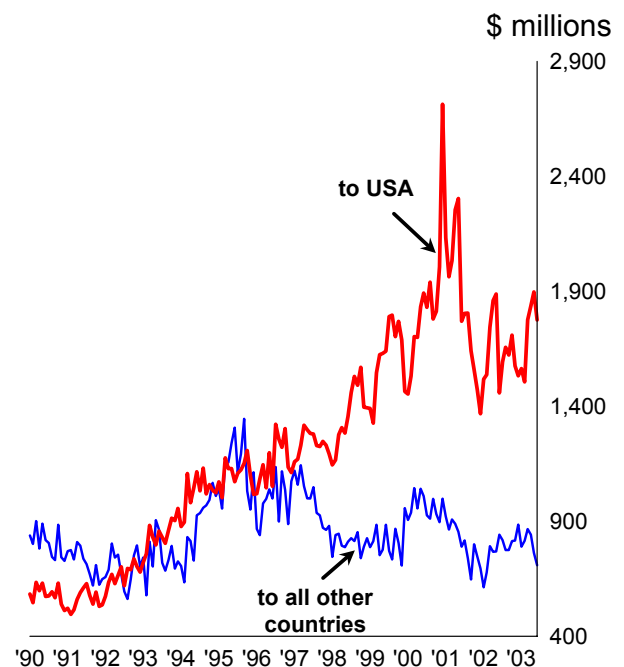


Exports ♦ June 2003

- Over the first half of 2003, the value of BC origin exports increased 5% over that of the first six months of 2002. As has been the case all year, high prices in the energy sector are driving the growth. The value of BC origin natural gas exports is up 171% from the first half of 2002, while the value of electricity transmissions is almost double.
- The combination of a higher valued Canadian dollar and the softwood lumber dispute continues to affect the value of lumber exports. So far, year-to-date, exports of softwood lumber to the United States are down 34% compared to the first six months of 2002. Elsewhere in the forest sector, the value of pulp exports was virtually unchanged from the January to June period last year, while newsprint exports fell almost 12%. The falling value of newsprint exports is due to declining prices for the commodity. The implicit price of newsprint exports (i.e., the value divided by the quantity) is at its lowest point since October 1994; however, quantities of newsprint shipped are up 9% year-to-date.
- Machinery and equipment exports are 8% lower than in the first half of 2002. The closure of the Western Star Trucks assembly plant last fall is the main reason for the decline as reflected in exports of motor vehicles and parts, which have dropped 44%.
- The value of exports to most of British Columbia's major markets increased over the first half of the year compared to the same period a year earlier. Energy exports helped boost the overall value of exports to the United States (+3%) and shipments to Japan (+4%) were also up. Shipments to the rest of the Pacific Rim (excluding Japan) jumped 16% due to strong growth in exports to China (+16%), South Korea (+13%) and Taiwan (+59%). The value of exports to the European Union edged up marginally (+0.4%) over the first half of the year despite a 14% drop in shipments to the United Kingdom.

Exports to the USA stay strong due to high prices for energy products



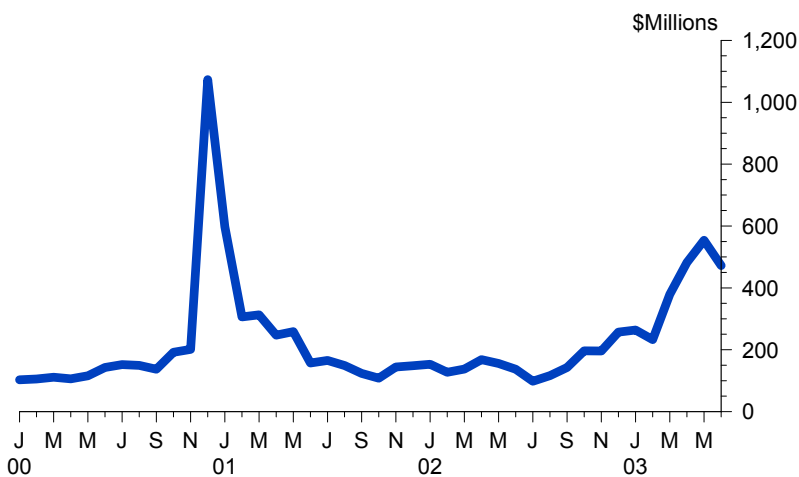
Natural Gas Heats Up British Columbia's Exports

High demand combined with a tight supply has sent the price of natural gas soaring, which is good news for British Columbia's natural gas producers. Corresponding to the price jump, the value of natural gas exports from BC has rocketed up as well, such that in the first half of 2003, the value of international shipments of natural gas was more than two and a half times that of the same period in 2002. While this most recent price inflation has a way to go before reaching the peak set in late 2000—early 2001, it appears that the higher prices may be sustained for a much longer period of time.

Soaring natural gas exports are the main reason for growth in exports so far in 2003

When natural gas prices shot up two years ago, it was mainly in response to the California energy crisis. This time around the circumstances are much different. This last winter in North America was much colder than usual, which resulted in greater than normal depletion of stored natural gas. As a result, storage levels are lower than normal and it is taking much longer than usual for them to recover to preferred levels. In addition to this short-term challenge, there is also a growing long-term problem with supply. Demand has been expanding much faster than supply and there are indications that this may continue over the longer term. If this happens, higher prices may prevail for several years until pipelines connecting new sources in the Northwest Territories and Alaska to the rest of Canada and the United States come on-line.

The value of exports of natural gas from BC is climbing once again



Although well below the peak set in December 2000, high values of natural gas exports are being sustained for a much longer period this time around

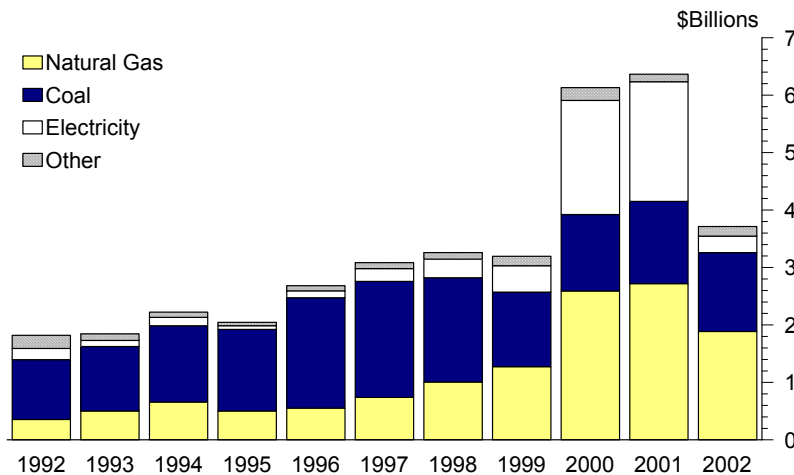
In British Columbia, virtually all natural gas production occurs in the northeast region of the province. According to the BC Ministry of Energy and Mines, 2002 was a record year for natural gas production in this province and growth is expected to continue. Of

total natural gas production in BC in 2002 (including field losses), about 64% was exported to the United States.¹ Natural gas exports have grown to such an extent recently that in the first half of 2003 the value of these international shipments from BC has rivalled that of softwood lumber exports, amounting to about 90% of the value of BC's largest export. If prices remain high throughout the year and the softwood lumber dispute continues to dampen the value of lumber exports, it is conceivable that natural gas will surpass softwood lumber as BC's most significant export in 2003. In terms of provincial government revenues from natural resources, natural gas together with oil revenues exceeded revenues from the forest sector for the first time in fiscal year 2000/01 and repeated that distinction in 2001/02.² The provincial government forecasts that in 2003/04, the revenue from natural gas alone will exceed that of the forest sector.

Year-to-date, the value of natural gas exports from BC has been about 90% that of international shipments of BC-produced softwood lumber

It is clear from these numbers that natural gas has evolved into an important export product for British Columbia. So far in 2003, the strong growth in the value of exports of natural gas has been responsible for most of the increase in total BC origin exports, more than compensating for the decline in solid wood exports. Over the last decade, natural gas has increased its share of total BC energy exports from 20% in 1992 to 51% in 2002. Electricity exports also experienced substantial growth in both value and share in 2000 and 2001, but more recently, low snow packs have reduced supply leaving very little excess power available for export.

Natural gas has grown to become BC's most important energy export



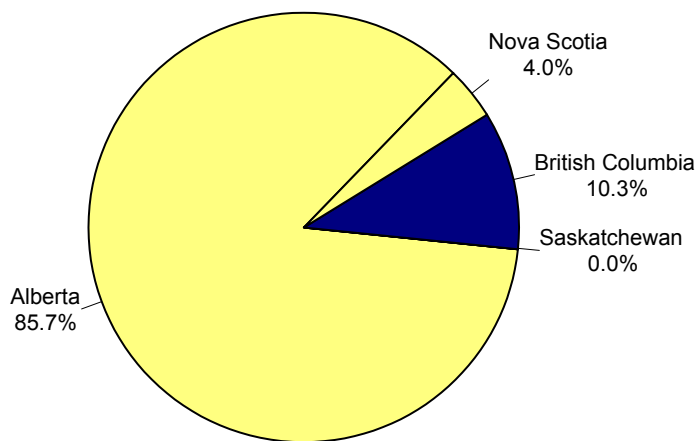
Natural gas comprised over half of BC's energy exports in 2002

¹ Source: BC Ministry of Energy and Mines, *Drilling and Production Statistics 1992-2002 (calendar years)*. The percentage is calculated by taking 20.8 billion m³ in gas exported and dividing by total BC gas production of 32.4 billion m³ (imports are excluded from the equation).

² Source: Government of British Columbia, *Budget 2003*, Table A8.

Despite the fact that production of natural gas in British Columbia has increased by about 85% in the last decade,³ BC origin exports of the commodity are still only a fraction of the value of natural gas exports from Alberta. In 2002, BC was the source of just over 10% of Canada's total natural gas exports, while Alberta was the origin of approximately 86%. Nova Scotia (4%) and Saskatchewan (0.01%) were the only other provinces to export natural gas. This compares to 1992, when Alberta was the source of 92% of Canada's natural gas exports and BC shipped the remainder.

The value of British Columbia's natural gas exports in 2002 is still dwarfed by exports from Alberta



BC's natural gas exports are still only a fraction of the value of Alberta's

While British Columbia will probably never become Canada's premier source of natural gas, it has certainly evolved into a significant supplier. As long as demand remains high, natural gas should continue to be a lucrative commodity for British Columbia. Prices of natural gas will probably remain inflated for some time until new pipelines are built, which implies that natural gas will be one of the most significant exports for BC for years to come.

³ Source: BC Ministry of Energy and Mines.

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

03-06	<i>Natural Gas Heats Up British Columbia's Exports</i> (released August 2003)	02-03	<i>Chile Warms Up to Trade With Canada</i> (released May 2002)
03-05	<i>Value Added Wood Production in BC Lagging Rest of Canada</i> (released July 2003)	02-02	<i>The Threat of American Protectionism</i> (released April 2002)
03-04	<i>Exports and the Rising Dollar</i> (released June 2003)	02-01	<i>Canada Seeks to Increase Trade With India</i> (released March 2002)
03-03	<i>Canada Talks Trade With Turkey</i> (released May 2003)	01-12	<i>Is "Runaway" Film Production in Canada Harming the U.S. Industry?</i> (released February 2002)
03-02	<i>Rising Log Exports Fuel Controversy</i> (released April 2003)	01-11	<i>Team Canada Scouts Russia and Germany for New Trade Ties</i> (released January 2002)
03-01	<i>Review and Outlook for BC Exports</i> (released March 2003)	01-10	<i>Exploring China as a Market for BC's Wood Products</i> (released December 2001)
02-12	<i>Team Canada Returns to Europe</i> (released February 2003)	01-09	<i>Is Trade Threatened by Security?</i> (released November 2001)
02-11	<i>Canada Courts the European Union for Freer Trade</i> (released January 2003)	01-08	<i>Thirst for Energy Powers British Columbia's Exports</i> (released October 2001)
02-10	<i>Lumber Battle Takes an Unexpected Turn</i> (released December 2002)	01-07	<i>International Trade in High Technology Goods and Services</i> (released September 2001)
02-09	<i>Canada Looking to Shed Light on Trade With the Dark Continent</i> (released November 2002)	01-06	<i>Interprovincial and International Trade in Goods and Services</i> (released August 2001)
02-08	<i>Canada's Share of US Softwood Lumber Market Slipping</i> (released October 2002)	01-05	<i>Buy Low, Sell High: Trade in Electricity</i> (released July 2001)
02-07	<i>FTAA: Free Trade for the Western Hemisphere?</i> (released September 2002)	01-04	<i>Attack of the Canadian Tomatoes</i> (released June 2001)
02-06	<i>The Changing Face of BC Exports</i> (released August 2002)	01-03	<i>The Softwood Lumber Dispute</i> (released May 2001)
02-05	<i>Japan's Economic Woes Translate to Reduced Trade for BC</i> (released July 2002)	01-02	(no article)
02-04	<i>Team Canada Promotes Trade With Mexico</i> (released June 2002)	01-01	(no article)
		00-12	(no article)

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.

Revisions

Statistics Canada revises trade data for the previous three data years with release of the December data. The revision number is indicated in the footer of the tables (e.g., Rev 1 is the first annual revision, etc., and Prelim indicates it is the first release of data to December for that year). In addition to annual revisions, Statistics Canada revises the data for the previous data year every quarter (indicated in the footer by Rev Q1, etc).

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**

P.O. Box 9410 Stn Prov Govt

Victoria, B.C.

V8W 9V1

(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.