Alberta Is on Track for a $24 billion deficit in 2020

Description

COVID-19 has completely turned the world on its heels with all the following closures of businesses and travel restrictions. It affected almost every sector across global economies. Among the hardest-hit industries are the travel and tourism industries.

Canada's oil and natural gas production plays a major role in its economy. One of the secondary effects of global shutdowns was a substantial decrease in demand for oil. However, Alberta's Finance Minister Travis Toews believes that the energy industry could help Canada recover from the economic losses caused by the COVID-19.

Energy sector woes

Alberta is among the hard-struck provinces in Canada. The province reported in its fiscal update that its deficit is on track to hit $24.2 billion by this fiscal year. The initial estimates in February for Alberta's deficit were less than a third of the amount. However, the prediction was solely taking the OPEC+ oil price war between Saudi Arabia and Russia.

The oil price war resulted in historically low pricing for crude oil, sending the energy sector reeling in Canada. As if the oil price crisis was not already bad enough, the pandemic came along to make the damage more severe. Toews told *BNN Bloomberg* that he expects a long journey before energy prices can normalize to pre-pandemic levels.

Another problematic aspect for Alberta and the energy sector is the change in oil and gas stance worldwide. Canada's Federal Finance Minister, Chrystia Freeland, might spell bad news for energy companies. She proclaimed, "All Canadians understand that the restart of our economy needs to be green" on the first day of her role.

Toews singled out the federal Bill C-69 as a hindrance to the potential growth of the energy sector. He believes that the energy sector has a vital role to play in the country's economy, and the recovery could depend on the resurgence of the energy sector.

An energy company to consider

In light of Canada's energy sector issues, let's take a look at one of the most significant operators in the industry. **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) is a company that generates revenue by producing, transporting, and selling fossil fuels. It is one of the country's largest producers and has an interest in one of the largest oil sands projects in the world.

Suncor depends on commodity prices for its performance and share prices. If the price of oil increases, it means more profits for Suncor and vice versa. Since the start of 2020, Suncor is down almost 51%. In January 2020, oil traded at US$60 per barrel. The oil price at writing is US$42.62 per barrel at writing.

Suncor could become a massive buy if oil prices go higher with gradually reopening economies and relaxing travel restrictions. However, falling oil prices can send the energy company spiraling down. Even the slightest change in commodity prices can have a substantial impact on Suncor.

Foolish takeaway

The question becomes whether energy operators like Suncor are a good bet for investors right now. COVID-19 created the biggest slump in demand for oil. The oil price crisis saw the commodity reach historic lows. Currently, the oil price war is no longer an issue. The pandemic is also easing up the pressure.

Suncor might face problems with its performance because industry supply is already there and just waiting for demand to rise. Suncor could be a buy for investors if the demand goes back to normal levels, but it can experience further short-term pain. Investors might hold on to the stock because it is a Warren Buffett stock. I would advise being cautious with Suncor.

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