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TOP STORY

A Canadian Natural Gas Tariff Would Impact Every Hour of Every Day in PNW Power Markets

by Stephen Ernst
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Power lines in British Columbia.

brewbooks/Flickr



The Pacific Northwest appears to have dodged the worst of what could be the opening salvos in the United States' trade war with its North American trading partners.

The White House appeared set to impose a 10-percent tariff on Canadian imports of "energy resources" that would have started Feb. 4, but struck a deal with Canada and Mexico on Feb. 3 to delay the levies for 30 days. The Trump administration initially proposed a 25-percent levy on oil, gas and electricity that would have added a little more than \$1 million per day to energy costs in the region.

The Canadians planned to retaliate with a 25-percent tariff on American goods that cross the border into Canada. The White House executive order levying the tariffs says that if the Canadians retaliate, the "president may increase or expand the scope of the duties."

So, for now, it appears a trade war with Canada is on hold.

But a 10-percent tariff on Canadian natural gas imports into the Pacific Northwest would likely have the most impact on Northwest utility rates, which have been rising steadily over the past few years.

Dan Kirschner, CEO of the Northwest Gas Association, told Clearing Up that the Pacific Northwest relies on Canadian natural gas more than any other region in the U.S.

"We are a unique region," Kirschner said. "Nationwide, Canada provides about 9 percent of the U.S. natural gas. In the Northwest, about two-thirds of the natural gas we consume comes from Canada. So, these tariffs will have an impact."

The Northwest uses about 4.7 billion cubic feet per day of natural gas, about 86 percent of that is imported from Western Canada. About 39 percent of that goes to heating homes and industrial uses. The power sector consumes 1.1 BCF per day, or about 25 percent of the total, and fuels about 5,600 MW of natural gas-fired generation in the region, according to information provided to Clearing Up by the Portland-based consulting firm Energy GPS.

During winter months, a 10-percent tariff on a \$3.00/MMBtu natural gas commodity would translate into about \$900,000 per day in additional gas costs to Pacific Northwest consumers and about \$400,000 per day in additional gas costs to consumers in northern California, Tim Belden, founder and principal of Energy GPS, told Clearing Up.

“Given the lack of any viable alternative natural gas supply, Canadian sellers are in a position to pass through the entire tariff cost to buyers in the United States via higher prices at Sumas and Kingsgate. Although the entity remitting payment to the United States Treasury for the tariff will be the importer, most of this cost will likely be borne by consumers in the Pacific Northwest and California,” Belden said.

It’s a little different on the electricity side, Belden said, because the U.S. has options to potentially replace imported Canadian electricity, but higher natural gas prices will drive up power prices.

“Pacific Northwest natural gas generators are burning Canadian gas almost every hour of every day, which will translate into higher electricity prices,” Belden said.

But a tariff on imported Canadian electricity is a much more nuanced discussion, and it’s not clear from the White House’s most recent tariff proposal if Canadian electricity will be tariffed.

Electricity is mentioned in the order’s definitions, but never directly addressed. The phrase “kinetic movement of flowing water” appears to imply hydroelectricity.

The executive order states “‘energy’ or ‘energy resources’ means crude oil, natural gas, lease condensates, natural gas liquids, refined petroleum products, uranium, coal, biofuels, geothermal heat, the kinetic movement of flowing water, and critical minerals.”

Canadian electricity imports vary from year to year. Powerex, the power marketing arm of BC Hydro, is a net exporter of hydroelectric power in good water years, and an importer in low-water years. Nonetheless, in every year Canada provides the United States with electricity during many hours of the year, Belden said.

"I think most of the time, they [Powerex] may end up paying it," Belden said. "Because the U.S. has many more alternatives for electricity than natural gas during many hours of the year, the effect of the tariff will be absorbed by Powerex, but during times of scarcity that will flip-flop."

Belden said the administration's tariff on natural gas could have an unintended consequence.

"When it comes to the Pacific Northwest natural gas market, Donald Trump [could accomplish] something that Obama was never able to do—[place] the equivalent of a federal carbon tax on natural gas, which will be paid by Northwest consumers and go into the U.S. treasury," Belden told Clearing Up.

Robert McCullough, founder and principal of Portland-based energy consulting firm McCullough Research, told Clearing Up the tariff on natural gas would have an immediate impact on Northwest prices.

"Some of it depends on how much PacifiCorp, Portland General Electric and Puget Sound Energy have invested in natural gas hedges," he said. "I looked at NW Natural, and they are moderately hedged, which is what you'd expect. It's not good business to be totally hedged."

McCullough said how much the tariff impacts consumer costs depends on individual utility rate cases.

"Will we see some big rate cases filed tomorrow morning? My guess is no. But we could see some big swings in Mid-C prices. There is a direct correlation between natural gas prices at the border and Mid-C prices."

The potential 10-percent tariff comes as rising energy costs have already driven Northwest utility rates higher.

Portland General Electric's rate increases have exceeded 40 percent since 2021 (Clearing Up No. 2188), and were granted an overall 6.2 percent increase for 2025 by the Oregon Public Utility Commission (Clearing Up No. 2190).

Oregon regulators in December approved a 9.8-percent rate increase for Pacific Power's residential customers.

This month, Washington regulators approved a two-year rate plan for Puget Sound Energy that will increase electric and natural gas rates 18.6 percent and 12.6 percent, respectively.

NW Natural Gas filed a general rate case with Oregon regulators on Dec. 30 asking for a \$59.4 million annual revenue increase from a 5.7-percent overall rate increase [UG 520]. The request came two months after the Oregon Public Utility Commission approved a rate increase in the company's 2024 general rate case that resulted in about a 4.5-percent overall rate increase.

Trump said in a social media post that the "USA has major deficits with Canada, Mexico, and China (and almost all countries!), owes 36 Trillion Dollars, and we're not going to be the 'Stupid Country' any longer."

"THIS WILL BE THE GOLDEN AGE OF AMERICA! WILL THERE BE SOME PAIN? YES, MAYBE (AND MAYBE NOT!). BUT WE WILL MAKE AMERICA GREAT AGAIN, AND IT WILL ALL BE WORTH THE PRICE THAT MUST BE PAID. WE ARE A COUNTRY THAT IS NOW BEING RUN WITH COMMON SENSE — AND THE RESULTS WILL BE SPECTACULAR!!!," President Trump said in a post on Truth Social, which is owned by Trump Media & Technology Group.

Editor's note: A quote was updated and Dan Kirschner's organization was corrected.

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