Canada’s Evolving Role as a Global Energy Superpower

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Key Takeaways

- The Trans Mountain Expansion is the country's largest infrastructure investment since the railways.
- Canada's oil was historically landlocked; the pipeline opens new global market access.
- Near-term pipeline expansions are projected, and a new pipeline is being discussed.
- Energy policy is clear and investment in Canadian resources signals growth.

For years, Canada sat on one of the world's largest oil reserves and watched tens of billions of dollars in value erode through constrained export capacity. Thankfully, that era is ending. The Trans Mountain Expansion (TMX) pipeline is now operational and the ambitions behind it are growing rapidly. This oil pipeline is Canada's most consequential infrastructure investment since the railways.

With throughput already running near full capacity and expansion plans targeting 1.2 million barrels of oil equivalent per day (Mboed), Canada is signaling something more than pipeline growth. It is signaling a fundamental shift in how the country positions itself in the global energy order. But with controversy between the Federal Government and First Nations communities, what does the pipeline mean for the Canadian economy and Canadian equity investors?

What makes TMX distinct from typical infrastructure is its explicit designation as a sovereign asset. Acquired by the federal government in 2018, TMX is now the crown jewel of the Canada Development Investment Corporation, which oversees approximately $75 billion in assets at the intersection of public policy and private-sector execution. Although there has been speculation from some investors, there are no plans to privatize the TMX pipeline in the near term. It is strategically significant for the federal government as it focuses on expansion, not the ownership structure.

The TMX pipeline is creating long-term value for the Canadian economy

The economic case for TMX is empirical, not theoretical. For 15 years prior to the TMX, constrained export egress cost Canada an estimated $50 billion in lost value through widened price differentials, specifically oil that comes from oil sands also known as heavy oil. Since beginning operations, the pipeline has already generated approximately $13 billion in value—and it is not even operating at full potential yet.

The TMX pipeline creates new opportunities for Canadian oil exports. Prior to the pipeline, Canadian oil was landlocked from the world's fastest-growing energy consumers. TMX permanently changed that and created new market access.

Today, TMX moves approximately 850,000 barrels per day (kboed), running at 95.5% capacity-with Washington State taking 250 kboed, British Columbia refining 100 kboed locally, and the balance flowing to Asian markets. And it is bringing a financial influx into the Canadian economy.

In its most recent period, TMX returned approximately $1.7 billion to the federal government ($1 billion in dividends and $700 million in interest). By 2029, dividends are projected to reach approximately $2 billion annually.

Canada is investing in a global oil marketplace

The geopolitical logic of Canadian oil exports has strengthened significantly. Middle East instability — particularly around Iran — has accelerated conversations with Asian buyers about supply diversification. The question from Asian energy customers is no longer whether they want Canadian oil, but how fast Canada can scale supply and the durability of production.

The answer on durability is increasingly clear: a sovereign pipeline owned by the federal government, with strong political support for expansion, offers exactly the supply security that Asian refiners and petrochemical producers are looking for. The Rongsheng facility in China produces 800 kboed and has a petrochemicals back-end twice the size of any comparable facility globally. This illustrates the scale of demand Canada is trying to supply.

Geography is an underappreciated advantage. Canadian crude oil reaches Asian ports faster than Middle Eastern or Latin American alternatives. It reduces shipping costs and reinforces the economics of long-term supply agreements between Canada and global energy consumers.

What is next for TMX and Canadian oil exports

With the positive economic impact from TMX, energy sector leaders and the Canadian federal government are having serious discussion regarding the construction of an entirely new export pipeline. More good news for the Canadian economy, is the next phase of value creation from the pipeline is already in motion. TMX is targeting an approximate 30% throughput growth with a Drag Reducing Agent and mainline optimization. This could increase the output from 890 kboed to approximately 1.2 Mboed. This capacity increase requires only 30 kilometers of new pipeline construction in British Columbia.

In Q1 2026 earnings calls, multiple Canadian oil producers explicitly cited the need for additional west coast export infrastructure. Canada Development Investment Corporation has a mandate to execute on policy-driven investment opportunities — and is well positioned to catalyze or partner on a new pipeline project.

For investors, the implications of a second major pipeline are profound. Canadian oil would no longer need to be as discounted, because it will help expand global market access. Canadian oil export growth would gain a durable, long-duration tailwind. Leading Canadian energy corporations that produce heavy oil such as Suncor, Tamarack Valley, Headwater Exploration, International Petroleum and Gibson Energy are already seeing growth. These are all names we currently own within some of our Canadian Equities investment strategies.

One major constraint on the construction of a second pipeline in British Columbia is consent from First Nations communities. John Goldsmith, Head of Canadian Equities at Montrusco Bolton Investments Inc. says, “to get super bullish on Canadian national building projects, we need three things: Canadian Federal Project Office streamlining initiatives, a Final Investment Decision and First Nations consent.” The initiative has been streamlined. However, a Final Investment Decision has not been made and will undoubtedly be contingent on First Nations consent.

As a government-owned entity, TMX navigates Indigenous partnership obligations, regulatory frameworks, and geopolitical relationships in ways that private operators cannot. There are currently 127 Indigenous nation territories that interest with the pipeline and 81 mutual benefit agreements were negotiated during construction.

The Coastal First Nations released a statement of non-support for a pipeline within British Columbia. The group confirmed they will never allow a pipeline and oil tankers route to the North Coast of B.C. because it puts their way of life at risk.

Needless to say, the federal government has some negotiating to do before a second pipeline comes to fruition. Goldsmith confirms “we are not taking any explicit or implicit bets on this pipeline being built in our Canadian Equity investment strategies.”

How do Canadian equity investors benefit from the energy sector expansion

For investors with exposure to Canadian energy, the structural picture is clear as several factors contribute to long-term growth.

Infrastructure benefits from expanding throughput, volume-based fee structures and the elimination of privatization overhang. TMX’s sovereign status removes speculative positioning from the equation and allows operators like Pembina and Gibson Energy to be evaluated on their own fundamentals.

Oil producers stand to benefit directly from sustained differential compression. The spread between Western Canadian Select and West Texas Intermediate (WTI) has already narrowed materially. Additional infrastructure would structurally lock in that improvement.

Indigenous economic participation, while currently secondary to the expansion program, represents a long-term growth catalyst. The Canada Indigenous Loan Guarantee Corporation is capitalized and active. As expansion milestones are achieved, equity participation from Indigenous communities will add both political durability and incremental capital to the sector.

Energy policy is clear, and investment in Canadian resources should also be

Canada’s energy story is not simply about oil. It is about a country deciding that resource wealth is a foundation for long-term prosperity and global relevance.

Canada is building infrastructure, expanding production and cultivating relationships with Asian energy consumers. This clarity of purpose from the federal government is a signal worth taking seriously when investing in Canadian resources.

ABOUT THE AUTHOR

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John Goldsmith brings over 25 years of experience in North American equity markets. John is Head of Canadian Equities at Montrusco Bolton Investments Inc. and is the Lead Portfolio Manager for the benchmark aware Canadian Small Cap Fund and dividend strategies. He joined the firm in April 2004 as a Senior Equity Analyst, covering the natural resources, telecom and health care sectors. John became a portfolio manager in April 2009.

Prior to joining the firm, John worked as a financial analyst at CN Pension Fund. He also worked for CIBC and RBC Dominion Securities. John has an MBA specialized in Finance from McGill University and holds the Chartered Financial Analyst (CFA) and Chartered Business Valuator (CBV) designations. John has also obtained the Chartered Investment Manager (CIM) and Fellow of the Canadian Securities Institute (FCSI) designations as well as the CFA Institute Sustainable Investing Certificate.

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