Now you're thinking

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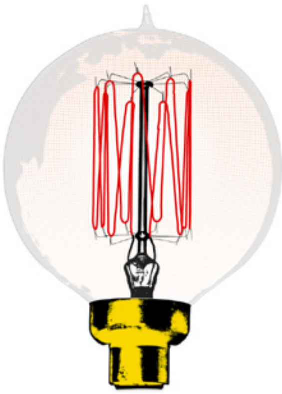


Canada's Oil: A World of Opportunity

Canada's oil and natural gas sector is once again being recognized as integral to the country's plan to grow the economy, safeguard energy security and protect geoeconomic interests.[1] As global oil demand increasingly shifts toward emerging markets and industrial uses, and with more oil barrels moving to the West Coast of Canada, the country has an opportunity to diversify beyond the US market and strengthen its position as a reliable long-term supplier in an unpredictable global energy system.

Summary:

- Energy security has become economic security — and Canada's oil sector is back in focus.
- The majority of future barrels won't be consumed in advanced economies. They will instead be destined for the world's fastest-growing markets.
- Canada's advantage isn't just abundant supply. It's stability, reliability, and long-term partnerships in a fractured global system.

Canadian Oil's Time to Shine

For much of the past decade, vocally supporting Canada's oil and gas industry hasn't exactly been in vogue. But the global context has shifted. A wave of patriotic measures in response to US President Donald Trump's protectionist economic policies has helped revive public support for domestic oil and gas production in Canada. More broadly, political leaders are framing hydrocarbon production not as a legacy sector, but as a pillar of economic security and national capacity. Prime Minister Mark Carney underscored this theme in his recent Davos address, emphasizing the importance of reliable energy supply among trusted partners as global trade and geopolitical alliances 'rupture'. He made the case that energy security is now inseparable from economic resilience and trade stability.

Last year's memorandum of understanding between the federal and Alberta governments is a further signal that the energy sector is once again being recognized as a foundational pillar of the economy. The agreement positions Canada as a global energy superpower, with oil and gas resources that can serve not only domestic needs, but also those of allies seeking dependable supply in an increasingly fragmented global energy system.

Renewed interest in expanding the oil and gas sector at home coincides with forecasts for continued growth in global oil demand.[2] Where that future demand for barrels is situated matters to Canada. Research shows demand growth will be driven by emerging and developing markets, while developed economies continue to slowly reduce their oil use. At the same time, the types of oil products being consumed are changing. Developed markets are using less oil for ground transportation and more for industrial purposes — especially petrochemicals that get turned into everyday items.

[1] See *Now You're Thinking* Issue 014, Oil, Mercantilism and the Return of Gunboat Economics; Studio.Energy; January 12, 2026
[2] See *Now You're Thinking* Issue 011, End of Oil? We've Heard That Before; Studio.Energy; December 2, 2025
[3] World Energy Outlook 2025; International Energy Agency; November 12, 2025

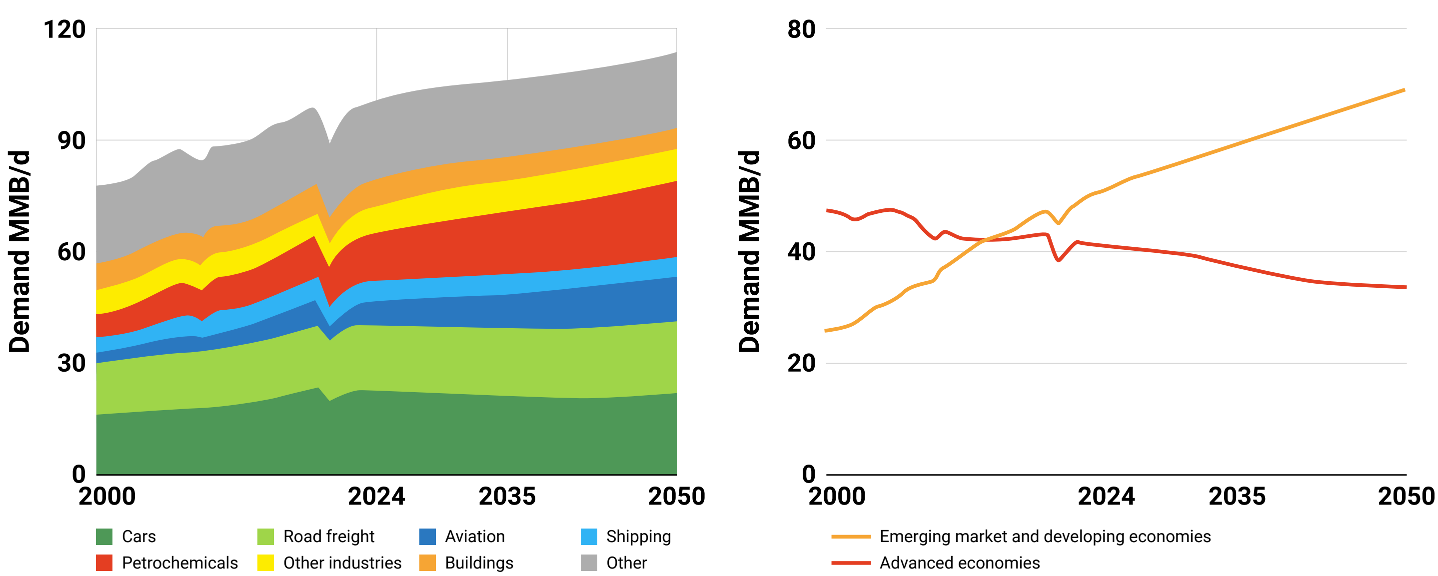
The Oil Customer of the Future

For more than a decade, timelines on the predicted peak in oil demand have continued to be pushed further out, largely because of China’s sustained and rapidly growing appetite for oil. Between 2013 and 2023, about 60% of global oil demand growth came from China, more than offsetting demand plateaus in North America, Western Europe and North Asia.[4]

Looking ahead to the next decade, oil demand growth in China is expected to continue, but at a slower pace due to similar factors seen in other markets, including continued electrification of transportation and more efficient buildings. Emerging markets w ill influence geographic shifts in oil demand as they continue to expand their economies. Urbanization, modernized infrastructure, personal income growth — and the lifestyle that accompanies it — will outweigh efficiency gains. India is expected to account for the lion’s share of global demand growth, increasing to 8 MMB/d by 2035 from the current 5.5 MMB/d, with oil demand in Southeast Asia and Africa also picking up speed, and the Middle East and Central and South America contributing to increased oil demand to a lesser extent.[5]

The second consideration is that future oil demand drivers are shifting to industrial uses. In 2024, petrochemicals dominated global oil demand growth, as oil-based feedstocks were used to produce plastics and fibres for packaging, manufactured goods and construction. This trend is expected to continue with petrochemical feedstocks’ share of total oil demand rising to 17.4% by 2030 from 15.8% in 2024, representing over 2 MMB/d of additional demand.[6] As can be seen in the graphic below, petrochemical-based oil demand is expected to grow in various parts of the globe, but will continue to be dominated by China, where major olefin capacity additions have seen a 2.2 MMB/d rise in oil-derived feedstock intake for Chinese plants from 2019 to 2024, with more additions expected through the end of this decade.[7]

Anticipated Global Oil Demand



Source: World Energy Outlook 2025; International Energy Agency; November 12, 2025

[4] Oil demand for fuels in China has reached a plateau; International Energy Agency, March 11, 2025
[5] World Energy Outlook 2025; International Energy Agency; November 12, 2025
[6] Oil 2025 Analysis and forecast to 2030; International Energy Agency; June 7, 2025
[7] World Energy Outlook 2025; International Energy Agency; November 12, 2025

Making the Most of the Markets

To understand the opportunity for Canadian oil production, it is essential to understand shifts in the refining industry.

Global refining capacity sits at around 105 million barrels per day (MMB/d)[8] and, as referenced in a previous *Now You're Thinking issue*,[9] over the past 15 years, the industry has shifted toward fewer, larger refineries. Size matters, but for Canada, configuration and complexity matter even more. Since most Canadian crude oil is heavy, refineries need advanced processing units — like cracking and coking — to turn heavy oil into higher-value lighter products.

The most complex refining centers in the world are found in the US and China,[10] each with more than 18 MMB/d of capacity. Both regions also have major petrochemical hubs. Canadian heavy crude exports have historically been directed almost exclusively to the large, complex US refineries in the Midwest and Gulf Coast. With the Trans Mountain Expansion (TMX) pipeline reaching full operations in June of 2024, China has started to become a serious market for Canadian heavy oil. China already has a massive petrochemical sector, with many integrated refinery-petrochemical complexes. In recent years, the country has invested heavily in new mega-refineries and upgraded existing ones to handle heavier and more complex crude slates.

Today, Canadian heavy barrels reach Eastern China — and in much smaller quantities, Southeast Asia, South Korea and India — via tanker off British Columbia from the expanded TMX pipeline. While TMX's expanded capacity is nearly 890,000 B/d, average deliveries to China in 2025 were about 200,000 B/d.[11]

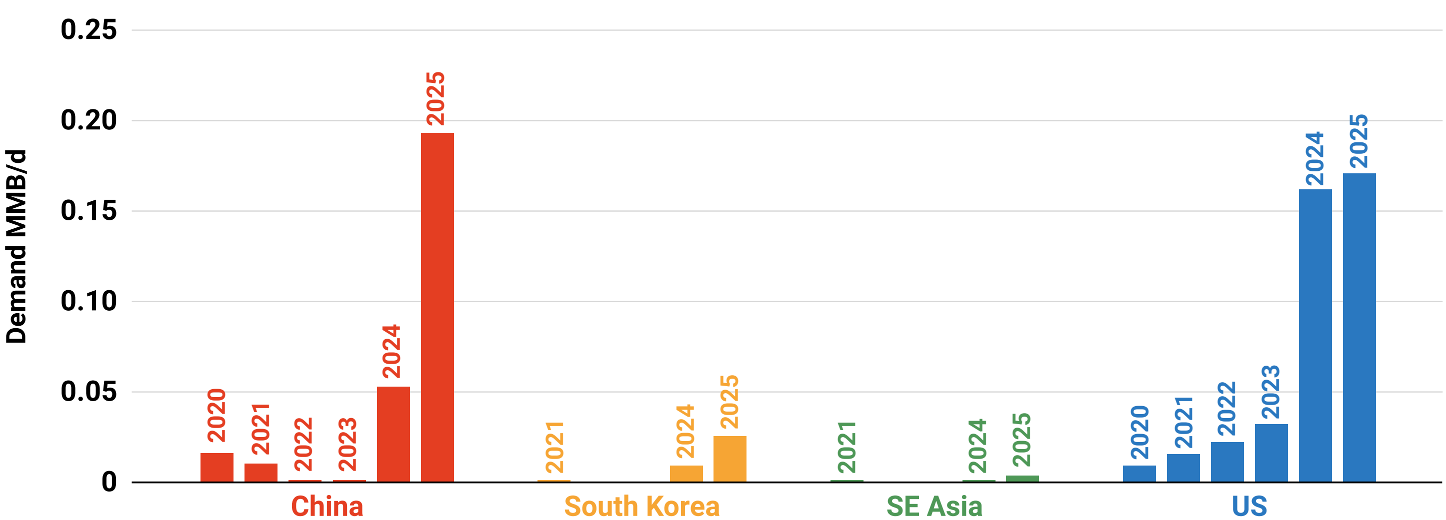
Considering total Canadian oil exports are about 4.3 MMB/d, with 91% going to the US,[12] there's plenty of room for greater market diversification — as long as Canadian heavy oil remains cost competitive.

Canada's Best Market Bets

So where should Canadian oil producers focus their customer development efforts? Latin American supply is likely to meet much of the growth in Central and South America. The same is true in Africa, where regional and Middle Eastern barrels are closer and therefore benefit from low transportation costs.

Besides ongoing efforts to expand the Chinese customer base, India and Southeast Asia are the most

Oil Exports from B.C. Westridge Terminal by Destination



Source: Bloomberg

[8] Oil 2025 Analysis and forecast to 2030; International Energy Agency; June 7, 2025
[9] See Now You're Thinking Issue 013, The World Runs on Oil — But Not All Oil Is Created Equal; Studio.Energy; January 21, 2026
[10] Statistical Review of World Energy 2025; Energy Institute
[11] Bloomberg Crude Journeys
[12] Crude Oil Export Summary; Canada Energy Regulator; December 2025

promising growth markets for Canadian crude. And this is no small opportunity. Refining capacity in that region is expected to increase by over 1.5 MMB/d by 2035, largely due to refinery expansions in India.[13] And regional oil demand is expected to grow even faster than refining capacity, making India and Southeast Asia one of the world's largest import-dependent markets. Canadian barrels are making their way to India today, usually via the US Gulf Coast, but there are certainly additional ways to increase those volumes. Growing refined product demand in the region could be met by Chinese refineries, which in turn could increase demand for Canadian barrels into China. Additionally, Canada has an opportunity to increase delivery volumes into the new and expanded refineries in India and Southeast Asia as they are highly complex and capable of processing Canadian heavy crude.

India's prominence as a key emerging market for Canadian oil was underscored during a Canadian government trade mission in January. At India Energy Week, Minister of Energy and Natural Resources Tim Hodgson underscored the importance of building long-term, durable energy partnerships. He framed energy cooperation with India as part of a strategic effort to reduce dependence on a single export market — the US — and help meet India's long-term energy needs and that country's focus on supply diversification.

In the end, competitiveness will be critical. Canadian heavy oil barrels will need to be more attractive than other heavy crude grades, which can be sourced from the Middle East — for example, Iraq Basra Heavy — or South America — most notably Venezuela, where vast heavy oil resources exist but are constrained by political instability, sanctions uncertainty, and chronic underinvestment.[14] Cost will always be a factor, including shipping route distances. Beyond price though, Canada offers something increasingly valuable — a large, stable, and reliable supply of heavy crude. At a time when geopolitical risk is reshaping energy trade flows, from sanctions regimes to supply weaponization, this reliability is becoming a strategic differentiator, not just a commercial one. For refiners operating capital-intensive facilities, supply reliability and diversification are increasingly critical to maintaining consistent operations.

A Window Opens

Historically, the challenge has not been a lack of international interest, but rather the inability to transport Canadian oil efficiently and at scale. With barrels now flowing through TMX — and with renewed political willingness to discuss future pipeline expansions in the context of national economic security — the opportunity to diversify oil exports beyond the US is becoming increasingly tangible. As Prime Minister Carney highlighted at Davos, countries able to offer secure, dependable energy supply in an era of rising geopolitical fragmentation will be best positioned to shape future trade relationships. Canada's recent engagement in India exemplifies this strategic practice: officials are taking steps to cultivate relationships, understand market needs, and position Canadian producers as reliable partners for long-term energy supply.

For Canada, converting resource abundance into lasting economic advantage will depend on competitiveness, infrastructure, and the ability to build durable downstream relationships in the markets that will define global oil demand in the decades ahead. In the coming decades, competitiveness and reliability will matter as much as volume and Canada has an opportunity to lead on both.

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[13] World Energy Outlook 2025; International Energy Agency; November 12, 2025
[14] See Now You're Thinking Issue 015, Venezuela's Fiscal Competitiveness; Studio.Energy; January 21, 2026