

Media statement
December 2, 2018

I would like to commend Premier Rachel Notley and her government for making the difficult but necessary decision to implement a temporary mandatory oil production cut in Alberta. Under normal circumstances, oil and gas producers would never advocate for government intervention in the market, but these are not ordinary circumstances. As I've said these past few weeks, the market has been temporarily broken by pipeline policy failures that have left Canada without enough takeaway capacity for its growing oil production. This imbalance between production and export capacity has led to a near collapse in the benchmark price for Canadian heavy oil and even steep discounts in the price of Canadian light oil compared with West Texas Intermediate.

While support for temporary mandatory production cuts was not unanimous among Alberta oil and gas companies, acknowledgement of the severity of the crisis facing our industry was. In the end, a significant number of producers publicly supported the measure, and they were backed by a growing chorus of voices from across the country, including economists, finance industry experts and Alberta's Official Opposition Leader, Jason Kenney. I was particularly encouraged to see Premier Notley and Mr. Kenney rise above partisan politics to support this measure in the best interest of all Albertans.

Let me be clear. At Cenovus, we advocated for this mandatory production cut because we continue to believe it is the only short-term solution to the extraordinary situation Alberta finds itself in. While curtailments have been used before by previous governments, we believe they should only be used for a short period of time, and only in extreme cases. This is an extreme case. It makes no sense for Alberta to stand by while its valuable oil resources sell for next to nothing, the provincial Treasury loses up to 100 million dollars a day, job losses continue to mount and our industry suffers billions of dollars in long-term value destruction.

The Alberta government has listened and responded quickly. The measures Premier Notley announced today will help balance the market in the short term until new rail and pipeline capacity comes on stream late next year and into 2020 to provide adequate takeaway capacity for Alberta's oil production and resolve the wide price differentials that have been weighing on Canadian oil prices.

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