

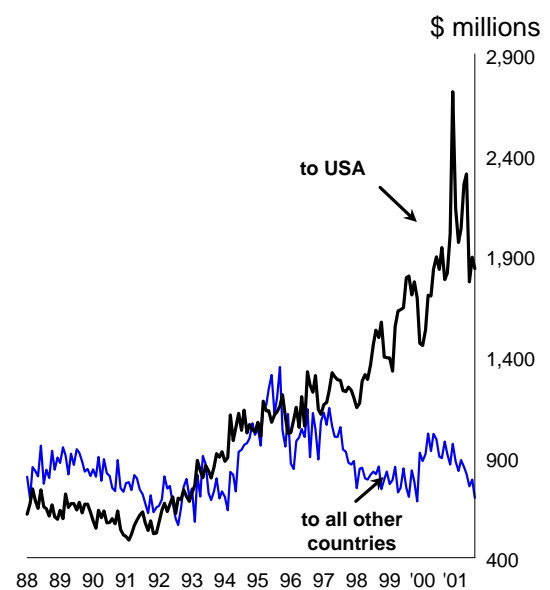
## Exports ♦ August 2001

- Exports in August 2001 were 10.6% lower than the same month in 2000; however, year-to-date the value of total BC exports still exceeds the January to August period of 2000 by 5.9%. These numbers reflect the period prior to the September 11<sup>th</sup> terrorist attacks in New York and Washington, which have likely resulted in a reduction in trade due to increased delays at the border and reduced demand for some products.
- Although the year-to-date value of electricity exports is still double that of the first eight months of 2000, prices for electricity have dropped substantially since the beginning of the year and are expected to drop further. Similarly, natural gas exports are up 138% year-to-date, but prices are falling for this commodity as well. In fact, the energy sector as a whole was down 30% in August 2001 compared to the same month in 2000. However, in the first eight months of 2001 the value of energy exports is still 80% higher compared to the same period last year.
- Exports of pulp and paper products are down substantially (-16.5%) and with the recent announcement of pulp mill closures in Powell River and Chetwynd, it is possible that these figures will deteriorate further.
- Machinery and equipment exports are down 3.2% year-to-date compared to the same period in 2000. The decline is due to an almost 25% drop in the

value of exports of motor vehicles and parts.

- The value of exports to the Pacific Rim (including Japan) is down almost 18% year-to-date compared to the same period in 2000 and exports to the European Union have fallen almost 8%. However, trade within the Americas has risen substantially over the same period. BC exports to the United States are 17% higher year-to-date and exports to Mexico have climbed almost 50%. The value of exports to South America (+37%) and Central American and the Caribbean (+44%) is significantly greater than the January to August period of 2000.

Falling prices for energy commodities  
have moderated export growth



## Thirst for Energy Powers British Columbia's Exports

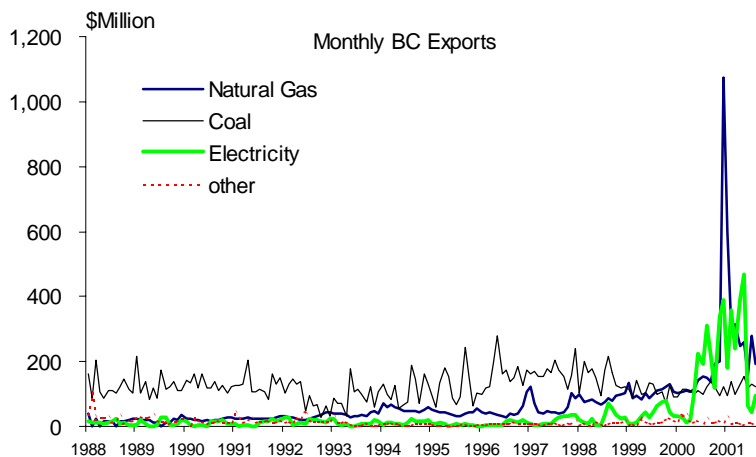
British Columbia's resource industries have suffered several setbacks in recent years, which have affected international trade. Low fish stocks have led to restrictions on where, when and how much one can fish, which have resulted in a reduction in the supply of fish available for export. Falling prices for metals and coal have affected the mining industry leading to the closure of some mines and consequently a decline in the amount of production. In the forest sector, low prices and trade disputes with the United States have resulted in falling production and reduced trade. Despite these woes, British Columbia's international export trade continues to expand. A large part of the reason for this is the American thirst for energy resources and British Columbia's abundance of the same.

*Energy exports have mitigated the decline in exports of other resource products*

### Current events

High demand, a tight supply and subsequent soaring prices for natural gas and electricity have been driving the overall increase in the value of BC exports in recent months. The exceptional performance of the energy sector has helped mask the deteriorating fortunes of the forest sector and has been the main reason for the improved export figures compared to last year. However, it appears that natural gas and electricity prices have hit their peak and are beginning to decline, which will affect the value of BC exports in the second half of 2001.

### The value of BC energy exports are starting to come back down to earth after reaching new heights



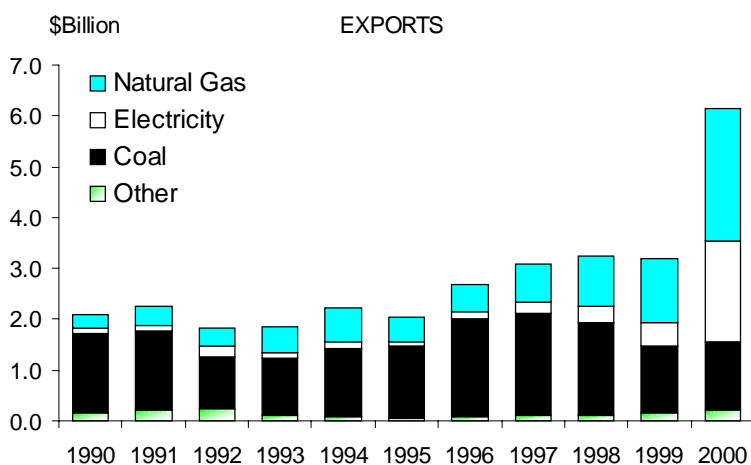
*Soaring prices for natural gas and electricity drove the value of exports of those commodities to new levels in late 2000 and early 2001*

Much of the inflation in natural gas and electricity prices was due to energy shortages in the United States, particularly in California. The crisis seems to have abated due to a combination of conservation measures, mild temperatures and other energy producers coming on line.<sup>1</sup>

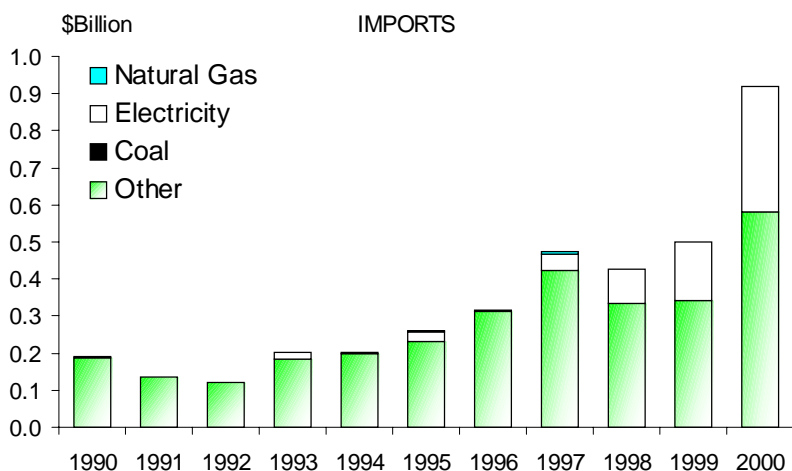
<sup>1</sup> For a more detailed discussion of trade in electricity, see the article *Buy Low, Sell High: Trade in Electricity* in the May 2001 issue of **Exports** (released July 2001).

## Historical trends

Coal was the most significant energy export from British Columbia until recently when it was supplanted by natural gas and electricity. Imports into British Columbia were mainly in the 'other' category, consisting mostly of petroleum products (both crude and refined). More recently imports of electricity have become significant. This is mostly due to BC Hydro's electricity trade subsidiary, Powerex, taking advantage of opportunities on the spot market by buying power during off-hours when the rates are low, then selling its own surplus power in the peak hours, when rates are higher.



*Until recently, coal has dominated energy exports from BC, while imports of energy have consisted mainly of petroleum products (in the 'other' category)*



As British Columbia's mix of energy exports changes, so too does the destination for those exports. The main recipient of coal from BC is Japan. With coal dominating BC energy exports through most of the nineties, Japan was the top destination for those exports for most of that period.

Due to the nature of electricity and natural gas and the system for delivery of those commodities, the United States has been virtually the sole destination for BC exports of these types of energy, as well as the sole origin for imports of these products into British Columbia. As demand for these commodities rose in the United States and prices escalated, they surpassed coal in terms of total value of exports. As a result, the United States has surpassed Japan as the most important destination for exports of energy from BC.

Globally, Canada was fourth in exports of energy products in 1999, making up about 5% of the world market. British Columbia contributed only 10.6% of Canada's overall energy exports, but was responsible for 68.5% of all coal exports from Canada and 23.8% of all Canadian electricity exports.

### Top 5 Exporters of Energy in 1999 (\$US Billions)

Rank	Exporter Country	Exports	Percent of Total
1	Former USSR	42.2	9.9
2	Saudi Arabia	41.7	9.8
3	Norway	23.7	5.6
4	Canada	21.4	5.0
5	Nigeria	21.0	4.9
TOTAL		426.9	100

*Canada is among the world leaders in exports of energy commodities, ranking fourth*

In terms of imports, Canada ranked fifteenth in the world, importing 1.7% of energy products traded in 1999. The United States was by far the most significant importer of energy, taking in almost a fifth of the world's energy exports. Japan (10.5%) and Germany (6.4%), also highly industrialised countries, ranked second and third in imports of energy products.

### Top 5 Importers of Energy in 1999 (\$US Billions)

Rank	Importer Country	Imports	Percent of Total
1	United States	80.0	18.7
2	Japan	45.0	10.5
3	Germany	27.3	6.4
4	Korea RP	21.2	5.0
5	France	20.8	4.9
...			
15	Canada	7.4	1.7
TOTAL		426.9	100

*The United States is responsible for almost a fifth of all international imports of energy products*

In 1999, Canada was the number one source of energy for the United States, responsible for 22% of American imports of energy products. Venezuela was second at just over 12% of total American energy imports. Since then the price of electricity and natural gas has increased substantially, which probably means that Canada's share of the value of American energy imports has also increased. In 1999, Canada supplied 99.9% of electricity imported by the United States, and 93.7% of American imports of natural gas.

*Canada supplied 22% of all American imports of energy products in 1999*

Canadian trade in energy with Japan is nowhere near as significant as that with the United States, but Canada was the source of 1.6% of Japanese imports of energy products, ranking thirteenth just behind the United States (1.9%). The United Arab Emirates (19.2%) and Saudi Arabia (17.9%) were the main sources of energy for Japan. Unlike Canada and the United States, Japan has very little domestic oil supply, which explains its greater dependence on these oil-rich countries for energy. However, Canada is a significant supplier of coal to Japan, ranking second behind Australia (57.3%) in 1999, with 14.8% of Japan's coal imports originating in Canada. British Columbia is the source of the majority (68.1%) of Canadian coal shipped to Japan.

### **Future possibilities**

Given the Americans' thirst for power and the United States limited ability to meet its own demand, it is likely that trade in energy will continue to be a significant contributor to British Columbia's trade picture. President George Bush has made it clear that the United States will be looking to Canada as a source of power. British Columbia is well positioned to take advantage of American demand, assuming, of course, that the low snow packs experienced last winter do not reoccur. The occasional low water level excepted, BC normally has a surplus of hydroelectric power available for trade. The flexibility of hydroelectricity allows BC to be a major player in the power market. Also, there are significant reserves of natural gas in British Columbia's Northeast.

The current crisis involving the war against terrorism has increased the demand for more local sources of energy, particularly oil. There is a desire, particularly on the part of the Americans, to move away from OPEC sources to satisfy the demand for oil. As a result, the United States is seriously considering allowing drilling in the Arctic National Wildlife Refuge in Alaska, despite the outcry of environmentalists. In British Columbia, there are similar pressures to develop the offshore oil and gas reserves near the Queen Charlotte Islands, estimated to be worth \$95 billion. Presently there are both federal and provincial moratoriums against such development, but the current political and economic climate may sway both levels of government to re-examine their respective positions.

*The demand for local sources of oil is putting pressure on governments to allow drilling in environmentally sensitive areas*

In Alaska, the Americans are pointing to the experience in Prudhoe Bay as proof that oil development and nature can co-exist. In British Columbia, those interested in developing the offshore reserves point to the projects off Newfoundland and Nova Scotia as examples where state-of-the-art technology has been used to enable offshore drilling with minimal environmental risks. Opponents of offshore development suggest that the risks are too high and would further endanger an already fragile fish population. There are also issues surrounding claims by First Nations that would have to be settled prior to any oil drilling activity.

Despite the objections and the hurdles to overcome, it appears that the pressures of increasing demand for oil and the toxic political climate in the Middle East is pushing the development of the resources in these environmentally sensitive areas closer to fruition. Whether the drive by environmentalists for greater conservation efforts and preservation of these sensitive areas will win out over the increasing demand for oil remains to be seen. At any rate, it is likely that energy commodities will be a crucial part of British Columbia's trade picture for many years to come.

**Recent Feature Articles In British Columbia Origin Exports Release  
Listed By Statistical Reference Date of Issue**

<b>01-07</b>	<i>International Trade in High Technology Goods and Services (released September 2001)</i>	<b>00-02</b>	<i>United States Continues Substantial Log Exports In 1999 (released April 00)</i>
<b>01-06</b>	<i>Interprovincial and International Trade in Goods and Services (released August 2001)</i>	<b>00-01</b>	<i>B.C. Goods Export Growth Among Lowest In Canada During 1990s (released Mar 00)</i>
<b>01-05</b>	<i>Buy Low, Sell High: Trade in Electricity (released July 2001)</i>	<b>99-12</b>	<i>British Columbia Trade Becoming More Continental Than Global (released Feb 00)</i>
<b>01-04</b>	<i>Attack of the Canadian Tomatoes (released June 2001)</i>	<b>99-11</b>	<i>Growing Cross Border Trade In Agricultural Food Products (released Jan 00)</i>
<b>01-03</b>	<i>The Softwood Lumber Dispute (released May 2001)</i>	<b>99-10</b>	<i>Trade Imbalances Growing Within NAFTA (released Dec 99)</i>
<b>01-02</b>	<i>(no article)</i>	<b>99-09</b>	<i>B.C. Exports Recovering In Some Asian Markets, Still Declining In Others (released Nov 99)</i>
<b>01-01</b>	<i>(no article)</i>	<b>99-08</b>	<i>British Columbia Exports to United States Move Increasingly By Truck (released Oct 99)</i>
<b>00-12</b>	<i>(no article)</i>	<b>99-07</b>	<i>Export Changes During 1990s Reduce Resource Dependency (released Sep 99)</i>
<b>00-11</b>	<i>After Much Economic Diversification, B.C. Exports Are Still Mainly Resource Based (released Jan. 00)</i>	<b>99-06</b>	<i>British Columbia Losing Dominant Position In World Lumber Markets (released Sep 99)</i>
<b>00-10</b>	<i>Ambitious Western Hemisphere Trade Agreement Could Help Shape Canadian Trade In the New Decade (released Dec. 00)</i>	<b>99-05</b>	<i>September Team Canada Mission To Visit Japan and Australia (released Jul 99)</i>
<b>00-09</b>	<i>Trade Growth Tied To Transportation Infrastructure (released Dec. 00)</i>	<b>99-04</b>	<i>New Export Industries Depend Heavily On Air Freight Services (released Jul 99)</i>
<b>00-08</b>	<i>Some Familiar Patterns Developing In Trade Between China and British Columbia (released Nov. 00)</i>	<b>99-03</b>	<i>United States Log Exports (released May 99)</i>
<b>00-07</b>	<i>International Trade In Services Produces B.C.'s Only Trade Surplus (released Oct. 00)</i>	<b>99-02</b>	<i>British Columbia Losing Ground In United States Lumber Market (released Apr 99)</i>
<b>00-06</b>	<i>Value Added Wood Exports Grow Fast In B.C., But Faster In Rest of Canada (released Aug. 00)</i>	<b>99-01</b>	<i>British Columbia Export Reliance On U.S. Market Highest Since Early 1960s (released Mar 99)</i>
<b>00-05</b>	<i>What Has Free Trade Meant For B.C.'s International Trade? (released July 00)</i>	<b>98-12</b>	<i>(no article)</i>
<b>00-04</b>	<i>British Columbia Shipping Smaller Portion of Canadian Forestry Products (released June 00)</i>	<b>98-11</b>	<i>Diversification of Export Mix Accelerates In 1998 (released Jan 99)</i>
<b>00-03</b>	<i>1990s Brought New Markets and New Products For B.C. Exports (released June 00)</i>		

## NOTES

### Countries Included Within World Regions:

**(1) Western Europe:** United Kingdom, Ireland, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.

**(2) Eastern Europe:** other Europe, including all of Russia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, etc.

**(3) South East Asia:** Malaysia, Brunei Darussalam, Singapore, Myanmar, Kampuchea, Laos, Indonesia, Philippines, Thailand, Vietnam.

**(4) Africa:** continental Africa, excluding Ethiopia, Libya, Somalia, Sudan, Egypt.

**(5) South America:** continental South America from Colombia and Venezuela south to Chile and Argentina, including offshore islands, but not Caribbean.

**(6) Central America and Caribbean:** from Guatemala and Belize to Panama, plus Caribbean Islands.

**(7) Pacific Rim (including Japan):** Japan, Hong Kong, Malaysia, Brunei Darussalam, Singapore, Laos, Mongolia, China, Indonesia, North Korea, South Korea, Philippines, Macau, Taiwan, Thailand, Vietnam, Australia, Fiji, New Zealand.

**(8) Pacific Rim:** as above, but excluding Japan.

**(9) Middle East:** from Turkey and Iran south through the Arabian Peninsula. Excluding Afghanistan and Pakistan, but including Cyprus, Ethiopia, Egypt, Somalia, Sudan and Libya.

'Selected Value-added Wood Products' category includes prefabricated houses, doors, windows, furniture, moulding, siding, etc. It does not include panel products, shakes, shingles or any pulp and paper products.

### Service Offered for Detailed Trade Statistics

For B.C. government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

#### Dan Schrier - Trade Statistics

##### BC STATS

553 Superior Street, Victoria, B.C. V8V 1X4

(250) 387-0376

This service is provided through the Trade Research and Inquiry Package (TRIP) computer reporting system. TRIP offers user-defined tabulations of export or import statistics for British Columbia, Canada, the United States and other countries. Tabulations can include information on commodities, countries, U.S. states, years, months, mode of transport, etc.