7 Terrifying Numbers From Canada's Oil Patch

Description

On Thursday, oil producer **Cenovus Energy Inc.** (TSX:CVE)(NYSE:CVE) announced that it would cut 15% of its work force to cope with growing losses.

At the same time, **Husky Energy Inc.** and **Precision Drilling Inc.** posted disappointing financial results thanks to the rout in the energy market.

"These are challenging times for the oil and gas industry," said Cenovus chief executive officer Brian Ferguson, "Cenovus is taking steps to ensure we remain strong during this market downturn,"

The cuts are just the latest blow to Canada's oil patch as plummeting prices reverberate through the nation's energy industry. Producers are slashing their budgets and cutting jobs, while the provincial government in Alberta prepares for a slowdown.

Now the impact of low energy prices is becoming clear and the statistics are absolutely terrifying. Here are seven jaw-dropping numbers from Canada's oil bust.

1. $66 billion in market value erased: Since oil prices began declining last September, industry data provider CanOils found that the country's top-50 energy companies have lost a combined $66 billion in market capitalization. In its study, CanOils highlighted that "less than 20%" of these businesses are able to sustain their operations over the long term with oil at US$50 per barrel.

2. $23 billion in spending cuts: To save balance sheets, the industry is going all-out to cut costs. The Canadian Association of Petroleum Producers estimates that energy companies will slash $23 billion from their capital expenditure budgets in 2015. This will include $15 billion in cuts from conventional oil and gas plays as well as another $8 billion from oil-sands projects.

3. $20 per barrel oil: For oil producers, the worst may be yet to come. Growing supplies threaten to depress prices even further, with inventories now approaching levels not seen since the Great Depression. **Citigroup** commodities head David Morse predicted in the *Economic Times* that oil prices could fall “well below US$40 a barrel for West Texas Intermediate, perhaps as low as the US$20 range for a while.”

4. 100,000 job losses: In January, oil giant **Suncor Energy Inc** (TSX:SU)(NYSE:SU) announced that it was cutting 1,000 jobs, representing about 7% of its workforce. Since then, dozens of other companies across the industry have announced layoffs and hiring freezes. Worldwide, the energy sector has laid off more than 100,000 people, according to estimates by *Bloomberg.*

5. 6.4% drop in housing prices: The growing ranks of unemployed workers are having a predictable impact on Calgary’s housing market. Sales are down 33% so far in February, compared to last year. The average sale price has fallen 6.4% year-over-year.

6. 430,000 barrels per day: In its latest report, the IEA predicts Canada’s oil production will grow 20% from current levels to just under 5 million barrels a day by 2020. That’s 430,000 barrels a day less than previously forecasted, though growth estimates could be slashed further if oil prices don’t rebound quickly.

7. $6 billion deficit: Low oil prices are costing the Alberta government billions of dollars in lost energy royalties. Earlier this week, Premier Jim Prentice predicted that the slide in oil prices will lead to a $500 million deficit for the province this year. Without more austerity actions, Alberta could face a $6 billion revenue shortfall in the 2015-2016 fiscal year.

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Author
rbaillieul