

Alberta Cuts Oil Production to Raise its Discounted Crude Oil Prices

On December 2, 2018, Alberta announced its plan to curtail crude oil production by 325,000 barrels (8.7%) per day across the board. This is a short-term measure to raise Alberta's crude oil currently selling at a discounted price of \$10 per barrel, in order to compete with the global price of \$50 per barrel.

The new production rate will take effect on January 1, 2019 through regulations, ministerial orders and directives of the Alberta Energy Regulator. The rate will be monthly reviewed and revised as needed. The plan promises to ensure that smaller producers are treated fairly. There is no industry consensus on Alberta's plan. While the results are uncertain, the risks and unintended consequences are significant.

BLG is actively monitoring Alberta's new curtailment plan and evaluating its impacts, challenges and potential solutions. More details to follow in the days ahead.

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