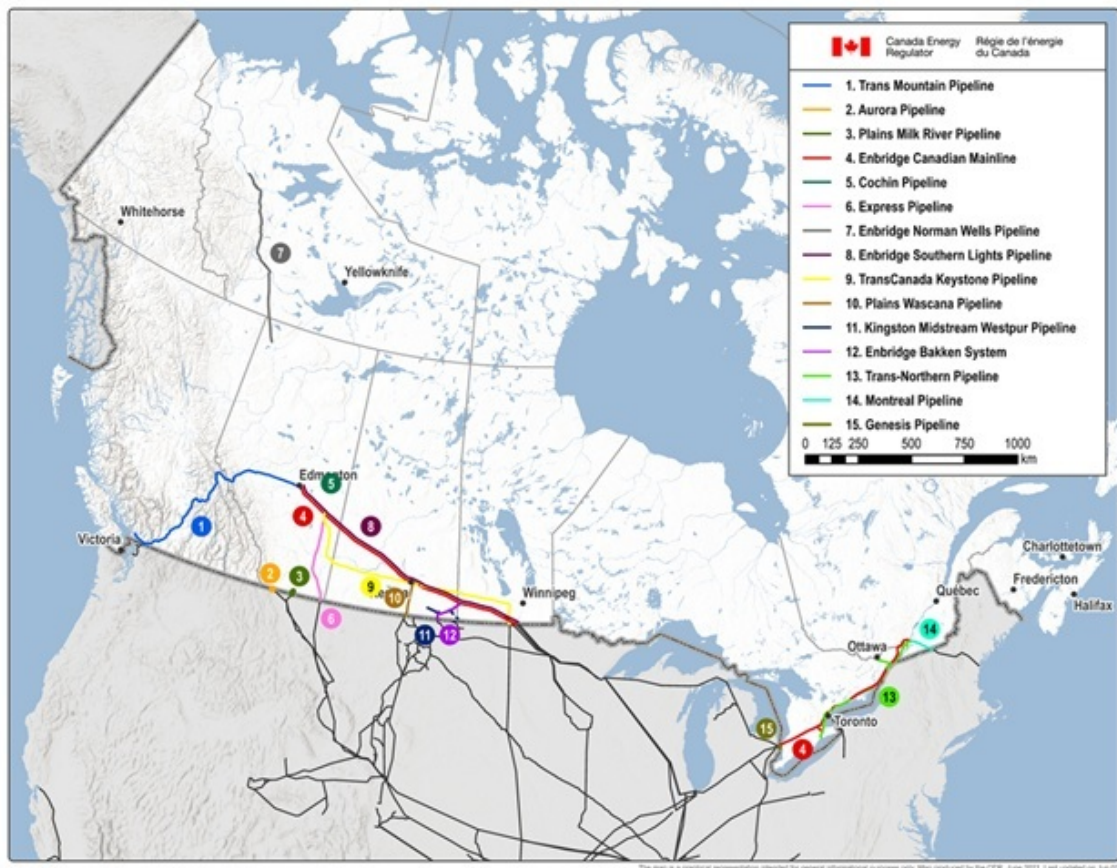


Figure 4. Map courtesy of Canada Energy Regulator [CER], 2025

A serious disruption of Canada-U.S. relations could not only threaten export revenues but also undermine the security of energy supply in Canada's most populous regions. While such a scenario remains unlikely, its consequences would be severe. These vulnerabilities are not easily resolved. Geography, sunk infrastructure costs, regulatory barriers, and political opposition all limit Canada's ability to rapidly reorient trade flows. As a result, diversification efforts tend to be incremental rather than transformational.

THE PIPELINE DEBATE, 1956

Several Canadian governments have invested substantial political and financial capital in efforts to bridge the energy infrastructure gap between Eastern and Western Canada. The most prominent example is the 1956 "Pipeline Debate" surrounding the construction of the TransCanada natural gas pipeline, championed by C.D. Howe. Charles Decateur Howe was an influential minister under the Liberal Party of Canada governments of William Lyon Mackenzie King and Louis St. Laurent, serving in their cabinets from 1935-1957. Known as the "Minister of Everything" during the Second World War, he is often described as the father of Canadian industrialization.

The project was designed to transport Alberta's abundant natural gas eastward along an all-Canadian route north of the Great Lakes. In theory, keeping the infrastructure in Canada would limit the scope of possible American interference in the future operation of the pipeline, therefore boosting Canadian energy sovereignty. The central complication was that the companies behind the TransCanada consortium were predominantly American-owned, owing to limits on the financial and technological capacities of Canadian firms (Saywell, 1975, pp. 254).

Restricting the pipeline to an all-Canadian route proved commercially unviable, forcing both the federal government and the Government of Ontario to intervene financially. The federal government assumed responsibility for the most challenging segment of the project through a specially created Crown corporation (Saywell, 1975, pp. 251). As a result, the enormous costs of crossing the muskeg of eastern Manitoba and blasting through the Canadian Shield in western Ontario fell directly on the federal treasury.

Federal support also included a \$72 million loan to TransCanada, which the government pushed through the House of Commons ahead of a June 7, 1956 construction deadline. The aggressive use of parliamentary procedure, combined with public anger over what was widely perceived as the “surrender” of critical national infrastructure to American ownership, provoked a major political uproar. The resurgence of economic nationalism sparked by the Pipeline Debate ultimately contributed to the defeat of the Liberal government and the political downfall of C.D. Howe in 1957 (Ibbitson, 2023, pp. 162).

Despite having campaigned against the pipeline, the newly elected Progressive Conservative government under John Diefenbaker chose not to halt its construction. Diefenbaker recognized the pipeline's importance for prairie economic development (Ibbitson, 2023, pp. 164-166). Nevertheless, the change in government marked the beginning of a renewed period of Canadian anxiety regarding American influence over Canada's energy sector and broader economy. This unease was formally articulated later in 1957 by a Royal Commission examining Canada's economic growth prospects, which concluded that “behind this [anxiety] is the fear that continuing integration might lead to economic domination by the United States and eventually to the loss of our political independence” (Government of Canada, 1957, pp. 390).

Political, Legal, and Social Constraints on Energy Infrastructure

Though geography and geology establish physical limits on Canada's energy system, law and policy define the limits of what is acceptable in Canada. Over the past two decades, the construction of major energy infrastructure in Canada has become progressively more difficult, expensive, and uncertain. This is not the result of a single constraint, but of the interaction among three distinct veto points: Indigenous rights, climate policy, and federal–provincial governance. Building new energy infrastructure requires project

proponents to navigate these veto points. Successfully managing this complex landscape is commonly referred to as gaining “social license” to move forward with a project. The growing challenge of gaining this social license has resulted in difficulty building new energy infrastructure.

Indigenous Rights

The constitutional entrenchment and judicial expansion of Indigenous rights has altered the political economy of infrastructure development. Court decisions over the past several decades have established a robust duty to consult and, in some cases, accommodate Indigenous communities whose rights may be affected by proposed projects (Bankes, 2020). In practice, this has transformed Indigenous communities into decisive actors in energy geopolitics. Infrastructure projects that secure durable Indigenous support can proceed, albeit slowly. The result is not uniform opposition to energy development, but heightened uncertainty and negotiation costs.

This new reality can be seen as a correction for past mistakes. Canada’s historical energy infrastructure buildout often came at the expense of Indigenous traditional lands and livelihoods. For example, the construction of the W.A.C. Bennett Dam in the 1960s flooded a huge swath of land used by the Tse’kehne people of Northeast British Columbia (Sims, 2017). The balance between preserving the traditional use of lands and building new infrastructure for economic development and security is a challenge that Canada will be negotiating for many years to come.

Climate and Public Opposition

Limiting the emissions which cause climate change has become a central principle of Canadian energy policy since the Liberal Party of Canada’s return to power in 2015. Federal and provincial climate commitments, including emissions caps, carbon pricing, and regulatory standards, directly shape the viability of new infrastructure. These policies interact with public attitudes which in some regions are hostile to fossil fuel expansion. Even where projects meet formal regulatory requirements, they may fail politically if they are perceived as inconsistent with Canada’s climate objectives (Calnan, 2024a). This dynamic increases project risk and lengthens timelines, reinforcing investor caution.

In recent years public attitudes toward the environment-economy tradeoff have begun to shift. In 2015, 67% of Canadians polled prioritized the environment versus 24% who prioritized economic growth. In 2025, these attitudes have switched, with 57% of Canadians prioritizing the economy versus 35% prioritizing the environment (Nanos Research, 2025).

Federalism and Regulatory Complexity

Canada's federal structure adds another layer of complexity. Energy development straddles federal and provincial jurisdiction, creating overlapping regulatory processes and frequent political disputes. Provinces control resource development, resource taxation, and interprovincial infrastructure, while the federal government regulates energy on federal lands, nuclear energy, and interprovincial and international infrastructure (Library of Parliament, 2019). Environmental regulation is a joint and often contested responsibility.

This division of authority often produces paralysis and politicization. Major projects become symbols of national identity, regional grievance, and partisan conflict. As a result, infrastructure debates increasingly extend beyond economics into questions of legitimacy, the constitutional division of powers, and national purpose.

Canada's International Position

Canada is firmly embedded within the Western group of nations. It has a long history of democratic governance, a market-oriented economy, and deep participation in post-Second World War multilateral institutions. Canada is a founding member of the North Atlantic Treaty Organization (NATO), the Group of Seven (G7), the Organisation for Economic Co-operation and Development (OECD), and the Five Eyes intelligence network. As an Arctic nation, Canada is also a member of the Arctic Council, which was established in Ottawa in 1996. In addition, Canada belongs to the Commonwealth of Nations, reinforcing institutional and cultural ties to the United Kingdom and other former British colonies. Canada also positions itself as an Indo-Pacific nation: it is a founding member of the Asia-Pacific Economic Cooperation (APEC) forum and a growing trade partner with economies across the region.

Canada's core security relationships are North American and transatlantic. NATO membership commits Canada to collective defence under Article 5, anchoring its security policy within the Western alliance. Canada maintains a forward military presence in Central and Eastern Europe through Operation REASSURANCE, including approximately 2,000 Canadian Armed Forces personnel deployed as part of NATO's Multinational Brigade in Latvia (Canadian Armed Forces, 2025). Canada also hosts the NATO Climate Change and Security Centre of Excellence in Montreal. Canada's membership in the Five Eyes intelligence community tightly integrates Canadian intelligence agencies, such as the Communications Security Establishment, the Privy Council Office's Intelligence Assessment Secretariat, and the Chief of Defence Intelligence with counterparts in the United States, the United Kingdom, Australia, and New Zealand. Canada and the United States are also bound through the North American Aerospace Defense Command (NORAD), an integrated aerospace warning and control system responsible for the defence of North America.

Economic and diplomatic engagement further reinforce Canada's Western alignment. Canada frequently frames its international role through its identity as a "G7 country." Importantly, Canada's inclusion in the G7 was bolstered by its huge energy reserves. The creation of the G7 was triggered by the 1970s energy crisis, and the addition of one of the Western bloc's few energy exporters made sense for the goals of the diplomatic group (Gordon, 2023). Canada's international aid is also supportive of Western multilateral Institutions. Canadian development assistance is channeled through the United Nations system, the International Monetary Fund, the World Bank Group, and the World Trade Organization (Global Affairs Canada, 2025).

Following the Conservative Party's shift toward free trade under Prime Minister Brian Mulroney in the 1980s, Canadian economic policy has consistently embraced free trade agreements. Today, Canada participates in a broad network of trade agreements, including the Comprehensive Economic and Trade Agreement with the European Union; the Comprehensive and Progressive Agreement for Trans-Pacific Partnership with Indo-Pacific economies; and, most significantly, the North American Free Trade Agreement and its successor, the Canada–United States–Mexico Agreement. Canadian energy trade and energy investment has steadily grown under the auspices of these legal frameworks, subject to commodity prices.

Cultural heritage influences Canadian foreign policy and, indirectly, energy diplomacy. Canada's institutional, legal, and linguistic ties to Europe are the foundations of alignment with Western norms. Diaspora communities and heritage stemming from Europe have shaped stances on security issues which affect energy supply chains. Canada's participation in the First and Second World Wars, for example, was linked to its identification with Great Britain as the "Mother Country." More recently, Canada's large Ukrainian diaspora is thought to have encouraged Ottawa's firm response to Russia's annexation of Crimea in 2014 (Ibbitson, 2014). At the same time, Canadian popular culture is heavily influenced by the United States. Canada's entertainment ecosystem, including television, film, music, and social media, is dominated by American firms and platforms, reinforcing cultural overlap alongside economic integration. Canada's links to Western countries indirectly influence Canada's energy geopolitics and energy diplomacy. To the extent that Canadians hope to increase energy exports, their preferred partners are European countries (Nanos, 2025). This preference has become more pressing following the Russian invasion of Ukraine and subsequent energy crisis in Europe.

Decades of benign foreign policy have contributed to Canada's reputation as a constructive and positive international actor (Bricker, 2024). Building on this perception, recent Canadian governments have pursued a values-oriented foreign policy. Under Prime Minister Justin Trudeau, this approach reached its high-water mark through Canada's "feminist foreign policy," emphasizing women's empowerment and gender equality. Climate policy was another central pillar of Canadian diplomacy during this period, creating an inherent tension between Canada's values and the economic reality of being a major exporter of oil and gas.

This values-based approach rested on a strategic environment in which Canada's security, trade, and diplomatic position were underpinned by positive relations with an American hegemon. For example, Canada's membership in the G7 is the direct result of American intervention. In 1976, U.S. President Gerald R. Ford insisted that Canada be included in the second Summit in Puerto Rico, overruling French objections (Gordon, 2023). Furthermore, Canada's integration with the American security apparatus through the Five Eyes intelligence sharing alliance and NORAD is inconceivable without a uniquely close relationship between the two countries.

In recent years, however, Canada has struggled to meet key military and security commitments. In 2023, Canada was the only NATO member that failed to meet both the alliance's target of spending two percent of GDP on defence and the benchmark that 20 percent of defence spending be allocated to equipment and research and development (Maddison, Fraser, & Cowan, 2024). Canada has also fallen short of its peacekeeping commitments: despite a 2016 pledge to deploy up to 600 personnel to United Nations missions, as of October 2025 only 27 Canadian troops and police officers were serving in UN peacekeeping operations (United Nations Peacekeeping, 2025). In 2023, reporting by the *Washington Post* on a leaked Pentagon document revealed frustration within the Biden administration regarding Canada's military preparedness, including an allegation that Prime Minister Trudeau had privately indicated Canada would never meet the NATO spending target (Coletta, 2023). Canada's exclusion from the AUKUS submarine and advanced technology partnership among the United States, Australia, and the United Kingdom further underscored these concerns. While Canada has no immediate requirement for nuclear-powered submarines, the narrowing of technology sharing within a smaller subset of Five Eyes partners has raised questions about the risk of marginalization within Canada's preferred Western security institutions (Carvin & Juneau, 2023).

Canada remains a member and a supporter of the main post-war Western-led institutions. Despite this identification with the west, Canada's existing energy infrastructure isolates it from influencing economic outcomes in European countries. Instead, Canada's energy geopolitics are likely to draw it closer to the United States and the Indo-Pacific.

The Inexorable Draw of Canada–U.S. Energy Integration

Canada's energy sector, like much of its economy, is deeply interwoven with that of the United States. As outlined earlier in this paper, the United States is Canada's largest partner for both energy exports and imports. Over time, this relationship has endured periods of close cooperation, suspicion, and periodic protectionism on both sides of the border. These shifts have strongly influenced the development of Canada's energy industry and infrastructure. Across decades, Canada has repeatedly weighed longstanding fears of U.S. political domination against the prosperity made possible by

access to a much larger market. U.S. President Donald Trump's rhetoric has intensified these tensions, renewing political interest in diversifying Canada's energy exports beyond the United States.

Western Canada has been an energy exporter to the United States since the completion of the Interprovincial Pipeline. In 1955, Canadian exports of "petroleum, crude and partly refined" were valued in nominal terms at \$36.3 million (Dominion Bureau of Statistics, 1956). Today, Western Canada's energy exports to the United States generate well over one hundred billion dollars in annual revenue (NRCan, 2025a). Eastern Canada, by contrast, remains reliant on oil and natural gas supplies either produced or controlled by the United States. Western Canadian crude oil and refined products are delivered to Ontario and Quebec through pipelines transiting Michigan. These supplies are augmented by imports of American crude oil and refined products. Following the shale revolution, Eastern Canada has also come to import most of its natural gas from the United States. As a result, the energy sectors of Canada and the United States are now broadly co-dependent (Johnston & Calnan 2024).

At the beginning of the oil and gas industry, the two energy systems were kept independent. After Confederation in 1867, oil and gas production in Southwest Ontario was shielded from American competition through duties and non-tariff barriers, and later through the "National Policy" tariffs introduced by the second Macdonald government in 1878 (Taylor, 2019, pp. 46). As global oil production expanded and competition intensified, Canadian producers and refiners grew increasingly reliant on these trade restrictions to protect their domestic markets.

That protection proved illusory. Under Wilfrid Laurier's Liberal government, tariffs were dismantled, and Canada's largest oil company Imperial Oil was acquired by the American giant Standard Oil. This outcome was inevitable. Oil from Southwest Ontario had a high sulphur content, and Standard Oil controlled the patents for the Frasch desulphurization process (Taylor, 2019, pp. 45). At the same time, Ontario's oil resources were limited, and production began to decline sharply after 1900. Canada would remain dependent on American oil and gas supplies until the discovery of oil at Leduc, Alberta in 1947 and the pipeline boom of the 1950s, developments that were themselves driven by American capital and expertise (Kureth, 1985). In 1959, U.S. President Dwight Eisenhower gave

Canadian oil favourable treatment in American import quotas, further encouraging Canadian exports to the United States (Eisenhower, 1959).

The United States had strong strategic reasons to secure Canadian oil supplies in the latter half of the 20th century. In 1956, Shell geologist M. King Hubbert predicted that U.S. crude oil production would soon peak and then decline (Hubbert, 1956). By the early 1970s, this forecast had been realized, as American production entered a prolonged downturn. At the same time, international oil companies including the American majors were losing control over Middle Eastern reserves, while newly empowered OPEC producers acted to raise crude oil prices. Against this backdrop, early investments in the Canadian oil sands began to appear increasingly attractive, promising decades of supply from a politically stable and trusted neighbour.

After 1988, Canada's crude oil exports to the United States expanded rapidly, driven by oil sands growth and a stable bilateral relationship. Between 1990 and 2010, refineries in the U.S. Midwest invested billions of dollars to process more heavy sour crude from the oil sands (Oil Sands Magazine, 2020). Rising volumes of Canadian oil also reshaped American energy infrastructure, including the reversal of the Capline Pipeline to move Canadian crude from the Midwest to the U.S. Gulf Coast.

The post–Cold War consensus around free trade proved to be more fragile than expected. Prior to Donald Trump's election in 2016, political opposition to globalization was gaining strength in the United States. Backlash in the U.S. against the Trans-Pacific Partnership became so intense that even Hillary Clinton disavowed the agreement during her presidential campaign. Trump's return to office in 2025 has further expanded American opposition to foreign cooperation by openly questioning long-standing economic and security arrangements with Canada. U.S. tariffs have targeted Canadian manufactured goods, including autos, steel, and aluminum, while Trump stated in early 2025 that the United States would use "economic force" to absorb Canada as its 51st state.

To date, American tariffs have had limited direct impact on Canada's energy sector, but American policy could have larger impacts in coming years. Canadian oil and gas exports are shielded by USMCA exemptions, leaving manufacturing centres in Ontario and Quebec more exposed (Tombe, 2025). Energy nonetheless is an important part of Canada's strategic response. Early in this most recent trade dispute, there were calls to

weaponize energy exports, though Canada refrained from such measures. The American intervention in Venezuela in early 2026 has raised another possible risk for Canada. If the United States is successful in diverting Venezuelan heavy crude to American refineries in the U.S. Gulf Coast, it could push Canada's crude oil exports out of that market.

Over the longer term, the pressures generated by the Trump administration have strengthened the political case for investing in infrastructure to diversify Canada's energy trade partners. However, major infrastructure and political barriers complicate Canadian efforts to diversify energy exports.

Canada-Europe Energy Diversification: Agreement in Principle

THE NATIONAL ENERGY PROGRAM

Canada has experienced several waves of economic nationalism in response to American influence over its energy sector. The pipeline debate of the early 1950s, discussed previously, was one such episode. Another was the National Energy Program (NEP), introduced by Pierre Trudeau's Liberal government and implemented from 1980 to 1985 in response to the oil crises of the 1970s. Among other objectives, the NEP sought to redirect discounted Western Canadian oil to Eastern refineries and to reduce the proportion of Canadian oil production controlled by American companies (Noakes, 2006). By 1973, 80 per cent of Canada's petroleum revenues were collected by foreign-owned firms, the American majors (Globerman & Shapiro, 1998).

Unlike the earlier National Policy tariffs, the National Energy Program provoked fierce opposition from Western Canada's energy industry. It remains widely viewed in the region as an effort to redistribute Western resources to the federal government and to lower energy prices for the benefit of Eastern Canadian oil consumers (Nemeth, 1997). By this point, Western Canada was firmly established as a competitive exporter to the United States and saw little value in being constrained to domestic markets. Following Pierre Trudeau's departure from office in 1984, Canadian and American governments found themselves ideologically aligned on free trade. This period of closeness produced the Canada–United States Free Trade Agreement in 1988, followed by the North American Free Trade Agreement in 1994, both of which significantly constrained political interference in cross-border trade and investment.

Energy ties between Canada and Europe are characterized by agreement in principle but modest action in practice. In 2024, Canada exported 6.6 million tonnes of crude oil and refined petroleum products to Europe, primarily to the Netherlands, the United Kingdom,

and Germany. These exports originate exclusively from Canada's offshore oil industry, with crude shipments regularly departing from Newfoundland and Labrador to Europe (StatsCan 2025d). While Canada's offshore sector represents a significant technical achievement, it remains limited in scale. Newfoundland and Labrador accounts for approximately 2.3 per cent of total Canadian oil and gas production on an energy basis (Statistics Canada, 2025b).

Canadians are interested in Europe as a destination for diversifying energy trade. When asked about which export destinations Canada should prioritize, poll respondents were most likely to choose Europe (Nanos, 2025). Bolstering the views of Canadians, some major European policymakers have expressed interest in importing Canadian energy. However, building this infrastructure presents formidable economic, political, and environmental challenges, and remains a remote prospect.

Materially increasing Canada's contribution to European energy security would require infrastructure capable of moving Western Canada's vast oil and gas resources to the Atlantic coast. Historically, European governments and firms have shown less sustained interest in Canadian energy than their American counterparts. Royal Dutch Shell, for example, did not establish a Canadian subsidiary until 1911, decades after Standard Oil entered the Canadian market. As a former British colony, Canada's energy resources nonetheless attracted episodic attention from British political figures; in 1929, opposition MP Winston Churchill visited the Turner Valley natural gas fields (Finch, 2017). Even so, for much of Canada's history, British and European interest in Canadian energy focused more on developing Canadian economic self-sufficiency than on building durable transatlantic energy security ties.

The development of offshore oil production in the Jeanne d'Arc Basin off Newfoundland and Labrador marked a qualitative upgrade in Canada's energy relationship with Europe, but these exports developed slowly. Although production at the Hibernia platform began in 1997, Canada did not begin regularly exporting crude oil to the United Kingdom until November 2012. Shipments to other European countries followed in December 2013 (StatsCan, 2025d). Even then, U.S. East Coast refineries remained highly competitive customers. This is likely a result of the business plans of the companies invested in the projects. Major Canadian offshore oil platforms such as Hibernia have been led primarily

by American firms including Exxon, Chevron, and Murphy Oil, with European companies such as Equinor playing secondary roles.

In principle, greater energy cooperation between Canada and Europe serves the interests of both sides. Europe's energy crisis following Russia's invasion of Ukraine has severely undermined economic security across the continent. A range of European policymakers of different ideological stripes, including European Parliament President Roberta Metsola, former German Chancellor Olaf Scholz, and Polish President Andrzej Duda have publicly supported increased imports of Canadian energy. Canada and European partners have launched multiple cooperative initiatives, including the EU–Canada High-Level Energy Dialogue, the Canada–Germany Energy Partnership, the Canada–Italy Bilateral Energy Dialogue, and several other bilateral and multilateral frameworks.

To date, these initiatives have delivered limited tangible results for European energy security or Canadian export diversification. Canada's existing pipeline network is optimized for exports to the United States and for domestic supply in Eastern Canada. Redirecting Western Canadian energy to Atlantic ports would require major new infrastructure investments. Such projects would also require the cooperation of Quebec, which has previously blocked energy export initiatives such as the Énergie Saguenay LNG project (Calnan, 2024). Without regional buy-in, large-scale export infrastructure remains unlikely. The potential for declining European demand for natural gas further weakens the commercial case for new pipelines or LNG terminals. Proposals such as exporting LNG from Hudson Bay have attracted attention, but face their own substantial technical and political barriers.

Hydrogen represents a possible, though uncertain, exception. In 2022, Canada and Germany signed an "Agreement to Enhance German Energy Security with Clean Canadian Hydrogen". Although Chancellor Scholz initially sought Canadian LNG, the resulting declaration emphasized Canada's hopes to become involved in Europe's nascent hydrogen economy. Significant uncertainties remain for the viability and timing of Canadian hydrogen exports to Europe. In Europe, insufficient policy support has slowed the development of a low-carbon hydrogen market, while analysts question whether hydrogen shipping can ever be economically viable given the energy losses involved (Liebreich, 2022).

Indo-Pacific Energy Diversification: Tangible Results and Political Pitfalls

Canada's growing role in the energy security of the Indo-Pacific reflects the same core tensions that define its broader energy geopolitics: the economic attraction of large external markets, political efforts to diversify exports away from the United States, the constraints imposed by domestic infrastructure and regulation, and persistent anxieties about sovereignty, security, and foreign influence. The Indo-Pacific offers Canada its greatest long-term growth opportunity outside North America, but it is also a region where geopolitical risk is acute.

China and the Limits of Strategic Diversification

China has an inescapable gravity in Canada's Indo-Pacific energy calculus. As a disruptive economic superpower, China presents both enormous commercial opportunity and significant political risk. Rapid industrialization and urbanization created a vast appetite for Canadian natural resources, including energy, even as China's growing economic presence raised concerns in Canada about political influence and the difficulty of balancing relations with both Beijing and Washington.

In 2005, Prime Minister Paul Martin signed a cooperation agreement with the People's Republic of China promoting bilateral collaboration in oil and gas, nuclear energy, energy efficiency, and clean energy. At the time, China was experiencing a decade of double-digit economic growth alongside the fastest expansion of energy demand in world history. Between 2000 and 2010, Chinese energy consumption rose from 40 exajoules to 100 exajoules, surpassing both Europe and North America as an energy consumer.

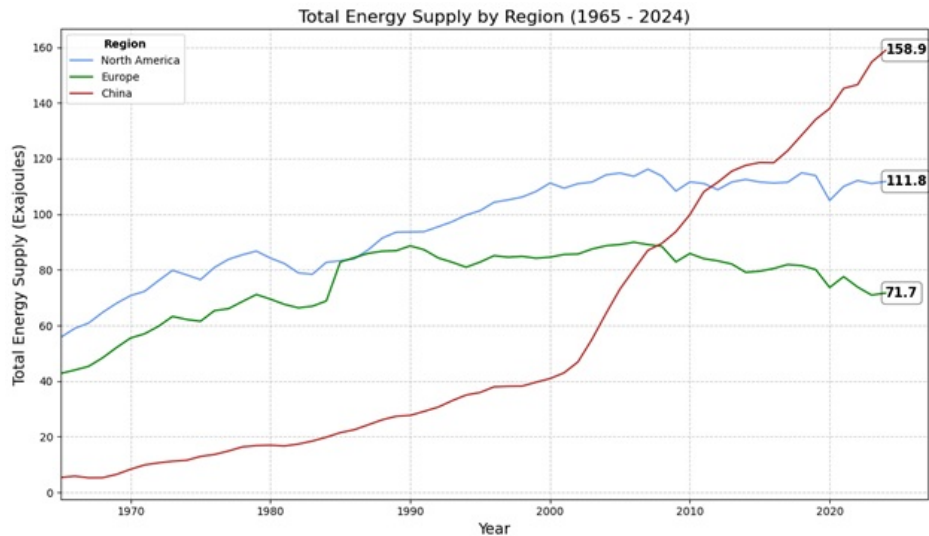


Figure 5. Data from Energy Institute, 2025

Sustaining this growth required large-scale energy imports. In 2001, China announced its “going out” strategy, encouraging state-owned enterprises to invest abroad. This explicitly included the exploitation of foreign resources in partnership with local firms (Rongji, 2001). The 2005 cooperation agreement was soon followed by substantial Chinese investment in Canada’s energy sector, particularly the oil sands, whose scale and technological sophistication were highly attractive for Chinese energy firms. That same year, CNOOC acquired a 16.7 per cent stake in MEG Energy. In 2010, Sinopec purchased a 9 per cent share of the Syncrude project, and in 2012 CNOOC fully acquired Nexen for \$15 billion. PetroChina also holds interests in several oil sands projects, including MacKay River and Dover. Beyond hydrocarbons, China imports significant volumes of Canadian metallurgical coal from southeastern British Columbia and operates two CANDU nuclear reactors near Hangzhou.

These developments generated unease within Canada. CNOOC’s purchase of Nexen was particularly controversial, partially because of Canada’s close alliance with the United States. While Canadian authorities were reviewing the purchase, Canada’s spy agency CSIS warned that takeovers by Chinese firms may threaten national security (Steger & Alini, 2012). At the time, the United States was reviewing the possible security risks posed by China’s telecommunications champion Huawei, and warned Canada about the risks of economic integration with the Asian superpower. Following the Nexen takeover, the Harper government introduced new rules under the Investment Canada Act to limit the

ability of state-owned enterprises to acquire controlling stakes in oil sands companies (Burton, 2012). Rising U.S.–China tensions, especially over Huawei, placed Ottawa in an increasingly uncomfortable position. This culminated in the 2018 arrest of Huawei executive Meng Wanzhou at the request of U.S. authorities and China’s retaliatory detention of two Canadian citizens.

The relationship has since proven difficult to repair. In 2024, a public inquiry found that China had interfered in two recent Canadian elections. Later that year, Canada joined the United States in imposing 100 per cent tariffs on Chinese-made electric vehicles, triggering an ongoing trade dispute. While diplomatic relations have partially stabilized, these developments have sharply constrained the political space for deeper energy cooperation with China.

Pacific Infrastructure and Asian Markets

Despite significant Chinese investment in Canadian production, until recently Canadian energy infrastructure did not support export to the Indo-Pacific. At first, China attempted to coordinate building this infrastructure. In 2005, PetroChina signed a cooperation agreement with Enbridge to explore a pipeline to British Columbia’s northwest coast, later known as the Northern Gateway project. The proposal faced intense regulatory, environmental, and political opposition and was cancelled by the Trudeau government in 2016. Canada’s longstanding moratorium on oil tanker traffic along the northern British Columbia coast, eventually formalized by the Oil Tanker Moratorium Act in 2019, effectively closed deepwater ports such as Kitimat and Prince Rupert to crude oil export (Chong & Sweeney, 2017).

Following the cancellation of Northern Gateway, the Trans Mountain Expansion became the sole viable route for exporting Canadian crude to the Indo-Pacific. After years of delays and cost overruns, exports from the Westridge Marine Terminal finally began in May 2024. One of its first cargoes headed to China (StatsCan, 2025d). Since then, China has consistently ranked as the second-largest importer of Canadian crude oil. However, prospects for further expansion are uncertain. After decades of rapid growth, Chinese oil demand appears to be plateauing as electric vehicles displace gasoline and diesel consumption.

China also plays a role in Canada's natural gas sector. CNOOC, PetroChina, and Sinopec hold upstream natural gas assets in British Columbia and Alberta. PetroChina also is a key partner in LNG Canada, which began exporting liquefied natural gas to Asia in June 2025. Between May and October 2025, China received four LNG cargoes from the project (CER, 2026).

Beyond China: Indo-Pacific Partners and Incremental Diversification

Even excluding China, the Indo-Pacific accounts for the majority of Canada's non-U.S. energy trade. Canada is a member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and has sought deeper economic ties with the region's growing economies. Japan and South Korea, both democratic allies identified in Canada's Indo-Pacific Strategy as security partners, have long-standing energy relationships with Canada. ASEAN countries, particularly Malaysia, also play a growing role, though volumes remain modest.

Japan's integration into Canada's energy sector dates back decades. Mitsui & Co.'s Canadian subsidiary was established in 1956, with interests spanning oil, gas, and coal. By 1977, coal was Canada's single largest export to Japan, valued at \$520 million annually (Government of Canada, 1977). In 2024, Canadian energy exports to Japan totaled \$4.2 billion. LNG Canada is expected to deepen this relationship: Mitsubishi Corporation holds a 15 per cent stake in the project, and Japan imported five LNG cargoes between May and October 2025 (CER, 2026).

South Korea has similarly expanded its footprint. The state-owned Korea National Oil Corporation entered Canada's energy sector in 2009 through the acquisition of Harvest Energy, gaining exposure to oil sands and natural gas assets. KOGAS holds a stake in LNG Canada and imported nine cargoes during the project's first six months (CER, 2026). South Korea is also the largest foreign operator of CANDU nuclear reactors, having commissioned four units at the Wolsong plant in 1983, and remains a major importer of Canadian metallurgical coal.

ASEAN countries (with the notable exception of Singapore) currently import little Canadian energy. Limited refining capacity for heavy crude and abundant regional energy resources have constrained demand, though rising consumption and declining production

could alter this balance (Calnan, 2025). Malaysia's state-owned PETRONAS has positioned itself accordingly, becoming a major investor in Canadian upstream natural gas and the second-largest equity holder in LNG Canada after Shell. Southeast Asia may also emerge as an important market for Canadian nuclear technology exports.

India represents the most significant long-term growth opportunity, though Canada's relations with the South Asian giant are nearly as fraught as those with China. With enormous economic and industrial growth expected in the coming decades, India's energy demand is expected to rise sharply through to the middle of the 21st century (International Energy Agency [IEA], 2021). Yet Canada–India energy cooperation, particularly in nuclear technology, remains constrained by historical and political tensions. These include India's use of a Canadian-supplied reactor to help it develop nuclear weapons in the 1960s. More recently, deteriorating bilateral relations are linked to the Khalistan separatist movement and the killing of separatist leader and Canadian citizen Hardeep Singh Nijjar, allegedly by Indian agents.

Canadian Energy in the Arctic

Energy development in the Canadian Arctic is shaped by extreme infrastructure costs, limited local markets, and the federal government's long-standing objective of economically developing and securing its vast northern territory. Canada's three northern territories Yukon, the Northwest Territories, and Nunavut together cover an area comparable to the European Union, yet have fewer than 140,000 residents in total (StatsCan, 2025e). This sparse population severely constrains the commercial viability of large-scale energy infrastructure. Most regions of the far North lack refineries, pipelines, power plants, or transmission lines, resulting in a fragmented and energy-insecure system.

At the same time, sustained presence in the Arctic is essential to reinforcing Canadian sovereignty. Canada's 2024 defence policy, *Our North, Strong and Free*, places particular emphasis on "defending the Arctic and North and its approaches against new and emerging threats through credible deterrence" (Government of Canada, 2024, pp. 11). In such a remote and sparsely populated region, monitoring activity and enforcing Canadian law is both difficult and costly. The most visible manifestation of this challenge is Canada's

claim that the Northwest Passage constitutes internal waters, a position contested by the United States, the United Kingdom, and most other maritime powers. Notably, Russia passively supports Canada's claim in forums such as the Arctic Council, since it parallels Russia's assertion of control over its own Northern Sea Route (Lalonde, 2022).

The central challenge for Canada is therefore to maintain effective Arctic sovereignty without imposing unsustainable fiscal burdens on the federal government. The Canadian Armed Forces' Arctic presence is widely regarded as understaffed, while existing infrastructure continues to deteriorate after decades of underinvestment (Department of National Defence, 2024). One strategy for reducing the cost of revitalization is the development of dual-use infrastructure: projects that serve both civilian and strategic purposes. Identifying viable non-military uses, however, remains difficult. Energy development has repeatedly been proposed as one such avenue, offering the possibility of supporting sovereignty objectives while improving local economic conditions.

Energy security considerations provide a compelling domestic rationale for Arctic infrastructure investment. Many northern communities rely almost entirely on diesel fuel for electricity and heating. This dependence creates persistent vulnerabilities: diesel deliveries are constrained by seasonal shipping windows, supply disruptions during winter months are common, and operating costs are extremely high. Local governments lack the tax base to maintain this infrastructure, leaving communities dependent on federal subsidies and emergency support. Reducing diesel reliance would improve reliability, lower emissions, and enhance community resilience, but alternative systems face steep logistical and financial barriers.

Several proposals have emerged to address these challenges. The Kivalliq Hydro–Fibre Link would connect Nunavut communities to Manitoba's hydroelectric grid via a 1,200-kilometre transmission line, providing both electricity and broadband connectivity. Another option is the deployment of small modular reactors (SMRs). Canada's SMR Action Plan explicitly considers Northern and remote communities as potential early adopters, where SMRs could displace diesel generation (Canadian Small Modular Reactor Roadmap Steering Committee, 2018). While both approaches promise improved energy security and reduced emissions, they would require massive upfront investment and sustained federal funding, raising questions about long-term affordability and political feasibility.

From a geopolitical perspective, Arctic energy development occupies a distinct place within Canada's broader energy strategy. Unlike Europe or the Indo-Pacific, the Arctic does not offer opportunities for export diversification or accessing foreign markets. Instead, it reflects the inward-facing side of Canadian energy geopolitics: shoring up domestic energy security, reinforcing territorial sovereignty, and managing the social and environmental consequences of infrastructure in sensitive regions. Any Arctic energy strategy must therefore reconcile national strategic objectives with Indigenous rights, environmental protection, and fiscal constraint.

One exception to this rule is the possible development of an energy export terminal through Hudson's Bay. This speculative project could potentially meet both local energy needs and serve as a launching point for export diversification. It could also serve as dual-use infrastructure for a Canadian military presence. The most advanced proposal is the NeeStaNaN LNG export terminal proposed by Fox Lake Cree Nation, which would see Western Canadian natural gas exported from Port Nelson in northern Manitoba. Much like the other major Arctic energy projects, this project is at an early stage. Questions linger about its economic viability. Hudson's Bay is only free of ice for a portion of the year, and maintaining year-round deliveries of LNG may require specialized tankers and expensive heavy icebreaker escorts. This adds an additional major cost hurdle to an already expensive project.

Canada as an "Energy Superpower"

The re-election of Donald Trump and the election of Prime Minister Mark Carney may mark a turning point in Canada's energy geopolitics. Shortly after the American election, President-elect Trump pledged to impose sweeping 25 per cent tariffs on all goods imported from Canada and Mexico. He went further, arguing that Canada's reliance on the United States for security and trade justified its absorption as America's "51st state." While inflammatory, Trump's rhetoric underscored a persistent reality: Canada's position in global security, trade, and diplomacy remains deeply shaped by its relationship with the dominant postwar superpower.

THE MACKENZIE VALLEY PIPELINE

The Mackenzie Valley Pipeline remains the clearest historical example of both the ambition and the limitations of using energy infrastructure to “open” the Canadian Arctic. Major onshore and offshore oil and gas discoveries in the Beaufort–Mackenzie region of the Northwest Territories during the 1960s sparked federal interest in linking northern resources to southern markets. Because large-scale infrastructure in the northern territories falls under federal jurisdiction, Prime Minister Pierre Trudeau’s Liberal government actively supported proposals for a natural gas pipeline running south along the Mackenzie River Valley.

From the outset, the pipeline was conceived as more than an energy project. In 1972, the federal government released planning guidelines outlining an expansive vision in which the pipeline would anchor a broader development “corridor” through the Mackenzie Valley. Proposed accompanying infrastructure included “a highway, a railroad, electric power transmission lines, telecommunication facilities, etc.” (Department of Indian Affairs and Northern Development., 1972) Like later Arctic strategies, this vision treated energy infrastructure as dual-use: a means of stimulating economic development, improving energy security, and reinforcing Canadian sovereignty in a remote and sparsely populated region.

Trudeau explicitly framed the Mackenzie Valley Pipeline as a nation-building project comparable to the Canadian Pacific Railway. In 1973, he argued that “It is expensive, but so was the Canadian Pacific Railway a century ago. Is it too big a project for Canada? Only in the view of those who have lost faith in what Canada is all about” (Munzur, 2021). As with contemporary Arctic infrastructure debates, projects meant for northern development are considered on their strategic and political objectives rather than commercial returns.

In practice, however, the project proved politically and legally unsustainable. The 1972 federal election reduced the Liberals to a minority government reliant on New Democratic Party support, weakening Ottawa’s ability to push the project forward. At the same time, Indigenous organizations and environmental groups mobilized significant opposition to the pipeline. Reflecting growing concern about the social and environmental consequences of Arctic energy development, the federal government appointed former NDP politician and British Columbia Supreme Court Justice Thomas Berger in 1974 to lead an inquiry into the pipeline’s impacts.

The Berger Inquiry’s final report, released in 1977, recommended a ten-year moratorium on pipeline construction in the Mackenzie Valley to allow for the settlement of Indigenous land claims (Berger, 1977). Although this recommendation was not fully implemented (Enbridge built an oil pipeline along the Mackenzie River in the early 1980s) the inquiry fundamentally reshaped Canadian approaches to Arctic development. It established new norms for environmental assessment and elevated Indigenous consent as a central consideration in northern infrastructure projects.

Trump’s remarks provoked a sharp backlash in Canada and helped propel Carney’s Liberals to victory. Yet the underlying vulnerability remains. As earlier sections have

shown, Canada's energy systems exemplify the extent of North American economic integration. Electricity, oil, and natural gas flow through a dense, cross-border infrastructure network shaped more by geography than by political boundaries. No other pair of countries has developed such extensive energy co-dependence. As the smaller partner, Canada bears greater risk: the United States can diversify its trade and security relationships far more easily than Canada can. Compounding this imbalance, Canada faces weak productivity growth, with underinvestment in machinery and equipment contributing to stagnant per-capita GDP growth and declining relative living standards.

It is in response to these structural challenges that the Carney government has revived the Harper-era ambition of “realizing our full potential as an energy superpower” (Prime Minister of Canada, 2025). In this context, the phrase signals less a desire for coercive leverage than an effort to reduce vulnerability through scale, reliability, and diversification. Central to this strategy is the rapid approval and construction of energy infrastructure to expand export options beyond the United States while maintaining Canada's role as a dependable supplier to its primary market.

In June 2025, Parliament passed the *Building Canada Act*, a powerful new statute allowing the federal government to designate certain developments as “Projects of National Interest” (PoNIs). Projects added to Schedule 1 of the Act are effectively pre-authorized and exempted from key provisions of the *Impact Assessment Act* (Building Canada Act, 2025). The government may also exempt PoNIs from laws and regulations listed in Schedule 2, many of which have already been added. This framework represents a significant recalibration of federal authority over infrastructure approval. To execute on this approach, the Carney government established the Major Projects Office (MPO), tasked with accelerating approval timelines and advising on PoNI designation. Of the thirteen projects currently under MPO review, seven involve energy infrastructure, including major transmission lines, LNG Canada Phase 2, the Ksi Lisims LNG project, and a small modular reactor project in Ontario (Major Project Office, 2026).

Federal–provincial coordination is also central to the “energy superpower” vision. A Memorandum of Understanding between Ottawa and Alberta commits both governments to expanding oil and gas production and exports. As written, the MoU also commits the two governments to reducing emissions from heavy oil production to “best-in-class” levels by 2050 through an escalating industrial carbon tax (Government of Canada &

Government of Alberta, 2025). The MoU envisions construction of the large-scale Pathways carbon capture and storage project alongside a new pipeline capable of transporting at least one million barrels per day of Alberta oil sands crude to Asian markets.

While the feasibility of Pathways and a new export pipeline are contested, other elements of the MoU have more immediate regulatory implications. The MoU eliminates the proposed Oil and Gas Emissions Cap and halts implementation of the Clean Electricity Regulations in Alberta, reversing course on two flagship Trudeau-era policies that had generated significant resistance within the energy sector. The agreement also anticipates further expansion of the Trans Mountain pipeline, potentially increasing total capacity to 1.25 million barrels per day.

Challenges for the Energy Superpower Vision

Despite its appeal, the real implications of being an “energy superpower” remain ambiguous. Traditionally, the term describes states that wield energy exports as geopolitical leverage, such as Saudi Arabia’s protection under the U.S. security umbrella, Russia’s coercive gas diplomacy, or Qatar’s outsized global influence. As a free-market economy which supports rules-based dealings with other nations, Canada is poorly suited to take on such a role. Attempting to emulate these countries would undermine Canada’s credibility as a stable supplier. A more realistic strategy is for Canada to continue acting as a trusted energy security partner to the United States while incrementally expanding relationships with Europe and the Indo-Pacific.

Tensions also remain between expanded oil and gas exports and Canada’s climate commitments. Many of Prime Minister Carney’s early actions roll back elements of Trudeau-era climate policy, leaning on industrial carbon pricing as the federal government’s central mitigation tool. However, this single tool is increasingly expected to accomplish multiple policy goals. Canada’s *Climate Competitiveness Strategy*, released alongside Budget 2025, frames carbon pricing as both an emissions-reduction mechanism and a means of improving export competitiveness (Finance Canada, 2025, pp. 104). The strategy argues that lower-emissions oil and gas will retain value in a decarbonizing world, and so the incentives need to be put in place now to rapidly

decarbonize. However, it leaves unresolved a fundamental question: if global decarbonization falters, will it be in Canada's national interest to tax its main export industry, thereby reducing its competitiveness against other nations?

The competitiveness challenge is also relevant for the staying power of the recently reinvigorated Canadian economic nationalism. While expanding export routes to Asia and Europe could strengthen Canada's negotiating position with the United States, private firms must be judicious with their capital spending. They may not be convinced that taking on the risk of building expensive energy diversification projects is a worthwhile investment for their shareholders. For example, TransCanada Pipeline is now a continental energy firm named TC Energy which often prefers investing in the U.S. over Canada (TC Energy, 2025). For many investors, infrastructure serving U.S. demand remains more profitable than politically uncertain projects aimed at distant markets. Moreover, the Trump administration's economic nationalism could further attract capital away from Canada, as firms seek alignment with American policy priorities. There are also serious questions about whether current or future U.S. Administrations will tolerate Canada diversifying in the wrong direction by becoming one of China's foremost energy security partners.

Canada's energy geography builds a stubborn logic into its energy geopolitics. Canada possesses vast resources, and the United States offers unmatched scale of demand. This natural partnership has underpinned Canada's prosperity for decades. Yet the reorientation of American foreign policy under Trump, embodied in a sphere of influence-based approach to the Western Hemisphere, may force Canada into uncomfortable choices. The country may have to weigh the material benefits of deeper integration within an explicit American sphere of influence against the economic and security risks of actively pursuing greater autonomy. In this sense, the "energy superpower" debate does not resolve Canada's energy geopolitics, but restates its central dilemma.

Conclusion

Rising trends of economic nationalism around the globe and the resulting threats to multilateral institutions pose major challenges for Canada. This problem is especially heightened as the United States turns away from its traditional role as the guarantor of an admittedly imperfect rules-based international order. The Trump Administration's "51st

State” rhetoric is especially unhelpful for maintaining a positive and trusted bilateral relationship. While a serious disruption in relations between Canada and the United States remains unlikely, the consequences for Canada could be particularly severe where it comes to energy vulnerability.

Like any energy system, Canadian energy is the result of geographical and geological conditions. What makes Canada’s energy industry different is its proximity to massive American energy demand. Canada is vulnerable in two distinct ways: it is reliant on the United States as a market for Western Canadian energy supply, and it is also reliant on the United States for its security of energy supply. Canada is also heavily integrated with the American-led security apparatus through NATO, NORAD, and the Five Eyes intelligence community. Canadian energy geopolitics is therefore defined by tension between economic gravity and political autonomy, infrastructure constraints, and export diversification, and between economic security and social license.

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