

## Canadian oil prices are suddenly on a tear

Matt Lundy December 9, 2018, <https://www.theglobeandmail.com/investing/article-canadian-oil-prices-are-suddenly-on-a-tear/>

Weeks after hitting an all-time low, Canada's heavy-oil benchmark is on a roll, surging again on Friday and narrowing its discount to U.S. crude.

Western Canadian Select hit US\$37.61 a barrel on Friday, up 14 per cent from Thursday's close, marking the latest round of gains after **Alberta Premier Rachel Notley announced production cuts, to take effect in January, aimed at lifting rock-bottom prices. Faced with a pipeline bottleneck and rising inventories, Alberta's oil prices had plummeted in recent months, with WCS hitting a record low of less than US\$14 in November.**

### Western Canadian Select

In U.S. dollars a barrel



THE GLOBE AND MAIL, SOURCE: BLOOMBERG

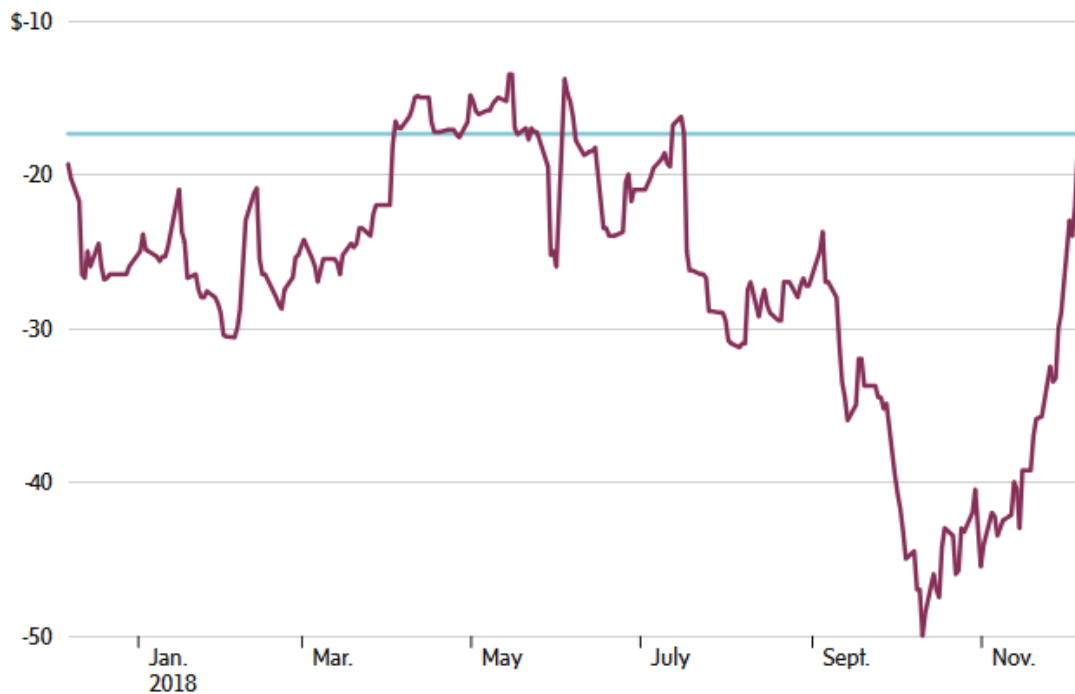
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This week's rally has resulted in a significant narrowing of the price differential between WCS and West Texas intermediate, the U.S. benchmark. WCS now sells for a US\$15-a-barrel discount to WTI; in October, the price gap had ballooned to US\$50, the largest discount in Bloomberg data going back to 2008. A key metric in the oil patch, the differential is now slightly better than the historical average of US\$17.37.

### WCS-WTI price differential

In U.S. dollars a barrel (negative value indicates WCS is cheaper)

● Differential ● Historical average



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Friday's rally also puts WCS in the neighborhood of some long-range estimates. Joan Pinto, associate and energy specialist at CIBC Capital Markets, issued a forecast this week that pegged WCS at an average price of US\$40.50 a barrel in 2019 and US\$41.75 the following year.

**Global oil prices rose on Friday after "OPEC-plus" announced a bigger-than-expected cut to crude production. ("OPEC-plus" refers to the Organization of Petroleum Exporting Countries, along with other producers that had agreed to a previous supply cap, such as Russia.) WTI climbed 1.4 per cent to US\$52.22 a barrel, and Brent crude was up 2.2 per cent to US\$61.39, as of late Friday.**