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SAUDI OIL MINISTER'S MESSAGE FOR HIGH-COST CRUDE PRODUCERS INCLUDING CANADA: 'GET OUT' OF MARKET

Al-Naimi would prefer it if oil didn't stay at $20 US, but says his country will be fine if it does

Saudi Arabia's oil minister told a crowd of U.S. oil executives in Texas on Tuesday exactly what they were afraid of hearing: that OPEC is more than happy to ride out cheap crude prices until higher-cost producers are pushed out of the market.

Ali al-Naimi, the man in charge of managing Saudi Arabia's vast crude oil industry, made the comments in a hotly anticipated speech at the IHS Ceraweek energy conference in Houston on Tuesday.

It was standing room only this morning as hundreds of energy executives, researchers and analysts came to hear what one of OPEC's most powerful voices had to say.

The speech was translated into Russian and Chinese, there were people from dozens of countries on hand, and they all had one key thing in common, their lives have been turned upside down by the man on the stage.

To be clear, the oil supply glut was not caused by Saudi Arabia, but by high prices that caused "every barrel on Earth" to be produced, according to Al-Naimi. That oversupply through the summer of 2014, led to a meeting between OPEC and non-OPEC producers.

"We met with non-OPEC producers; we asked 'what are you going to do?' They said nothing. We said the meeting is over."

It was after that meeting that Al-Naimi said he made his decision that Saudi would not cut its production to balance the market, walking away from the role it has traditionally played.

"We're going to let everybody compete."

That has turned out to be a brutal reckoning for Alberta, and Canada, as well as other oil producing nations. There is as much talk of layoffs in Houston as there is in Calgary.

If there was a theme to the speech, it was that high-cost producers don't have much of a future.

"Inefficient, uneconomic producers will have to get out, that is tough to say, but that's fact," said Al-Naimi after the speech, in an on-stage interview with author Daniel Yergin.

Al-Naimi wasn't specifically speaking of Canada with that comment, but said earlier in the speech that $100 oil had unleashed investments in what were previously uneconomic oil fields such as the Canadian oilsands.

Al-Naimi said that he would prefer it if oil didn't continue to trade at the $20 level, but that he could live with it.

"I cannot run my business or make investments based on something that OPEC may or may not do," said Brian Ferguson, chief executive of oilsands producer Cenovus.

"We are very much focused at Cenovus on being one of the very lowest cost oil producers in North America," pointing out those costs came down 30 per cent in its oilsands operations in 2015.

Cenovus is one of the most efficient oilsands producers — there are many dealing with higher costs.

"The least efficient, the highest cost producers are going to struggle in a world when we do have abundance," said Kevin Birn, director of Canadian oilsands dialogue with IHS.

"It's going to be many years before we have prices as high as they were in 2014, so in that reality, you have producers that have to become efficient."

Al-Naimi was also asked about last week's announcement that Saudi, Russia, Venezuela, and Qatar has frozen production.

"There is a common sense and there is a need for more money, and I think those two things will cause maybe not all of the countries, but most of the countries that count to freeze."

Al-Naimi said that one meeting had been held, and that emissaries were sent to other countries and that he was hoping for another meeting in March.

But he said that there will be no cuts.

"Cutting low cost production to subsidize higher cost supplies only delays an inevitable reckoning."

ALTAGAS SHELVES DOUGLAS CHANNEL PROJECT NEAR KITIMAT

Company says decision due to poor economic conditions and worsening global energy prices.

In another blow to B.C.'s nascent liquefied natural gas industry, AltaGas Ltd. is shelving the development of its Douglas Channel LNG plant near Kitimat.

The decision to halt work on the project was blamed on poor economic conditions and worsening global energy prices.

"We believe the project could deliver LNG to Japan at very competitive prices," AltaGas CEO David Cornhill said Thursday.

"However, without a meaningful offtake agreement the consortium can no longer continue the development of the project."

AltaGas, along with its global partners in the project, had been aiming for the project near Kitimat, B.C., to begin exporting LNG in 2018.

The announcement comes just weeks after Shell Canada announced it was postponing its final investment decision (FID) on their huge LNG terminal proposal in Kitimat until the end of the year.

Minister of Natural Gas Development Rich Coleman said today's news does not mean B.C.'s LNG industry is in trouble.

"I don't think so," Coleman said Thursday.

"I think we've got some significant FID discussions taking place in the next 60-90 days on a couple of projects

"Obviously there's been two that have told us they want to get to their FID by end of this year...and they're much larger. This was a very small project."

The Douglas Channel project is one of the smallest of the more than 20 proposed LNG projects in Canada with the potential to export about 2.4 billion cubic metres of natural gas per year, compared with 33 billion cubic metres for Shell's LNG Canada project.

IEA RECOMMENDS MORE GOVERNMENT FUNDING FOR ENERGY SECTOR

New report suggests public support for research is dwindling in Canada

Canada's energy industry needs more research and development funding from government, according to a new report by the International Energy Agency (IEA).

Financial resources are "under pressure" and that's why the IEA suggests a federal energy research and development strategy could help coordinate the work being done by industry and provincial governments. Such a strategy would focus on clean energy technologies, carbon capture and storage and environmentally beneficial methods for unconventional oil and gas production.

"This will contribute to reducing the environmental impact of energy use and production, as well as the cost of natural resource development, notably for oil-sands operations," the report states.

In its first in-depth review of the country's energy industry and policies since 2009, the IEA notes other challenges facing Canada. The country is one of the most energy-intensive nations belonging to the IEA. In addition, changes to electricity generation, such as reducing coal use and nuclear reactors reaching the end of their economic life, threaten the self-sufficiency of some provinces.

In general, Canada needs to adapt to the downturn in oil and natural gas prices, which is impacting government revenue and the country's economy. The importance of the energy industry to Canada is clearly outlined in the report. In 2014, the sector contributed about 10 per cent of gross domestic product, employed about 280,000 people and accounted for 30 per cent of Canada's total exports. In addition, the energy sector contributes about $20-$25 billion in taxes, royalties and other payments to federal and provincial governments, each year.

Still, the suggestion of government funding to the energy sector has drawn criticism from some groups who oppose subsidies to the fossil fuel industry.

Since 2009, public funding for energy sector research has declined at both federal and provincial levels, according to the IEA, outside of money for carbon capture and storage projects.

"The ability for applied technology to reduce costs is crucial to addressing many of the challenges facing resource development," the report states.

"Long-term public funding of basic [research and development] is necessary to maintain and increase opportunities for leveraging private funding and commercialization, international leadership and co-operation."

Energy research and development in Canada focuses on cleaner fossil fuels, clean electricity such as renewable, and end use, which includes buildings and transportation. Total government energy sector research funding was estimated to be $941.9 million for 2014-15, down from $1.34 billion in 2013-14, according to the IEA.

ENCANA TO CUT WORKFORCE ANOTHER 20% ON TOP OF EARLIER DOWNSIZING

Calgary-based oil and gas producer reports 4th-quarter losses of $612M

Encana Corp. says it's planning a further 20 per cent reduction in its workforce as it works to achieve up to $250 million in additional cost savings this year, beyond what had previously been announced.

Details on how many jobs will be affected and when they'll happen weren't immediately available.

But the company says by the end of the year, its workforce will be half the size it was in 2013. That works out to roughly 1,600 job cuts over three years.

The Calgary-based oil and gas producer announced the cuts with its fourth-quarter financial report, which included a $612 million net loss or 72 cents per share — mostly the result of asset write downs and other non-operating items.

Those were partly offset by 36 per cent increase in Encana's liquids production since the fourth quarter of 2014, and previous cost-cutting measures that helped increase Encana's cash flow despite lower commodity prices.

Excluding $514 million in asset impairments and other items such as foreign exchange, Encana's operating earnings in the fourth quarter were $111 million or 13 cents per share — up from $35 million or five cents per share a year earlier.

Encana chief executive Doug Suttles said the company enters 2016 with a strong balance sheet, a high-quality portfolio of assets and improved efficiency that offset the impact of reduced capital spending and lower prices for its oil and gas.

The company is trying to find creative ways to cut costs while holding on to talented employees by offering some of them field jobs, and creating more contractor roles, Suttles said.

"In addition, we're doing things like offering employees sabbaticals, where we hope to be able to bring these people back once prices begin to recover at some point in the future," he said.

"The job reductions, not only at Encana, but also across the industry, have been as severe as I've ever seen them in 33 years. And, you know, people have empathy, these are real people with lives and families."

Encana also slashed its quarterly dividend from 7 cents to 1.5 cents per share to preserve cash.

Encana investors evidently welcomed the cost-containment measures, as the stock soared 23 per cent Wednesday, rising 94 cents to a close of $5.09.

FALLING OIL PRICES A GAME CHANGER FOR MIDWESTERN PIPELINES

Bakken shale oil and Canadian oil sands market prices are low, and oil production is falling. Enbridge Energy Partners just announced it is further delaying construction of both the controversial proposed new Sandpiper oil pipeline and the Line 3 replacement oil pipeline for two more years until 2019. Enbridge blamed the Minnesota Court of Appeals' decision requiring an Environmental Impact Statement process be completed.

However, that's likely only part of the story.

Pipeline companies are biting the bullet and deferring new projects because of oil price and production uncertainties. Before Enbridge Energy and its partners spend $2.6 billion to $3 billion on each of the Sandpiper and Line 3 replacement oil pipelines through northern Minnesota, they might pause and see whether oil prices stay low and production declines. Markets matter.

The market price for benchmark West Texas Intermediate crude oil is low at around $33 per barrel, having fallen from the $100 per barrel range in 2011 through mid-2014. JP Morgan forecasts West Texas Intermediate crude oil to average $31.50 per barrel in 2016, and Goldman Sachs pro-jects $40 per barrel. Analyst projections for 2017 through 2018 vary considerably. Low oil prices mean fewer rigs, less oil production, and less need for new pipelines.

Bakken shale oil's break-even prices are around $40 to $45 per barrel, well above the current market price. Production costs vary depending on how rich the particular oil well is, the efficiency of the company's operations, financing costs, and how close the rig is to infrastructure. Bakken shale oil must be transported by pipeline or rail to distant Midwestern or Texas refineries.

The number of active drilling rigs in North Dakota is the lowest since July 2009. There are now only 38 active rigs in the Bakken area, down from 204 rigs in February 2012.

According to North Dakota Department of Mineral Resources Director Lynn Helms, Bakken output fell to 1.15 million barrels a day in December 2015, down 6 percent below the all-time high in December 2014. Helms stated that oil production could fall to 1 million barrels per day by late 2016. Oil production and service companies are planning more layoffs, and there could be additional bankruptcies in June 2016 when banks often recalculate their debt limits for oil companies.

Unless and until West Texas Intermediate oil prices reach around $45 per barrel, the rig count and oil production will continue to decline in the Bakken shale oil region, meaning less demand for oil pipelines such as Sandpiper and crude shipping by rail. For example, Whiting Petroleum just announced that it will suspend its Bakken shale oil drilling projects due to low oil prices.

Canadian oil sands' break-even prices for new production are around $80 per barrel for the "best of the best," $90 to $100 per barrel for the "rest of the best," and $100-plus per barrel for the "rest of the rest." Canadian oil production likely will stagnate until global oil prices reach at least $80 per barrel. Some existing oil sands production operations have enormous sunk costs and might continue to operate as a long-term play as producers wait and hope for higher oil prices. However, expect production to decline and no new oil sands production to start.

Less oil production means less need for new pipelines. Financing for new North American oil pipelines is drying up until bankers and other investors see oil prices rise, leading to more production. That's the market situation facing Enbridge for its costly new Sandpiper and Line 3 replacement oil pipelines.

Oil prices have dropped dramatically over the past 15 months. That changed reality has unavoidable market consequences for both oil production and the controversial pipelines.

SASK. PREMIER BRAD WALL SAYS HE 'WON'T BE SIGNING' NATIONAL CARBON TAX AGREEMENT

Saskatchewan premier posts to Facebook saying it's 'simply not the time'

The Federal government says some form of carbon pricing is coming, but Saskatchewan Premier Brad Wall says he won't be signing for it.

On Saturday, Wall posted to his Facebook page saying it's not the time for a new national tax, including carbon.

"In case you're wondering, I won't be signing any agreement that includes a national carbon tax," he wrote.

His comment stems from a federal government announcement about forming working groups to discuss carbon pricing and other environmental measures over the next six months.

Catherine McKenna, federal environment minister, said Friday that one of the measures at the end of the discussion process will be a price on carbon.

Wall said in the Facebook post that the decision was made before the provinces and prime minister had a chance to meet to discuss the topic.

He's been vocally opposing a national carbon tax. On Feb. 19, he said any scheme that involves imposing a carbon levy or tax would be ill-timed due to the current state of the industry.

The premier was unavailable for comment Saturday.

HIGH LEVEL BUSINESSES STAY POSITIVE THROUGH OIL AND GAS SLUMP

More diversified economy helping some through hard times

In the past few years it was tough to find parking on either side of the highway that runs through the town of High Level.

The trucks that once lined up there were an indicator of the activity happening in the area, about 700 kilometres north of Edmonton.

But with a big drop in oil and gas drilling in the region, today you can pick your spot.

“There’s very little drilling happening here and the money isn’t being spent this year,” said Dave Peters, vice-president of Caliber Energy Systems. “Everybody has pinched back.”

Caliber is an oilfield service company that has been renting tools for the oil and gas sector since 2006.

But this year, a lot of that rental equipment is sitting in the yard is covered with snow.

“Normally, there wouldn’t be any snow on any of the equipment, for starters, and the yard would be pounded down with tracks,” Peters said. “It’s definitely a lot quieter than normal.”

He has seen ups and downs before, and remains confident things will swing back. After seeing declines for the past 18 months, he just hopes that happens quickly.

There is still work in town, and Peters is happy to see that flights into High Level remain busy, especially on Mondays and Fridays.

People are still renting vehicles when they arrive in town. But few are buying them, so vehicle sales at the local Ford dealership are taking a big hit.

“I think people are a little more reluctant to spend money,” said Dave Borle, general manager of True North Ford, where sales are down as much as 40 per cent in the last year. “There’s uncertainty in the community about jobs and layoffs, so we’ve definitely seen a downturn in sales.”

Borle said lost sales have led to layoffs at the dealership. Vehicles sales haven’t really recovered at True North Ford since the financial crisis of 2008.

“With shale oil taking a real big spot in the market, companies’ diverted resources out of the north and out of conventional oil production, which we primarily are,” said Borle. “So in 2008, when things crashed, we lost clients then and they just haven’t come back to this community.”

Tareq Morad, who owns and operates four hotels in High Level, said bookings are down between 20 and 30 per cent as the economy brand hotels. But there has been little impact at the Best Western Plus Mirage Hotel and Resort.

“The community of High Level has learned to diversify from just being reliant on oil and gas between December and the month of March, where we traditionally found all of our revenue streams,” said Morad.

He said the community is attracting a more diversified clientele base from various sectors of the economy. There’s a new hospital with a large staff and a good number of government jobs.

High Level Mayor Crystal McAteer said the two mills remain big employers in the area, and a low Canadian dollar helps them with exports to the U.S.

McAteer said agriculture also remains a big driver for the economy.

And while she’s disappointed two oil companies pulled out of the area completely, she said oil and gas only account for about 20 per cent of local the economy.

“So the oil and gas has not impacted High Level as much as some other communities that are focused solely on gas and oil.”

McAteer said many people from nearby First Nations, as well as from the Northwest Territories, still plan trips to High Level to do their shopping.

That means people are still spending money in local stores.

Dave Peters said the town’s spirit is helping everyone through tough times. But while oil prices and the Canadian dollar remain low, he has to pinch every penny.

“You just have to re-look at everything and make sure you’re operating as efficiently as humanly possible.”