

19 Mar 2009

Edmonton Journal

Oil prices tell a positive story

Steady climb nearing red-hot 2005 level

Memories are short, especially in the news business. But if you can, try to remember how the world looked, back in 2005.

At the time, Alberta's energy-fired economy was red hot. As crude prices soared past \$60 US for the first time, activity levels reached a fever pitch.

Drilling rates skyrocketed, the rig fleet expanded, labour shortages mounted, and many top energy producers — Suncor, Imperial, Canadian Natural Resources, Shell — were hard at work on huge oilsands projects.

Northeast of Edmonton, work began on the \$1.8-billion (Cdn) Heartland Upgrader, and backers pushed ahead with \$2 billion worth of regional oilsands pipelines projects. All in all, it was a banner year.

And what, exactly, was the average oil price for 2005? A mere \$57 US a barrel, or roughly \$61 (Cdn), based on then-prevailing exchange rates.

The world has changed a lot since then, of course. Oil prices have gone to the moon and back. After speculators pushed oil to \$147 US a barrel last July, prices plunged all the way to the \$33 level early this year.

Today, most of the headlines are gloomy, and the national media is busy writing off Alberta's once vaunted, oil-and gas-based economy as old news.

But oil prices tell a more positive story. Despite the glum mood, there has been a steady climb in prices in recent weeks.

It now seems likely that the lows for this cycle are already behind, even if the global economy remains in the ditch.

With OPEC production cuts largely offsetting the impact of weak U.S. demand, and with the U.S. dollar now receding from its highs, crude prices are edging back up toward the \$50 US level.

Printed and distributed by NewspaperDirect | www.newspaperdirect.com, US/Can: 1.877.980.4040, Intern: 800.6364.6364 | Copyright and protected by applicable law.