

WEBVTT

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<v SPEAKER\_1>Hello, everyone, and welcome to Energy Security Cubed, one of the world's foremost energy security podcasts presented by the CGAI, or Canadian Global Affairs Institute.

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<v SPEAKER\_1>I'm Kelly Ogle, Managing Director here at CGAI.

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<v SPEAKER\_2>And I'm Joe Calnan, Vice President of Energy and Calgary Operations at the Canadian Global Affairs Institute.

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<v SPEAKER\_1>For today's interview recorded October 8th, 2025, we dig into how recent events have shifted the commodity trading world and the growing role that Canada plays in the international commodities markets.

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<v SPEAKER\_2>With us to discuss this is Lukas Albrecht.

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<v SPEAKER\_2>Lukas is the Head of Canadian Crude Oil Trading at Trafigura, one of the world's largest commodity trading companies.

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<v SPEAKER\_2>Lukas is also Chair of the World Petroleum Council.

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<v SPEAKER\_2>We hosted Lukas for an episode in July last year, and that was a fantastic and far-reaching conversation about global economics, geopolitics and commodities in light of the opening of the Trans Mountain Pipeline.

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<v SPEAKER\_2>We will get a little bit into the Trans Mountain Pipeline again here.

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<v SPEAKER\_2>So, we are really looking forward to this.

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<v SPEAKER\_1>Yeah, a lot of oil has gone through that line since then, and we will talk about that.

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<v SPEAKER\_1>Delighted to have you on the podcast again, Lukas.

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<v SPEAKER\_3>Great, yeah.

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<v SPEAKER\_3>Thank you guys.

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<v SPEAKER\_3>Happy to be back and talking about the fascinating world of commodities.

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<v SPEAKER\_1>Before we dig deep, let's have the listeners get a quick overview and refresher on who Trafigura is.

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<v SPEAKER\_1>What sort of business it is, and what's your role there, Lukas?

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<v SPEAKER\_3>Yeah, no, I'll give you my PR pitch again here.

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<v SPEAKER\_3>You guys already mentioned Trafigura is one of the largest commodity merchants in the world.

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<v SPEAKER\_3>Specifically, I guess you could characterize Trafigura as a logistical company.

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<v SPEAKER\_3>We connect vital resources into virtually all parts of the world.

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<v SPEAKER\_3>We own and operate the largest fleet of vessels, which was a successful strategic decision.

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<v SPEAKER\_3>The company took on over the last five years or longer given Trafigura competitive edge.

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<v SPEAKER\_3>To deep dive into the portfolio, it spans across metals, minerals, oils, petroleum products, gas, power.

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<v SPEAKER\_3>We have some renewable investments, low-carbon hydrogen, clean energy technologies.

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<v SPEAKER\_3>Then on the Canadian side, the scope and the scale is we do physical oil here.

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<v SPEAKER\_3>We move cargos into the global markets.

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<v SPEAKER\_3>We finance in the upstream sector.

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<v SPEAKER\_3>We've done close to a billion-dollar worth of deals in Alberta specifically.

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<v SPEAKER\_3>We've moved beyond oil over the last several years into products, LPGs, LNG, and most recently gas.

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<v SPEAKER\_3>We've done some LNG deals with New Vista and with Tourmaline last several months and last year.

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<v SPEAKER\_3>Then we are also the largest LNG exporter out of the US right now.

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<v SPEAKER\_3>In a very long way, this is the overview on the company right now.

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<v SPEAKER\_2>Yeah, fantastic.

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<v SPEAKER\_1>It gives a broad overview and an eye into all of the commodity world.

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<v SPEAKER\_1>It's fascinating.

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<v SPEAKER\_1>Trafigura is really a fascinating company.

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<v SPEAKER\_1>Glad to have you aboard here.

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<v SPEAKER\_2>Thank you, Kelly.

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<v SPEAKER\_3>Yeah.

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<v SPEAKER\_3>Maybe to add to it, we've had a very, I would say, strong performance last year.

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<v SPEAKER\_3>We moved close to 80 million barrels a day of oil every day.

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<v SPEAKER\_3>When you think about the scale of that operation with close to 400 vessels that we had our own operator lease, we generally touch almost every single commodity in almost every single country.

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<v SPEAKER\_3>So it is a complex logistical exercise every day.

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<v SPEAKER\_2>Yeah.

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<v SPEAKER\_2>Fantastic.

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<v SPEAKER\_2>Now, to get into the meat of things here, and we're not really in the business of oil price forecasting.

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<v SPEAKER\_2>We were joking earlier here that if anybody used our oil price forecast and they would have lost a lot of money in the last few months.

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<v SPEAKER\_2>But oil prices have come down significantly in the time since we last had you on the podcast, and that has significant implications for Canadian government revenues, for employment, and for all sorts of things, all sorts of implications for Canada.

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<v SPEAKER\_2>In July 2024, WTI oil prices were sitting in the high 70s.

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<v SPEAKER\_2>Today, they're in the low 60s.

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<v SPEAKER\_2>The IEA has repeatedly warned of a supply overhang as OPEC ramps up production.

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<v SPEAKER\_2>Related to this, Trafigura's head of oil, Ben Lucoch, recently said that the fair value of oil right now is probably in the mid 50s.

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<v SPEAKER\_2>So he said this a few weeks back.

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<v SPEAKER\_2>So, and by the time this is released, probably more than a month and a half.

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<v SPEAKER\_2>So you know, might have changed in the time since.

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<v SPEAKER\_2>But just just to get into kind of like what conceptually this means, what does Mr.

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<v SPEAKER\_2>Lucoch really mean when he says the quote unquote fair value of oil?

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<v SPEAKER\_3>Yes, excellent question.

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<v SPEAKER\_3>You know, let me let me maybe start with the obvious.

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<v SPEAKER\_3>Markets, you know, have been extremely dynamic and volatile, especially in the last 12 months.

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<v SPEAKER\_3>Obviously, we're coming out of a, you know, a very significant transition period after COVID and lots of geopolitical events that have sort of, you know, transpired through the market.

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<v SPEAKER\_3>And, and now you have this new, I would say policy stemming out of the new US administration as well, that's created a new complexity in the market as well.

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<v SPEAKER\_3>You know, if you, if you take a big step back and sort of look at some of the key fundamental indicators in the market, there's been a significant increase on both land and water stock levels of oil.

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<v SPEAKER\_3>That has been, you know, sort of a steady state sort of

increase over the last several months.

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<v SPEAKER\_3>You've had OPEC Plus that has accelerated their return of voluntary cuts beyond their original schedule, right?

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<v SPEAKER\_3>They basically come out and in a span of six months or so, they have basically brought back all the voluntary cuts that they brought into the market a few years ago and now they continue to increase their oil availability to the global market as well.

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<v SPEAKER\_3>So when you look at a Brent Dubai and WTI Pressing Centers, those have come off significantly but maybe not as much as we've seen, for example, in 2016, where we went all the way down to \$26 or so.

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<v SPEAKER\_3>So yeah, when you talk to sort of macro-strategists and oil analysts and you talk about 2026 balances, I think the general consensus is that the market is well supplied and oversupplied to an extent.

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<v SPEAKER\_3>So to your question about ban and fair value of oil, I think the general direction is lower.

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<v SPEAKER\_3>You know, how far lower?

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<v SPEAKER\_3>It really depends on a multitude of different assumptions.

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<v SPEAKER\_3>If you sort of assume that everything we know today sticks through the next 12 to 18 months, you know, more supply, less refining capacity, more OPEC intervention, it's sort of a perfect cocktail for lower prices, you probably can get lower from the levels that you're at today, where you're somewhere in the 60, 65 dollar range or so, and then you probably, you know, can come off, you know, a multitude of dollars into the 50s, maybe 40s, maybe low 60s.

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<v SPEAKER\_3>But then on the other hand, I think the market will have to face, continue to face this heightened geopolitical scrutiny and geopolitical risk, which brings risk premium into commodities, obviously.

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<v SPEAKER\_3>And so any increased sanctions on Russia, increased sanctions on Iran, will make the market feel shorter supply in a way where typical buyers of those barrels are unable to get them.

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<v SPEAKER\_3>So now they have to buy legitimate barrels in the market, and the risk premium rises from that point on.

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<v SPEAKER\_3>Any US administration intervention in terms of tariffs that has impact on freight or is inflationary in terms of the consumer and consumer demand will also create a floor on oil prices as well.

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<v SPEAKER\_3>So there's really no crystal ball where we could be going in terms of levels, but I think generally the market looks like it's ready to come out of this five-year cycle.

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<v SPEAKER\_3>We've obviously have been riding high margins and high oil price environment for several years now, and the supply is coming and the refining demand is not there.

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<v SPEAKER\_3>So in a very basic terms, at some point the supply will overwhelm the system when and for how long I think is up for debate.

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<v SPEAKER\_2>I think that's a big debate and I think you've answered pretty well my follow up question about what major factors are propping up global oil price.

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<v SPEAKER\_2>But if you'd like to sketch out any others.

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<v SPEAKER\_1>I have a question, Joe, that I think maybe Lukas can answer or can comment on.

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<v SPEAKER\_1>When you look at the demand side relative to, let's use the 100 million barrels per day of annualized production.

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<v SPEAKER\_1>The requirement of half a trillion dollars of capital yearly to maintain the decline, which is let's say 4 to 5% per year.

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<v SPEAKER\_1>So the market loses 5 million barrels a day of production

just based on declines.

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<v SPEAKER\_1>And so, Lukas, how does that factor into the work you folks do?

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<v SPEAKER\_1>Because I think that sometimes that's overlooked.

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<v SPEAKER\_3>Yeah, look, I mean, we just like everybody else, right?

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<v SPEAKER\_3>We look at decline curves, we try to understand and forecast, you know, what supply will do tomorrow and what it looks like in 5 to 10 years span.

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<v SPEAKER\_3>And we look at capex expenditure levels on regional level and a global level as well.

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<v SPEAKER\_3>You know, specifically to your question, Kelly, we don't think there, especially at the current price set, even with inflationary factors in place, if it's higher cost of steel, higher cost of sand for drilling, you know, piping, labor, you name it.

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<v SPEAKER\_3>I think companies are generally still doing well.

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<v SPEAKER\_3>You've seen market consolidation in the US specifically in the Permian, right?

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<v SPEAKER\_3>Where you consolidate it to the hands of a few.

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<v SPEAKER\_3>And that consolidation is actually somewhat economic.

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<v SPEAKER\_3>It allows these sort of super majors to integrate their assets, refining and production.

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<v SPEAKER\_3>And so they can run this closed loop system and then continue to develop resources.

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<v SPEAKER\_3>And I think that's visible.

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<v SPEAKER\_3>Like you look at Guyana, for example, has been an absolute phenomenal resource base that has ramped up significantly over a short period of time.

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<v SPEAKER\_3>You look at, you know, Permian still grows.

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<v SPEAKER\_3>You look at Brazil.

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<v SPEAKER\_3>You can look at Canada as well.

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<v SPEAKER\_3>It doesn't seem that there is a stop to the growth of supply.

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<v SPEAKER\_3>I think right now the issue really just sits on the demand side.

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<v SPEAKER\_3>I think there was a moment probably five to eight years ago with sort of policy shifting more towards renewable energy, specifically biodiesel, EV penetration rates where refiners, I think, you know, stopped investing into expanding refinery.

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<v SPEAKER\_3>So you see this, you know, through the shutdown of Lignion Dell, you have some regulatory-driven shutdowns on the West Coast US, like Benicia Valero or Carson P66.

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<v SPEAKER\_3>And so I think this year is sort of artificial in a sense coming into 2026, where you're getting into a year where supply will probably still grow, million barrels a day, million, million and a half maybe, depending on what our flat price kind of will be.

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<v SPEAKER\_3>But on the refining side, really, there is no growth in the Western hemisphere.

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<v SPEAKER\_3>The majority of the growth is basically happening in China and India.

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<v SPEAKER\_3>And in fact, the West is declining.

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<v SPEAKER\_3>You're losing capacity here.

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<v SPEAKER\_3>So whatever you're gaining in the East, the balance of the two regions is basically flat.

00:12:38.116 --> 00:12:39.296  
<v SPEAKER\_3>So you're getting into the market.

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<v SPEAKER\_3>It's just oversupplied in that sense.

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<v SPEAKER\_3>So beyond next year, when you kind of look at the longer term, there is definitely growth on the refining side.

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<v SPEAKER\_3>I mean, India is growing significantly, and China is still building as well and expanding refinery assets as well.

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<v SPEAKER\_3>So once the closures are done here in the West, assuming that oil will sort of have some reflection later on in next year, and then margins are supported, then I think we will see the market sort of again come back to some sort of semblance of an equilibrium that will hopefully drive further investment.

00:13:19.656 --> 00:13:21.856  
<v SPEAKER\_1>Great answer.

00:13:21.856 --> 00:13:23.016  
<v SPEAKER\_1>You know, you covered it.

00:13:23.016 --> 00:13:26.876  
<v SPEAKER\_1>And Joe, it would be a great time to put a plug in for your conference at the end of October.

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<v SPEAKER\_1>I'm sure you're going to have some discussion in the Trans-Pacific about the future of refining refined products too.

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<v SPEAKER\_1>So I'll just leave that there.

00:13:36.376 --> 00:13:38.316  
<v SPEAKER\_2>There will be some discussion of that, I'm sure.

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<v SPEAKER\_2>Although the question of Indian refining is something that really interests me, but we shouldn't get too far off the script here.

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<v SPEAKER\_1>That's a topic for another day.

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<v SPEAKER\_1>Joe, do you want to take this question then?

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<v SPEAKER\_2>Yeah, for sure.

00:13:51.356 --> 00:13:57.236

<v SPEAKER\_2>So let's get a little bit into the shifts in oil, resulting from the Trans Mountain Pipeline.

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<v SPEAKER\_2>Speaking of Canadian energy in the Indo-Pacific, the Trans Mountain Pipeline is a central player in this shift.

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<v SPEAKER\_2>So we've talked for a while about how this pipeline has changed the game for Canada.

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<v SPEAKER\_2>But I feel like the real impact has been somewhat muted by lower oil prices.

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<v SPEAKER\_2>So if we had very high oil prices, then we could really have seen a huge benefit from this pipeline.

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<v SPEAKER\_2>But I think that it still has played a big role in supporting Canadian benefits from oil prices.

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<v SPEAKER\_2>But what in your sense has been the overall impact of this pipeline on the main oil price benchmarks for Western Canadian crude oil, Lukas?

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<v SPEAKER\_3>I think generally positive and to many, I think that's a surprise.

00:14:47.396 --> 00:15:03.516

<v SPEAKER\_3>I think if you would have asked me the same question maybe two years ago before the pipe started, I was quite, I think, pessimistic, probably mostly because of the cost of the project and as

a taxpayer, in a sense, but the pipe has performed extremely well.

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<v SPEAKER\_3>And then you had a combination of adverse US policy that made the pipe even more attractive from that sense.

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<v SPEAKER\_3>And so locally, specifically for WCS, you're trading today a market that's roughly minus \$10 under WTI for WCS.

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<v SPEAKER\_3>It seems cheap, but when you think about the cost to transport those barrels to West Coast, it's roughly \$9 a barrel.

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<v SPEAKER\_3>So if the transportation cost was zero, then WCS would be trading almost at parity with WTI.

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<v SPEAKER\_3>The transportation cost from Canada to Gulf Coast is roughly \$9 as well.

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<v SPEAKER\_3>So it shows you that the market is quite efficient and has been very favorable for the producer.

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<v SPEAKER\_3>Historically speaking, if you look at a comparison versus the last several years, this time of the year, we would not be, I think, surprised with a price that would be outside of minus \$20 a barrel in Canada.

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<v SPEAKER\_3>Generally speaking, in wintertime is when the market is oversupplied and there's not enough egress, you have to move the marginal barrel on rail, which is obviously dollars more costly to move out of the basin.

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<v SPEAKER\_3>So yeah, I think TMX has been huge for the producer community.

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<v SPEAKER\_3>But what it has been even better at is to provide leverage for Canadian oil to get away from adverse US policy and that I think has been huge.

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<v SPEAKER\_3>Certainly, the market is seeing increased interest in further expansion of the Trans Mountain system and obviously, with Don

Farrell being appointed for the Infrastructure Canada Office to build new infrastructure assets to Tidewater, I think it shows that there's federal support to continue to build sort of independence in Canadian energy and hopefully unlock the resource even more so.

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<v SPEAKER\_1>Yeah, it's interesting that, and I'll just a bit off script here, but I just saw a headline that Trump brought up Keystone with Prime Minister Carney yesterday.

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<v SPEAKER\_2>It was actually Carney who brought it up with Trump.

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<v SPEAKER\_1>Oh, is that right, Joe?

00:17:20.676 --> 00:17:23.316

<v SPEAKER\_2>Yeah, it was the other way around, which is very interesting.

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<v SPEAKER\_2>But that is going a little bit off script.

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<v SPEAKER\_2>But anyways, keep going, Joe.

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<v SPEAKER\_1>Well, it's just that I thought it's optionality, right?

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<v SPEAKER\_1>That's what the whole scheme is about.

00:17:34.876 --> 00:17:38.856

<v SPEAKER\_1>And if, you know, do we need another pipeline to the US?

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<v SPEAKER\_1>Probably not with this particular administration in Washington.

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<v SPEAKER\_1>But at the same time, it's certainly to be the easiest one to complete compared to the chances and time involved in a pipeline to Prince Rupert.

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<v SPEAKER\_1>But that's, yeah, I am a bit off the script.

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<v SPEAKER\_2>But I mean, if we're going to be talking about places that need heavy crude oil, you know, the US Gulf Coast is probably the

largest refinery complex for processing that kind of heavy crude oil in the world.

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<v SPEAKER\_2>So I'd say overall, I'm more in favor of pipelines for sure.

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<v SPEAKER\_2>And there's questions about that connection with the US.

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<v SPEAKER\_2>But I wouldn't be necessarily against a Keystone XL pipeline, especially if it resolves some of the steel disputes between Canada and the United States, which is part of what's being considered.

00:18:32.016 --> 00:18:33.676

<v SPEAKER\_2>But this is going really off script.

00:18:33.676 --> 00:18:36.096

<v SPEAKER\_2>And I don't expect you to say anything about this, Lukas.

00:18:36.156 --> 00:18:42.556

<v SPEAKER\_1>No, Lukas, I'm sure has opinions and I'm sure they discussed this at Trafigura.

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<v SPEAKER\_1>But let's stick with Trans Mountain here for a bit.

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<v SPEAKER\_1>And we're very interested in where that oil is going.

00:18:50.176 --> 00:18:55.596

<v SPEAKER\_1>I'm not sure how much Trafigura is involved in this trade directly, but you might have some insights on it.

00:18:55.596 --> 00:19:01.456

<v SPEAKER\_1>Statistics Canada recently put out a report showing the breakdown of customers for Trans Mountain crude oil.

00:19:01.456 --> 00:19:02.936

<v SPEAKER\_1>The United States accounts for half.

00:19:03.556 --> 00:19:07.496

<v SPEAKER\_1>China, including Hong Kong, isn't far behind at 40 percent.

00:19:07.496 --> 00:19:14.036

<v SPEAKER\_1>Do you have any insights for us on why China seems so interested in Canadian crude oil, Lukas?

00:19:14.036 --> 00:19:15.576  
<v SPEAKER\_3>Yeah.

00:19:15.576 --> 00:19:22.276  
<v SPEAKER\_3>You know, your first question in terms of how we are involved, we are actively moving cargoes off the West Coast.

00:19:22.276 --> 00:19:33.696  
<v SPEAKER\_3>So I would say we generally have a good handle on where the demand centers are for Canadian oil right now and it has shifted to some extent, right?

00:19:34.796 --> 00:19:40.456  
<v SPEAKER\_3>I think initially when the pipe started, there was quite a bit of demand in the West Coast.

00:19:40.456 --> 00:19:41.856  
<v SPEAKER\_3>That was kind of the ideal home.

00:19:41.856 --> 00:19:48.276  
<v SPEAKER\_3>It was shorter transit and US was very much inclined to buy that oil.

00:19:48.276 --> 00:19:56.796  
<v SPEAKER\_3>Obviously, that's shifted significantly since February, March sort of timeframe when the first iteration of possible tariffs on Canadian energy came through.

00:19:57.956 --> 00:20:08.256  
<v SPEAKER\_3>The refiners on the West Coast felt very uncertain about buying those barrels because they were obviously facing up to 25 percent increased cost on the barrel.

00:20:08.256 --> 00:20:22.736  
<v SPEAKER\_3>When you're purchasing say a \$60 barrel of oil, now you're talking additively \$15 cost or so to your purchase, which obviously makes it uneconomic when margins are in single digits in California or Pacific Northwest.

00:20:24.436 --> 00:20:46.796  
<v SPEAKER\_3>I think the flow has been generally shifting more and more towards Asia, but not necessarily because the producers were forced to go there, but coincidentally because of the policies that the US administrations have been implementing knowingly or not knowingly impacting the flows on the West Coast.

00:20:46.796 --> 00:20:55.696  
<v SPEAKER\_3>There was recently an additional tariff on China purchasing oil from the US.

00:20:57.436 --> 00:21:12.016

<v SPEAKER\_3>Additively to that, there was also a heightened risk of possible increased sanctions to Iranian and Russian crude oil, which China today still consumes to some extent.

00:21:13.036 --> 00:21:29.056

<v SPEAKER\_3>I think in the negotiations between China and US and the trade talks and tariffs and so forth, I think China was looking to de-risk their portfolio and look for non-sanctioned available barrels that actually fit the refining system.

00:21:29.056 --> 00:21:32.596

<v SPEAKER\_3>China has a fairly complex system of refineries as well.

00:21:32.596 --> 00:21:38.756

<v SPEAKER\_3>They can process heavy crude from Canada, and heavy crude from Canada is generally the cheapest source as well.

00:21:39.836 --> 00:21:54.836

<v SPEAKER\_3>What we've seen over the last several months is an increased appetite for Canadian barrels in China, but in Asia Pacific as a whole, if it's South Korea, it could be Japan, it could be Taiwan, you could look at Singapore as well.

00:21:54.956 --> 00:21:56.996

<v SPEAKER\_3>It's just the right barrel.

00:21:56.996 --> 00:21:59.276

<v SPEAKER\_3>It's relatively cheap.

00:21:59.276 --> 00:22:00.956

<v SPEAKER\_3>It's relatively available.

00:22:00.956 --> 00:22:02.756

<v SPEAKER\_3>It's not too far away.

00:22:02.756 --> 00:22:17.156

<v SPEAKER\_3>It takes maybe 17 days for it to move from West Coast to Asia Pacific, versus if you're buying barrels from the Gulf Coast, you typically have to load it on bigger boats, and it takes maybe a little bit longer to get there.

00:22:17.296 --> 00:22:31.076

<v SPEAKER\_3>So I think I would say the Asia market has developed a unique appetite for Canadian barrels, and I frankly don't see it stopping anytime soon right now.

00:22:31.076 --> 00:22:31.336

<v SPEAKER\_2>Yeah.

00:22:31.336 --> 00:22:42.556

<v SPEAKER\_2>So just to go, this is going slightly off script, so we can actually cut this out if you want, and this might actually be a question that you guys do want to cut out.

00:22:42.556 --> 00:22:45.176

<v SPEAKER\_2>And this is about that shipping cost side of things.

00:22:45.896 --> 00:22:56.296

<v SPEAKER\_2>Since you guys are huge shippers, and so you guys would be very interested in keeping costs down in terms of what sort of ships are used and what sort of...

00:22:57.396 --> 00:23:00.576

<v SPEAKER\_2>Just all sorts of factors on that side of things.

00:23:00.576 --> 00:23:10.856

<v SPEAKER\_2>So it's often been talked about the disadvantage of the Westridge Marine Terminal and only be able to handle Aframax ships, so smaller ships and the supertankers.

00:23:10.856 --> 00:23:13.836

<v SPEAKER\_2>And currently they can't even be filled all the way up.

00:23:13.836 --> 00:23:17.376

<v SPEAKER\_2>So I guess my question is like, is that really a concern?

00:23:17.376 --> 00:23:24.756

<v SPEAKER\_2>Or if what you're saying is that they can be brought to more ports in China or what's the general thinking around that?

00:23:24.756 --> 00:23:27.016

<v SPEAKER\_3>Yeah, no, it's a great question, right?

00:23:27.296 --> 00:23:38.716

<v SPEAKER\_3>From a shipping standpoint, if you can load crude on a bigger boat, usually you will have cheaper freight per barrel, performing barrel, right, cost-performing barrel.

00:23:39.336 --> 00:23:52.376

<v SPEAKER\_3>So yes, I think there is something to be said about when Premier Smith and others are talking about lifting the tanker ban on the West Coast as part of the deal to build more infrastructure to Prince Rupert.

00:23:52.376 --> 00:23:55.516

<v SPEAKER\_3>I think it makes economic sense.

00:23:56.396 --> 00:24:08.216

<v SPEAKER\_3>It would benefit the producer because the producer would be able to basically move their barrel into the end market at a slightly lower cost.

00:24:08.736 --> 00:24:09.656

<v SPEAKER\_3>How much lower?

00:24:09.656 --> 00:24:12.356

<v SPEAKER\_3>It really depends on the market at that point in time.

00:24:12.356 --> 00:24:17.696

<v SPEAKER\_3>Sometimes the AFRAMAX rates and the BLCC rates are quite far apart.

00:24:17.696 --> 00:24:19.716

<v SPEAKER\_3>Sometimes they're quite close together.

00:24:19.856 --> 00:24:22.216

<v SPEAKER\_3>It really depends on the availability boats and whatnot.

00:24:22.216 --> 00:24:27.256

<v SPEAKER\_3>But generally speaking, yes, I think bigger boat is more economic.

00:24:27.256 --> 00:24:28.836

<v SPEAKER\_3>Obviously, Westridge has a limitation.

00:24:28.836 --> 00:24:30.436

<v SPEAKER\_3>They can only do an AFRAMAX.

00:24:30.676 --> 00:24:44.836

<v SPEAKER\_3>But as far as I'm aware, Trans Mountain has publicly come out talking about dredging, allowing boats to load more volume and basically max load the AFRAMAX.

00:24:44.836 --> 00:24:54.796

<v SPEAKER\_3>So I think that would allow them to go maybe all the way up to 700,000 barrels per boat versus they started with something like 550 to 575.

00:24:54.796 --> 00:25:07.296

<v SPEAKER\_3>So I think once those dredging projects are complete that it will translate into more dollars in producer's pocket and I guess taxpayer's pockets as well.

00:25:07.296 --> 00:25:10.936

<v SPEAKER\_3>And then any further expansions I think help as well.

00:25:11.636 --> 00:25:15.496

<v SPEAKER\_3>But yeah, to your question, bigger boats, typically

cheaper freight.

00:25:15.496 --> 00:25:23.956

<v SPEAKER\_2>This is a great place to plug my conference because Mark Mackey will actually be a speaker in a fireside chat with Rory Johnson, our fellow.

00:25:25.076 --> 00:25:34.156

<v SPEAKER\_2>So he'll be able to speak to that plan to dredge the second narrows, I think, and increase the capacity of that pipeline.

00:25:34.156 --> 00:25:35.656

<v SPEAKER\_3>Yeah, that'll be great to hear.

00:25:36.036 --> 00:25:40.436

<v SPEAKER\_3>I met Mark earlier this year at Sarah Week and Jason as well.

00:25:40.436 --> 00:25:45.116

<v SPEAKER\_3>And I think they have some big hopes for the pipeline.

00:25:45.116 --> 00:25:47.336

<v SPEAKER\_3>They are working on some expansions as well.

00:25:47.336 --> 00:25:51.536

<v SPEAKER\_3>So that'll be great to hear how they're continuing to think about optimizing it.

00:25:54.356 --> 00:25:57.156

<v SPEAKER\_1>I was going to ask that same question, Joe, about the dredging.

00:25:57.156 --> 00:25:59.376

<v SPEAKER\_1>But we'll leave that.

00:25:59.376 --> 00:26:01.476

<v SPEAKER\_1>Lukas has answered as best he can.

00:26:01.476 --> 00:26:03.196

<v SPEAKER\_1>So just cut this out.

00:26:06.496 --> 00:26:11.396

<v SPEAKER\_1>Lukas, we're aware that this might be outside of your regular field of expertise.

00:26:11.396 --> 00:26:26.456

<v SPEAKER\_1>But the swath of major Canadian LNG and LPG, Liquid Petroleum Gas Export projects, coming closer to completion or reviving concerns in Eastern Canada about the outlook for demand in Asia.

00:26:27.096 --> 00:26:31.236

<v SPEAKER\_1>Are there any signals that you are tracking on the robustness of these markets?

00:26:32.696 --> 00:26:33.376

<v SPEAKER\_3>Yeah, no.

00:26:33.376 --> 00:26:35.956

<v SPEAKER\_3>I mean, I'll be honest.

00:26:36.096 --> 00:26:39.356

<v SPEAKER\_3>This is a bit outside of my scope for sure.

00:26:39.356 --> 00:26:52.636

<v SPEAKER\_3>But we do obviously chat across the desks here as well to have a broader understanding of energy markets, to understand if there's a gas issue versus oil issue and how the two correlate.

00:26:52.636 --> 00:27:00.316

<v SPEAKER\_3>So generally speaking for me, I think Canada has an egress issue on gas.

00:27:00.316 --> 00:27:12.236

<v SPEAKER\_3>I think LNG Canada is trying to solve that and further projects that are down the pipeline as well, hopefully can unlock the eco market here.

00:27:12.236 --> 00:27:17.536

<v SPEAKER\_3>For me, I think the biggest markets that I watch is obviously China and India.

00:27:17.696 --> 00:27:25.376

<v SPEAKER\_3>In terms of demand centers for energy commodities and LNG specifically.

00:27:25.376 --> 00:27:35.056

<v SPEAKER\_3>I think Europe has done a good job at resupplying themselves and away from what they have lost due to the ongoing conflict right now.

00:27:35.056 --> 00:27:39.856

<v SPEAKER\_3>I think China is interesting in a way because they are going through a transition.

00:27:40.356 --> 00:27:47.616

<v SPEAKER\_3>And talking to some of the counterparts over there, there seems to be a very high EV penetration rate.

00:27:47.616 --> 00:27:53.776

<v SPEAKER\_3>There's a lot of vehicles on the road that are electric

and they continue to improve and lower costs.

00:27:53.776 --> 00:27:57.056

<v SPEAKER\_3>And I think the adoption rates are quite high.

00:27:57.056 --> 00:27:58.656

<v SPEAKER\_3>But that doesn't mean that there is no demand.

00:27:58.656 --> 00:28:07.716

<v SPEAKER\_3>Obviously, with EV penetration, there's going to be a high need for tech sectors to continue to grow power generation and power storage.

00:28:07.716 --> 00:28:15.636

<v SPEAKER\_3>And something like, you know, gas to power generation, I think, will be, will continue to grow in those markets.

00:28:15.636 --> 00:28:17.436

<v SPEAKER\_3>India, I think, is a bit different.

00:28:17.916 --> 00:28:25.536

<v SPEAKER\_3>They're more in an industrialization phase, to a large extent, where they're still building their refining sector.

00:28:25.536 --> 00:28:40.076

<v SPEAKER\_3>So this is, I would say, a very traditional industry that's being built, you know, where we're maybe in the Western Hemisphere, sort of seeing first signs of being in sort of phased or reshaped into more renewable side.

00:28:40.136 --> 00:28:45.936

<v SPEAKER\_3>But India, I think, you know, is obviously building roads, they need a lot of asphalt, they need a lot of oil products.

00:28:46.896 --> 00:28:50.116

<v SPEAKER\_3>And with that, I think they will require a lot of LNG as well.

00:28:50.116 --> 00:28:58.236

<v SPEAKER\_3>So I think for Canada specifically, you know, I think the global growth will be there.

00:28:58.236 --> 00:29:00.716

<v SPEAKER\_3>The demand, you know, will always be there.

00:29:00.916 --> 00:29:02.856

<v SPEAKER\_3>The question is more about egress.

00:29:02.856 --> 00:29:15.456

<v SPEAKER\_3>I think the producer today still has the same issue that

I think oil had, you know, say, five to seven years ago when we were facing negative prices in Alberta, which is just lack of takeaway capacity.

00:29:15.456 --> 00:29:29.516

<v SPEAKER\_3>I think if we can unlock the basin here, the gas will get to the most optimal market and the producer should get the net back that correlates with that market and that should then stimulate investment.

00:29:29.516 --> 00:29:32.436

<v SPEAKER\_3>And I think overall better the life of Canadians, right?

00:29:33.196 --> 00:29:50.636

<v SPEAKER\_3>And if we can do it from coast to coast and rather than maybe building more infrastructure into US again, which is more of a question of trade policy and what do we think this will look like in three and a half years when there's a change in administration or not.

00:29:50.636 --> 00:29:58.176

<v SPEAKER\_3>But I think any new projects in takeaway capacity will only strengthen the energy industry and I think Canadian economy as a whole.

00:29:58.176 --> 00:29:58.996

<v SPEAKER\_2>Yeah, absolutely.

00:29:58.996 --> 00:30:02.056

<v SPEAKER\_2>I'd say anything is better than negative gas prices, right?

00:30:03.176 --> 00:30:05.376

<v SPEAKER\_3>Absolutely.

00:30:05.376 --> 00:30:10.336

<v SPEAKER\_2>So yeah, this is fantastic, Lukas, and I'm sure we could talk all day.

00:30:10.336 --> 00:30:18.696

<v SPEAKER\_2>Now, I know that you guys are key players in this field, so you can't just spitball completely.

00:30:18.896 --> 00:30:25.356

<v SPEAKER\_2>We'll leave that for the offline conversations or the off podcast conversations.

00:30:25.356 --> 00:30:34.756

<v SPEAKER\_2>But we do have one more question and I hope that this isn't something that Trafigura has any issue with, and that's a question that people are always interested in hearing from our guests.

00:30:34.756 --> 00:30:36.876

<v SPEAKER\_2>And that's, what are you reading these days?

00:30:37.036 --> 00:30:43.256

<v SPEAKER\_2>Ideally for pleasure, but if you can only have time for thick technical tomes, we'll take that as well.

00:30:43.256 --> 00:30:46.776

<v SPEAKER\_3>Oh, you know, it's a bit scattered.

00:30:47.396 --> 00:30:49.176

<v SPEAKER\_3>I don't have a ton of time to read right now.

00:30:49.176 --> 00:30:56.156

<v SPEAKER\_3>I have a three-month-old daughter at home, so I mostly just listen to audiobooks now, which I don't know if that qualifies, but.

00:30:56.156 --> 00:30:57.716

<v SPEAKER\_1>Absolutely, they do.

00:30:57.756 --> 00:30:58.036

<v SPEAKER\_3>Yeah.

00:30:58.036 --> 00:30:58.696

<v SPEAKER\_3>Okay, great.

00:30:58.696 --> 00:31:19.956

<v SPEAKER\_3>So the one book that I recommend is Market Wizards by Jack Schwager, which is an interesting collection of interviews and anecdotes from very successful traders like Paul Tudor Jones, Richard Dennis, Marty Schwartz, about their biggest trades.

00:31:19.956 --> 00:31:38.156

<v SPEAKER\_3>It could be techniques and observations in their markets, but it's a fun little book to dig through to kind of see what others in a similar field to myself have encountered and where they found success and some tribulations.

00:31:39.896 --> 00:31:41.616

<v SPEAKER\_1>Who's the author of that, Lukas?

00:31:41.616 --> 00:31:44.336

<v SPEAKER\_3>Yeah, this is Jack Schwager.

00:31:45.716 --> 00:31:50.056

<v SPEAKER\_3>S-C-H-W-A-G-E-R.

00:31:50.056 --> 00:31:50.556

<v SPEAKER\_3>Fantastic.

00:31:52.876 --> 00:32:08.236

<v SPEAKER\_3>The other book that is more academic in nature, which I'd recommend, is more catered, I think, to today's markets, which is Understanding Tariffs and Trade Barriers by Avery Elizabeth Hurt.

00:32:09.656 --> 00:32:14.056

<v SPEAKER\_3>This is really, it's an older book, I think it was released in 2019 or so.

00:32:15.176 --> 00:32:18.576

<v SPEAKER\_3>More about NAFTA at that time, which is a USMCA now, obviously.

00:32:19.836 --> 00:32:22.496

<v SPEAKER\_3>But it's close to my interest.

00:32:23.416 --> 00:32:35.276

<v SPEAKER\_3>I published a paper back in 2013 with a co-author, Trevor Tombe, in the Canadian Journal of Economics about trade barriers in Canada and how it impacts the daily lives of Canadians.

00:32:35.276 --> 00:32:38.896

<v SPEAKER\_3>We tried to quantify on a per capita level.

00:32:40.436 --> 00:32:55.876

<v SPEAKER\_3>Now that we're in a market that's extremely, I guess, obsessed about tariffs and fragmentation of trade, with this new US policy reshaping the global trade flows.

00:32:55.876 --> 00:33:07.596

<v SPEAKER\_3>I'm just trying to educate myself, to be honest, on more of a broader bilateral, trilateral agreements and why we're in this market today, and this shift in a policy.

00:33:07.896 --> 00:33:09.356

<v SPEAKER\_3>I recommend that one as well.

00:33:09.356 --> 00:33:09.976

<v SPEAKER\_2>Yeah, fantastic.

00:33:09.976 --> 00:33:10.836

<v SPEAKER\_2>Great.

00:33:11.756 --> 00:33:14.456

<v SPEAKER\_2>We've had Trevor before on the podcast.

00:33:14.456 --> 00:33:25.896

<v SPEAKER\_2>The latest episode we had with him was earlier this year,

when we were in the midst of this trade issue with the United States, and, you know, surprise, surprise, he was talking about bringing down those inter-provincial trade barriers.

00:33:26.236 --> 00:33:27.836  
<v SPEAKER\_3>Yes, yes, yes, yes.

00:33:27.836 --> 00:33:29.516  
<v SPEAKER\_2>We've been on that for a while.

00:33:29.936 --> 00:33:30.556  
<v SPEAKER\_1>That's great.

00:33:30.556 --> 00:33:32.236  
<v SPEAKER\_3>Yeah, so that was him and I.

00:33:33.116 --> 00:33:43.016  
<v SPEAKER\_3>I had the pleasure working with him when I was doing my graduate degree, and then we spent another several years together working on this paper, which was all about inter-provincial trade barriers.

00:33:44.036 --> 00:33:53.856  
<v SPEAKER\_3>So the \$250 billion number that the policy makers and government continues to talk about, I'd like to say it comes from our paper.

00:33:53.876 --> 00:33:59.556  
<v SPEAKER\_1>So, Joe, you should put the paper in the show notes.

00:33:59.556 --> 00:34:04.496  
<v SPEAKER\_1>Good thing for people to look back at what's happened from that point forward.

00:34:04.496 --> 00:34:13.116  
<v SPEAKER\_1>It's probably for us nerds around commodities and interest rates, and trade deficits and credits.

00:34:13.116 --> 00:34:15.356  
<v SPEAKER\_1>Let's have a look at it.

00:34:15.356 --> 00:34:15.996  
<v SPEAKER\_3>Excellent.

00:34:15.996 --> 00:34:16.896  
<v SPEAKER\_2>Fantastic.

00:34:16.896 --> 00:34:18.896  
<v SPEAKER\_2>Well, thanks so much for coming on again, Lukas.

00:34:18.896 --> 00:34:26.316

<v SPEAKER\_2>I know that, you know, I can imagine that you have some extremely busy days with all of these issues going on.

00:34:26.316 --> 00:34:27.736

<v SPEAKER\_2>So really appreciate you taking the time.

00:34:27.736 --> 00:34:29.736

<v SPEAKER\_1>Yeah, we really appreciate it.

00:34:29.736 --> 00:34:31.356

<v SPEAKER\_1>Thanks so much.

00:34:31.356 --> 00:34:32.056

<v SPEAKER\_3>Thank you, Kelly.

00:34:32.056 --> 00:34:32.536

<v SPEAKER\_3>Thank you, Joe.

00:34:32.536 --> 00:34:33.376

<v SPEAKER\_3>And I appreciate it.

00:34:33.376 --> 00:34:37.816

<v SPEAKER\_3>Always, always a pleasure talking to you both and hope to see you soon somewhere.

00:34:37.816 --> 00:34:38.296

<v SPEAKER\_2>Absolutely.

00:34:38.376 --> 00:34:41.616

<v SPEAKER\_1>Great.

00:34:41.616 --> 00:34:47.776

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00:34:47.776 --> 00:34:52.296

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00:34:52.296 --> 00:34:54.476

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00:34:54.476 --> 00:34:59.716

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00:34:59.716 --> 00:35:07.376

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00:35:07.376 --> 00:35:10.976

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00:35:10.976 --> 00:35:16.056

<v SPEAKER\_1>Thanks go out to our producer, Joe Calnan and to Drew Phillips for providing our music.

00:35:16.056 --> 00:35:16.956

<v SPEAKER\_1>I'm Kelly Ogle.

00:35:16.956 --> 00:35:18.976

<v SPEAKER\_1>Thanks for joining us on Energy Security Cubed.