

OVER U.S.\$227 BILLION IN GOVERNMENT REVENUES FROM CANADA'S NATURAL GAS SECTOR EXPECTED THROUGH 2050

Overview

With ongoing public discussions focusing on net zero emissions from Canada's natural gas sector, it is a good time to examine projected government revenues and capital expenditures (capex) expected from the sector through 2050. This analysis illustrates how investment in low emitting technologies will help preserve government revenues and capex in Canada's natural gas sector.

The Fact Sheet makes these calculations based on a conservative projection that the Henry Hub price for natural gas will average either U.S.\$3.00 per thousand cubic feet (kcf) or U.S.\$4.00 per kcf between 2023 and 2050. The capex and government revenue numbers (which includes provincial royalties and federal and provincial corporate taxes) are expressed in nominal U.S. dollars, assuming a 2.5 percent inflation rate and a 10 percent discount rate.

The written content in this report was prepared by the Canadian Energy Centre (CEC). It relies on data obtained from the Rystad Energy UCube, but it does not represent the views of Rystad Energy

Background on Rystad Energy UCube

Rystad Energy is an independent energy research company providing data, analytics and consultancy services to clients around the globe.

UCube is Rystad Energy's global upstream database, including production and economics (costs, revenues, and valuations) for more than 80,000 assets, covering the portfolios of more than 3,500 companies.

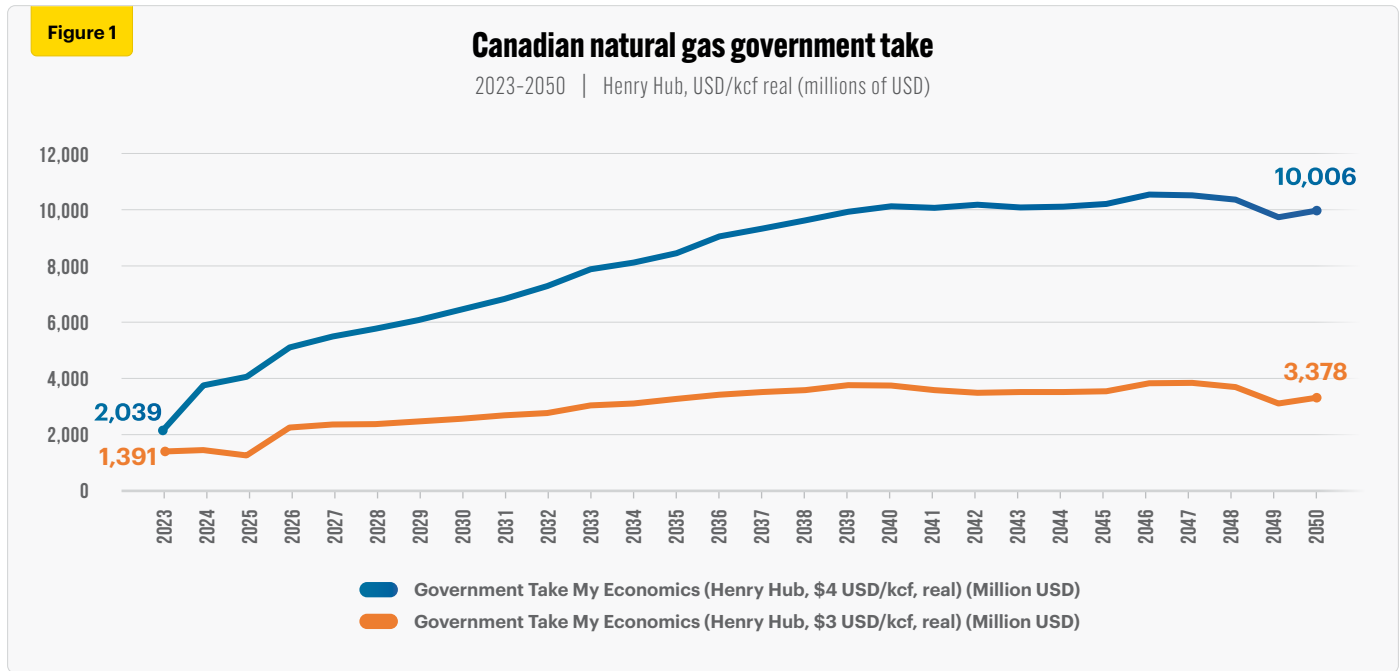
The UCube data set is used to study all parts of the global exploration and production (E&P) activity value chain, including operational costs, investment (capex and opex), fiscal terms, and net cash flows for projects and companies, both globally and by country (Rystad Energy, 2023).

In this Fact Sheet, we use a constant price in real terms for our analysis of government revenues and capex from the natural gas sector, with Henry Hub prices set to a constant of either U.S.\$3.00 per kcf or U.S.\$4.00 per kcf between 2023 and 2050.

Government revenues from the Canadian natural gas sector to reach over U.S. \$227 billion through 2050

Under a Henry Hub U.S.\$3.00 per kcf price trajectory, government revenues from the country's natural gas sector are expected to rise from U.S.\$1.4 billion in 2023 to U.S.\$3.4 billion in 2050 (see Figure 1).

Under a Henry Hub U.S.\$4.00 per kcf price trajectory, government revenues from the country's natural gas sector are expected to rise from U.S.\$2.0 billion in 2023 to U.S.\$10.0 billion in 2050 (see Figure 1).



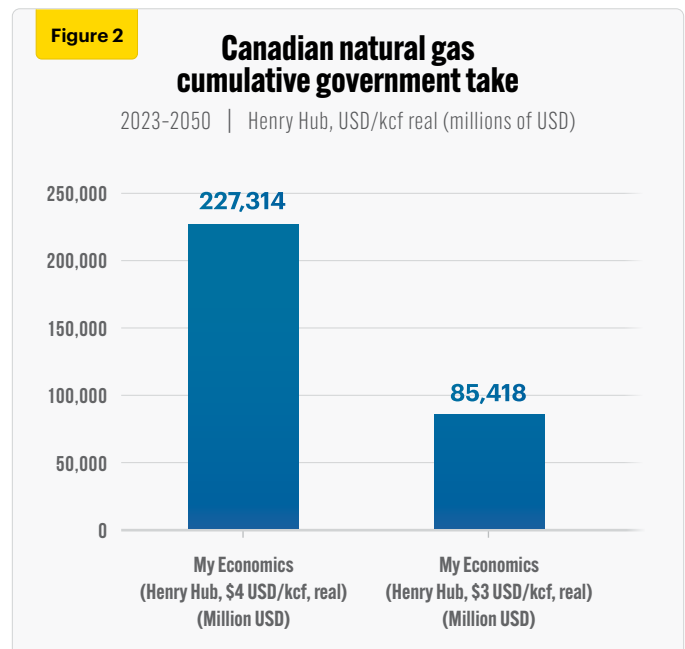
Source: Derived from the Rystad Energy UCube.

On a cumulative basis, between 2023 and 2050, government revenues from Canada's natural gas sector are projected to be over U.S.\$85.4 billion under a Henry Hub U.S.\$3.00 per kcf price trajectory and over U.S.\$227.3 billion under a Henry Hub U.S.\$4.00 per kcf price trajectory (see Figure 2).

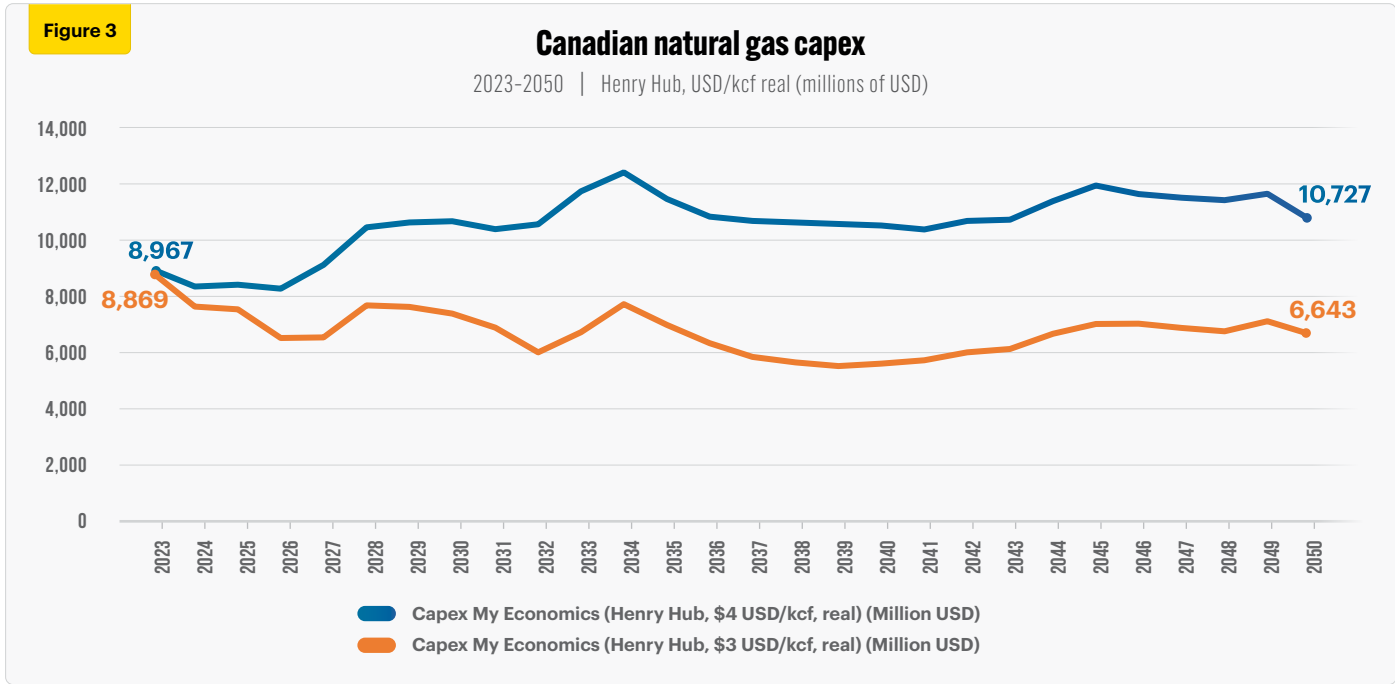
Capital expenditures (capex) in Canada's natural gas sector to reach over U.S. \$297 billion through 2050

Under a Henry Hub U.S.\$3.00 per kcf price trajectory, capital expenditures (capex), including exploration costs, in Canada's natural gas sector are expected to fall from U.S. \$8.9 billion in 2023 to U.S.\$6.6 billion in 2050 (see Figure 3).

Under a Henry Hub U.S.\$4.00 per kcf price trajectory, capital expenditures (capex) in Canada's natural gas sector are expected to rise from U.S.\$9.0 billion in 2023 to U.S.\$10.7 billion in 2050 (see Figure 3).

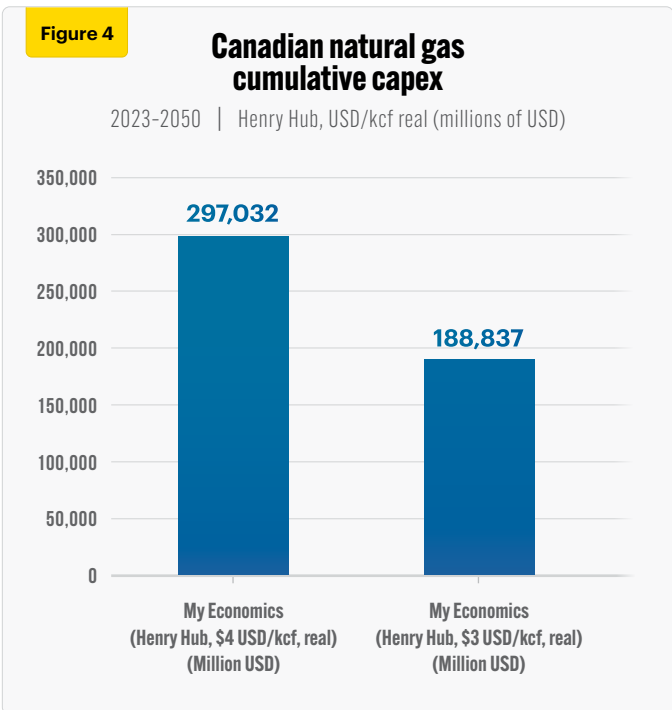


Source: Derived from the Rystad Energy UCube.



Source: Derived from the Rystad Energy UCube.

On a cumulative basis, between 2023 and 2050, capex from Canada's natural gas sector are projected to be over U.S.\$188.8 billion under a Henry Hub U.S.\$3.00 per kcf price trajectory and over U.S.\$297.0 billion under a Henry Hub U.S.\$4.00 per kcf price trajectory (see Figure 4).



Source: Derived from the Rystad Energy UCube.

Notes

This CEC Fact Sheet was compiled by Lennie Kaplan at the Canadian Energy Centre (www.canadianenergycentre.ca). The author and the Canadian Energy Centre would like to thank and acknowledge the assistance of two anonymous reviewers in reviewing the data and research for this Fact Sheet. Image credits: Natural gas operations in northeast B.C. Photo courtesy Pan Canbriam Energy

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References (Link live as of October 10, 2023)

Rystad Energy. (2023). Upstream Solution. <<https://bit.ly/3veaMIV>>.

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