



SUPPORT TO CANADA'S PETROLEUM SECTOR DURING COVID-19



BACKGROUND

Canada's petroleum sector is a **world-leading producer of oil and natural gas**. The sector drives **investment, employment and government revenues** across the country and is part of an **integrated North American market**. As of 2018, the sector accounted for **\$120 billion in exports**, injected **\$160 billion into the economy** and employed **576,000 people, including 11,000 Indigenous people**, through **over 4,500 companies active in oil and natural gas** across the country. Canada's petroleum resources serve a diversity of essential purposes and needs across the economy, including the **gasoline and medical supplies** that are essential in the fight against COVID-19. Supporting our petroleum sector during this incredibly challenging period is a top priority for the Government of Canada. We know that:

- The petroleum sector provides **essential products to Canadians**, including **natural gas and propane**. Crude oil can be refined to produce **gasoline**, jet fuel, heating oil and heavier products such as asphalt, tar and wax. Petroleum can also be processed into commercial goods such as **plastics**, electronics and **construction materials**.
- Petroleum products are essential for the **health and safety of Canadians**. They are used in **medical technologies** such as plastics for IV bags and sterile packaging, in the pharmaceutical industry for **drug manufacturing** and for the power and fuel that first responders need to keep Canadians safe.
- The **petroleum sector's supply chain** is facing system-wide disruptions due to a **30 percent drop in oil demand and global oversupply**.

CHALLENGES BEING FACED

We know that you are facing unprecedented challenges including plummeting oil prices and a massive drop in global demand for oil, as well as **declining revenues for natural gas producers**, as COVID-19 grinds much of the economy to a halt — resulting in **buildups of inventory**, production shut-ins and negative impacts from market crashes.

ACTION THE GOVERNMENT OF CANADA IS TAKING

Because of this, the Government continues to take unprecedented action to support the petroleum sector.

We have already announced more than \$60 billion in support for small businesses, as well as coordinated fiscal policies, including new wage subsidies to help companies maintain their workforces and the deferral of tax payments. We have also introduced **regulatory flexibility** by deferring requirements related to the Output Based Pricing System, are working tirelessly through the G20 and with North American partners to work towards **global**

market stability, and have issued guidance to ensure that the full energy supply chain is recognized as an **essential service**.

In addition, we are taking immediate targeted action to further support the petroleum sector while also making available new credit solutions for medium-sized companies with larger liquidity needs. Actions include:

- Expanding eligibility for **medium-sized energy companies with larger liquidity needs**.
- Up to \$1.72 billion to provinces to **clean up orphan and inactive oil and gas wells**.
- \$750 million to create a new **Emissions Reduction Fund** to help conventional and offshore oil and gas firms reduce greenhouse gas emissions, with a focus on methane. \$75 million of this funding is earmarked for capital investments in the offshore sector, which will benefit Newfoundland and Labrador.

EXPLORATION AND PRODUCTION COMPANY ASSISTANCE

For example, a veteran oil and gas geologist runs a medium-sized exploration and production company located in Alberta's Deep Basin, with about 15 employees. The company's main business is to produce natural gas for Alberta's provincial consumers and some condensates used by Fort McMurray oil sands producers. Given the hit on the oil sector and the low price of gas, the company could be facing falling revenues and may have to begin laying off staff and contemplate bankruptcy. The company has done all it can to keep its costs at a minimum and use the most efficient technology, in the face of slim margins.

Through the Canada COVID-19 Economic Response Plan, the owner will be able to:

- Access expanded support through the **Business Credit Availability Program**, including up to \$60 million in commercial loans for a 12-month period;
- Benefit from a repayable loan through the new **Emissions Reduction Fund** to affordably deploy methane emission reduction technologies and comply with methane regulations while improving efficiency of their facilities;
- Work with provincial authorities to **remediate inactive wells the company may own**, helping to improve both the environment and the company's balance sheet;
- Keep staff on payroll thanks to the **75 percent wage subsidy**; and,
- **Defer paying taxes**.

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