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Western Canada: producers teeter towards the cliff edge

Western Canadian Sedimentary Basin (WCSB) gas producers received a double whammy this year. Suffering from lower demand during the 2019-2020 winter season, and declining pipeline exports to the United States; the price war between Saudi Arabia and Russia and the Covid-19 pandemic increased pressure on western Canada's already beleaguered oil and gas industry.

Back in June 2019, prices on Western Canada's price benchmark AECO-C averaged USD 0.58 cents/MMBtu. Prices have since recovered to around USD 2/MMBtu in spite of 2020's Covid-related demand destruction, primarily as a result of regulatory changes enacted in Canada's gas transportation market last year. Nevertheless, the market fundamentals remain weak.



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