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ALBERTA TO TARGET OIL SHOCK WITH BUDGET BOOSTING TAXES

When Alberta Premier Jim Prentice took office in September, oil was at $90 a barrel and he was pledging to balance the books and pour billions into new schools and roads. The oil collapse has changed everything.

Prentice is poised to release one of the harshest budgets in a generation on Thursday, filled with spending cuts, new user fees and income-tax increases to fill a C$7 billion ($5.6 billion) budgetary hole sparked by plunging oil prices.

“There are no easy answers,” Prentice said last week, responding to questions about how his government will tackle the shortfall.

Prentice will probably ask Albertans to pay more for doctor visits and university tuition while cutting spending on social programs that are the most costly in the country. Prentice has said this year’s budget, to be released at about 3:15 p.m. in Edmonton, will outline a decade-long transformation to help the province manage the rising costs of a growing population and volatile commodity prices.

Managing a budget crisis may have been the last thing on Prentice’s mind when he was sworn in as premier seven months ago when prices for West Texas Intermediate crude were almost twice as high as they are now. As he campaigned last summer to take over leadership of the Progressive Conservative Party, Prentice, 58, said he would spend C$30 billion over five years to build 100 schools, fix crumbling roads and other infrastructure. He also lobbied to get transcontinental pipelines built to ship growing volumes of oil-sands crude to new markets.

With the new spending plan, Prentice has promised to reduce Alberta’s dependency on fossil fuels, which account for about a fifth of the province’s C$40 billion revenue.

“This is a really tough nut to crack,” said Duane Bratt, a political science professor at Mount Royal University in Calgary, in a phone

interview. “Prentice is attempting to do something that is not just aimed at the low price of oil. He really is trying to find a way of restructuring, fundamentally, the Alberta tax system and spending system.”

The premier said earlier this month Albertans should ‘look in the mirror’ to understand the budget challenges as the oil collapse cuts economic growth to about 0.5 percent this year, from 3.5 percent in 2014, according to estimates from BMO Capital Markets.

Companies from Suncor Energy Inc. to Strad Energy Services Ltd. have cut thousands of jobs and slashed investment. The government expects 31,800 jobs to be lost for the remainder of the year.

Prentice has ruled out increases to corporate taxes, and has rejected calls to introduce a sales tax, which would bring Alberta in line with every other Canadian province. He’s also promised to cut spending and possibly dip into the province’s savings, leaving options open that may include health-care premiums, changes to the 10 percent flat tax on income and higher fuel levies.

“Everything should be on the table, including a consumption tax,” said Adam Legge, president of the Calgary Chamber of Commerce, whose members include some of Canada’s largest corporations. “The Alberta advantage is broken. It was premised on having the most competitive tax structure in the country, but we can’t live up to that commitment.”

Alberta’s woes contrast with a change of fortune in Quebec, where the government has vowed to balance its budget for the first time in six years when it releases its spending plan on the same day as Alberta. Quebec’s austerity drive contrasts with Ontario, which isn’t projecting a balanced budget until 2017-18.

The diverging outlooks are evident in the bonds yields for the two regions. Alberta’s yield advantage over Quebec has narrowed to about 19 basis points, the lowest since 2012, according to data compiled by Bloomberg. The gap with Ontario has also narrowed to 15 basis points. Alberta is one of two provinces rated AAA at Standard & Poor’s. Ontario is rated three levels lower at AA-, while Quebec is at A+.

Prentice said in an interview last month that it would be “unwise” to balance the budget in a year or two to offset the C$7 billion oil gap. The government has forecast a surplus of C$465 million for the fiscal year ending March 31.

A deficit for this year is inevitable, said Robert Kavcic, senior economist at Bank of Montreal in Toronto. Alberta, the only province with net assets on its balance sheet, can cope with a decifit and the size depends on the nature of spending cuts and additional taxes, he said.

“You look across the provincial landscape and Alberta is still head and shoulders healthier than everybody else,” Kavcic said. “If you look at the tax rates in Alberta versus most other provinces, there’s still a lot of room to raise income taxes and sales taxes and still be in a very competitive tax situation versus the other provinces.”

If Alberta does use a “slash and burn” approach to quickly balance the budget, it would be costly to the economy and wouldn’t address inefficiencies in program spending and an overreliance on non-renewable resource revenues, wrote Toronto-Dominion Bank Deputy Chief Economist Derek Burleton in a March 19 research note.

Alberta trails both Norway and the state of Alaska in the amount it has saved from oil production in recent years. The Canadian province has less than $20 billion saved from oil revenue since 1971, compared with more than $700 billion for Norway and $51 billion for Alaska, according to the Calgary Chamber. Alberta produced twice as much crude as Norway and almost seven times Alaska’s output over that time.

“Alberta is in the situation it is

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today because the Progressive Conservatives squandered our unprecedented resource revenue in the good years and now they want regular Albertans to pay for their mistakes," said Alberta New Democratic Party member Brian Mason following a fiscal update last month.

CANADIAN DOLLAR, OIL JUMP AHEAD OF TSX OPEN AFTER SAUDI AIR STRIKES ON REBELS

The Canadian dollar is up more than half a cent and the price of oil has surged to its highest level in nearly two weeks ahead of the open at the Toronto Stock Exchange.

The loonie traded at 80.44 cents, up 0.55 of a U.S. cent from Wednesday's close while a benchmark oil contract was up $2.04 at US$51.25 a barrel, amid heightened geopolitical tension in the Middle East.

Oil prices jumped after Saudi Arabia launched air strikes against rebel-held military installations in neighbouring Yemen. The Saudi government says the intervention is part of a regional effort against Shiite rebels that have ousted Yemen's president.

Gold was also up, as investors looked to a traditional haven in times of uncertainty. The April bullion contract rose $12.80 to US$1,209.80 an ounce, the highest in nearly three weeks.

The Dow Jones industrial futures were down 129 points at 17,520 ahead of todays open while the Nasdaq futures were off 46.20 points at 4,277.30, and the S&P futures declined 14.10 points to 2,039.7.

The S&P/TSX composite index closed Tuesday at 14,929.37, after falling 151.89 points in a broad decline that has also pushed down markets in the United States, Asia and Europe.

FUELGARDEN LNG GRANTED NEB EXPORT APPROVAL

Fuelgarden LNG AS has been granted approval by Canada's National Energy Board (NEB) to export LNG from Canada.

The Canadian LNG can be transported with LNG ISO containers or LNG tankers, and can be exported to both free trade agreement (FTA) and non-FTA countries. The approval is the first given by the NEB to a company outside of Canada and the US.

Commenting on the achievement, Dag Lilletvedt, CEO of Fuelgarden LNG, said: "As an independent LNG sourcing provider and a global LNG project developer we are very pleased to have been granted this LNG export approval by the Canadian energy authorities.

"HHP [high horsepower] companies are constantly looking for ways to reduce their fuel bill. With this approval we now have the possibility to source price-competitive LNG also from Canada, and to bring this LNG to end-users with our flexible and cost-efficient distribution solutions".

Fuelgarden LNG is currently pursuing a strategy to establish itself in the main LNG markets, including North America, Europe and Asia Pacific.

"North America, with its low natural gas prices and transparent market place, is an interesting market for us to be in. We are currently looking at various types of opportunities and co-operations in the Americas. This export approval gives us an additional opportunity, which we look forward exploring further," Lilletvedt added.

N.B. APPOINTS COMMISSION TO EXAMINE FRACKING MORATORIUM CONDITIONS

Currently conditions include a plan for regulations, waste water disposal, a process to consult First Nations, a royalty structure and a so-called social license

A former chief justice and two academics have been appointed to a commission in New Brunswick to determine whether government-placed conditions can be met before a moratorium on shale gas fracking can be lifted.

Former chief justice Guy Richard, former University of New Brunswick president John McLaughlin and Cheryl Robertson, a former board chairwoman at the New Brunswick Community College have been given up to a year to complete their work.

Energy Minister Donald Arseneault says the moratorium won't be lifted until the government's five conditions can be met.

Those conditions include a plan for regulations, waste water disposal, a process to consult First Nations, a royalty structure and a so-called social license.

Arseneault says the government can't define what a social license is, so it is asking the commission to do that.

Previous studies on shale gas development have been launched in New Brunswick, including one released in October 2012 that rejected a moratorium on fracking and called for a phased-in approach.

Arseneault says the commission will be assigned a budget but did not say how much that was when asked by reporters.

26-Mar-15				
	Active	Down	Total	% Active
		Western Canada		
AB	67	461	528	13%
SK	7	123	130	5%
BC	41	40	81	51%
MB	-	15	15	0%
WC Total	**115**	**639**	**754**	**15%**
		Eastern Canada		
QC	-	1	1	0%
Canada	**115**	**640**	**755**	**15%**