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From: Dmitriy Frolovskiy
To: Major Project Watchers
Re: CANADA'S ENERGY STRATEGY MUST LOOK BEYOND CURRENT MARKET DISRUPTION

Canada can't replace oil or gas volumes lost through the current disruption in the Strait of Hormuz now, or ever.

Canadian supply is not large enough, cannot expand fast enough, and is not geographically positioned to fully offset an interruption in Gulf flows.

What it can do is prepare for next time and better position the country for reducing the geopolitical uncertainty other importers face in trade. Canada can reduce the cost of future shocks by ensuring that more of its energy reaches more than one market. This is the resilience case. And for an export-driven country as Canada, it is also a matter of economic security.

The United States remains the base of our national energy calculus. Canada's oil and gas system is overwhelmingly tied to the continental market, and that integration is the commercial platform from which any credible diversification strategy must begin. Nothing in what follows argues for weakening North American energy trade or for imagining that Canadian volumes already going south can be materially redirected. The argument is about the margin: incremental Canadian supply reaching non-US buyers as commercial and strategic conditions justify it.

On the geographic question, Asia should likely come first, Europe second. Japan imported 65.9 metric tonnes of LNG in 2024, China 76.7 mt, South Korea 46.3 mt, and Taiwan 20.1 mt, while South Korea still sourced 61 percent of its oil imports through Hormuz, so Asia needs Canadian energy for scale, diversification, and security.

The European Union matters too, but Atlantic LNG projects would take years to build and would do nothing for the present crisis. The Atlantic case, in effect, is medium-term while the Pacific case is immediate, and collapsing the two under one heading of strategic exports obscures the choice Ottawa actually faces.

There is another problem, however. The next challenge may turn out to be competition rather than scarcity.

As the current crisis fades, and constrained suppliers such as Iran or Venezuela return more fully to the market, or OPEC restrictions wither away, Canada could face a looser market, more discounted barrels, and sharper pressure on its export position.

In such a scenario, diversification becomes not only an insurance against disruption but also a competitiveness requirement.

This is where Ottawa's case still falls short. Ottawa has no shortage of offices, funds, frameworks, and announcements. What it still lacks is the discipline to say which projects matter first.

Which projects would change Canada's export position soonest? And which would deepen access to markets Canada does not already serve, with the Indigenous partnerships, financing, permits, and construction logic to actually finish?

Too much of the debate still assumes that all projects are equally urgent and that all delays carry the same strategic cost, which is an absence of prioritization more than a strategy. Some projects materially expand Canada's export flexibility within three to five years; others do not.

Thus, projects should be ranked by two main tests: time-to-export, including deliverability, and diversification value. The first asks how quickly and effectively a project can be completed. The second asks whether it opens or deepens access to a non-US outlet. By that standard, a brownfield expansion, compressor addition, storage upgrade or electricity intertie that can add usable capacity within three to five years may be more strategically valuable than a larger project trapped in political debates.

Canada does not need another generic list of "nation-building" projects. It needs a short list of what can move energy to new markets fastest.

Indigenous partnership belongs at the front of the process rather than as a procedural box near its end. Projects with early rights-holder engagement, credible benefit-sharing, community capacity, and possible Indigenous equity participation are more legitimate and likely to move forward.

Environmental credibility cuts the same way. What Ottawa needs is a way to separate projects that can meet real market and regulatory tests from those that simply restart political debates.

In effect, two consequences follow. Project review should sit downstream of strategic ranking, not precede it; Ottawa should identify which projects justify compressed timelines and which do not. Public finance should run on the same logic. They should be reserved for projects with a defined export market and measurable diversification value.

Overall, Canada cannot offset a Gulf shock. It can, however, help reduce the geopolitical risk many energy importers now recognize, and it can decide before the next shock which projects would actually change its export position and which would merely consume time.

Therefore, the test of Canadian energy policy is whether it can decide what matters first and execute, not whether it can sound grand in times of disruption.

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