

## Taxpayers are losing billions due to a lack of pipelines

### Backgrounder

Canada isn't getting full value for our oil because we don't have enough pipeline capacity. This is making it harder for Canadians to find work in the energy sector and it's also leaving big holes in government budgets. The oil price differential due to lack of pipelines has cost the federal government billions of dollars in loss revenue:

- **\$6.2 billion** between 2013 and 2018
- **\$6.6 billion** forecasted between 2019 and 2023
- **\$12.8 billion** in total between 2013 and 2023

### **The Calculation**

The Canadians Taxpayers Federation calculated how much extra revenue the federal government would collect if lack of pipelines didn't exacerbate the differential between the West Texas Intermediate price and Western Canada Select price.

The [Canadian Association of Petroleum Producers](#) publishes annual prices for WTI and WCS. The differential is found by subtracting WCS from the WTI. The CTF used forecasted differential data published in the [Alberta government's 2018 third quarter budget update](#) for years 2019-2023.

The WTI naturally sells at a higher price than WCS due to transportation costs and quality differences, this is known as the natural differential. Data for the natural differential for the years 2013-2017 is available from a [2018 Fraser Institute report](#) and the natural differential for 2018 is available from a [2019 Fraser Institute report](#). The CTF forecasts the natural differential for years 2019-2023 by using the average annual increase between 2013 and 2018.

The unnatural differential (differential due to lack of pipelines) was calculated by subtracting the natural differential from the actual differential.

The [Office of the Parliamentary Budget Officer](#) published data showing how the federal government is impacted by a change in the oil price differential. The data shows how much additional revenue the federal government would collect if the differential decreased by US\$1 for the years 2018-2023 (impact estimate). The CTF calculated the impact estimate for years 2013-2017 by reducing each year's impact by the average annual rate of change between 2018 and 2023.

The CTF multiplied the unnatural differential by the PBO's impact estimate (each year) to find how much additional revenue the federal government would collect if Canada had enough pipeline capacity. Addressing the unnatural differential (differential due to lack of pipelines) would decrease the actual differential and increase the federal government's revenue by billions of dollars.

These figures don't include costs due to lost job opportunities, reduced household incomes, foregone revenue to energy companies and other costs to the Canadian economy due to lack of pipelines.

### **Why does this matter?**

Taxpayers will either have to pay more to cover the federal government's multi-billion-dollar budget hole or will receive less services.

Yellowknife's Stanton Hospital is expected to cost the territorial government [\\$750 million](#). This is similar to the [construction cost](#) for the new hospital in Grand Prairie, Alta. Federal losses due to a lack of pipeline capacity between 2013 and 2018 could have paid for eight new hospitals. Failing to expand pipeline capacity could cost the equivalent of another nine new hospitals over the next five years. That means a lack of pipelines could cost each province and territory at least one new hospital between 2013 and 2023.

The average starting salary for a teacher in Canada is [\\$52,064](#). If governments encouraged pipeline expansion, we would have had enough money to staff nearly 20,000 additional full-time equivalent teaching positions between 2013 and 2018. By failing to build pipelines now, we could miss out on staffing another 25,000 teachers over the next five years.

If governments had encouraged pipeline expansion between 2013 and 2018, all residents in New Brunswick and Prince Edward Island could have a holiday from [federal taxes](#) for a year. Between 2013 and 2023, lack of pipelines could cost the government of Canada more money than it collects from either Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island or Newfoundland and Labrador in a year.