

Oil Prices Facts and Stats

How is the price of oil determined?

- Crude oil prices are primarily determined by worldwide supply and demand. Additional factors contributing to crude oil prices include:
 - weather related events like hurricanes,
 - war and political unrest in some major oil producing regions,
 - OPEC (Organization of Petroleum Exporting Countries), and
 - the value of the U.S. dollar (the currency at which crude oil is traded globally).
- Because gasoline is refined from oil, the price at the pump generally follows the ups and downs of the oil markets.

What is the world price for oil?

- Crude oils command different prices because they vary in quality, which also means the value of the products that can be made varies from one type of crude to another.
- The benchmark price for oil is based on a particular crude - **West Texas Intermediate (WTI)**. This is a relatively expensive crude and its price is higher than much of the crude that Alberta produces as WTI is a lighter type that is excellent for extracting a larger portion of gasoline.

Alberta oils

- The two most popular Alberta oils are **Western Canadian Select (WCS)** and **Canadian light**. WCS is a heavy blend composed of bitumen, conventional oil, synthetic crude and diluent while Canadian Light is a light sweet crude, similar in quality to WTI.
- Due to the heavier weight of WCS and the higher transportation costs, this type of oil is sold at a reduced rate.

- Bitumen is extracted from oil sands, which are a mixture of bitumen, water and clay. Once extracted, bitumen must be diluted or heated to enable it to flow or be pumped.

What is OPEC?

- OPEC is an intergovernmental organization representing 12 countries: Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela. OPEC is headquartered in Vienna, Austria.
- Because its members produce approximately 40 per cent of the world's crude oil and have more than two-thirds of the world's estimated crude oil reserves, OPEC has significant influence on world oil prices.

How does Alberta Energy forecast oil prices for the provincial budget?

- Forecasting non-renewable resource revenue from sources like oil is determined by two factors: price and production.
- Alberta Energy compiles the best information and advice from energy analysts and compares our forecasts with banks, investment houses, and private forecasters. Many other government agencies use the same method.
- These forecasts are intended to be a realistic prediction of what year-end revenues will be.