This package contains a two-part presentation:

1) The first part reports on Canada's economic development through the third quarter of 2001 with particular focus on international trade and investment. It also discusses the near-term outlook for Canada and its major trading partners.
2) The second part features Canada's energy sector in the context of global developments.

Highlights

- Despite a deterioration in the third quarter of this year, Canada's performance in trade and investment is likely to remain strong this year, following a record year in 2000.
- The current account surplus was $22.1 billion annualized in the third quarter of 2001, or 2.1% of GDP, compared with the 2000 record high of $26.9 billion (or 2.6% of GDP).
- While the reversal in energy prices, during the third quarter of this year, cut into Canada's trade surplus, Canada will still establish a new record current account surplus this year. The 9-month surplus already reached $27.3 billion, somewhat higher than last year's record high.
- Canada attracted $30.3 billion in new foreign direct investment in the first 9 months of this year, following a record $94.1 billion last year. Canada also added $46.3 billion in new direct investment abroad after a record $65.4 billion last year to expand its global business presence.
- Prospects for trade and investment remain good, reflecting Canada's sound economic fundamentals and policy environment, despite a slowdown in the economies of the US, Europe and Japan and the terrorist attacks on New York and Washington.

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Canada's current account surplus eased to $5.5 billion in the third quarter, seasonally adjusted at a quarterly rate, from a record high of $13.6 billion in the first quarter. The decline in the surplus reflected weaker prices of energy exports and weak demand from the United States. Canadian direct investment abroad was at a high level of $15.5 billion in the third quarter, as a result of strong acquisition activities, up from $5.5 billion in the same quarter a year ago. Foreign direct investment in Canada continued to flow strongly, at a rate of $9.2 billion in the third quarter, though down somewhat from that of $10.4 billion a year earlier.

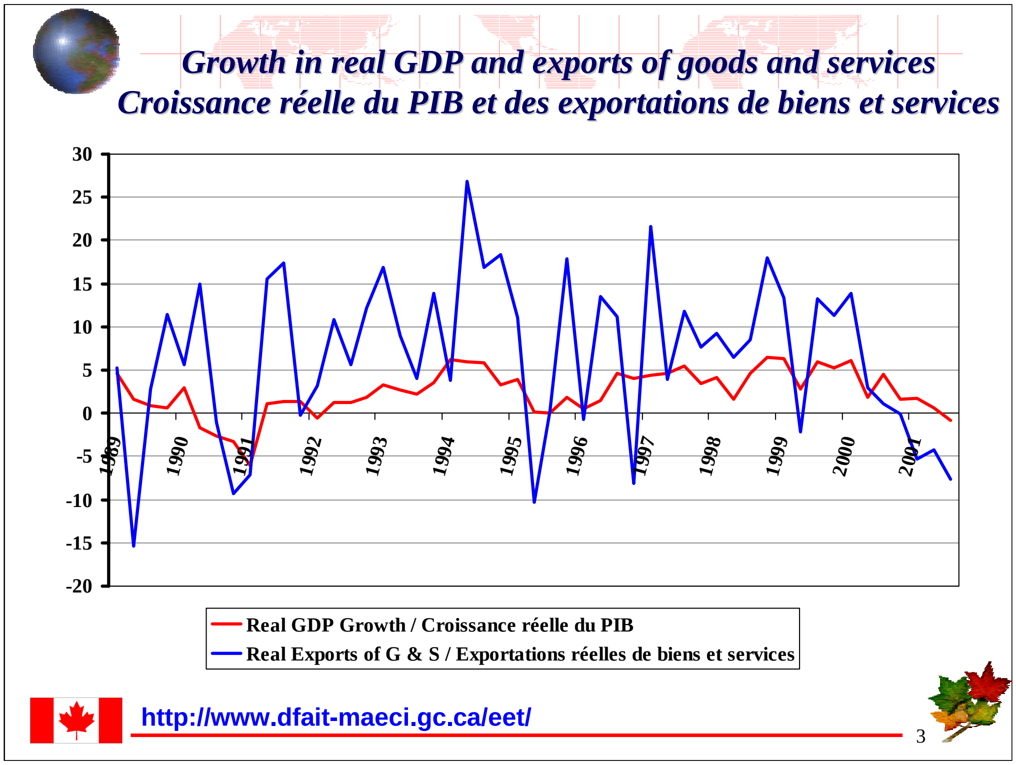
First 9 months: Merchandise exports up 1.7%, with exports to the US up 2.3%;

but exports to Japan and Other OECD countries were down, EU unchanged; and ROW up 0.2%.

Imports were down 1.3%; with imports from the US down 2.6%

(note imports from the EU and from non OECD countries were up by 7% and 4% respectively.)

Merchandise trade balance was up by $8.9 billion to $51.1 billion ($59.3 b for 2000 as a whole) over the same 9-months in 2000 – balances with the US and Japan were up by $11.3 billion and $0.5 billion, respectively, while those with all other country groups were down.

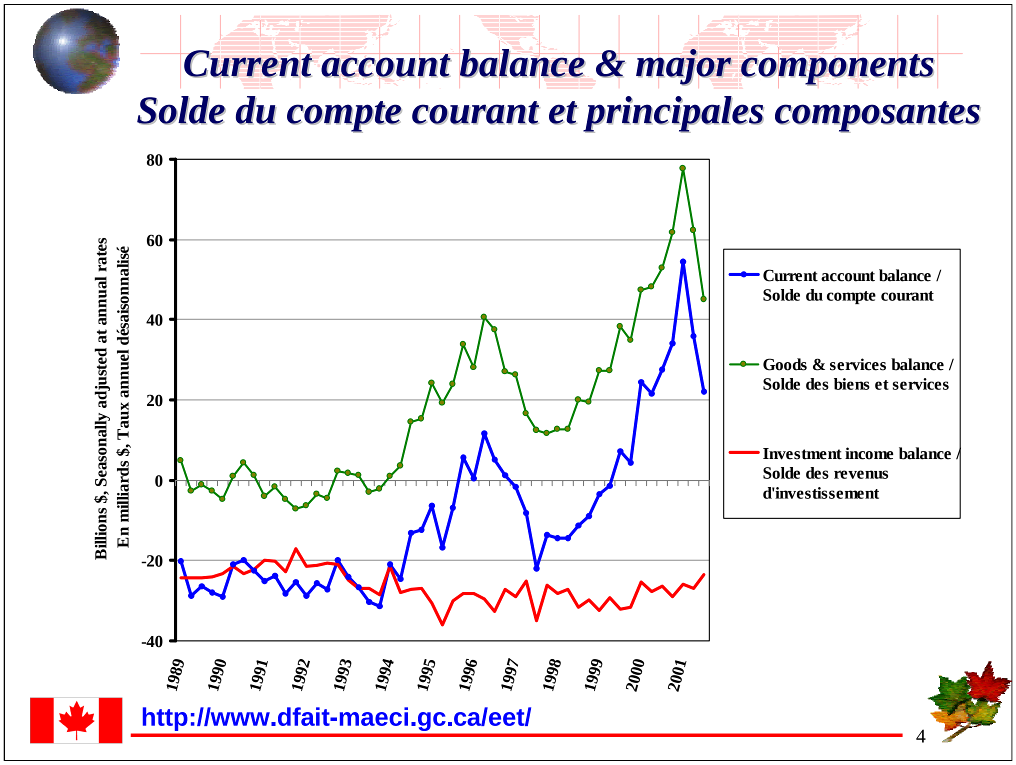


The Canadian economy expanded rapidly in the 1990s. Growth prospects have been hurt by a slowdown in the economies of the United States and Europe in the aftermath of the Sept 11 terrorist attacks on America. As a result, Canada's real GDP declined by 0.8%, on an annualized basis, in the third quarter, the first quarterly decline since 1992Q1. It is likely that GDP might decline in the fourth quarter, meeting the common definition of a recession in Canada. However, the economic policy environment is very stimulative, and this should induce a rebound in global economic activity by the second half of next year, if not sooner. Real growth in Canada is expected to average 2% in the first half of next year, rising to 4% in the second half.

The slowdown in US demand is having an adverse impact on Canada. In the third quarter, Canada's exports of goods and services (adjusted for inflation) were down for the fourth consecutive quarter, falling by 7.6% on an annualized basis. Imports of goods and service also fell in the third quarter, by 7.8%. The decline in Canada's foreign trade surplus represented 0.3 percentage points of the 0.8% drop in Canada's real GDP in the third quarter.

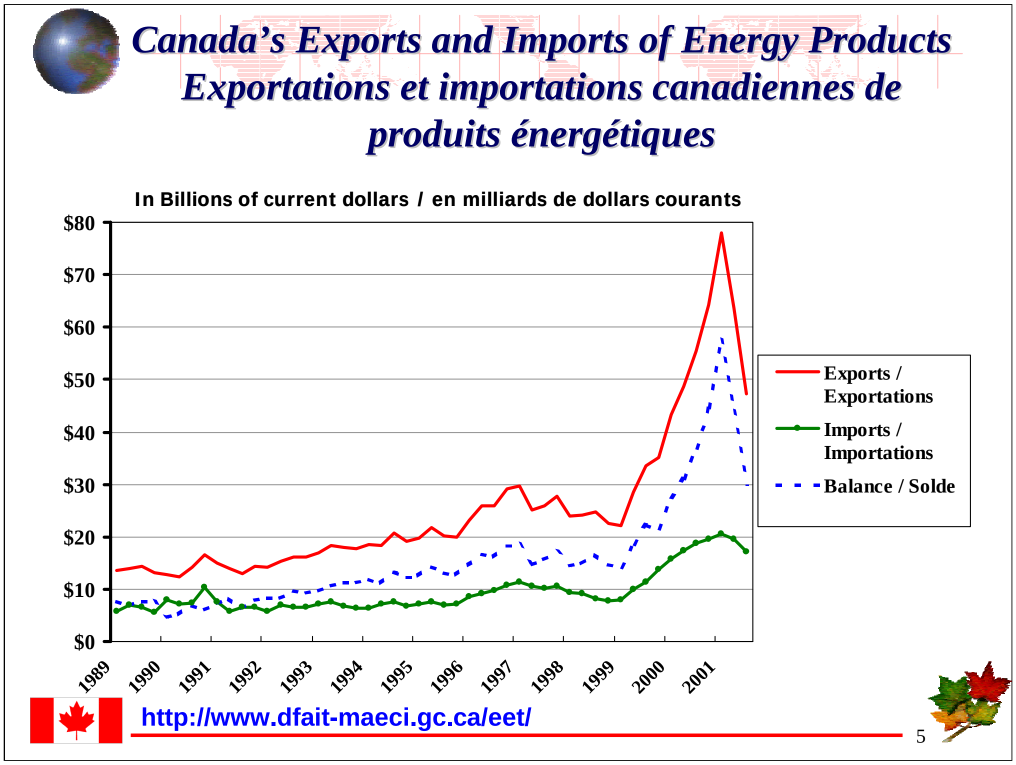
(Note that Canada's foreign trade has made a significant and rising contribution to economic growth which resulted in job creation of 2.2 million since 1989, to a total workforce of 14.9 million in 2000. Although employment growth was sluggish in recent months, its level in November was 0.5% higher than in November last year, as 74,300 jobs were created over the 12-month period ending November. [US employment down 1.0% from Nov. 2000.]

Canada's unemployment rate edge up to 7.5% in November, from 7.3% in October and from 7.2% in August and September due to an increase in the number of job seeker.)



The combination of weak demand from the United States and decline in energy prices led to an easing in Canada's current account surplus to $22.1 billion in the third quarter from $36.0 billion in the second quarter. In any event, the current account surplus for the first 9 months of this year (totaling $27.3 billion) has already surpassed last-year's 12-month record high of $26.9 billion, as it reached a record high (of $54.46 billion) in the first quarter of this year.

In September this year, the average unit price dropped by more than 10% in the case of crude petroleum exports from its year-ago level, and by about 40% for exports of natural gas. The constant-dollar volume of export was down by 18% year/year for crude petroleum and up by 22% for natural gas. The dollar value of exports in September was about 27% below their year-ago level for both crude petroleum and natural gas exports.



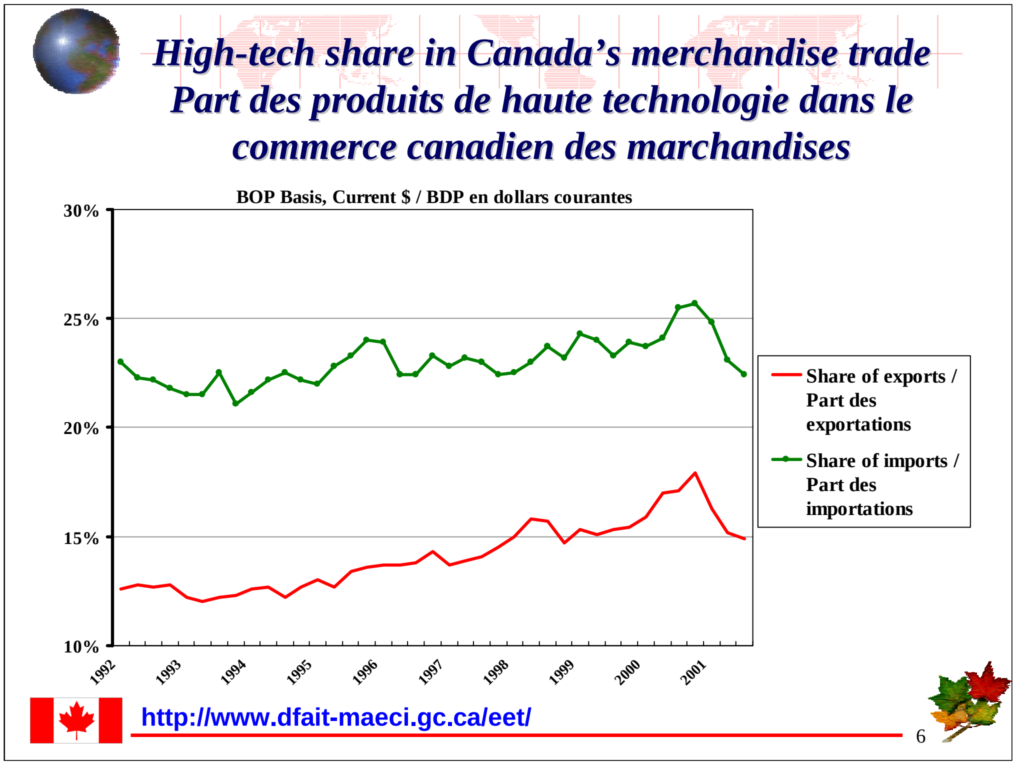
The major source of the easing in the current account balance emanates from trade in energy products.

Canada is a net energy exporter. In 2000, high prices and solid demand led to sharp increases in energy trade – exports were up by 77.5% while imports rose by 66.8%. The surplus on energy trade shot up to $35.1 billion, accounting for 59% of the overall merchandise trade surplus of $59.3 billion in 2000.

Over the first 9 months of this year, energy exports rose by 28% from the corresponding period in 2000, exceeding the 10.3% growth in energy imports. The energy surplus rose to $43.8 billion at an annual rate during the first 9 months of this year. Despite recent declines in natural gas and electricity prices, energy exports will continue to bolster Canada's trade surplus this year.

Reflecting a decline in the price of energy, the energy surplus was down sharply from the record high of $57.5 billion in the first quarter of this year to a still-high level of $30.1 billion in the third quarter of this year.

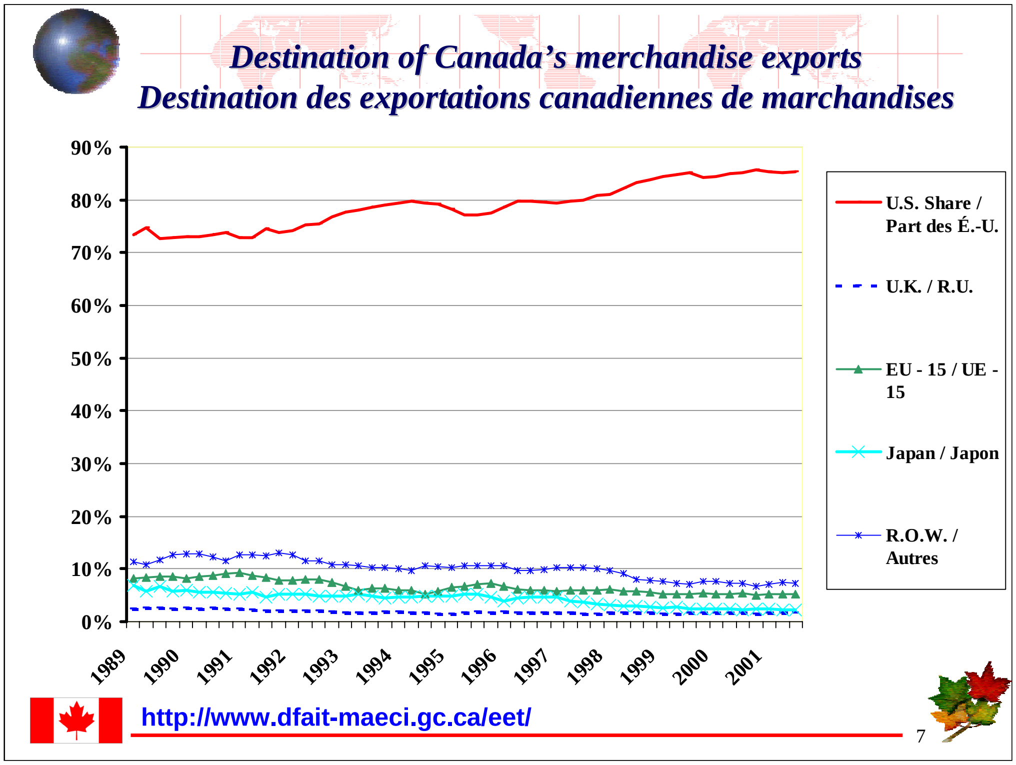
(After the terrorist attack on New York, the price of oil has dropped by about 30%.)



Apart from energy industries, another major driver of Canada's trade performance is Canada's high-tech sector. Through much of the 1990s, the growth in high-tech trade has been significantly higher than that of overall trade. This picture has been interrupted since the collapse in high-tech investment that started early this year.

In the third quarter of this year, the value of both imports and exports of high-tech products were about 17% below their year-ago levels. The current-dollar value of trade in high-tech products declined at double-digit rates during the last three quarters of this year from the peaks established in 2000Q4. Meanwhile, the deficit in high-tech trade remained little changed over the last three quarters.

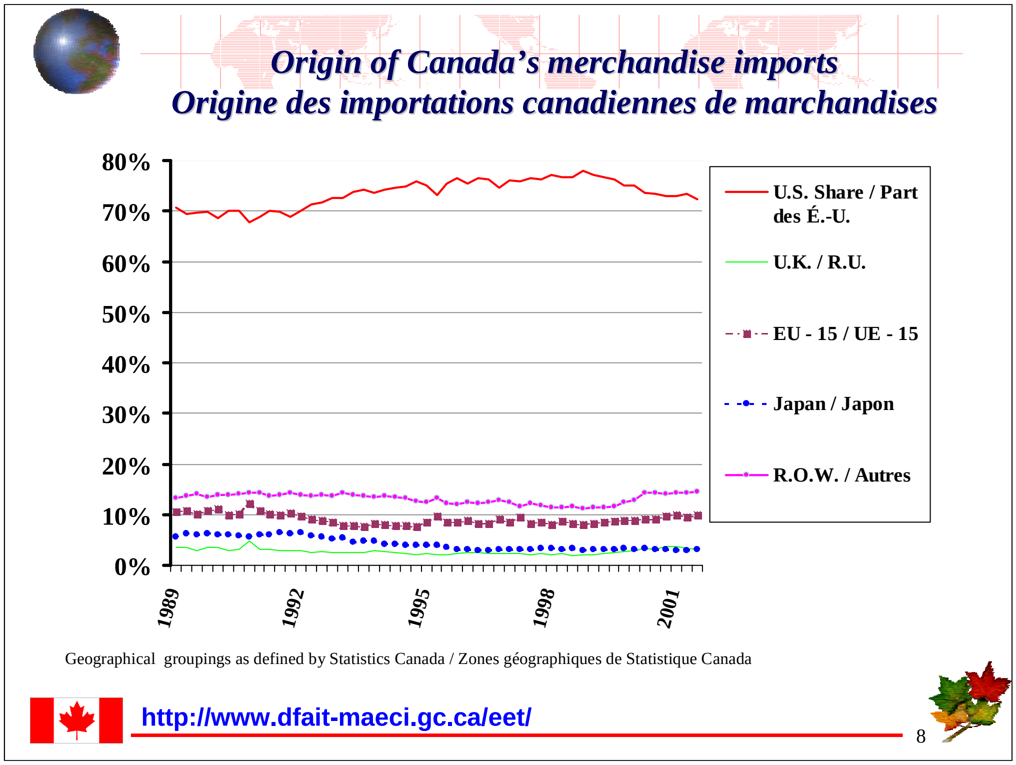
The high-tech share fell from the 25.7% peak in 2000Q4 to 22.4% by the third quarter of this year for imports; and from 17.9% to 14.9% for exports over the corresponding quarters.



Greater market access (FTA/NAFTA) and buoyant demand from the U.S. has led to increased orientation of exports to the United States over the last decade. Trade with the United States accounts for 81.9% of Canada's total exports of goods and services and 71.9% of Canada's imports of goods and services in 2000. Canada's merchandise exports to the United States rose from 73.5% of the global total in 1989 to 85.1% in 2000. Two-way trade in goods and services amounted to about $700 billion, or $1.9 billion per day, in 2000.

As the US demand fell in recent months, the U.S. share of Canada's merchandise exports declined somewhat from 85.8% in 2000Q4 to 85.4% in the third quarter of this year.
The share of EU-15 edged up from 5.0% in 2000Q4 to 5.2% in 2001Q3.
UK's share also edged up to 1.7% from 1.5%,
while Japan's share edged down from 2.4% to 2.2%.
The share of the Rest-of-the-World rose from 6.8% to 7.2% over the same period.

United States: Note that in the first 9 months of this year, Canada's merchandise exports to the US increased by 2.3% year-over-year. Merchandise imports from the US were down by 2.6%. Our merchandise trade surplus with the United States increased by $11.3 billion to $76.7 billion in the first 9 months of this year from the corresponding period last year.



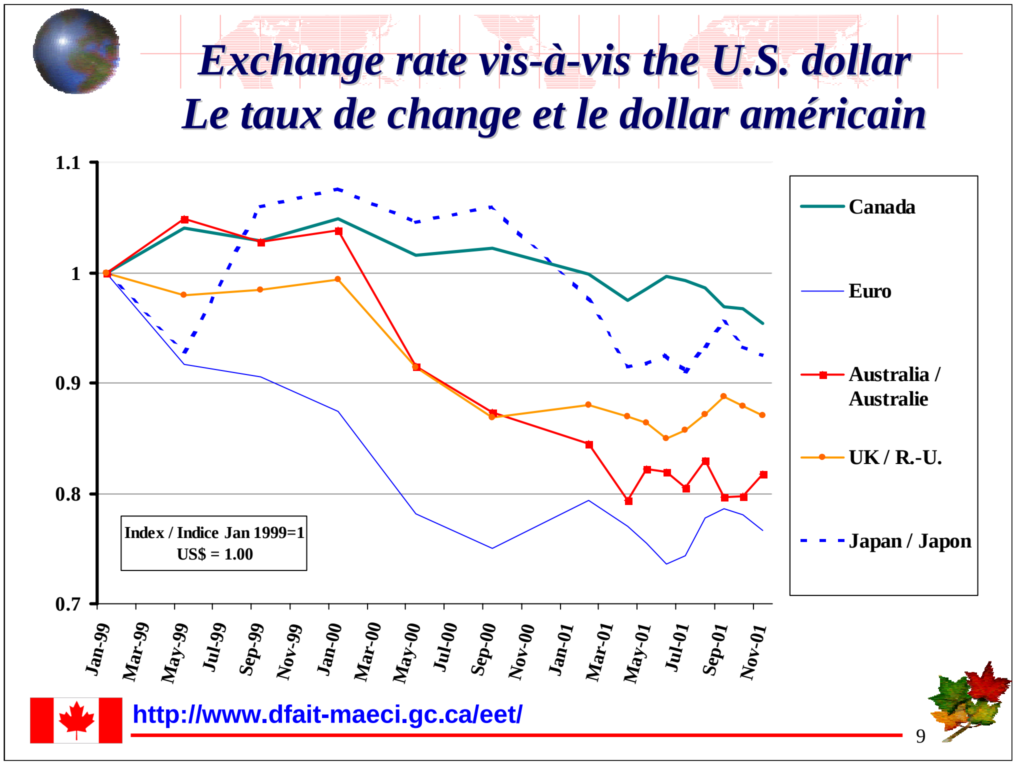
Although Canada's imports are more diversified geographically than exports, the U.S. is also Canada's largest source of imports, accounting for 73.7% of Canada's merchandise imports in 2000.

The U.S. share of Canada's imports fell somewhat from 73% in the fourth quarter of last year to 72.4% by the third quarter of this year.

Over the first 9 months of this year, the share of Canada's imports from the UK declined;

while that of imports from Japan was unchanged.

Meanwhile, the share of imports from the EU and the ROW continued to increase.



Canada's good trade performance in recent years occurred in the context of a slight depreciation of the exchange rate vis-à-vis the US$, but an appreciation versus the euro, the Australian dollar, the UK pound and the Japanese yen.

Between January 1999 and November 2001, the Canada-U.S. exchange rate monthly average was down by 4.6% to 62.8 cents US from 65.8 cents. In an environment of a strong US dollar, the Canadian dollar was the strongest among the major currencies of the world. (By December 10, the C$ has regained to 63.4 cents US. Euro 0.8907; Yen 126.0; Pound 1.435;)

Over this period, the euro declined by 23.5% to US$0.888 per euro per from US$1.16 per euro. (It gained to 91.2 cents US after the terrorist attack on New York.)

The Australian dollar fell by 18.2% to 51.68 cents U.S. from 63.2 cents U.S.;

while the U.K. sterling was down by 13.1% to US$1.4346 from US$1.65.

Meanwhile, the Japanese yen also lost value, by 7.5%, to 122.5 yens per U.S. dollar from 113.3 yens. (It gained to 120 yens after the terrorist attack on New York.)

The economic fundamentals bode well for a stronger Canadian dollar vis-à-vis the US$. Canada's net public debt has come down to $547.4 billion or 51.8% of GDP in fiscal 2001 from 71% of GDP in 1996. (This debt reduction implies a $2.5 billion saving in interest payments each year.)

Canada's current account surplus for the first 9 months of this year has already surpassed last-year's 12-month record high of $26.9 billion.

In the course of last year, the Canadian dollar appreciated to about 64 cents U.S.

{The mix of commodities exported by Canada is different from Australia – e.g. Australia exports less lumber and oil and more agricultural products .}

Conclusion: Canada's Trade Prospects

Uncertainties

- U.S. economy in recession as real GDP dropped by 1.1% in Q3. Terrorist attacks.
- Canada's high-volume trade with the US is vulnerable to downturn in US economic activity
  - US represented 77.2% of Canada's 2-way trade in 2000.
- Japan back in recession for the third time in a decade. Unemployment rate reached 5.4% in October, the highest in almost 50 years.

Positive Developments

- Forceful Fed reactions – 11 cuts this year to 1.75%, lowest in 40 years.
- Bank of Canada rate cut to 2 ¼%, with cumulative 3 ½% cut this year.
- European Central Bank cut rate 4 times to 3.25%. UK pared its rate for 7 times to 4.0%, the lowest since February 1964.
- Fiscal Policy stimulus;
- Canada's export structure
  - Autos and construction materials favoured by interest rate cuts
  - Energy exports are recession proof
- Little inventory overhang globally

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A slowdown in the US reduces its import demand growth which will directly affect the exports of those 20 countries which ship more than one third of their exports to the US with particularly large impacts on. (Canada/Mexico/Japan/China/Korea/Malaysia/Philippines/Saudi Arabia/Israel/Brazil/Chile)

In the case of Canada, however, the adverse impact is substantially moderated by Canada's excellent economic fundamentals – level of public debt is very much reduced; interest rates have moved down in lock-steps with the US.

The Fed cut their benchmark overnight bank lending rate 11 times this year to 1.75% on December 11, the lowest in 40 years. The last time the Fed lowered rates 10 times in one year was in 1991, when the economy was beginning a record expansion. Financial markets are still expected the rate to fall to 1.5% by January next year.

In any event, the policy fundamentals in the US economy are sound going into 2002, even though the NBER declared that the U.S. economy has lapsed into a recession starting in March 2001. Historically, the recession is over by the time the NBER delivered their pronouncements. The current expectation is that the downturn in economic activity is going to be short-lived. Real GDP growth is likely to rise to 4% rates annualized in the second half of next year. But average growth will be around 1% for both this year and the next, down from 4.1% in 2000.

GDP growth in the Euro area is expected to be somewhat higher than 1.5% in both this year and the next, led by 2.2% growth in the United Kingdom. Euro-zone GDP grew a 0.4% annualized in the third quarter from the second quarter, with year-over-year increase of 1.3%. 6.6% of Canada's exports of G&S destined for Euro zone.

Japan slid back into recession for the third time in a decade as real GDP dropped by 0.5% in the third quarter of this year following a 1.2% decline in the second quarter. GDP is expected to drop fractionally both this year and the next, reflecting a combination of the slump in the hi-tech sector, structural problems, and little room for monetary and fiscal policy stimulus. Japan accounts for 2.5% of x of G&S.

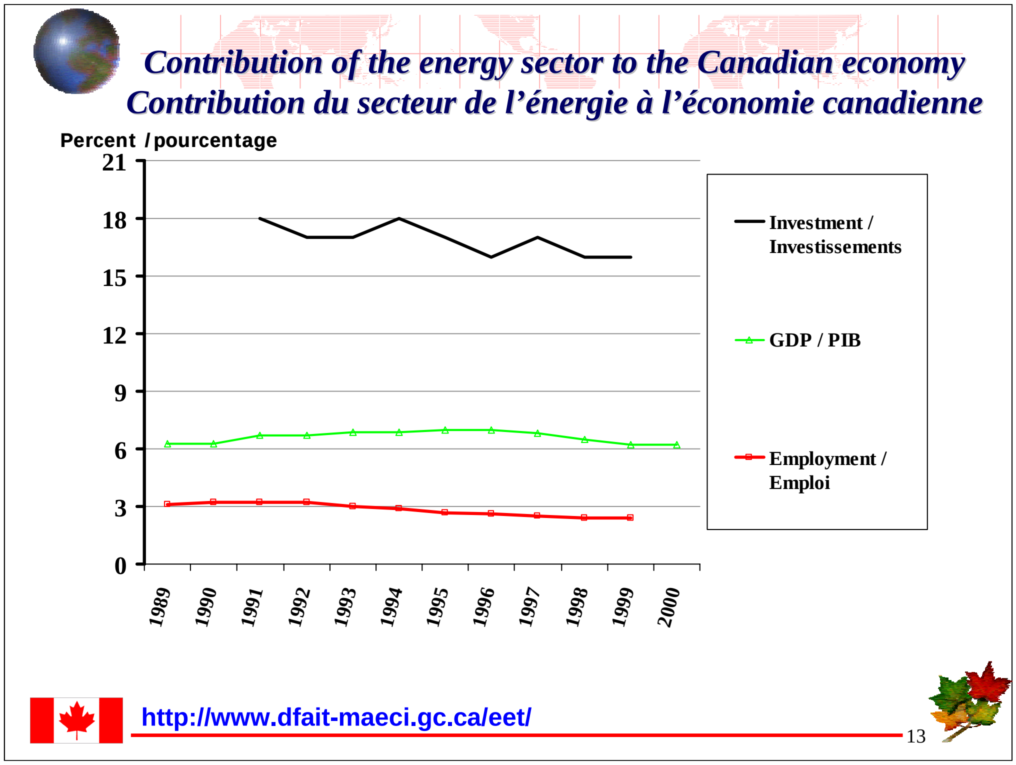
For Mexico, the consensus called for a decline of 0.3% this year, and positive growth of 1.5% next year. GDP growth was 3.7% in 1999 and 6.9% in 2000.

(According to the House of Commons Industry Committee, the Sept. 11 attacks cost Canada more than $6 billion in loss output, with $1.2 billion in Canada's tourism and transportation sectors associated with cancelled books with airlines, travel agencies, and hotels. The impact on GDP is estimated to be 0.5% in the coming year.)

The last part of the presentation focuses on Canada's energy sector activity in the context of global developments.

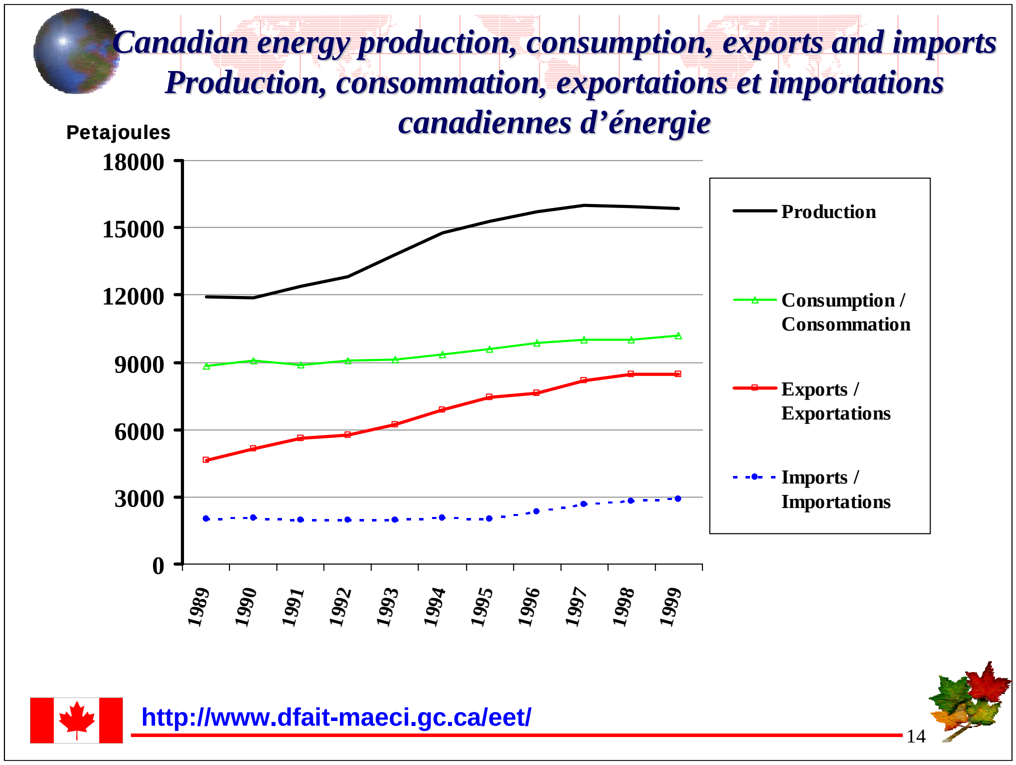
Highlights

- Activities in Canada's energy industries are important to economic developments in Canada, especially with respect to the performance of merchandise trade.
- The volatility in energy prices has a strong bearing on Canada's balance of payments and inflation.
- In the global context, Canadian production has only a marginal impact on world prices.
- However, the United States relies heavily on energy imports from Canada, particularly in the case of natural gas.



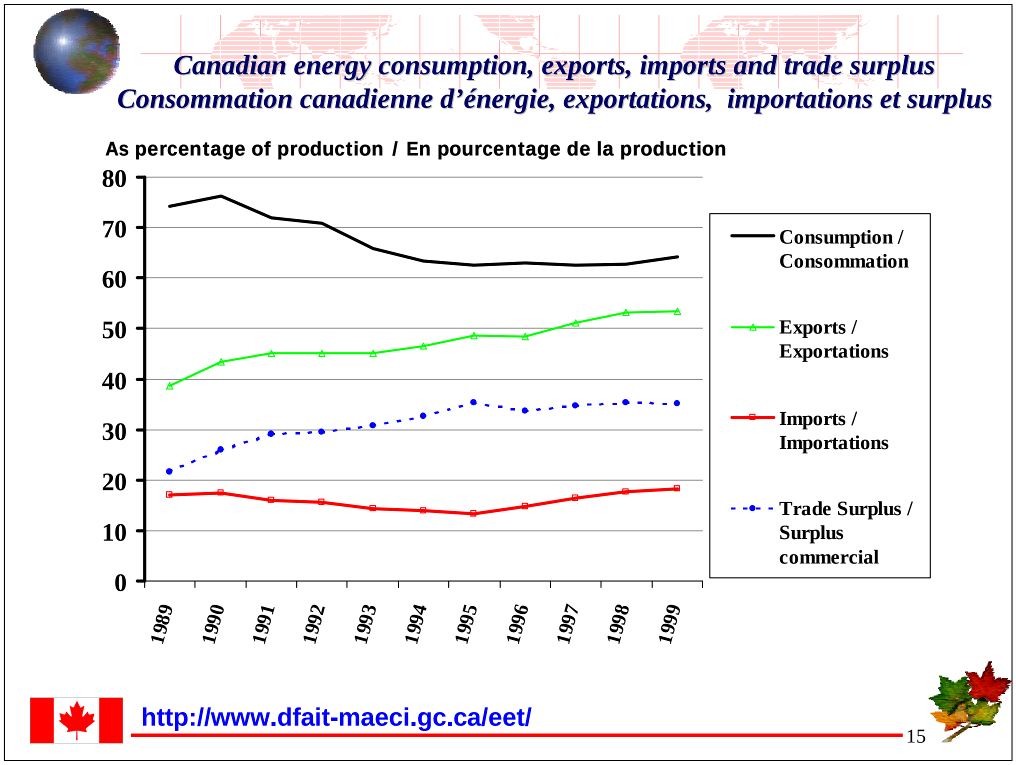
Canada's energy sector is an important component of the domestic economy. In the last decade, it has typically accounted for between 6.2% and 7% of Canada's real GDP, the fourth largest sector after FIRE (18.4%), Manufacturing (18.2%), Education & Health (10.4%). Its contribution to business investment is substantially higher, at between 16 and 18%, reflecting the capital-intensive nature of energy production. Because the energy sector is highly capital intensive, the labour requirement is substantially lower than the national average. As a result, the sector accounts for only about 2.5% of Canada's employment in recent years.

In addition, income derived from the energy sector also contributes significant to activity in other sectors of the Canadian economy.



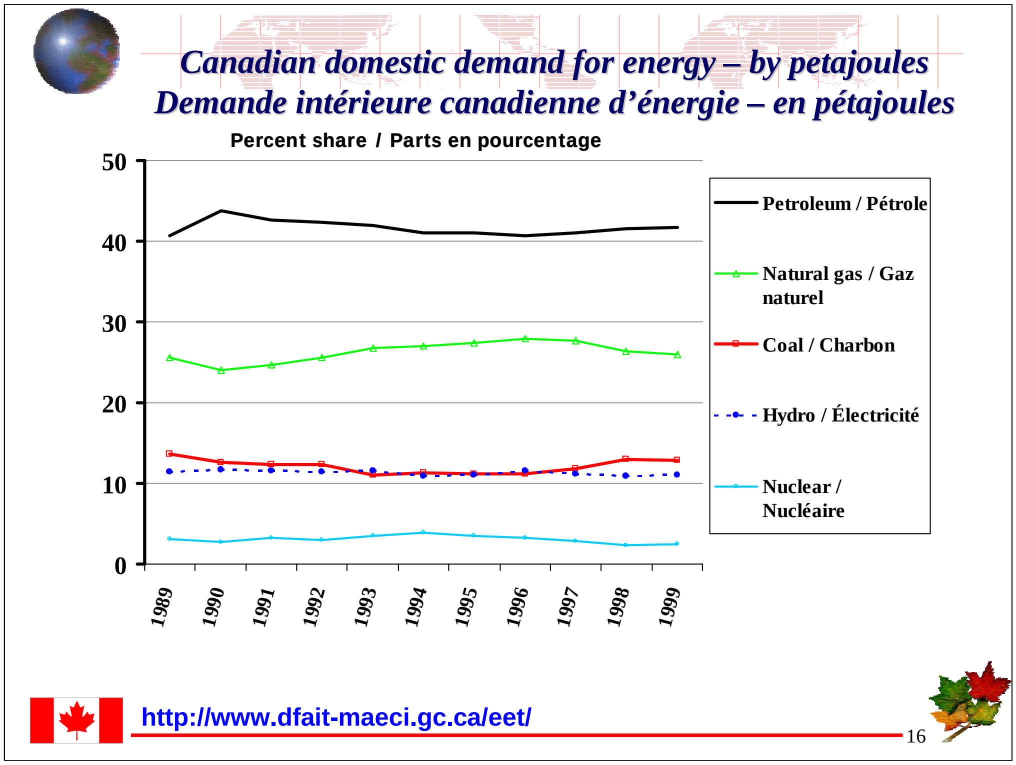
Canadian production of all types of energy commodities and products increased by 33% between 1989 and 2000 in gigajoules, at twice the rate of the growth of domestic consumption.

Canada's exports of energy shot up by 84% over the same period.

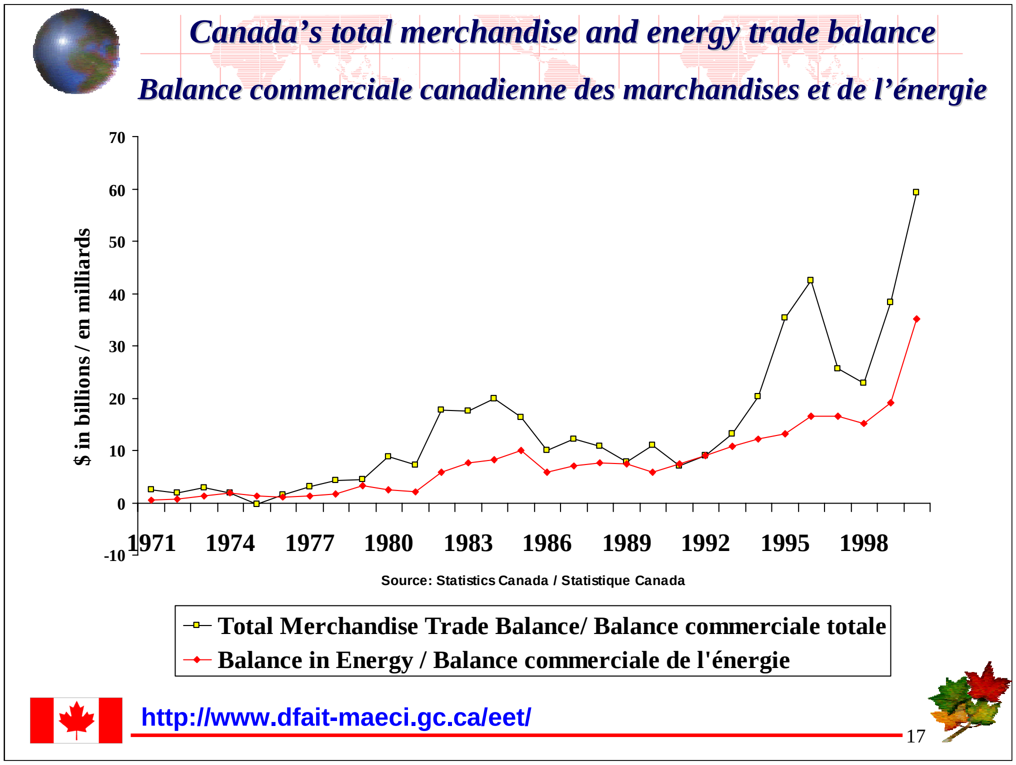


As production increased at a much faster rate than the growth in consumption, an increasingly larger share of energy production is exported. Over the last few years, more than 53% of energy production is exported, up from 38% in 1989.

Canada's surplus in energy trade more than doubled since 1989, despite a robust increase in imports in the second half of the 1990s. As of 2000, Canada's energy surplus represented 35% of Canada's energy consumption.



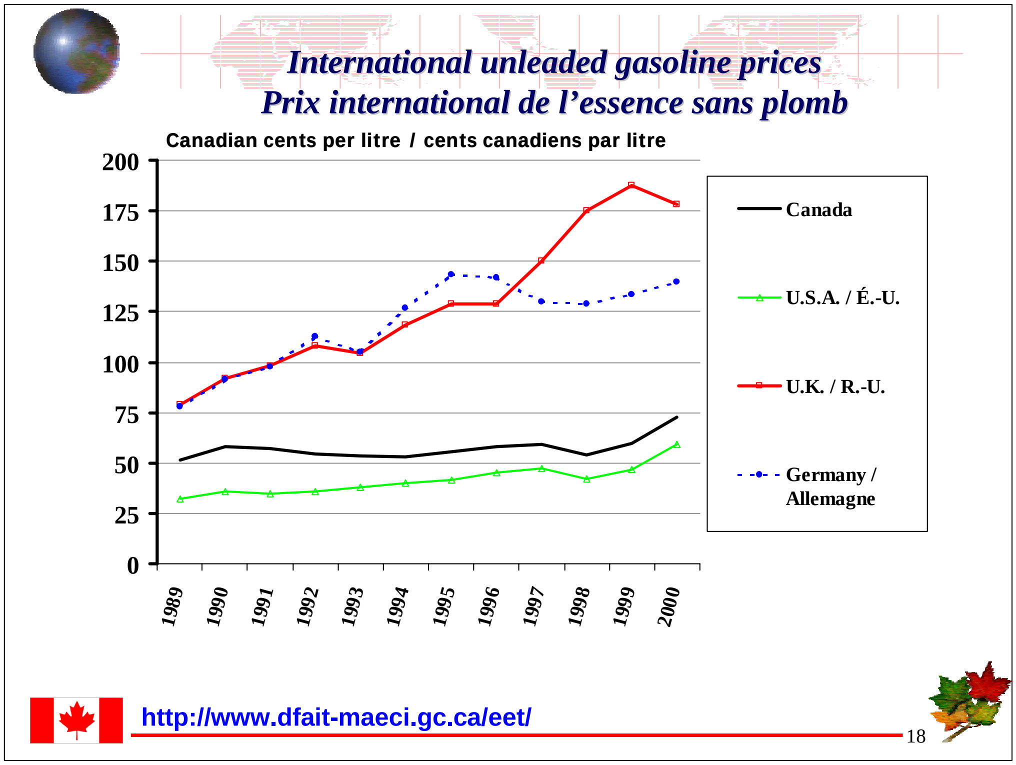
Petroleum continues to be the most import source of Canada’s energy consumption, representing about 42% of total demand in 2000. Natural gas is the second most important source, representing 26% in 2000. The distribution of energy sources have been rather stable over time, except for some loss of market share of nuclear power to coal in recent years.



Energy trade plays a dominant role in Canada's merchandise trade performance.

In 2000, energy trade recorded a surplus of $35.1 billion, accounting for 60% of Canada's $59.3 billion surplus in overall merchandise trade.

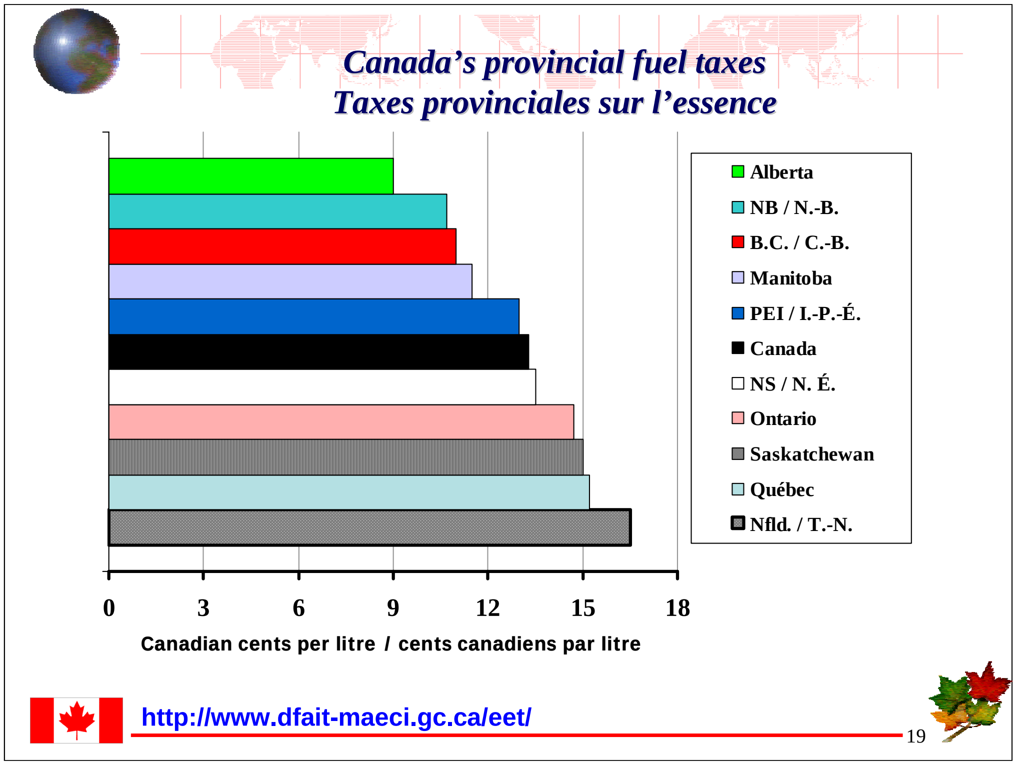
In 2001Q1, the energy surplus reached a record high of $57.5 billion (annualized), but fell to $30.1 billion by the third quarter. For the first 9 months of this year, it averaged $43.8 billion.



As a net exporter of oil, Canada's gasoline prices are among the lowest in industrialized countries.

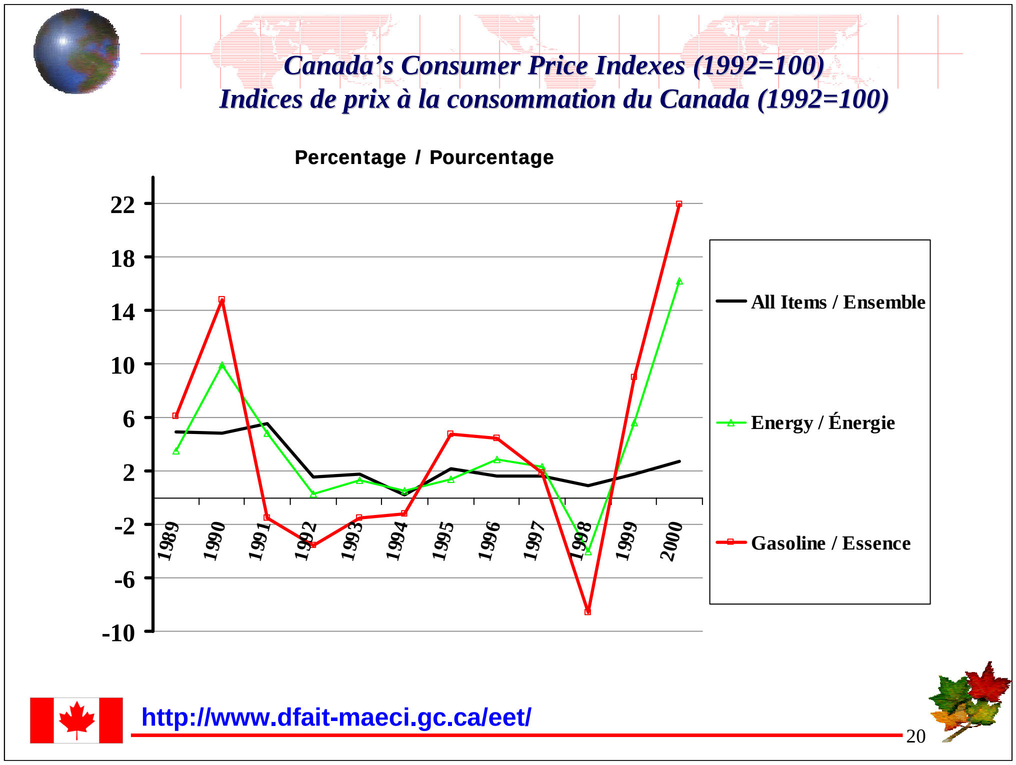
Expressed in Canadian dollars, gasoline prices are substantially lower in the United States and Canada than in European countries such as the U.K. and Germany. (In 2000, the price of unleaded gasoline in the U.K. was 2 ½ times as high as that in Canada.)

Gasoline prices are lower in the United States than in Canada, reflecting higher sales volume and lower taxes.



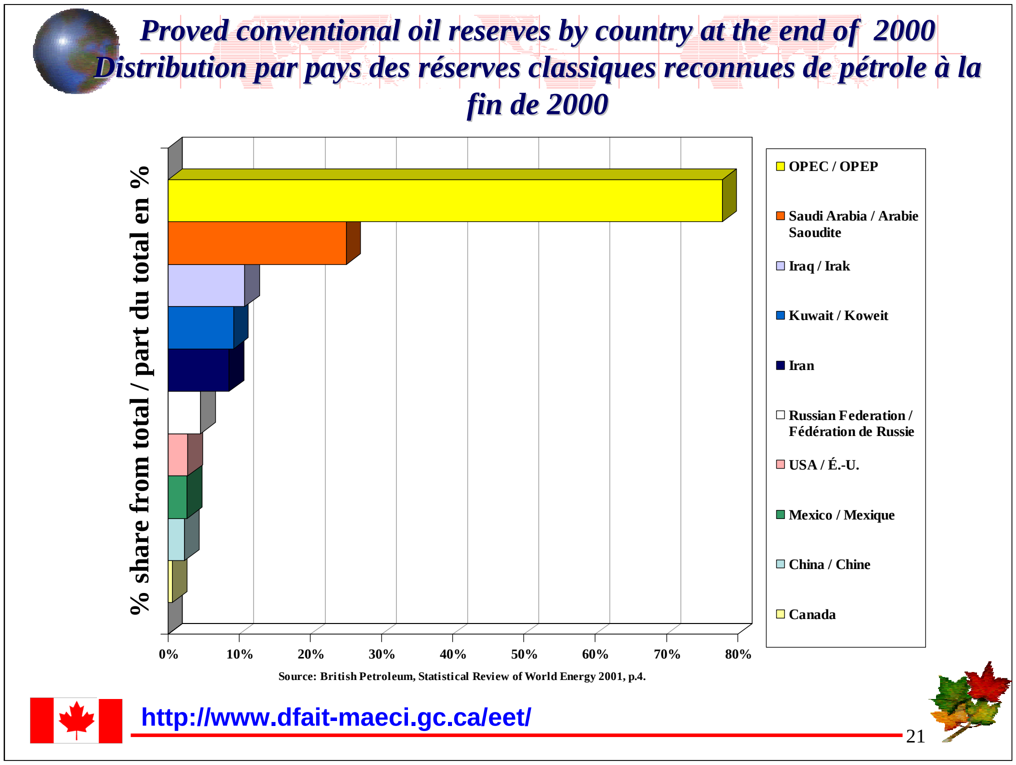
The price of gasoline varies considerably among the provinces in Canada, reflecting largely differences in provincial gasoline taxes.

Provincial fuel taxes represented about 20% of the average per litre price of gasoline in Canada last year. Both provincial gasoline tax and average price are substantially higher in Newfoundland than in other provinces in Canada. By contrast, Alberta’s provincial gasoline taxes and average price are by far the lowest in Canada.



As energy occupies a large 8.4% weight in the consumer basket, Canada's inflation is often dominated by the fluctuations in energy price developments. Inflation in the energy component of Canada's Consumer Price Index (CPI) has been more volatile than that of the aggregate (CPI) measure, especially in the case of gasoline prices

(A drop in oil price is a double-edged sword for Canada – it reduces Canada's merchandise trade surplus and is a a drag on Alberta - but it tends to boost economic activity in Ontario and Quebec.)



Canada's proved conventional oil reserves (recoverable under existing economic and operational conditions) is just 0.6% of the world total of 1,046.4 billion barrels in 2000. (Canada's level of reserve would be depleted in only 8.5 years at the current rate of production.)

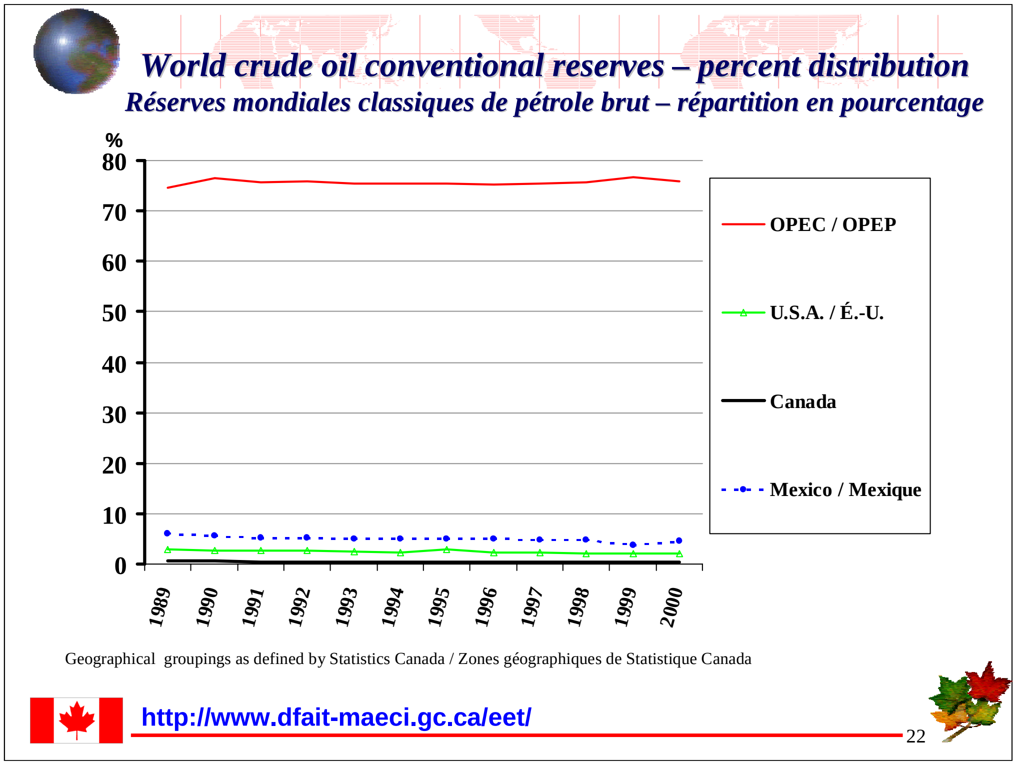
OPEC 77.8%; Saudi Arabia 25%; Iraq 10.8%; Kuwait 9.2%; Iran 8.6%;

Russia 4.6%; US 2.8%; Mexico 2.7%; China 2.3%.

However, Canada has tremendous oil sand potential. Industry estimate places Canada's oil sand reserves at a level exceeding Saudi Arabia's conventional oil reserves 261.7 billion barrels in 2000.

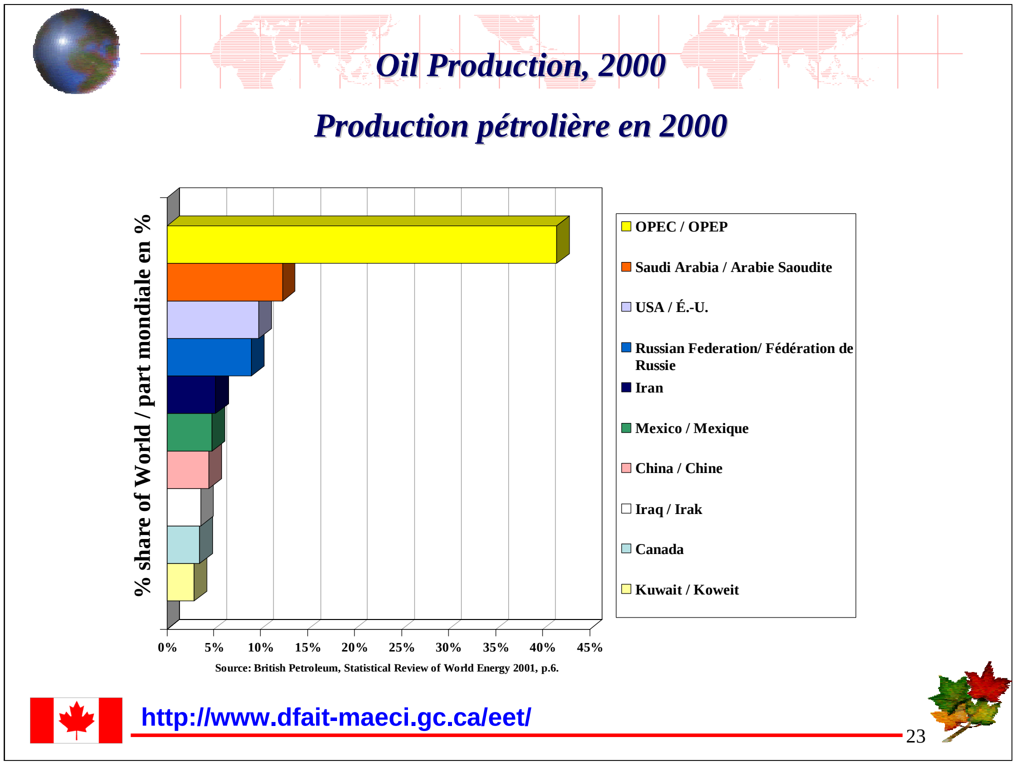
Only two countries in the world has significant volumes of proven tarsand reserves – Canada with 300 billion barrels and Venezuela with 250 billion barrels.

Fort McMurray in Alberta has an estimated 1.7 trillion barrels of oil mixed with sand – enough to supply Canada's entire needs for the next 400 years and North America's for the next 50.



With a level of 814.4 billion barrels, OPEC accounted for 77.8% of global crude oil reserves in 2000, including the 25% represented by Saudi Arabia.

The distribution of global conventional crude oil reserves has been rather stable over time.



Canada plays an important role in the global production of conventional crude oil, representing 3.5% of the world total of 74.51 million barrels daily in 2000.

In 2000, production in Canada (2.71 million barrels a day) was of the same order of magnitude as Iraq and the UK, and was higher than production in Kuwait.

Norway's production of 3.4 mbd represented 4.4% of the world total in 2000, ahead of Canada's 3.5% but below Mexico's 4.8%.

OPEC 41.5% (30.8 million barrels a day) Saudi 12.3% (9.1 million barrels a day); US 9.8% (7.7 million barrels a day); Russia 9.0%; Iran 5.2%; Mexico 4.8%; China 4.5%; Iraq 3.6%; Canada 3.5%; Kuwait 2.9%. (Note that Russia is the world's second largest exporter, after Saudi Arabia, accounting for 4.3 MBD of exports (or 10% of global exports.)

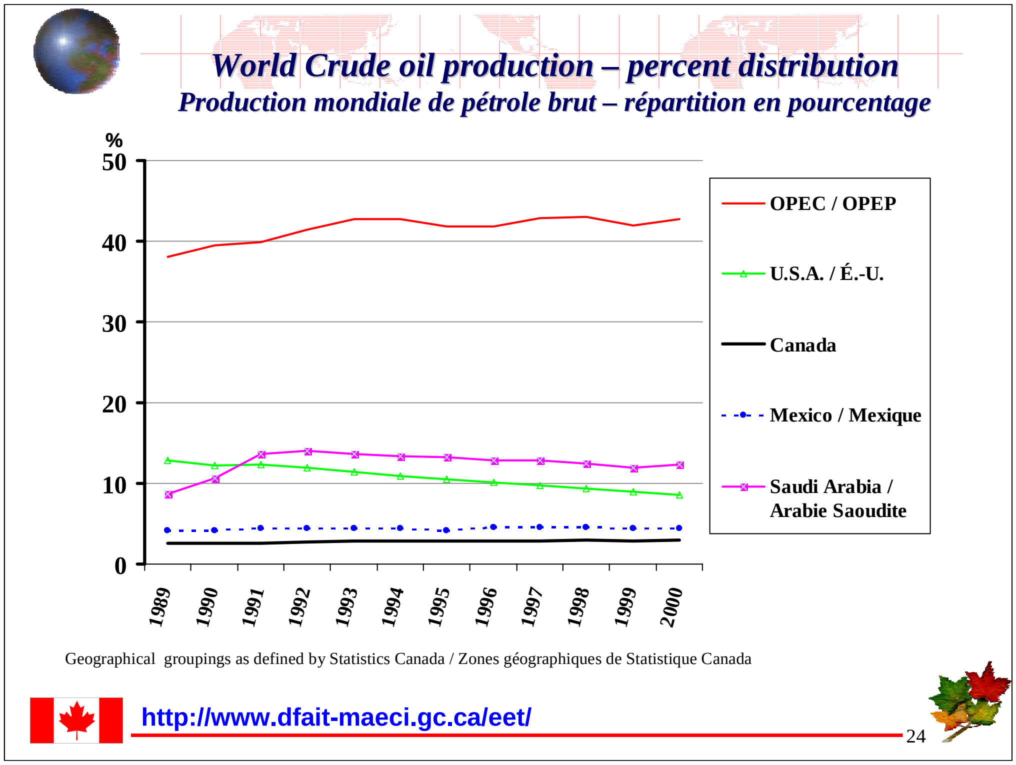
Canada's standing is the 10^{th}, following Saudi Arabia 12.3%, US 9.8%, Russia 9.0%, Iran 5.2%, Mexico 4.8%, Venezuela 4.6%, China, Norway 4.4%,Iraq 3.6% UK 3.5% (also 10^{th})

Imports: US 26% of world; Japan 12.5%; Western Europe 23.6%; ROW 37.9%

Exports: Middle East 44.4% of world exports of 42.7 MBD; Russia 10%; Canada 4.0%, Mexico 4.3%;

OPEC as a group accounts for about two-thirds (28 MBD) of world exports.

Exports by non-OPEC countries such as Russia, Mexico and Norway have a significant impact on world oil prices.



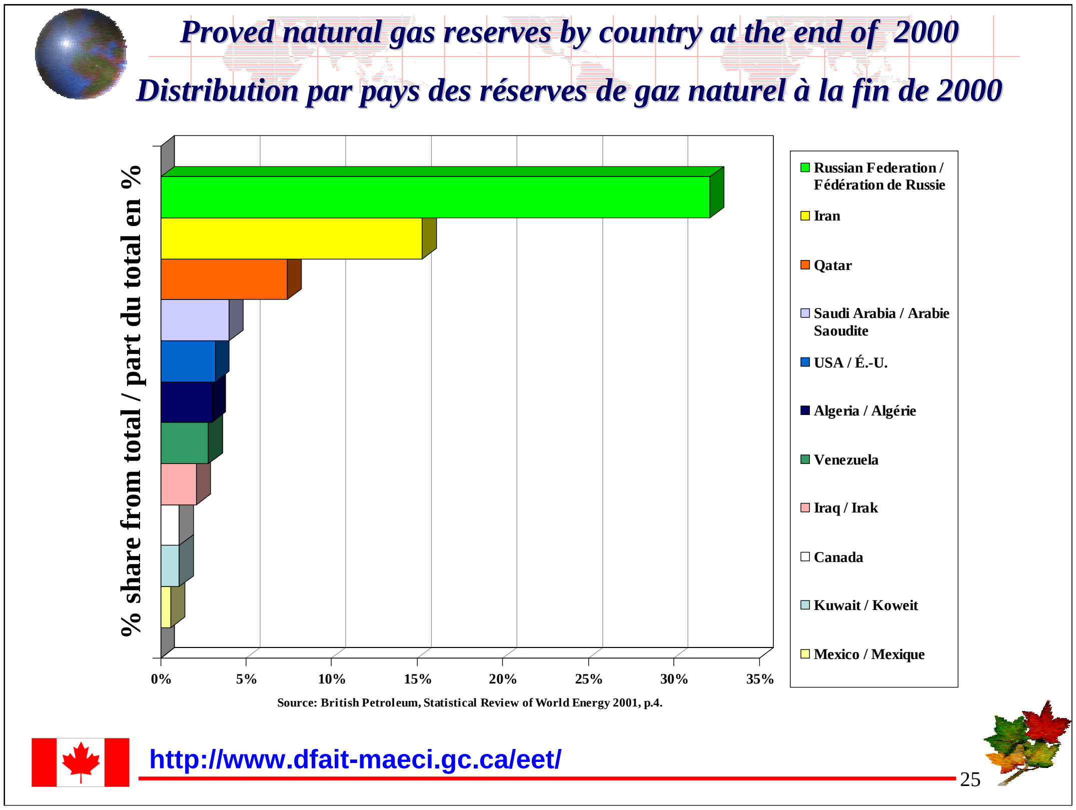
Canadian production of crude oil rose by 29.4% between 1989 and 2000 to 321 thousand cubic metres per day.

This rate of increase was twice as rapid as the 14.7% growth in world production. As a result, Canada's share of world production edged up from 2.6% in 1989 to 3.0% in 2000. (NB: BP data shows 3.5% share for Canada.)

OPEC production represented 42.7% of total production, led by Saudi Arabia, the largest global producer's 12.3% share. (BP data show 41.5% for OPEC's share.)

So far this year, OPEC has cut its production by 3.5 millions barrels a day to a ceiling of 23.2 million barrels a day ; Iraq produced 2.1 million barrels a day in 2000.

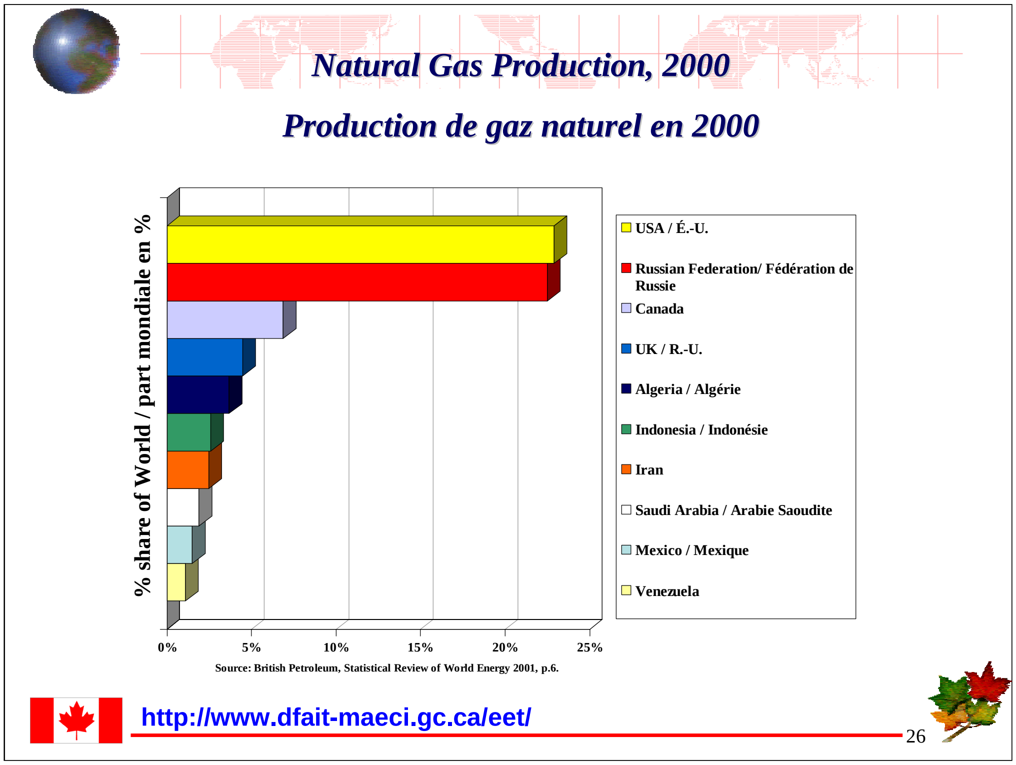
OPEC would reduce their production target by 1.5 MBD to 21.7 MBD as of January 1, 2002 – the lowest level since the Gulf War in 1991. Non-OPEC countries such as Russia have pledged to cut by 150 TBD; or working on cutting : Norway 150 TBD; Mexico by 100 TBD, Oman 50 TBD and Angola 50 TBD for a total of 2.0 MBD of world production.



Russia has the world's largest gas reserves (32.1% of world total), followed by Iran (15.3%), Saudi Arabia (4.0%) and USA (3.2%). Algeria (3.0); Venezuela (2.8%); Nigeria (2.3%).

Canada's 1.1% is larger than Mexico's 0.6%.

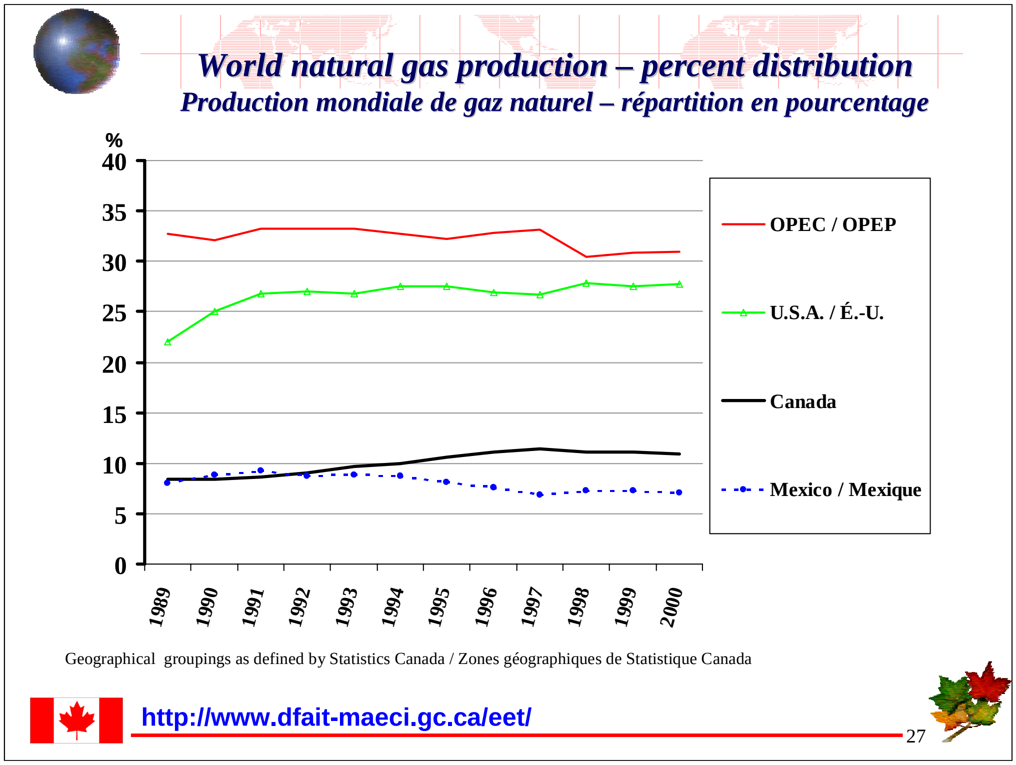
The reserve/production ratios are 10.3 years for Canada; 8.7 for the US, 24 for Mexico and 83.7 for Russia.



The United States and Russia occupy the lion's share of world natural gas production, representing 22.9% and 22.5%, respectively of the global total in 2000.

Canada was the third largest producer, accounting for 6.9% of world production in 2000.

Of the remainder, Mexico accounts for 1.5%; the UK for 4.5%; Algeria for 3.7%; Indonesia for 2.6%; Iran for 2.5%; Saudi Arabia for 1.9%; and Venezuela for 1.1%.

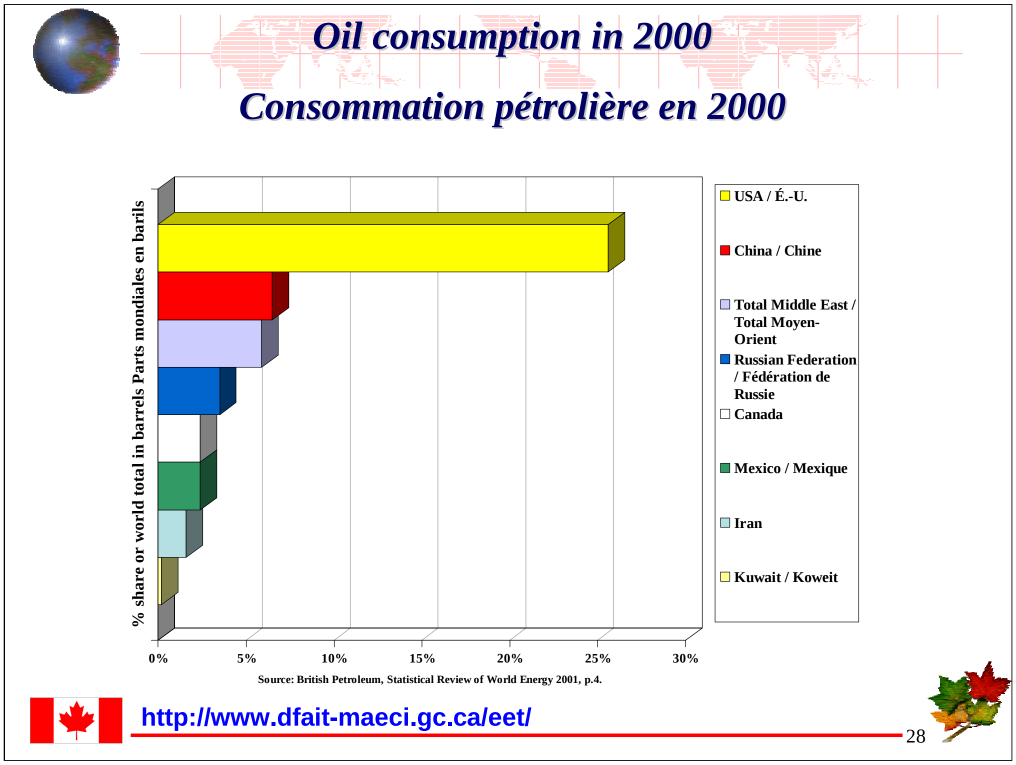


OPEC's share of global production is smaller in natural gas than in crude petroleum, with the 2000 figures of 31% for natural gas and 42.7% for crude. Canada's share of 10.9% in 2000 was substantially higher than Mexico's 7.1% share. (NB. Statistics Canada's production data for Canada and Mexico are substantially higher than those reported by British Petroleum.)

As well, Canada's share of global production of natural gas has risen over the last 7 years.

Prospects for Canada's energy sector are excellent. Note that there is tremendous potential in Alaska. Foothills Pipe Lines Ltd. – a venture of TranCanada PipeLines Ltd and Westcoast Energy Inc., along with 6 US companies – is planning a proposal to build a 2,740-kilometre gas pipeline from Alaska to north-western Alberta at a cost of US$17.2 billion. Foothills owns the right of way to the route, which was proposed in the 1970s and shelved when gas prices collapsed.

A shorter, alternative route that would carry gas under the Beaufort Sea and through the NW territories would cost US$15.1 billion and has the strong support of the NWT.



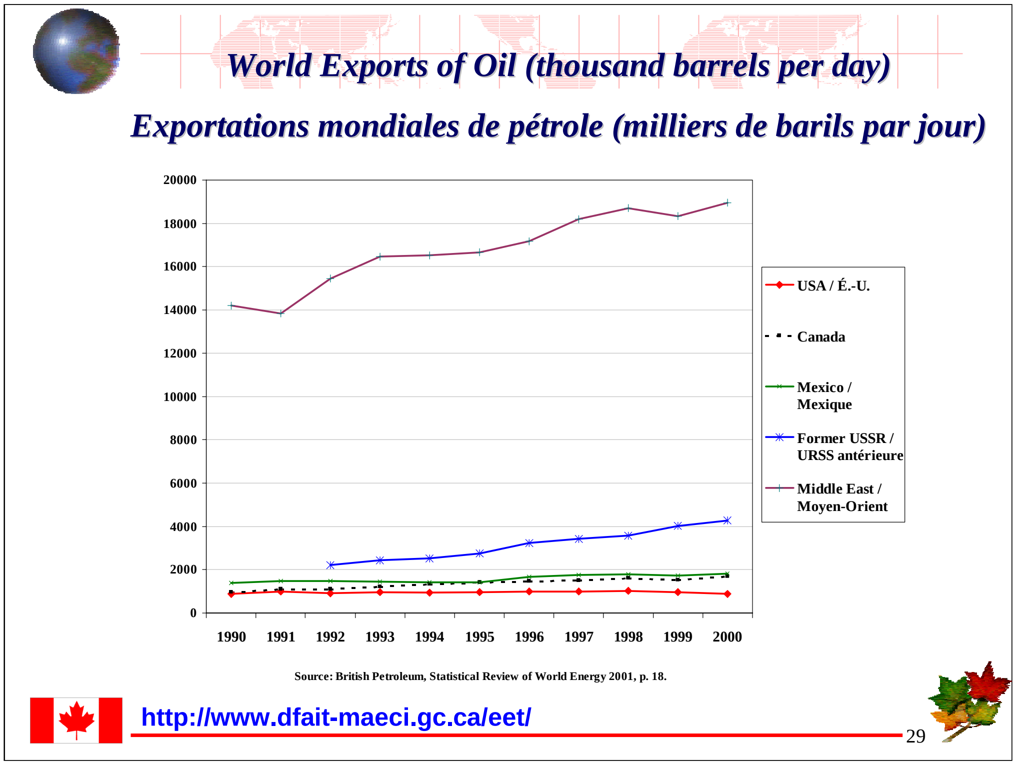
Canada's oil consumption represented 2.4% of global consumption in 2000, substantially less than Canada's share of global production.

By contrast, the United States is a large net importer of oil as it took up 25.6% of global oil consumption in 2000, but accounted for only 9.8% of global production.

USA 25.6% of world consumption; China 6.5%; Middle East 5.9%; Russia 3.5%; Canada and Mexico both 2.4%; Iran 1.6%; Kuwait 0.2%.

Canada: production 2.71 MBD; consumption 1.78 MBD; exports 1.7 MBD

US:		7.75	18.6	11.1 imports
Mexico		3.45	1.84	1.84 exports
Russia:		8.04	3.48	4.3 exports
OPEC:		30.8	n.a.	n.a.
Middle East:	23.0	4.34	18.9 exports	
World		74.5	73.9	42.7 exports



Over the 1990s, world exports of oil have increased steadily. Similarly, Canada's exports have increased over time, as in the case of most countries other than the United States.

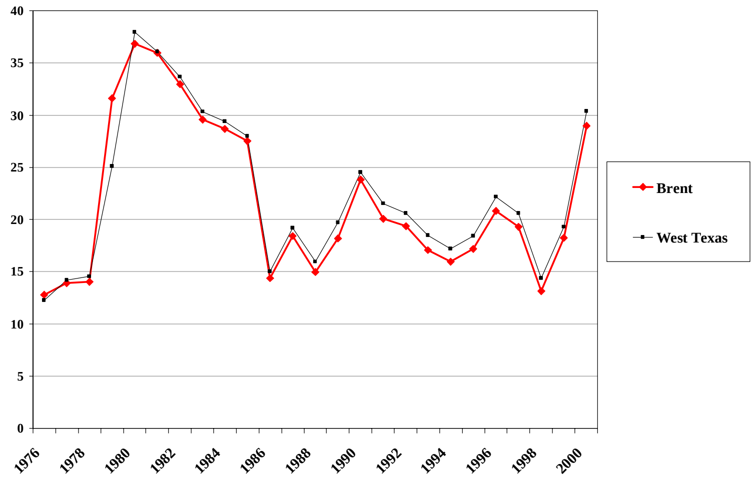
Russia accounted for 10% of world exports and is the world's second biggest exporter, after Saudi Arabia. Norway is the third largest crude exporter.

Imports: US 26% of world imports; Japan 12.5%; Western Europe 23.6%; ROW 37.9%

Exports: Middle East 44.4% of world exports; Russia 10%; Canada 4.0%, Mexico 4.3%;
OPEC as a group accounts for about two-thirds of world exports.

Spot crude oil prices (US$/bl)

Cours du pétrole brut ($US/baril)



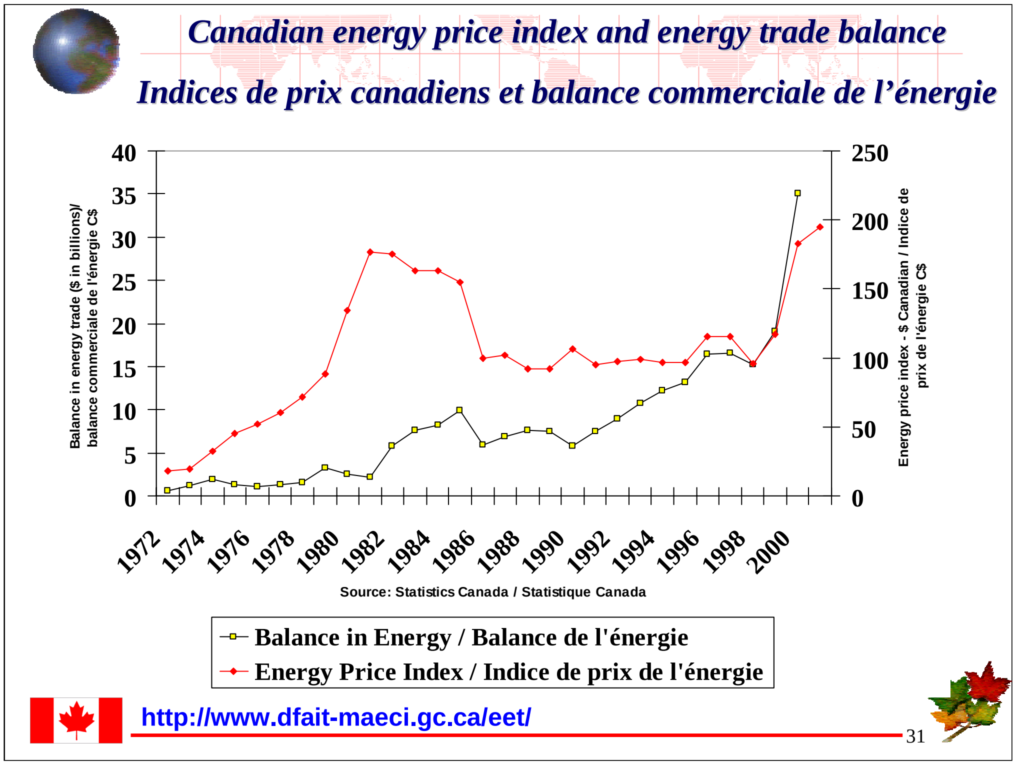
Source: British Petroleum, Statistical Review of World Energy 2001, p. 14.

http://www.dfait-maeci.gc.ca/eet/ 30

While the price of oil in world markets has increased dramatically since touching its recent low of US$14.38 (annual average) per barrel for West-Texas Intermediate (WTI) in 1998, its level in 2000 remained substantially lower than the 1980 high of US$38 per barrel.

The Chicago WTI benchmark price is typically somewhat higher than the Brent North-Sea crude price. Brent is the benchmark for two-thirds of the world's oil which is traded in the International Petroleum Exchange in London.

Since September 11, the price of WTI has fallen by 33.5% to US$18.37 per barrel on December 10.

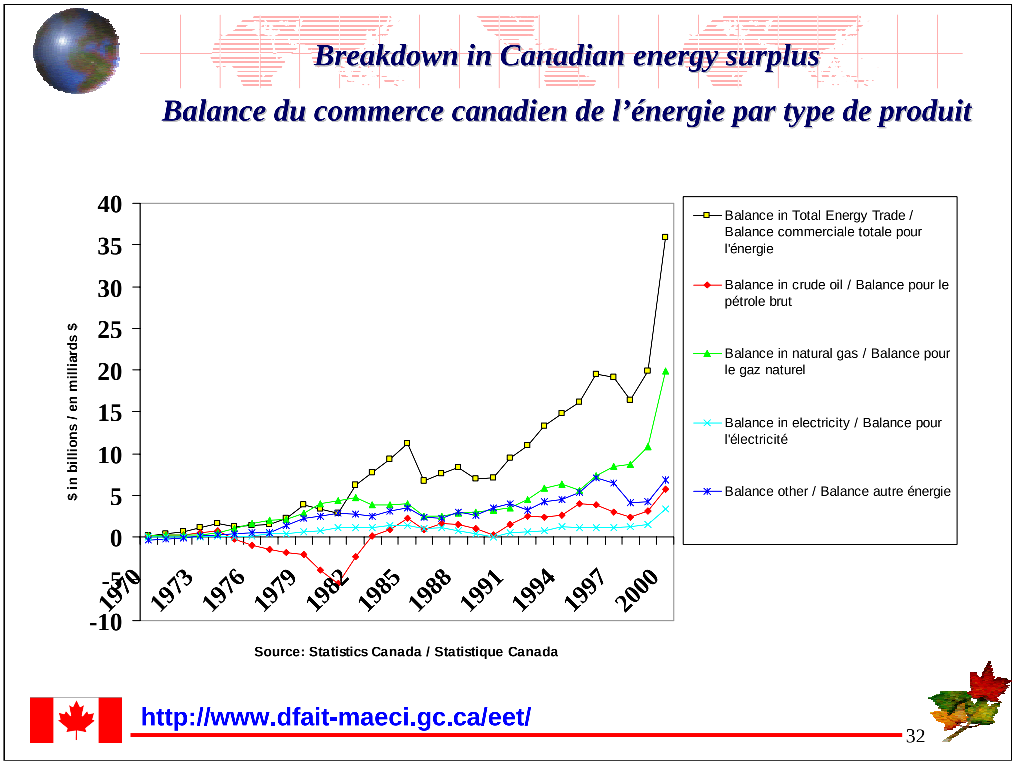


Canada's surplus on energy trade is largely dominated by movements in world energy prices.

A weaker U.S.-dollar value of the Canadian dollar has tended to raise Canada's energy trade surplus.

So far this year, OPEC has cut its production by 3.5 millions barrels a day (or 13%) to a ceiling of 23.2 million barrels a day ; Iraq produced 2.1 million barrels a day in 2000.

OPEC would reduce their production target by 1.5 MBD to 21.7 MBD as of January 1, 2002 – the lowest level since the Gulf War in 1991. Non-OPEC countries such as Russia have pledged to cut by 150 TBD; or working on cutting : Norway 150 TBD; Mexico by 100 TBD, Oman 50 TBD and Angola 50 TBD for a total of 2.0 MBD of world production.



Typically, all key energy exports such as natural gas, crude petroleum, electricity, coal and uranium contribute significantly to Canada trade surplus.

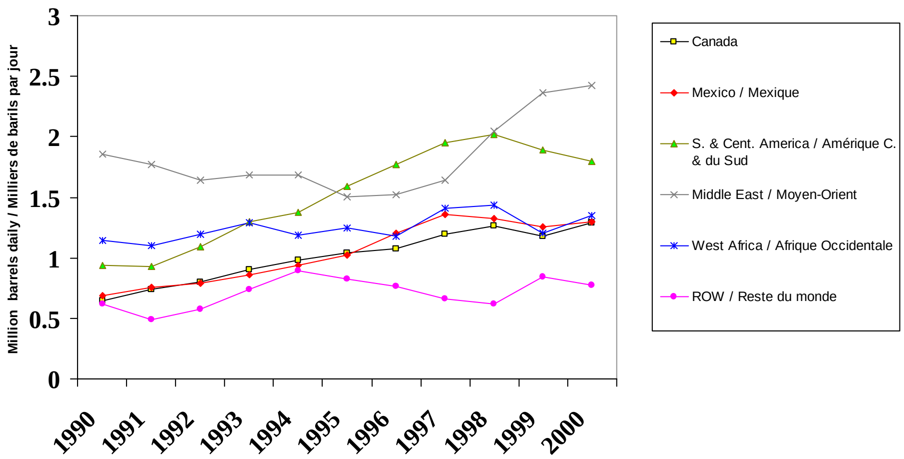
Natural gas accounted for the lion's share of Canada's surplus on energy trade. In 2000, Canada's surplus on natural gas trade shot up to almost $20 billion, 3 ½ times as large as that of $5.7 billion in crude petroleum trade, reflecting a surge in the price of natural gas exports.

In 2000, Canada's exports of natural gas shot up by 84%, reflecting largely a jump in prices. (Volume rose by merely 4.4%.) The benchmark Nymex Henry Hub price almost doubled from US$2.27/million Btu in 1999 to US$4.23 in 2000. (By December 10, the price has fallen by 35% to US$2.75/mmBtu.)

Note that fully 100% of Canada's exports of crude petroleum and natural gas are destined for the United States.

US Imports of crude petroleum by country

Importations américaines de pétrole brut, par pays



Source: British Petroleum, Statistical Review of World Energy 2001, p. 19.

http://www.dfait-maeci.gc.ca/eet/ 33

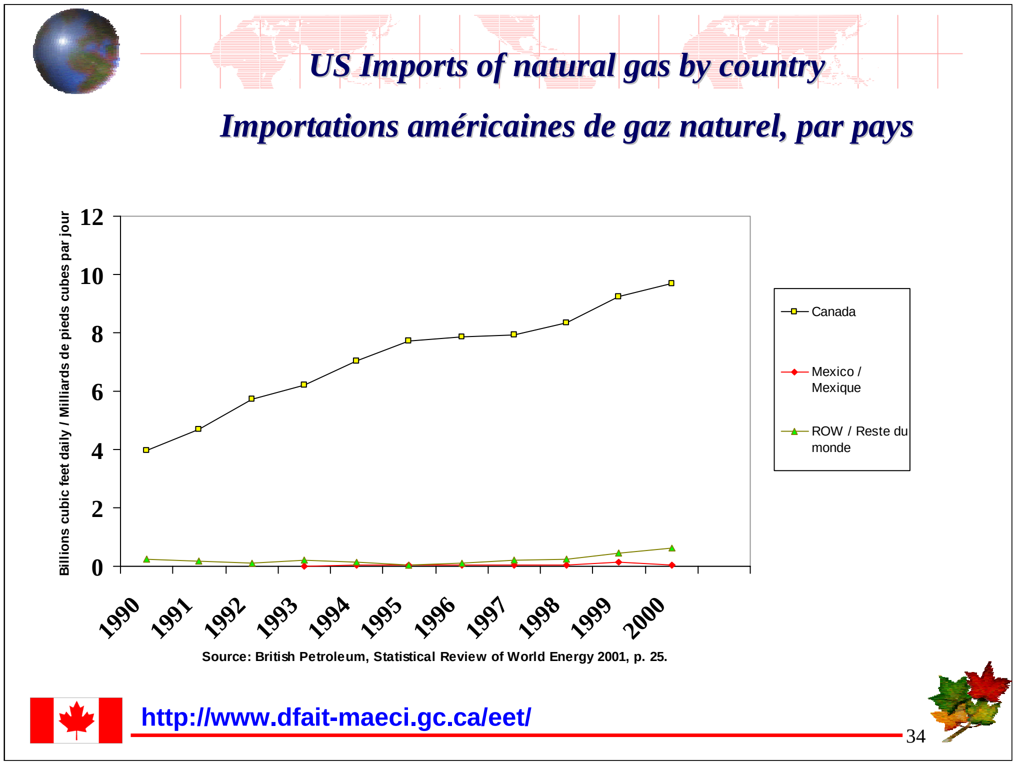
Canada is the most reliable source of energy imports for the United States. The United States relies heavily on imports of crude petroleum from the world and from Canada, as it consumed 18.5 million barrels a day in 2000 but produced only 7.75 million barrels.

In 2000, the US imported 8.932 million barrels of crude petroleum daily, 12% of world production of 74.51 million barrels/day.

Canada and Mexico each accounted for about 14.5% of U.S. oil imports in 2000, equivalent to 9% of US consumption.

The Middle East provided 27% of US. oil imports. Nigeria and other countries in West Africa supplied an extra 15.1%. An additional 20% of U.S. imports crude petroleum came from Venezuela and other countries in South and Central America.

Over the last decade, Canada's crude exports to the United States doubled to 1.3 million barrels/day, the fastest growth among all major suppliers of crude to the United States.



Canada is by far the largest source of U.S. imports of natural gas, **accounting for 93.8% of the US import total in 2000 or 14% of US consumption.** Trinidad and Algeria, the second and third largest suppliers, accounted for merely 2.6% and 1.2%, respectively, of the import total in 2000.

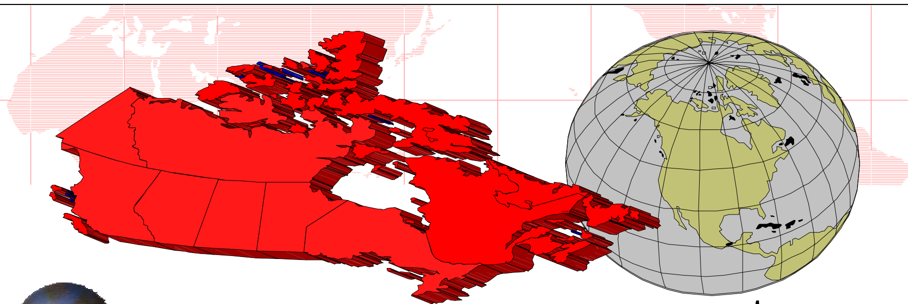
Canada's exports of of natural gas increased by 144% over the last decade to 9.7 billion cubic feet daily in 2000, thanks to increased pipeline capacity and higher prices.

Mexico only supplied 0.032 billion cubic feet daily to the United States in 2000, or 0.3% of the total volume imported by the United States.

U.S. production 555.6 billion cubic metres; consumption 654.4 bcm

Canada	167.8 bcm	77.8 bcm
Mexico	35.8	35.3
Russia	674.2	548.3

Electricity – Canada accounts for nearly 100% of US imports of electricity – more than 8% of US domestic requirements



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