

INTERNATIONAL SERVICES

OPPORTUNITIES IN CANADA'S ENERGY INDUSTRY

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Canada is the second largest country in the world in terms of square miles. More importantly, the U.S.–Canada border is the longest unprotected border (more than 5,500 miles/9,500 km) between two nations in the world. This geographical closeness facilitates the energy sector, which is largely an export industry. Here we discuss its opportunities and challenges.

Energy is defined broadly for the purposes of this discussion to include opportunities for companies that support and/or supply this sector. Companies that are driving innovation and efficiencies, as well as first-, second- and third-tier direct suppliers, will find significant niche opportunities in the Canadian market especially if they can provide process improvements to current operations.

The energy industry in Canada generally consists of oil and gas, mining, renewables, and power production and distribution. Each has unique features, including the nature of the industry, regulatory controls, and the level of involvement by government. They also differ from province to province, with various provincial controls and incentives in place to encourage or discourage investment and foreign involvement.

Energy is largely an export industry in Canada with more than a third of the oil, gas and coal production and more than 10% of hydroelectric power exported to the United States. Oil and gas remain Canada's largest export commodities, and significant export growth potential exists.

Opportunities

The current market dynamics in Canada, including global prices for commodities, access to markets and environmental concerns, make opportunities in Canada somewhat unpredictable at the moment. Low oil and gas prices have had a negative impact on the Canadian industry, as they have in the United States and elsewhere. In general, the Canadian oil and gas industry is cost-competitive on a global basis and will become healthy again as world oil prices stabilize above \$50/barrel, creating significant financing and development opportunity.

Every region of Canada has significant hydroelectric development opportunity, and the recent emphasis on reducing carbon emissions will encourage further gains.

Opportunities (continued)

Governments are increasingly involved in controlling the market with the objective of creating more green energy. This includes the goal of eliminating coal-fired power stations. A shift to a focus on renewable power is in its infancy, relatively speaking. This shift will lead to more hydropower and other alternate energy sources for power generation.

Opportunities exist for firms with clean technologies, renewable power generation products and innovations in hydrocarbon extraction. Because this is a mature market, companies will need to be truly ahead of the curve to be successful and will need to collaborate with seasoned companies to develop business.

Government spending in the area of renewable power generation and technologies will be significant both federally and provincially as the country attempts to meet aggressive greenhouse gas targets. Watch for new incentives from all three levels of government for companies using or introducing clean technology.

Challenges

Challenges include intensifying competition from foreign companies that have been entrenched for years. Established companies have a strong hold on the market and will guard their investment carefully and aggressively. New entrants will need to be innovative and internationally competitive.

Unlike in the United States, large energy projects in Canada tend to be located in remote areas away from urban populations. First Nations land claims and rights can be a significant factor for projects in the energy industries. Given the policies in place federally and provincially, indigenous groups in Canada must be consulted in projects being developed anywhere in northern Canada. This process often increases development time and cost.

Governments have tended to be pro energy resource development. That support can help to offset the additional time and cost involved in working up agreements that achieve consensus with all the affected players, including First Nations groups. It also offers a unique opportunity for U.S. firms to partner with First Nations groups to gain an advantage when entering the market.

ENERGY MARKET DISTRIBUTION BY PROVINCE

Power Generation

- Hydro: Quebec and British Columbia
- Coal: Alberta
- Natural Gas: Ontario and Alberta
- Nuclear: Ontario

Oil and Gas

- Production: Alberta
- Refining: Ontario
- Retail: Ontario and Quebec

Renewables

- Wind: Alberta and Ontario
- Solar: Quebec and Ontario
- Geothermal: British Columbia
- Nuclear: Ontario

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Rainmaker is a recognized leader in global market expansion and strategic business development. Founded in Canada in 2007 to serve the energy industry, Rainmaker GBD's process has evolved beyond energy, and today we excel at assisting companies in various industries to pursue international expansion opportunities. Our team of professionals works closely with our clients to develop comprehensive market entry strategies, enhanced market exposure and traction, and expanded global reach.

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