



Energy security and product affordability, upshots of healthy free trade

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The recent pump price movements in response to the US Gulf Coast refinery shutdowns and subsequent start-ups in the wake of Hurricane Harvey highlighted the integrated and interdependent nature of the North American market. They were also a reminder of the importance of maintaining current NAFTA provisions that enable free trade energy between Canada, the US and Mexico.

NAFTA energy trade provisions are mutually beneficial to all three NAFTA partners, enabling North American energy self-sufficiency and promoting industry competitiveness in global markets. As a result, individuals and businesses alike benefit from a reliable and affordable energy supply, unrestricted by a fragmented North American market where barriers prevent the unfettered flow of energy across national boundaries.

Reciprocal access to markets is the foundation of NAFTA energy trade provisions. NAFTA eliminated tariffs for gasoline, motor fuel blending stock, distillate fuel oil (diesel) and kerosene type jet fuel. This fully liberalized trade in refined products enables greater economic efficiency by responding to local advantages and constraints – both natural and artificial. The result is a multi-directional flow of refined products across borders with diverse regional, seasonal and product-specific characteristics. For example, Canada is a net importer of jet fuel, but a net exporter of gasoline; the US northeast, in particular, relies heavily on gasoline imports from Canada.

The bottom line of this cross border fuels trade is enhanced energy security and more affordable energy throughout North America. Some may point to the negative impacts of short term pump price spikes in Canada when events like Hurricane Harvey occur. The reality is that these short term impacts are far outweighed by sustained pump price benefits that accrue to Canadians from of a large, highly competitive North American market.

NAFTA also provides investment protections, spurs technological innovation, and contributes to overall Canadian competitiveness in global markets.

Can NAFTA be improved? Absolutely. Modernization should aim to further facilitate and encourage cross-border trade in energy products between Canada, the US and Mexico.

There are a number of opportunities to build on the success of NAFTA in areas like rules of origin, streamlined reporting and auditing, and regulatory cooperation and alignment. On this latter issue, regulatory cooperation mechanisms that promote aligned and compatible regulations based on sound science, robust cost-benefit and analysis, and that are transparent, risk-based and outcome focused, is a key modernization opportunity that could further strengthen the opportunities and benefits of the integrated



and interdependent North America energy market.

NAFTA's energy provisions have served Canadians well over the past two decades. There is a compelling rationale for their continuation and modernization.

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