

ECONOMIC OUTLOOK



Budget 2008
THE RIGHT PLAN FOR
TODAY & TOMORROW

Economic Outlook

Table of Contents

SUMMARY AND KEY ASSUMPTIONS _____	118
2007 REVIEW _____	119
Record High Oil Prices	120
Natural Gas Prices Remain Flat	120
Conventional Energy Activity Declines	121
Construction Costs Continue to Rise.	121
Alberta House Prices Reach New Highs	122
Housing Starts Level Off	122
Alberta Inflation Rises	123
Interprovincial Migration Recedes from Record Highs	123
Migration from Abroad Increases	124
Employment Growth Remains Strong	124
Retail Sector Sees Moderating Growth	125
Forestry Sector Faces Continuing Challenges	125
Grain and Livestock Exports Continue to Rise.	126
Corporate Profits Remain Near Record Levels	126
ECONOMIC OUTLOOK 2008 TO 2011 _____	127
Downturn in U.S. Housing Leads to Global Credit Squeeze	128
Central Banks Slash Interest Rates	128
China Leading World Growth	129
U.S. Trade Sector Improving	129
Canadian Dollar to Remain Strong	130
Trade Sector Expected to Improve	130
Oil Prices Expected to Moderate, but Remain High.	131
Flat Outlook for Natural Gas Prices	131
Oil Sands Investment to Remain High.	132
Upgrader and Pipeline Investment Increasing.	132
Declining Natural Gas Exports to Curtail Growth	133
Manufacturing Faces Adjustments to High Dollar	133
Interprovincial Migration to Slow	134
Alberta Employment Picture Remains Bright.	134
Unemployment to Remain Near Record Lows	135
Solid Growth in Personal Incomes	135
Corporate Profits to Moderate from Record Highs.	136
Solid and Sustained Economic Growth for Alberta.	136

ANNEX	137
Risks to the Economic Outlook and Sensitivities to Fiscal Year Assumptions	138
Oil Price Forecast Benchmark and How Oil Price Forecasters Did in Budget 2007	139
Natural Gas Price Forecast Benchmark and How Natural Gas Price Forecasters Did in Budget 2007	140
Alberta Real Gross Domestic Product and Canada/U.S. Exchange Rate Benchmarks	141
Canadian Short Term and Long Term Interest Rate Benchmarks	142
Alberta Personal Income and Alberta Corporate Profits Benchmarks	143
\$255 Billion in Major Projects and Announced Major Projects Over \$2.5 Billion	144

Summary and Key Assumptions

Following a period of exceptional growth, Alberta's economy returned to a more sustainable pace in 2007. Real economic growth was estimated at a healthy 3.0%. Capacity pressures led to increased costs, particularly in the housing and construction sectors. Increased housing prices contributed to a decline in the number of Canadians moving to Alberta in the latter part of 2007.

Despite the likelihood of a U.S. recession and turbulent global financial markets, Alberta's economic outlook remains positive. With continued solid growth in investment and employment, Alberta is expected to achieve healthy and sustainable economic growth averaging 3.2% from 2008 through 2011.

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Fiscal Year Assumptions	Actual	Actual				
Prices						
Crude Oil Price						
WTI (US\$/bbl)	59.97	64.89	82.25 ^a	78.00	74.00	72.00
Alberta Wellhead (Cdn\$/bbl) ^b	59.50	63.34	72.40	69.97	68.24	66.34
Bitumen @ Edmonton (Cdn\$/bbl) ^c	33.52	39.86	39.97	38.90	37.97	36.79
Natural Gas Price						
Alberta Reference Price (Cdn\$/GJ)	8.29	5.94	5.88	6.75	6.40	6.25
Production						
Conventional crude oil (000's barrels/day)	562	534	520	506	490	477
Non-conventional crude oil (000's barrels/day)	1,019	1,201	1,354	1,671	2,002	2,300
Natural gas (billions of cubic feet)	5,272	5,271	5,110	4,915	4,794	4,713
Interest rates						
3-month Canada treasury bills (%)	2.98	4.14	3.84	2.50	3.75	4.00
10-year Canada bonds (%)	4.04	4.20	4.18	3.50	4.45	4.75
Exchange Rate (US¢/Cdn\$)	83.9	87.9	97.1	98.8	96.0	96.0
	2006	2007	2008	2009	2010	2011
Calendar Year Assumptions	Actual	Actual				
Gross Domestic Product						
Nominal (millions of dollars)	240,026	259,590 ^d	282,889	293,923	309,031	324,538
% change	8.0	8.2	9.0	3.9	5.1	5.0
Real (millions of 2002 dollars)	183,372	188,857 ^d	194,302	200,086	206,311	214,049
% change	6.6	3.0	2.9	3.0	3.1	3.8
Other Indicators						
Employment (thousands)	1,871	1,959	2,014	2,054	2,086	2,120
% change	4.8	4.7	2.8	2.0	1.5	1.6
Unemployment rate (%)	3.4	3.5	3.6	3.8	4.1	4.2
Average weekly earnings (% change)	4.9	4.7	4.7	4.3	3.8	3.8
Personal income (% change)	12.0	10.7 ^d	8.2	6.6	5.6	6.0
Corporate profits (% change)	-0.5	-3.6 ^d	10.5	-6.1	-2.9	-0.6
Housing starts (number of units)	48,962	48,336	43,800	38,300	34,400	32,500
Alberta Consumer Price Index (% change)	3.9	5.0	3.4	2.5	2.2	2.2
Population (thousands)	3,371	3,474	3,542	3,611	3,678	3,742
% change	2.7	3.1	2.0	1.9	1.9	1.8

^a The 2007-08 resource revenue forecast was prepared in early March and was based on a forecast oil price of US\$80.72 per barrel.

^b Refers to the average price per barrel of Alberta light, medium and heavy oil.

^c The bitumen price is an estimate prepared by Alberta Energy of the price at Edmonton and is not an actual market price.

^d Alberta Finance and Enterprise estimates.

2007 Review



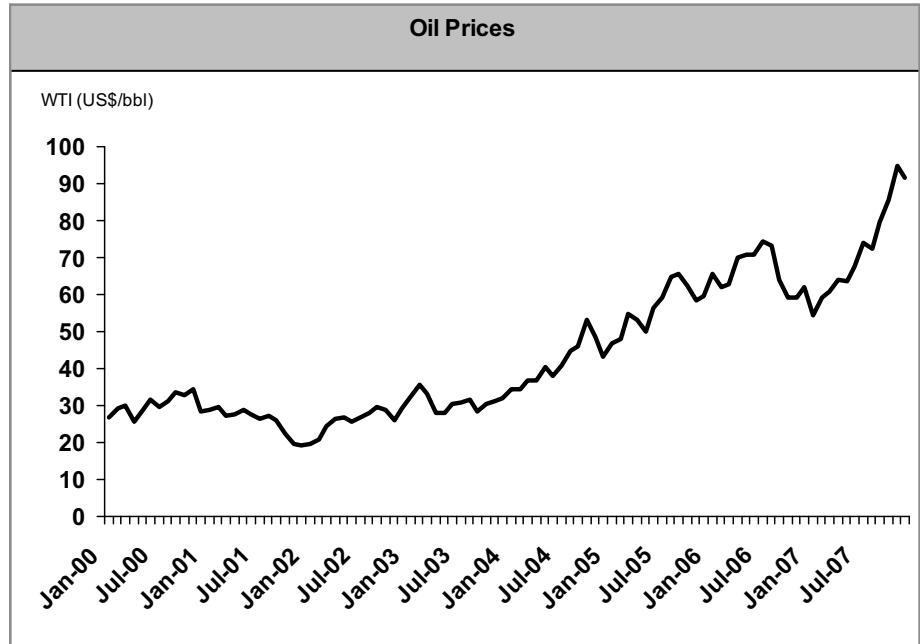
- The Alberta economy enjoyed healthy real economic growth estimated at 3.0% in 2007, a more sustainable pace than the exceptional 6.6% growth recorded in 2006. Alberta outpaced the national economy for the fifth consecutive year.
- The Alberta economy continued to create jobs at a remarkable pace. In 2007, Alberta employment rose by almost 90,000 for a growth rate of 4.7%, contributing to an estimated 10.7% increase in total personal income.
- The effects of Alberta's prolonged economic boom were felt not only in continued strong economic and job growth, but also in increased costs, especially in the energy, housing and construction sectors.
- Alberta house prices reached new highs in 2007, with prices increasing by an average of almost 23%, following a 38% increase in 2006. The average price of an Alberta single-family dwelling reached \$356,000, the second highest average among Canadian provinces.
- Due mainly to increased shelter costs, Alberta's CPI inflation rate increased from 3.9% in 2006 to 5.0% in 2007.
- Higher housing costs began to have an impact on the number of Canadians moving to Alberta. Although net interprovincial migration remained high in the first half of 2007, there was a net loss of 4,196 interprovincial migrants in the second half of the year, mostly to Saskatchewan and British Columbia.
- Alberta housing starts leveled off at just over 48,000 in 2007. This was only slightly below the record high of 48,962 starts in 2006. Significantly higher housing costs led to a slight dampening of demand in the final quarter of 2007.
- Alberta's retail sector experienced more moderate – but still strong – growth in 2007. Following a 15.6% gain in 2006, Alberta retail sales were up 9.0% in 2007.
- Energy markets were decidedly mixed in 2007. While world oil prices surged to a record high of almost US\$100 per barrel (and averaged US\$72.31), natural gas prices remained depressed in comparison, averaging Cdn\$5.88 per gigajoule.
- Low natural gas prices had a significant effect on drilling activity in Alberta, which was down 35% compared to 2006. However, activity in Alberta's non-conventional energy sector remained robust, led by oil sands and related investments.

Record High Oil Prices

Oil prices approached the US\$100 mark in 2007.

Prices were supported by strong global demand and low oil inventories, as well as ongoing concerns regarding geopolitical risks.

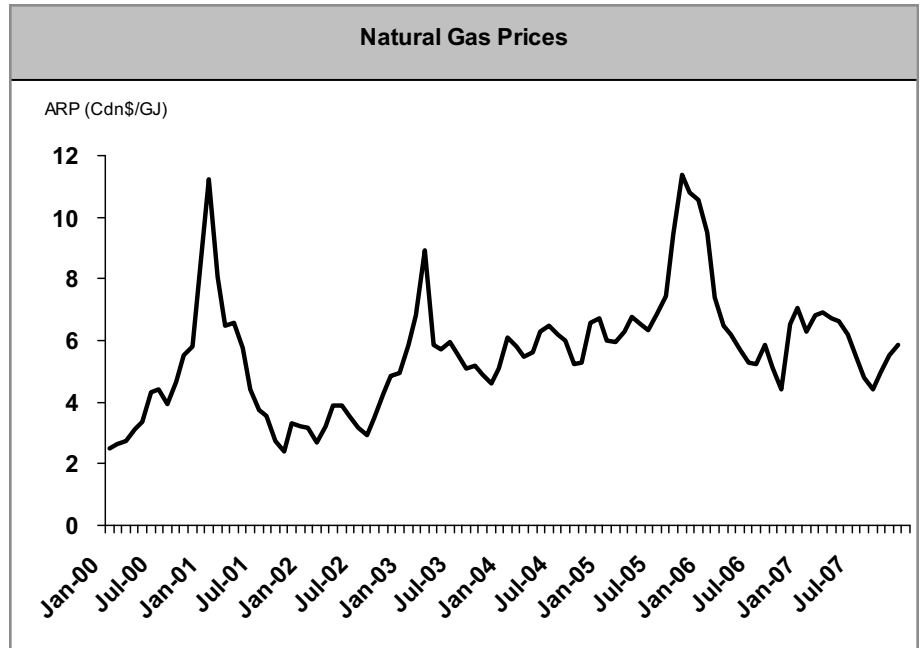
The strength of the Canadian dollar helped to mitigate the impact of high oil prices on the Canadian economy. Strong economic growth in emerging economies, particularly China and India, was a key factor supporting prices.



Source: Alberta Energy

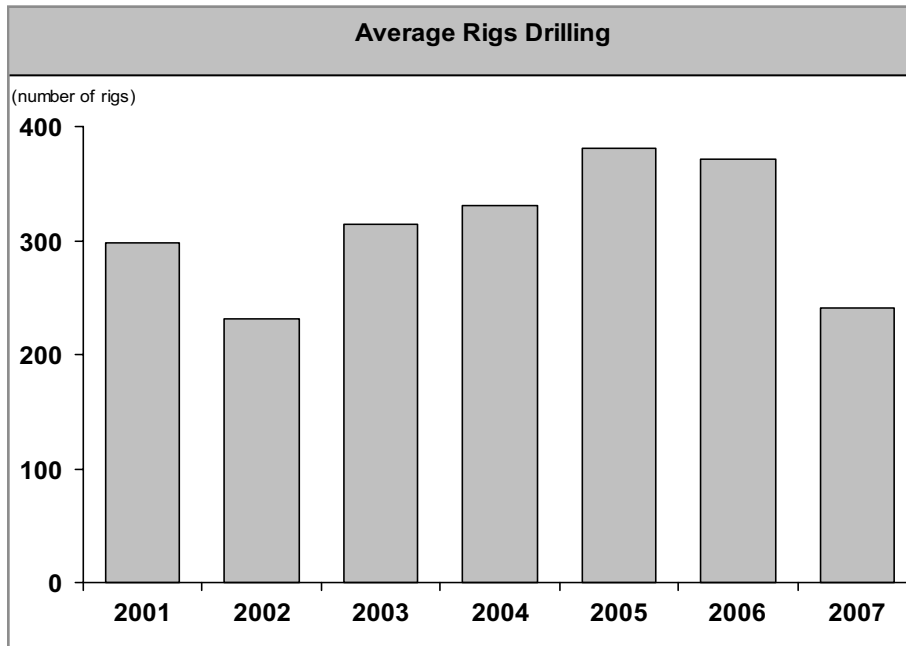
Natural Gas Prices Remain Flat

Despite strong global oil markets, natural gas prices in North America remained flat through most of 2007. U.S. natural gas inventories were at record highs and imports of liquefied natural gas to the United States were strong. The appreciation of the Canadian dollar also had a dampening effect on Alberta natural gas prices, since Alberta's natural gas exports are priced in U.S. dollars.



Source: Alberta Energy

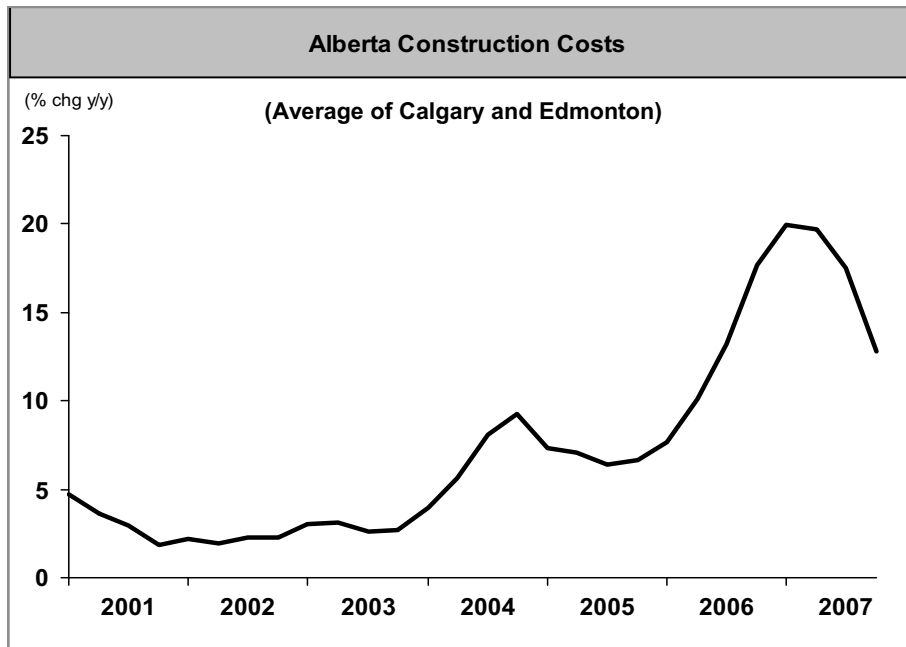
Conventional Energy Activity Declines



Source: Canadian Association of Oil Well Drilling Contractors

Weak natural gas prices were primarily responsible for a 35% decline in Alberta drilling activity in 2007. The rapid appreciation of the Canadian dollar and increased Alberta drilling costs also contributed to the drop-off in conventional energy sector activity. However, activity in Alberta's non-conventional energy sector remained very strong, led by record levels of oil sands investment.

Construction Costs Continue to Rise



Source: Statistics Canada

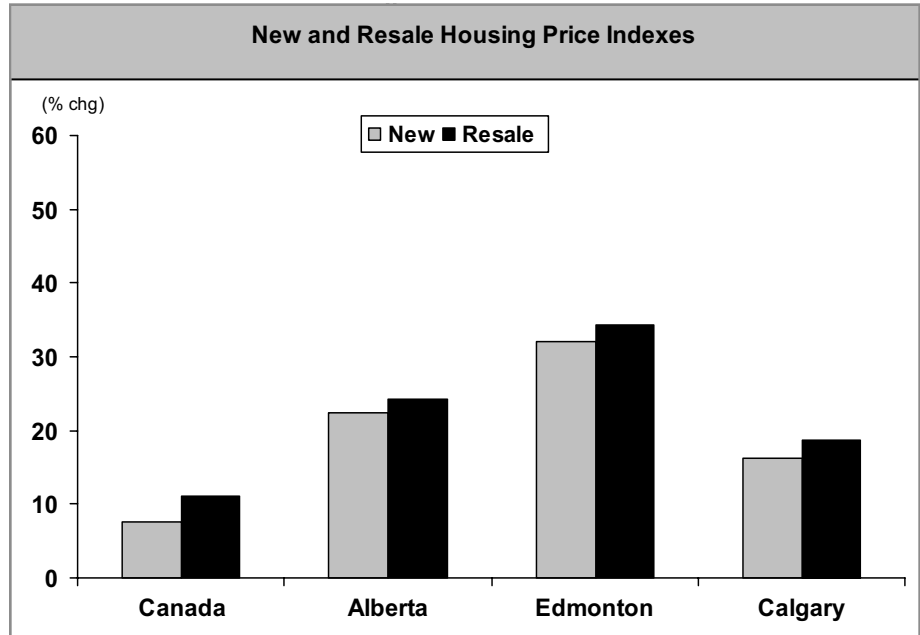
Rising prices for both materials and labour, fuelled in part by shortages of workers in Alberta's strong economy, pushed construction costs to new highs in 2007. Construction costs increased by more than 17% in 2007, but eased to an annualized growth rate of less than 13% by the final quarter of the year.

Alberta House Prices Reach New Highs

The 2006 surge in Alberta house prices continued into the first half of 2007, fuelled in part by high levels of interprovincial migration.

In the latter part of the year, house prices stabilized, as fewer Canadians moved to Alberta and increasing inventories led to a modest correction in the market.

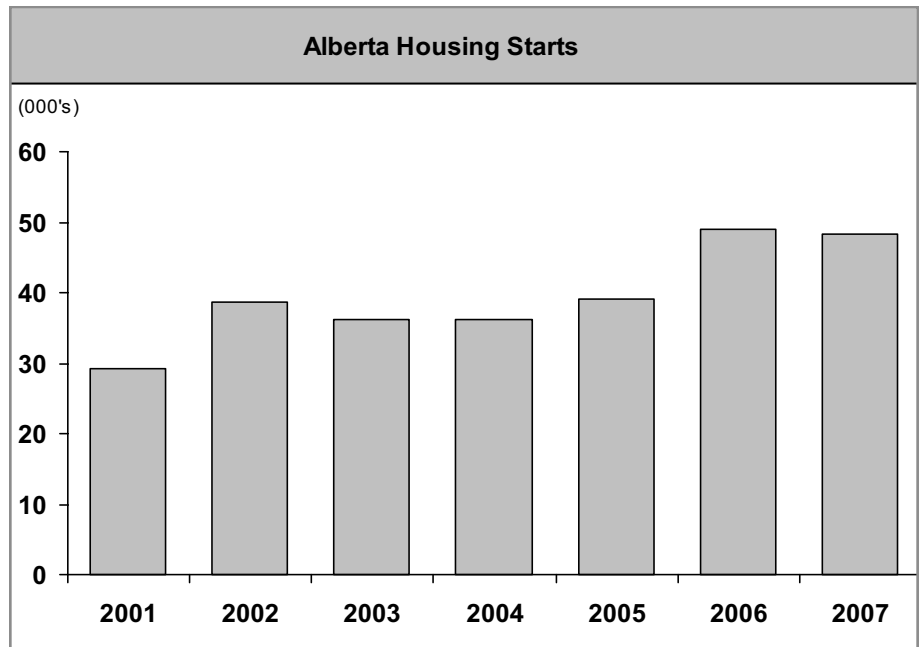
Nevertheless, Alberta's average house prices are now the second-highest in Canada, behind only British Columbia.



Source: Statistics Canada and Canadian Real Estate Association

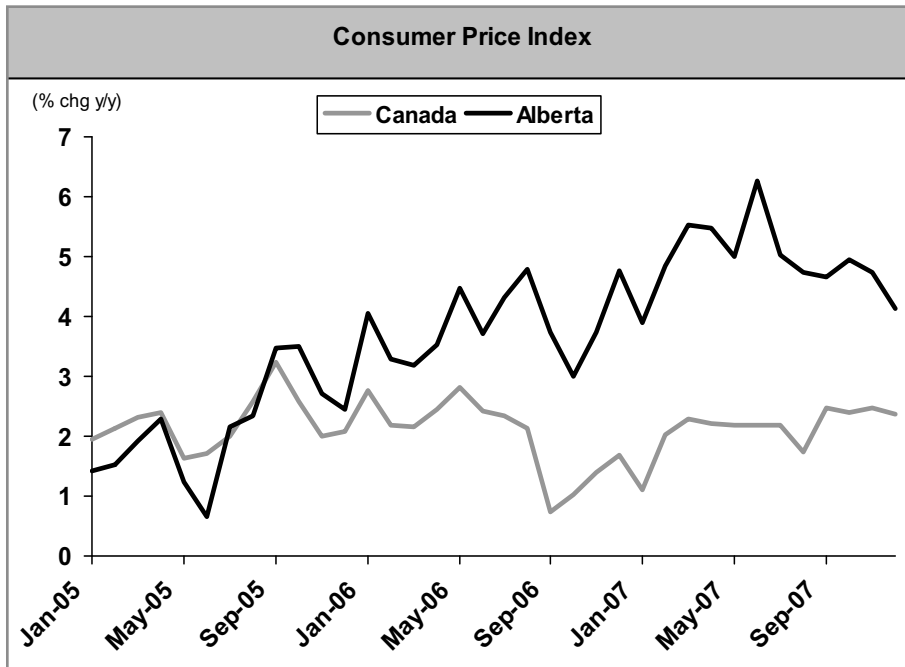
Housing Starts Level Off

After hitting an all-time high of almost 49,000 starts in 2006, new housing activity in Alberta leveled off in 2007. Homebuyers seeking less expensive alternatives helped fuel an increase in starts of multiple units. Increasing inventories of homes and higher prices contributed to a moderation in the pace of new housing activity in the final quarter of 2007.



Source: Canada Mortgage and Housing Corporation

Alberta Inflation Rises

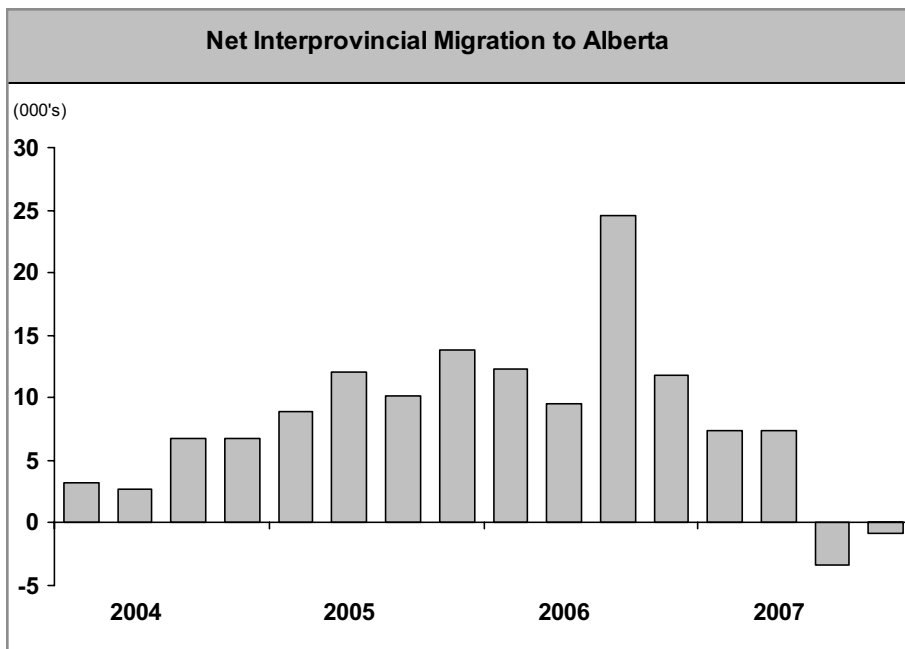


Source: Statistics Canada

Due mainly to large increases in housing costs, Alberta's inflation rate rose from 3.9% in 2006 to 5% in 2007. Alberta's 2007 inflation rate was the highest of any province, and more than twice the national inflation rate of 2.2%.

In the latter part of 2007, slower growth in shelter costs moderated Alberta's inflation rate. By December, Alberta's CPI inflation rate had fallen to 4.1%, down from a peak of 6.3% in June.

Interprovincial Migration Recedes from Record Highs



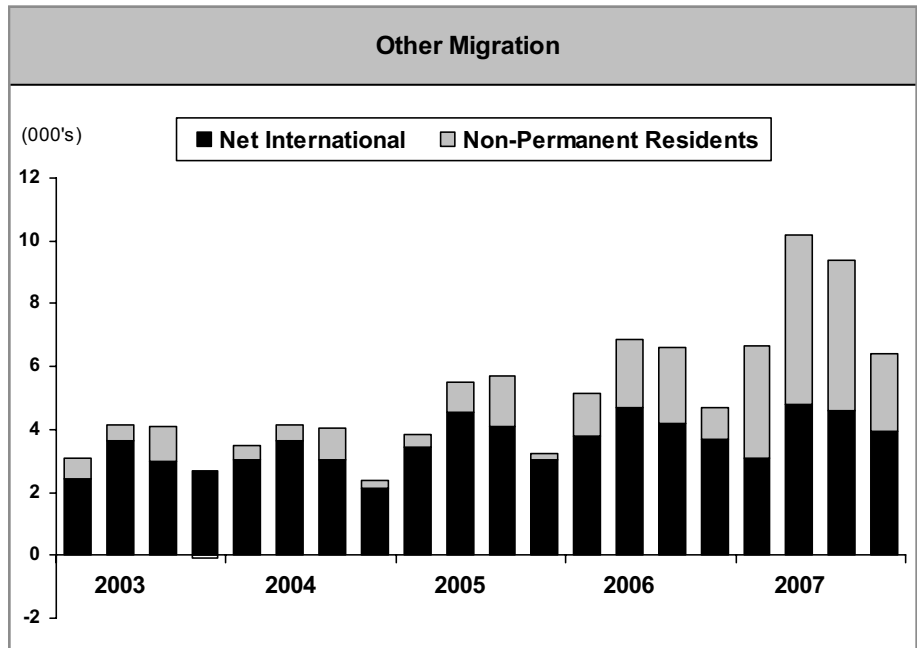
Source: Statistics Canada

After reaching a record high in the second half 2006, the pace of interprovincial migration began to moderate in 2007. In the last half of 2007, there was a net outflow from Alberta, particularly to Saskatchewan and British Columbia due to improved economic conditions in those provinces, as well as higher Alberta housing costs.

Nevertheless, Alberta's overall population growth remained the highest in Canada, at 3.1% for the 2007 census year.

Migration from Abroad Increases

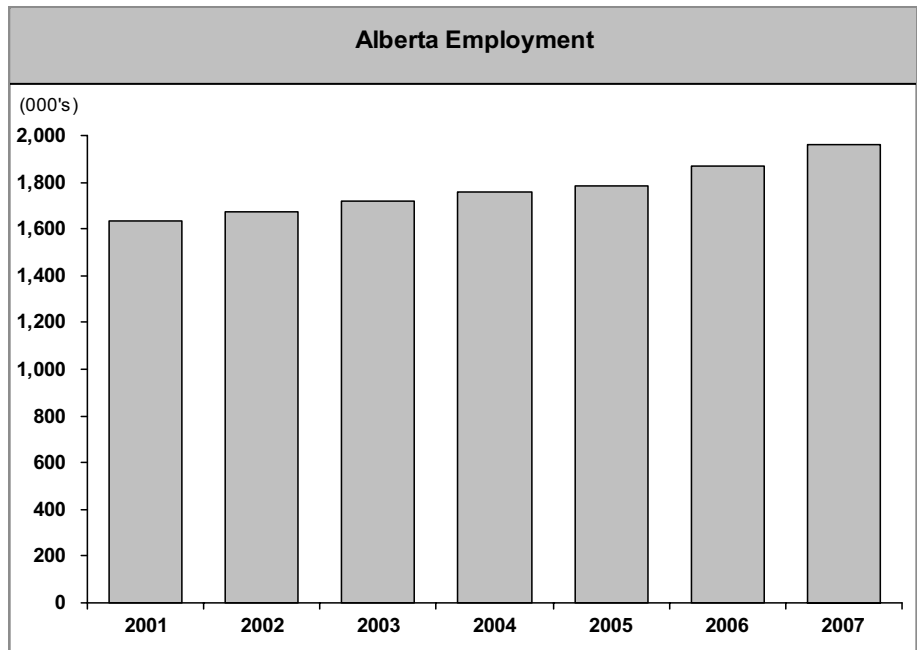
The slowing pace of interprovincial migration was partly offset by an increase in the numbers of persons moving to Alberta from abroad, either permanently or on a temporary basis. Largely in response to Alberta labour shortages, the number of permanent and non-permanent residents moving to Alberta from other countries rose by 40% in 2007.



Source: Statistics Canada

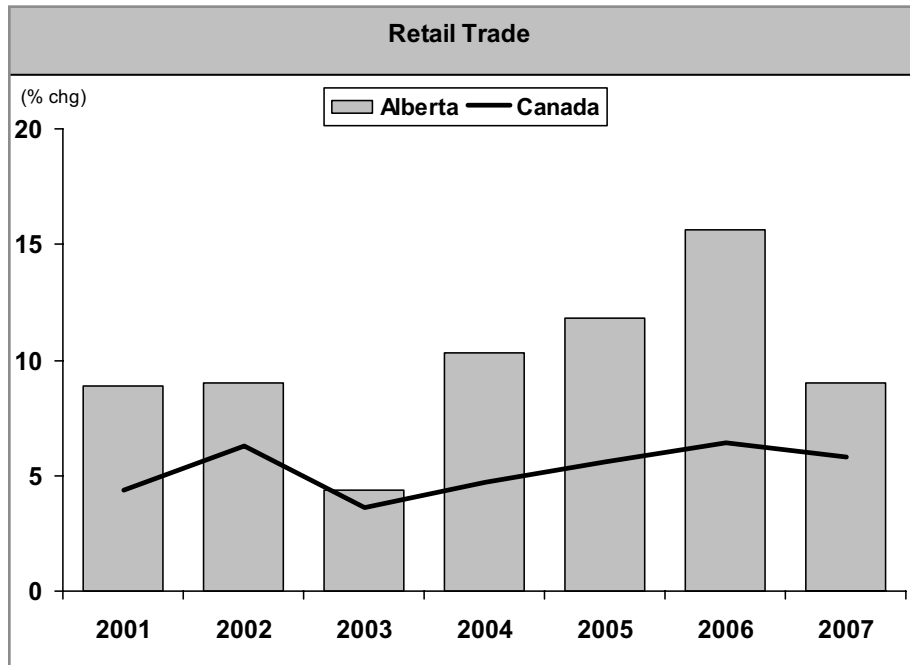
Employment Growth Remains Strong

In 2007, Alberta's economy continued to generate jobs at an impressive pace. Total employment increased by 88,700, for employment growth of 4.7% – easily the highest of any province, and more than double the national rate of 2.3%. Alberta's unemployment rate averaged 3.5%, the lowest among provinces for the fourth consecutive year.



Source: Statistics Canada

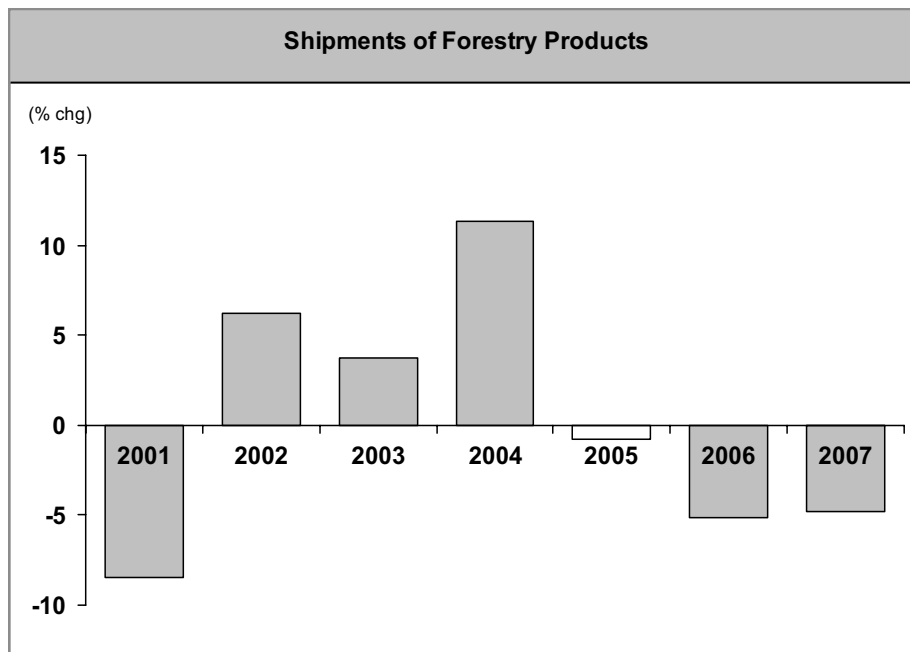
Retail Sector Sees Moderating Growth



Source: Statistics Canada

Alberta's retail sales activity moderated in 2007, but still recorded growth of 9%, well above the national growth rate of 5.8%. Alberta's average monthly retail sales of \$1,466 per capita were 41% above the national average and 35% higher than second place Newfoundland and Labrador.

Forestry Sector Faces Continuing Challenges



Source: Statistics Canada

Alberta's forestry industry experienced another difficult year in 2007. Total shipments declined for the third consecutive year, dropping by 4.8% as the high Canadian dollar and a significant downturn in the U.S. housing sector reduced demand for Alberta's lumber products. Paper shipments increased marginally and helped mitigate the decline in the forestry sector.

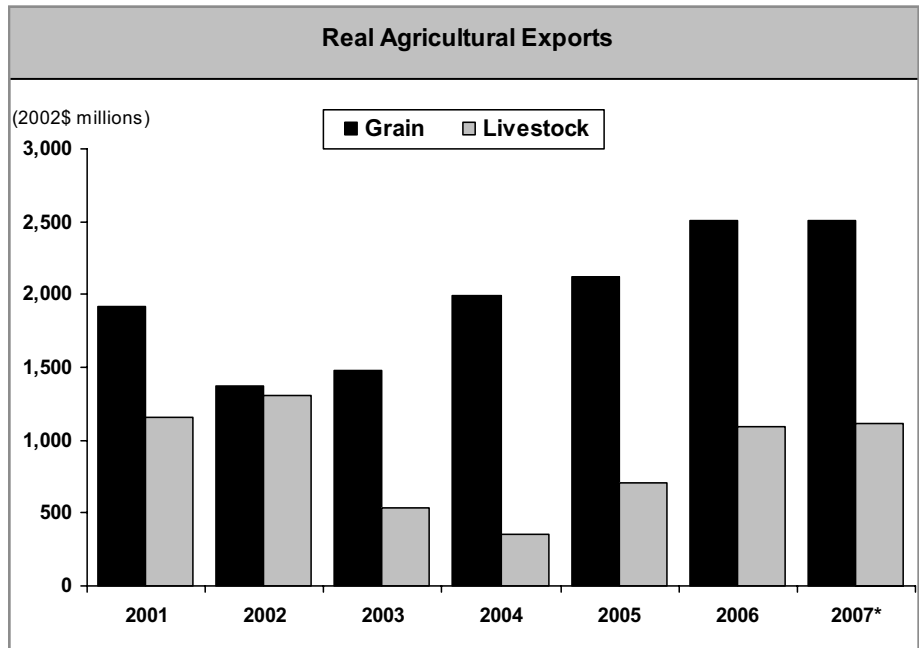
Grain and Livestock Exports Continue to Rise

Alberta grain producers benefitted from exceptionally strong world grain markets in 2007.

Along with record-high world prices, Alberta grain export volumes were up for the fifth consecutive year.

The picture for the livestock sector was less favourable.

While export volumes increased, weak animal prices and rising feedstock costs presented significant challenges for Alberta livestock producers.

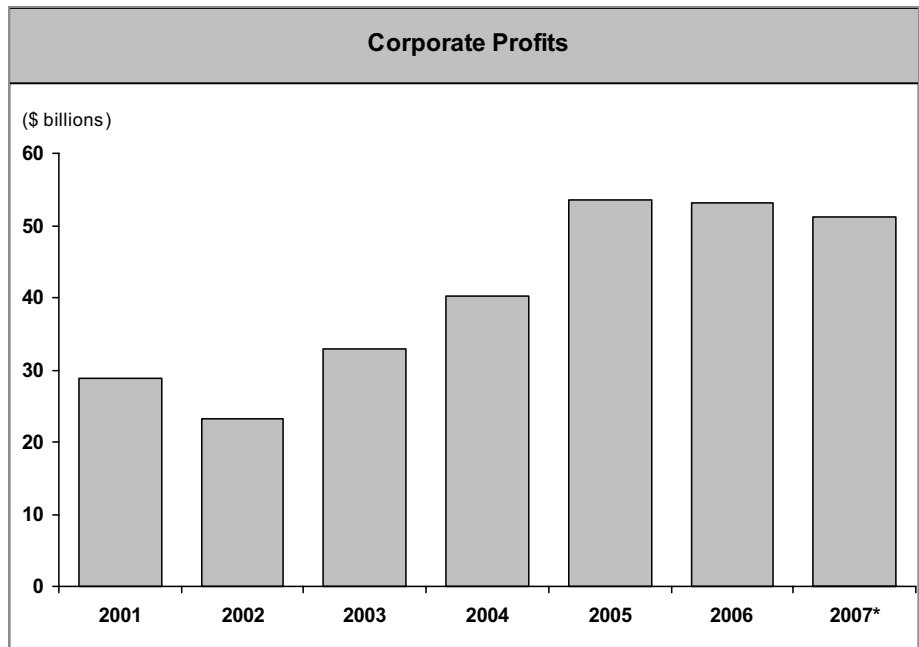


Source: Alberta Finance and Enterprise, estimate*

Corporate Profits Remain Near Record Levels

Corporate profits in Alberta's business sector more than doubled between 2002 and 2005. Profits have remained near record levels since 2005, due to high energy prices and the strength of the domestic economy.

Alberta accounted for approximately one quarter of the total business profits earned in Canada last year.



Source: Statistics Canada and Alberta Finance and Enterprise estimates*

Economic Outlook 2008 to 2011



GLOBAL GROWTH PICTURE MIXED

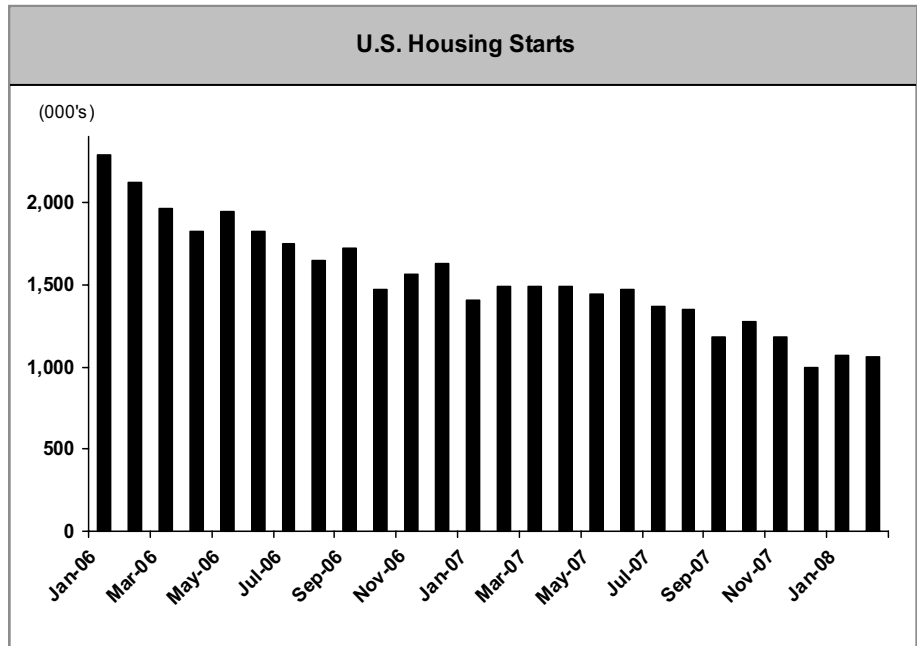
- Key economic indicators in the United States have deteriorated sharply since the beginning of 2008. The U.S. economy is likely already in recession as the slump in the housing market appears to be spreading to the broader economy. Central banks in North America and Europe have intervened to avoid systemic problems in financial markets. Nonetheless, the global economy has entered a period of unusually high uncertainty.
- The fall-out from the sub-prime mortgage debacle in the United States has also resulted in large write-downs by global financial institutions, which has restricted credit for many borrowers.
- Although U.S. economic growth is expected to drop to 1.2% in 2008, overall global economic growth is still expected to be around 4%, close to the long-term trend, because of the strength of emerging economies such as China, India and Russia. U.S. economic growth is expected to recover to 1.8% in 2009 and 3.0% in 2010 but the possibility of a deeper or more prolonged U.S. economic downturn remains a notable risk.
- Slower U.S. economic growth will have a negative impact on Canadian exports, particularly in conjunction with the rise in the value of the Canadian dollar. Canada's economic growth is expected to drop to 1.8% in 2008 before recovering to 2.2% in 2009 and 3% in 2010, as the U.S. economy picks up.
- There is a wide range of views about the future path of oil prices, given the uncertainties about the global economic outlook and the recent volatility in prices. The budget assumptions are within the range of private sector forecasts: US\$78 in 2008-09, US\$74 in 2009-10 and US\$72 in 2010-11. The North American slowdown is expected to limit improvement in prices to Cdn\$6.75/GJ; rising imports of liquefied natural gas are expected to further decrease prices to Cdn\$6.25/GJ by 2010-11.

HEALTHY, SUSTAINED GROWTH FOR ALBERTA

- Despite the deterioration in the United States, high energy prices are expected to sustain Alberta's economic growth at a healthy and sustainable pace. Real GDP growth is forecast to be 2.9% in 2008, 3.0% in 2009, 3.1% in 2010 and 3.8% in 2011.
- Business investment, particularly in oil sands upgraders and pipelines, is expected to remain an important driver of growth and is unlikely to be strongly affected by developments in the United States given the expected strength in energy prices. Oil exports are also expected to grow rapidly as production from new oil sands projects comes on stream.
- The Alberta labour market is expected to remain exceptionally strong. 161,000 new jobs are forecast by 2011, and the unemployment rate is expected to average 3.9%. This will provide the foundation for continued strong growth in personal incomes.
- Slower interprovincial migration will lead to more moderate activity in Alberta's housing sector. Housing starts are expected to decline from their current near record level of around 48,000 per year to about 32,500 in 2011.
- A moderating housing sector should dampen inflationary pressures. Alberta's inflation rate is expected to slow to 3.4% in 2008, and 2.2% by 2010.

Downturn in U.S. Housing Leads to Global Credit Squeeze

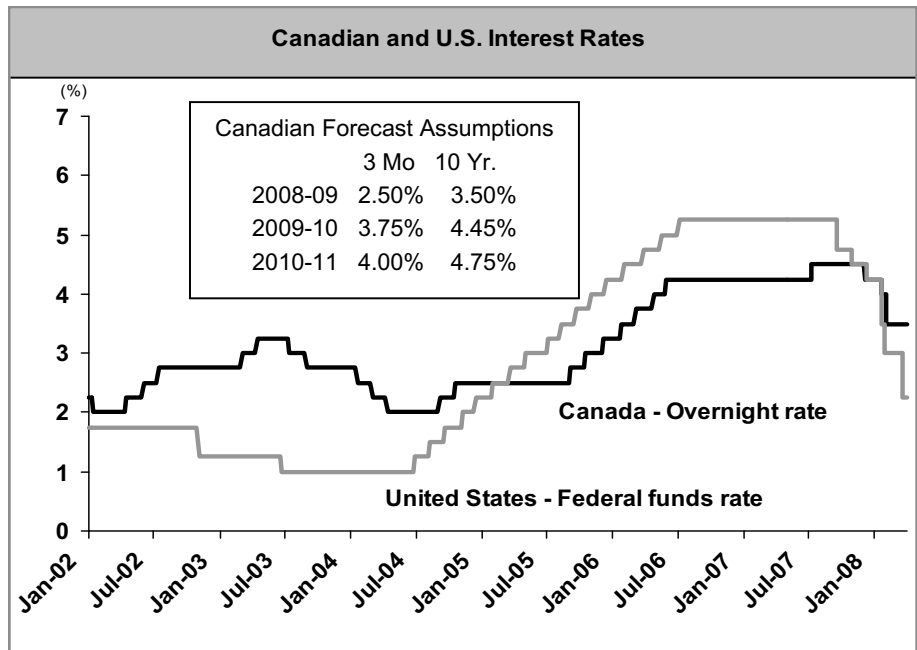
The sharp correction in U.S. housing markets in 2007 created serious problems in mortgage markets, which resulted in major write-downs by global financial institutions and created liquidity problems in broader credit markets.



Source: U.S. Department of Housing and Urban Development

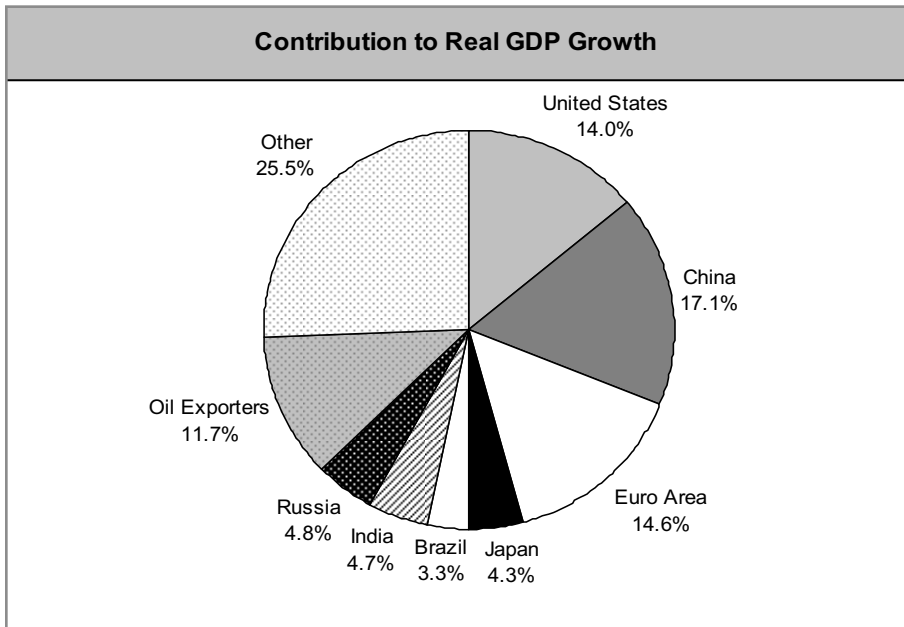
Central Banks Slash Interest Rates

A number of central banks in North America and Europe have reacted vigorously to ease the credit squeeze. The U.S. Federal Reserve Board has cut interest rates by 2 percentage points since the beginning of the year; further rate cuts are likely. The Bank of Canada has cut interest rates by 1 percentage point since early December, and is expected to lower interest rates further in 2008. Interest rates are expected to rise gradually in 2009 as economic growth strengthens.



Source: Bank of Canada, U.S. Federal Reserve Board and Alberta Finance and Enterprise

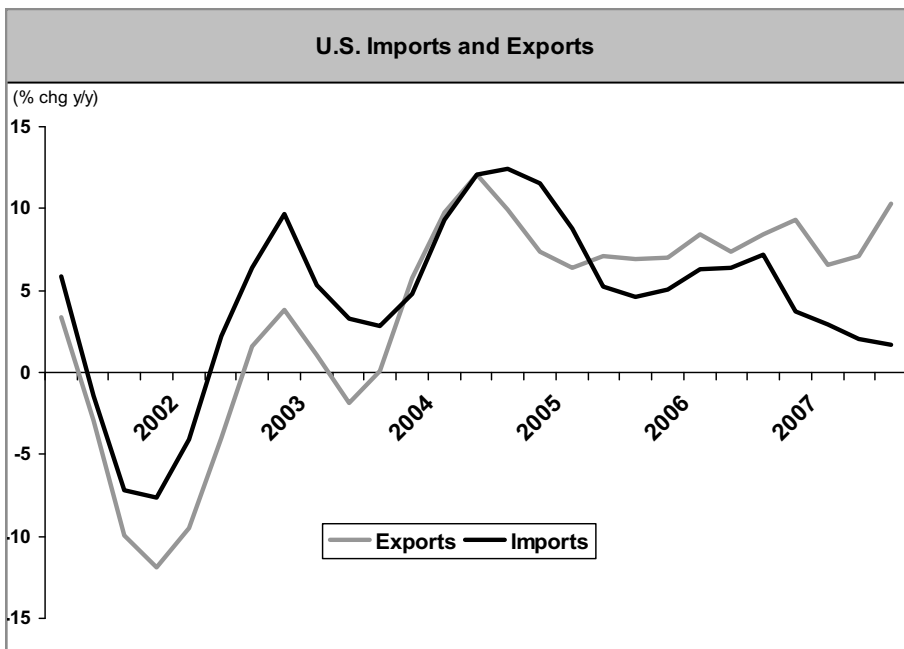
China Leading World Growth



Source: International Monetary Fund and various national statistical agencies

Despite the deterioration in the U.S. economic outlook, robust growth in China and other emerging economies is expected to support continued healthy global growth. In 2007, China overtook the United States as the largest contributor to global economic growth. Global growth is forecast at around 4% in 2008, down from an estimated 4.9% in 2007, but similar to its long-run trend.

U.S. Trade Sector Improving



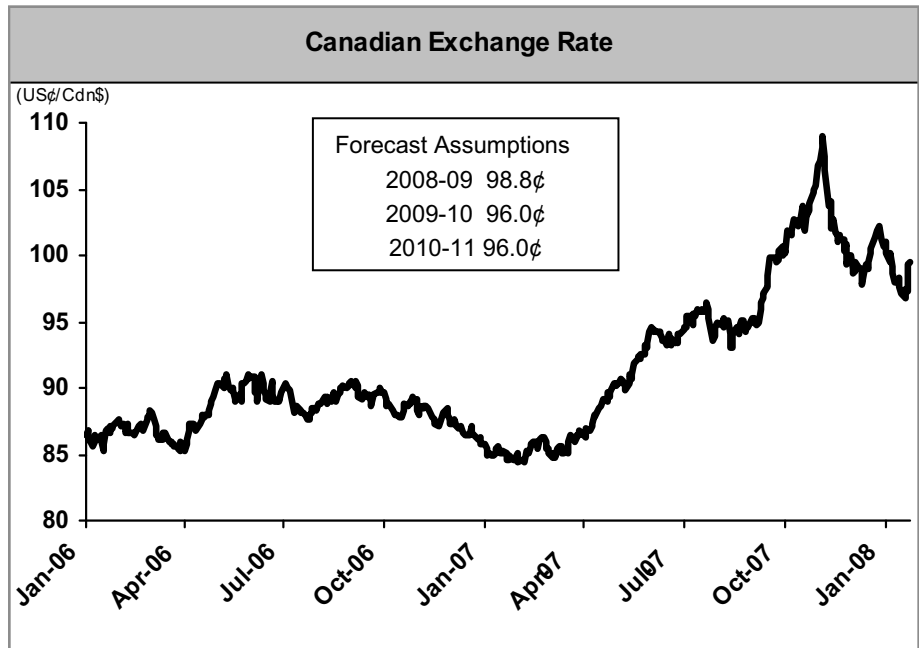
Source: U.S. Bureau of Economic Analysis

Although the domestic outlook has deteriorated, the U.S. economy is benefitting from a surge in exports, fuelled by the combination of a strong global economy and a depreciating U.S. dollar. The improvement in the trade sector should help U.S. economic growth to recover from 1.2% in 2008 to 1.8% in 2009 and 3% in 2010.

Canadian Dollar to Remain Strong

U.S. dollar weakness and strength in commodity prices propelled the Canadian dollar to record highs in 2007, although the dollar has been subject to unusually large day-to-day fluctuations.

Despite an expected moderation in commodity prices, the Canadian dollar is expected to average about 97 U.S. cents over the forecast period due to Canada's enviable economic and fiscal fundamentals.

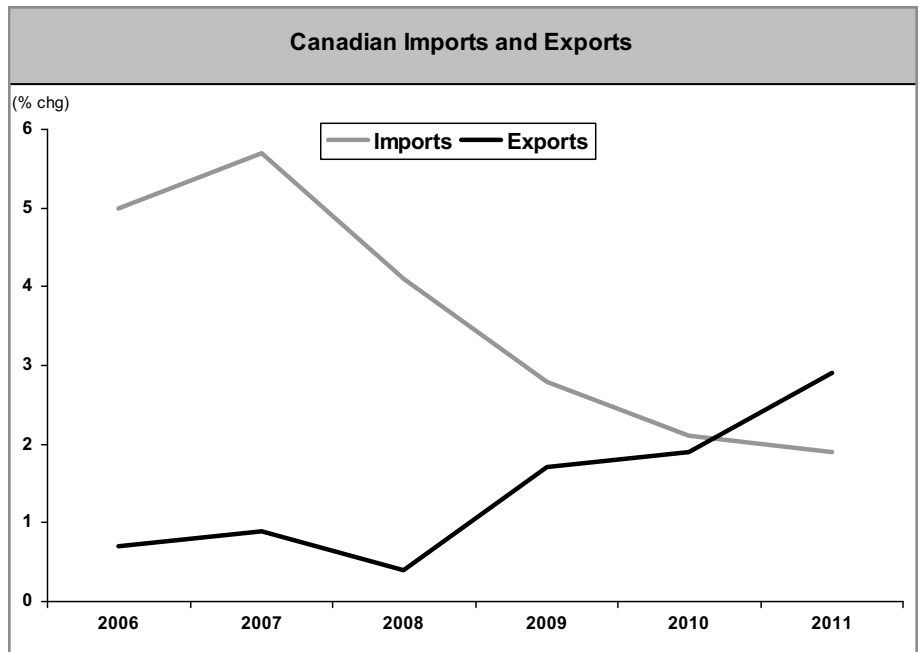


Source: Bank of Canada and Alberta Finance and Enterprise

Trade Sector Expected to Improve

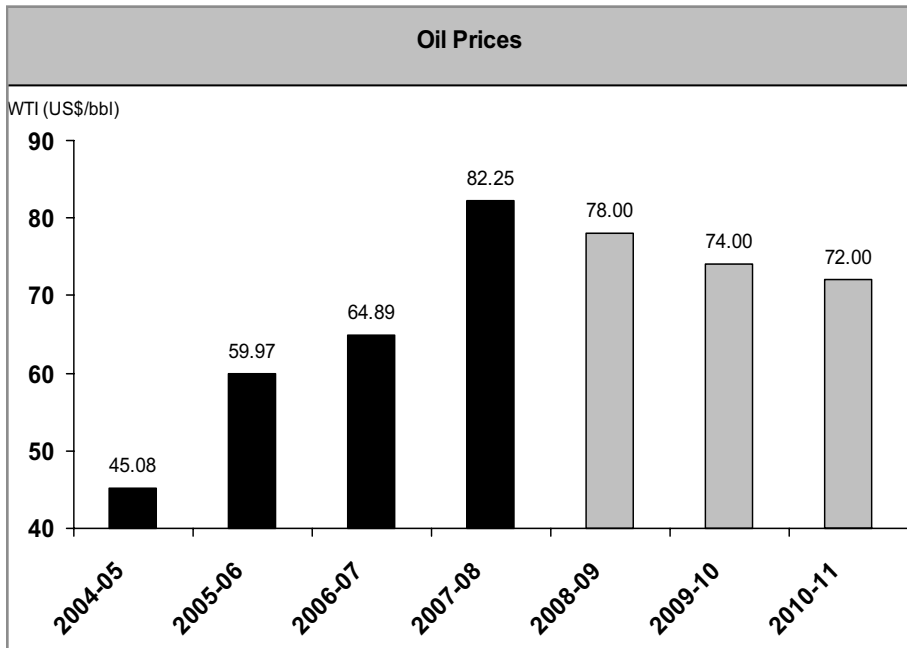
The high Canadian dollar is hurting Canada's international trade balance, due in large measure to relatively low growth in exports.

While Canada's domestic economy is expected to remain healthy, a declining trade balance is forecast to reduce national GDP growth to 1.8% in 2008. Growth is expected to be 2.2% in 2009 and 3% in 2010 as the U.S. economy picks up.



Source: Statistics Canada and Alberta Finance and Enterprise

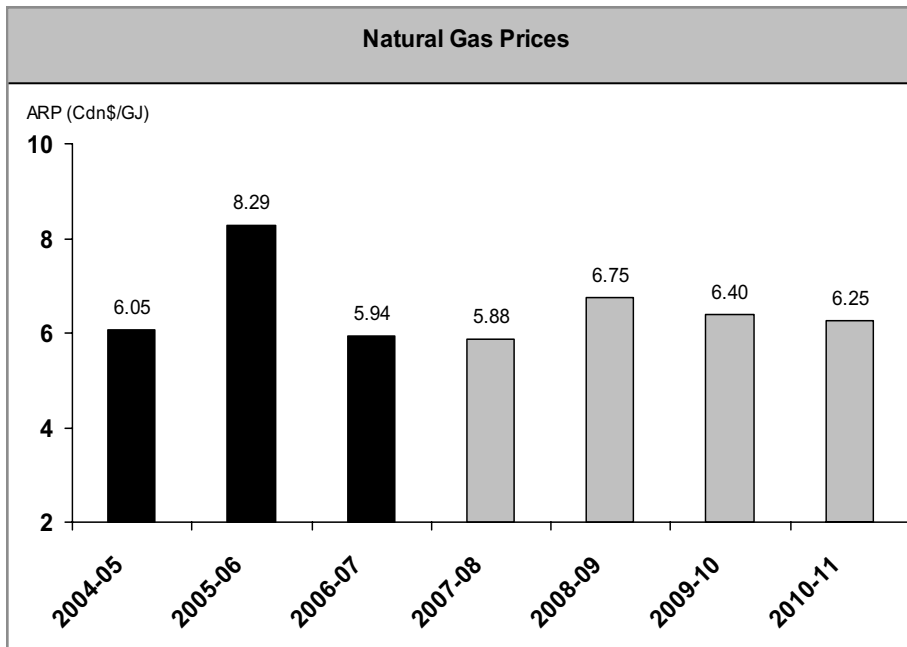
Oil Prices Expected to Moderate, but Remain High



Source: Alberta Energy

The outlook for oil prices is extremely uncertain, and there is a wide range of views in the private sector. Slower world economic growth, along with increases in oil supplies in response to record high prices, should exert a moderating influence but continued strong demand from emerging economies is likely to keep prices relatively high in historical terms. Prices are forecast to average US\$78 in 2008-09, declining to US\$72 by 2010-11, within the range of private sector forecasts.

Flat Outlook for Natural Gas Prices

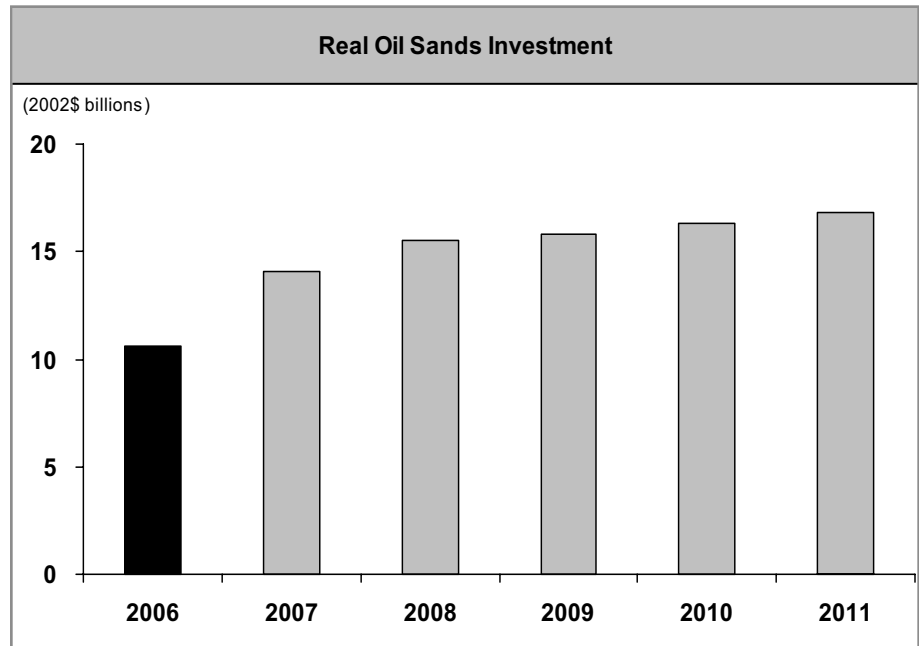


Source: Alberta Energy

The outlook for North American natural gas prices continues to be relatively flat. A slowing North American economy is expected to limit the recovery in prices in 2008 to Cdn\$6.75/GJ. In the longer term, increases in North American imports of liquefied natural gas (LNG) are expected to reduce Alberta natural gas prices to Cdn\$ 6.25 /GJ by 2010-11.

Oil Sands Investment to Remain High

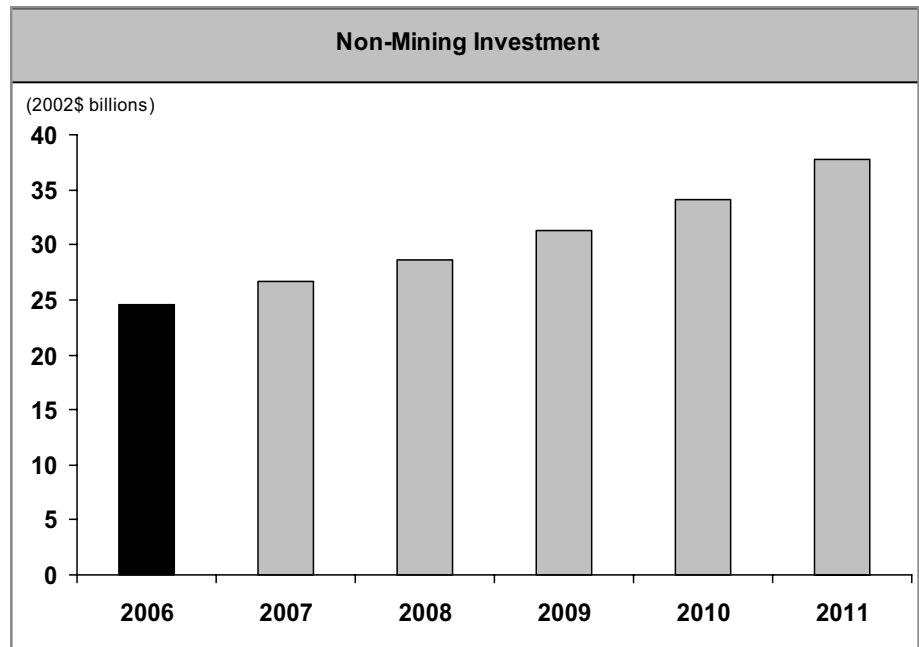
Investment in Alberta's oil sands is expected to remain exceptionally strong throughout the forecast period, averaging about \$16 billion annually in real (inflation-adjusted) terms. At the same time, capacity constraints mean that direct oil sands investments will not provide the same impetus to economic growth as in recent years.



Source: Statistics Canada and Alberta Finance and Enterprise

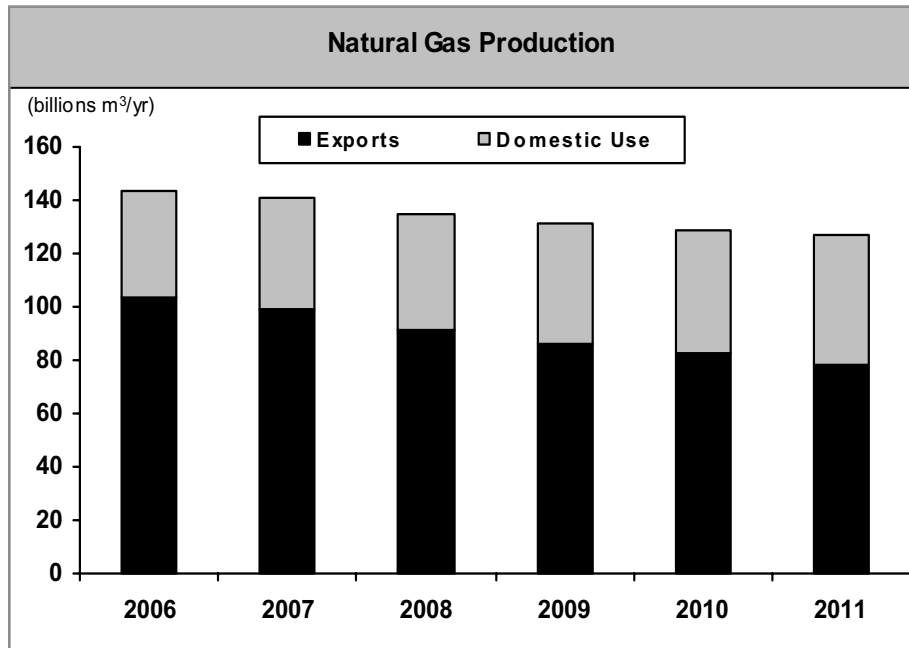
Upgrader and Pipeline Investment Increasing

Non-mining investment, which includes oil sands-related investments such as oil sands upgraders and pipelines, will be an increasingly important source of Alberta's economic growth. In real terms, Alberta non-mining investment is expected to increase by about 40% between 2007 and 2011, or about 10% per year on average.



Source: Statistics Canada and Alberta Finance and Enterprise

Declining Natural Gas Exports to Curtail Growth

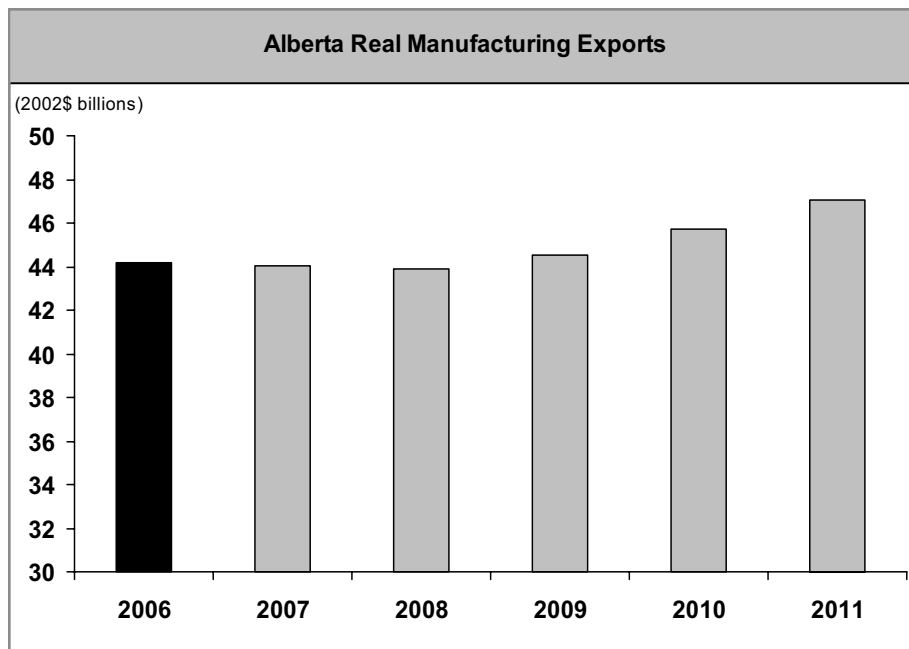


Source: Alberta Energy and Alberta Energy Resources Conservation Board

Strong growth in oil sands and related activities will be offset, to a significant degree, by the ongoing decline in the province's natural gas exports.

A combination of declining natural gas production and increased demand for natural gas within Alberta means that natural gas exports will decline by an average of 5.6% per year over the forecast period.

Manufacturing Faces Adjustments to High Dollar



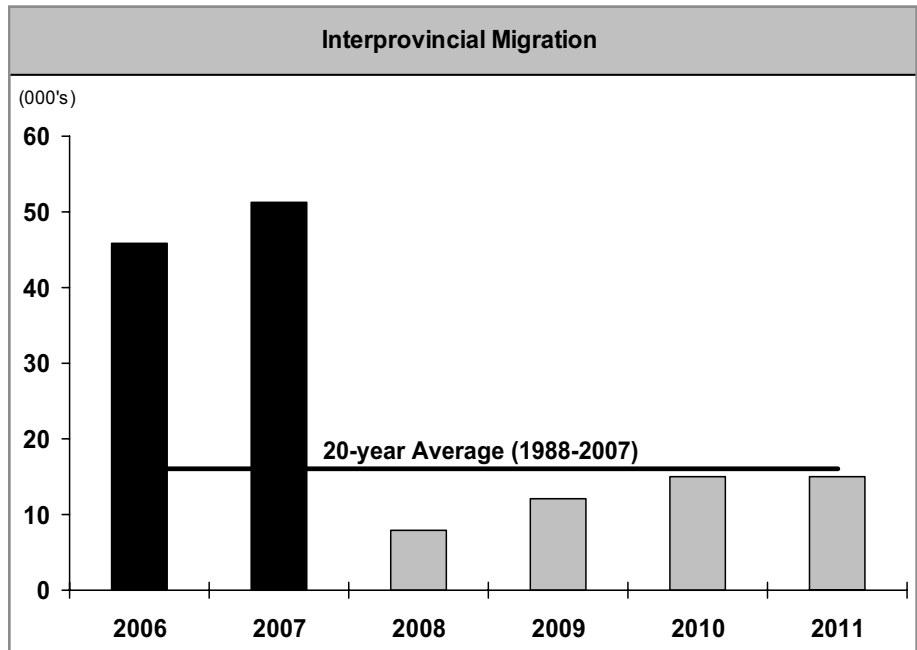
Source: Statistics Canada and Alberta Finance and Enterprise

Alberta's manufacturing sector is expected to experience continued yet modest growth, due mainly to the increased competitive challenges associated with the high Canadian dollar and slower U.S. economic growth, particularly in the short-term.

Real manufacturing exports are expected to increase by an average of 1.7% per year through 2011, or about half the expected growth rate of the Alberta economy.

Interprovincial Migration to Slow

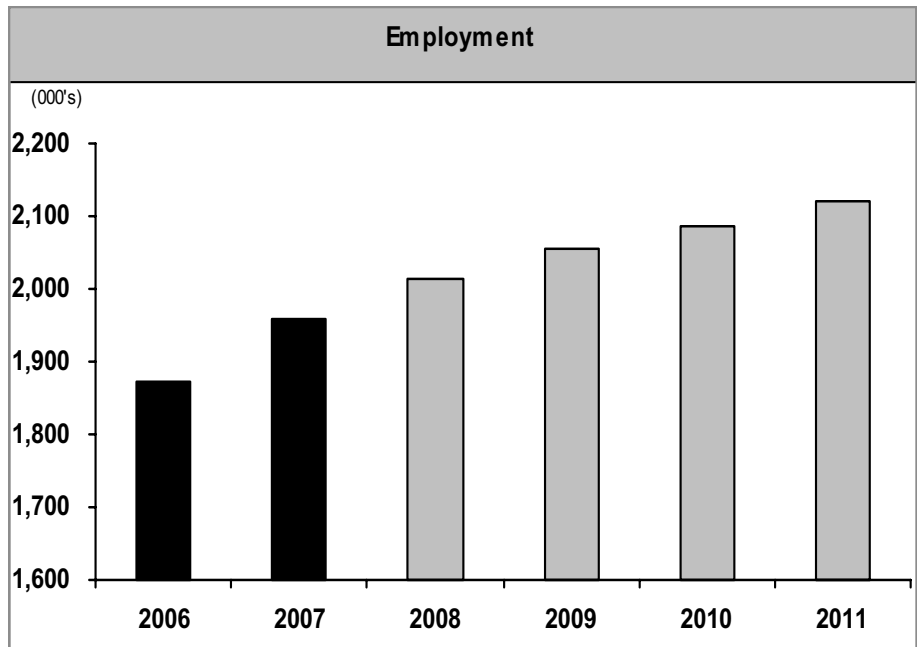
Following a decade of extraordinary growth, interprovincial migration to Alberta is expected to slow significantly in the short-term, and then move back towards its long-term average. Increasingly positive economic conditions in other western provinces, and Alberta's relatively high housing costs are the key factors that are expected to limit interprovincial migration.



Source: Statistics Canada and Alberta Finance and Enterprise

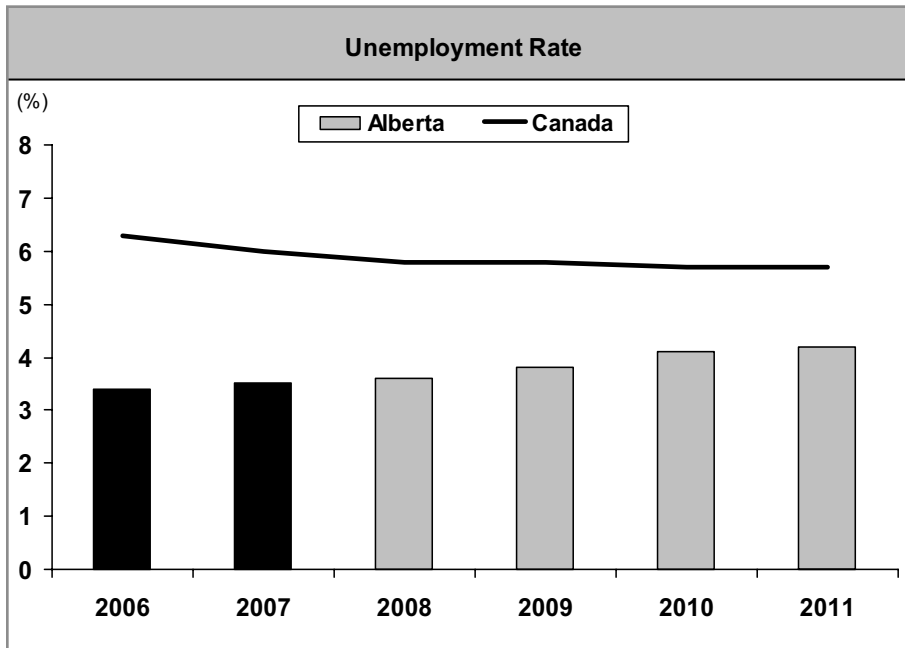
Alberta Employment Picture Remains Bright

Alberta's employment market is expected to remain vibrant. Over the 4-year forecast period, the economy is expected to generate another 161,000 jobs.



Source: Statistics Canada and Alberta Finance and Enterprise

Unemployment to Remain Near Record Lows

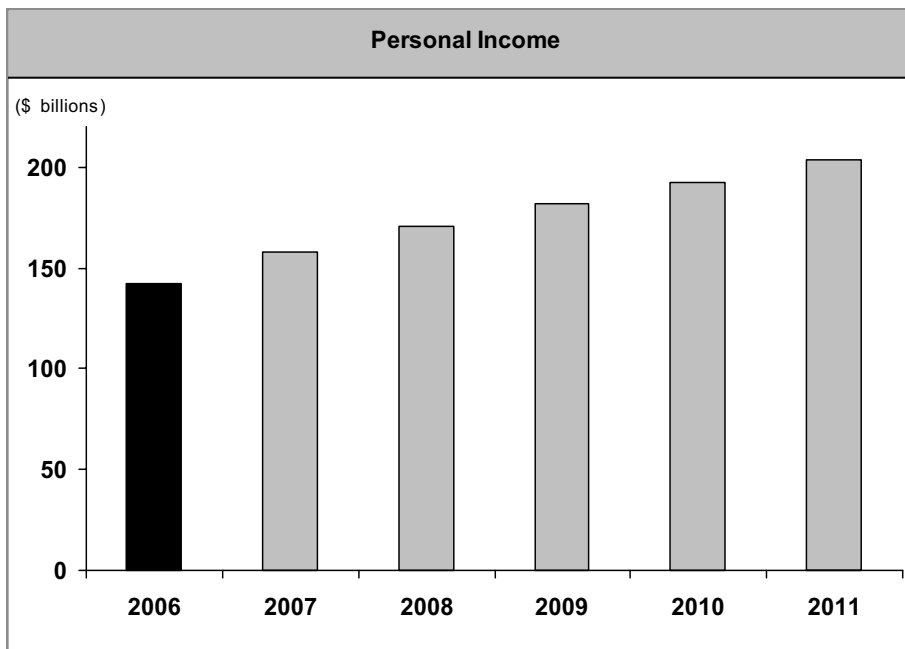


Source: Statistics Canada and Alberta Finance and Enterprise

Alberta is expected to remain effectively a “full-employment economy”, with an unemployment rate averaging just 3.9% from 2008 through 2011.

As capacity constraints ease, growth in average hourly wages is expected to moderate from 6.0% in 2007 to 3.6% by 2011.

Solid Growth in Personal Incomes



Source: Statistics Canada and Alberta Finance and Enterprise

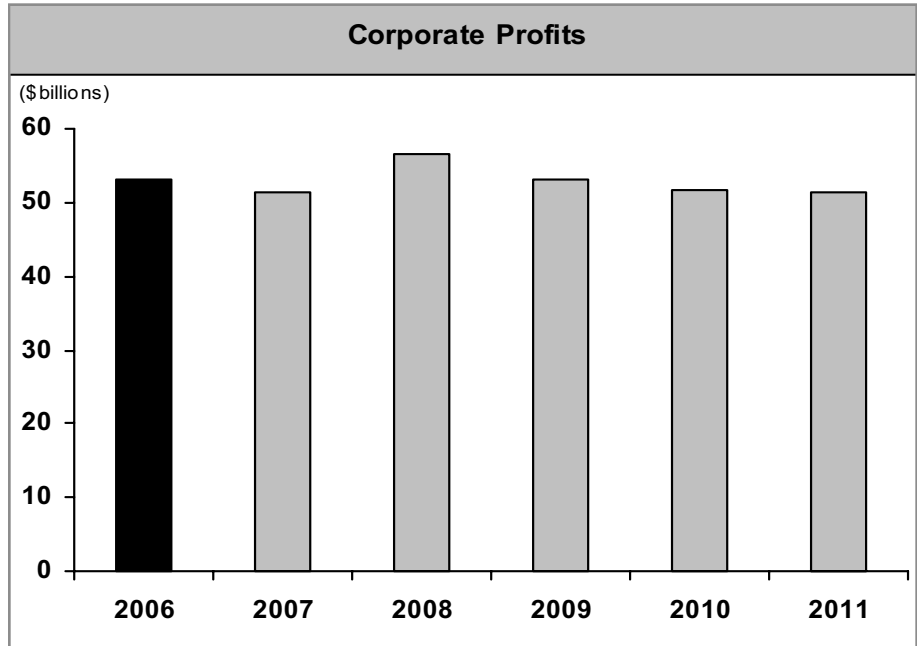
A healthy Alberta labour market is expected to ensure continued solid growth in Albertans’ average personal incomes.

At the same time, annual growth in total personal income is expected to slow from an estimated 10.7% in 2007 to an average of 6.6% over the forecast period as wage and employment growth slow. This will moderate the growth of Alberta’s personal income tax revenues.

Corporate Profits to Moderate from Record Highs

Although high oil prices are expected to raise corporate profits in 2008, they are expected to decline as energy prices recede, and margins are squeezed by the high dollar and high costs.

As a result, Alberta's corporate income tax revenues are expected to moderate from their current record levels.

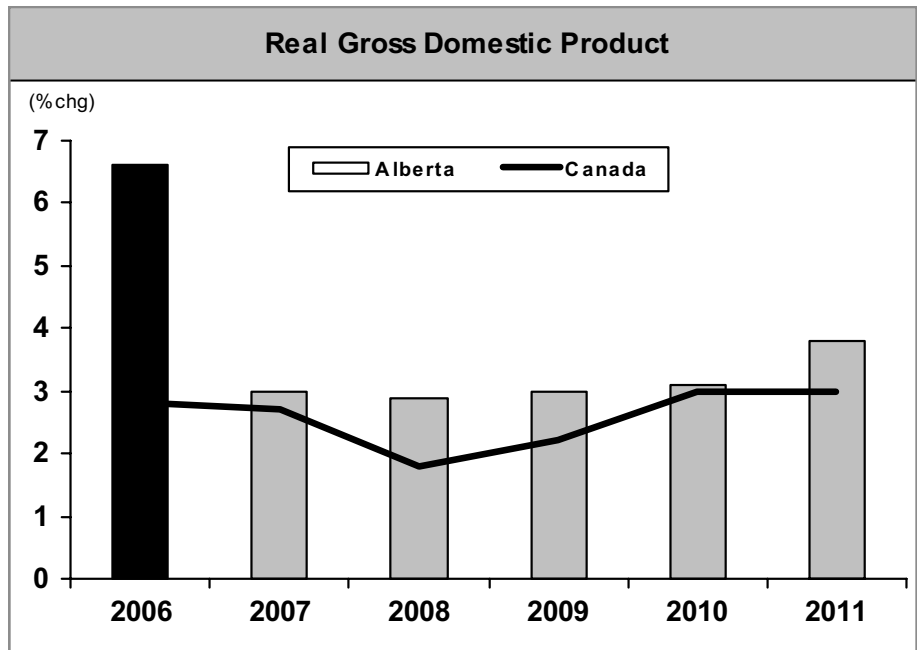


Source: Statistics Canada and Alberta Finance and Enterprise

Solid and Sustained Economic Growth for Alberta

Alberta's economic outlook remains healthy, with GDP growth expected to continue at a solid pace of about 3.2% per year through 2011.

Alberta's economic growth will continue to be driven by exceptionally high levels of investment, growing exports and solid employment growth.



Source: Statistics Canada and Alberta Finance and Enterprise

ANNEX

KEY ASSUMPTIONS AND BENCHMARKING

Risks to the Economic Outlook

FALLOUT FROM THE U.S. HOUSING AND CREDIT MARKETS

- The impact of the U.S. housing market on the sub-prime mortgage and broader credit markets represent a notable risk for both the U.S. and global economies. The United States appears to have already entered a recession although the extent and likely duration remains highly uncertain. The United States remains a key export market for Alberta, accounting for about 90% of our total international exports.
- The extent of “spill-over” effects from the sub-prime mortgage market to global credit and currency markets have not yet been fully determined. Significant currency fluctuations and liquidity crunches remain key risks.

CANADIAN DOLLAR

- Further increases in the Canadian dollar could have a significant negative effect on growth, curtailing exports, particularly in the manufacturing sector. A higher dollar also reduces the net revenues of energy producers, which could dampen investment. Since the new royalty regime effective January 1, 2009 is more price sensitive, the provincial revenue impacts of a one cent change in the Canadian dollar will increase from \$210 million in 2008-09 to \$292 million in 2009-10.

COST PRESSURES

- Greater than expected cost pressures could reduce economic growth. Government revenues could also be affected since high costs could reduce oil sands royalties and corporate income tax revenues, and higher inflation would reduce personal income taxes, which are indexed to inflation.

ENERGY

- Slower global economic growth suggests the potential for a significant decline in prices. Oil and natural gas prices could experience substantial declines if there is a prolonged downturn in the U.S. economy.
- Since Alberta’s new royalty regime (effective January 1, 2009) is more price sensitive, the effects of energy price changes on Alberta’s royalty revenues will also increase. The revenue impact of a \$1 change in the price of oil will increase from \$130 million in 2008-09 to \$211 million in 2009-10. For natural gas, the revenue impact of a 10 cent change in the Alberta Reference Price will increase from \$114 million in 2008-09 to \$166 million in 2009-10.

Sensitivities to Fiscal Year Assumptions^a

(millions of dollars)

	Change	Net Impact (\$ millions)	
		2008-09	2009-10
Oil Price (WTI US\$/bbl)	-\$1.00	-130	-211
Natural Gas Price (Cdn\$/GJ)	-10 cents	-114	-166
Exchange Rate (US¢/Cdn\$)	+1 cent	-210	-292
Interest Rates	1%	-196	-196
Equity Market Value	-1%	-32	-32
Personal Income	-1%	-90	-99
Corporate Taxable Income	-1%	-78	-77

^a Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

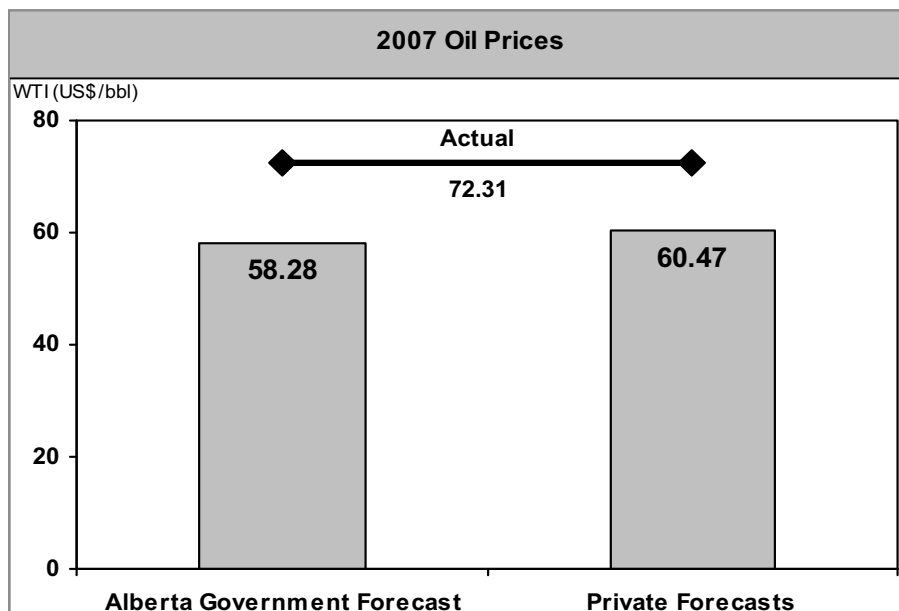
Oil Price Forecast Benchmark

West Texas Intermediate (US\$/bbl)

Organization	2008	2009	2010	2011
National Forecasting Agencies				
Conference Board of Canada (Mar/08)	95.15	87.92	88.60	91.25
Global Insight (Mar/08)	91.36	76.75	74.02	73.42
Centre for Spatial Economics (Mar/08)	84.74	78.58	77.62	77.14
Investment Dealers				
CS First Boston (Mar/08)	90.00	90.00	90.00	90.00
Goldman Sachs (Mar/08)	95.00	105.00	110.00	110.00
JP Morgan (Mar/08)	90.50	80.00	n/a	n/a
Lehman Brothers (Mar/08)	76.00	81.00	86.00	91.00
Peters & Co Limited (Mar/08)	104.27	101.50	99.90	99.96
RBC Capital Markets (Mar/08)	97.57	96.00	95.20	95.18
Industry Analysts				
Canadian Energy Research Institute (Feb/08)	83.25	n/a	n/a	n/a
U.S. Energy Information Administration (Mar/08)	94.11	85.92	n/a	n/a
GLJ Petroleum Consultants (Jan/08)	92.00	88.00	84.00	82.00
Sproule Associates Limited (Feb/08)	91.58	89.01	87.85	80.94
Confidential Forecasts Provided to Alberta Energy^a				
Average	85.30	77.61	70.00	72.00
High	104.27	105.00	110.00	110.00
Low	73.65	64.50	66.00	70.00
Average of All Private Forecasts	88.95	85.16	86.10	86.24
Alberta Government (calendar year)	81.84	75.00	72.10	71.25

^a Alberta Energy also surveys, on a confidential basis, private forecasts from PIRA, KBC, Petral, Purvin & Gertz, Groppe Long & Littell, CGES, Ross Smith Energy and Wood Mackenzie. The annual figures presented are the average forecast prices from these sources. Includes forecasts finalized on or before March 20th, 2008.

How Oil Price Forecasters Did in Budget 2007



Both the Alberta government and the private sector underestimated oil prices last year by a wide margin.

Source: Alberta Finance and Enterprise and Alberta Energy

Natural Gas Price Forecast Benchmark

Henry Hub (US\$/MMBTU)^a

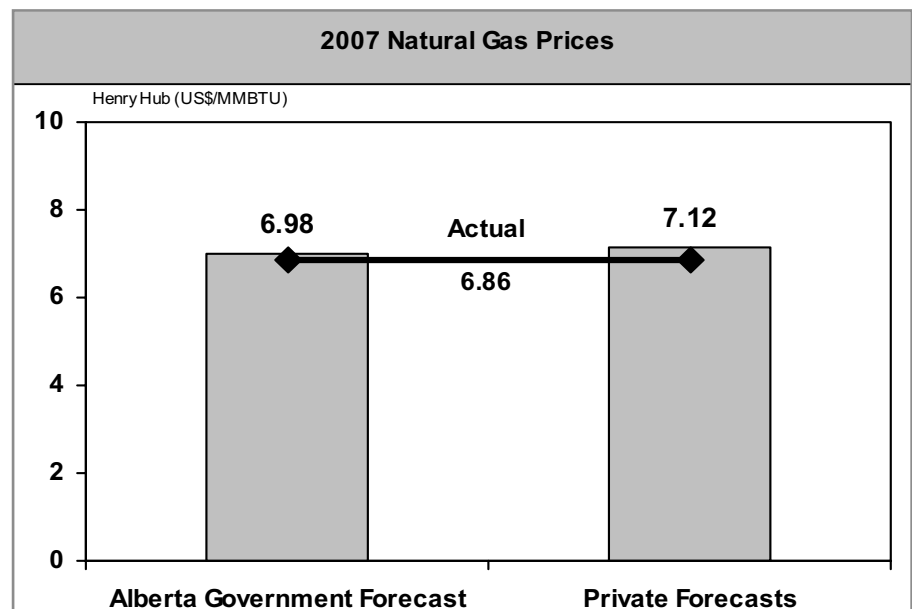
Organization	2008	2009	2010	2011
National Forecasting Agencies				
Global Insight (March/08)	8.06	8.53	8.75	8.63
Centre for Spatial Economics (Mar/08)	7.55	7.45	7.08	6.85
Investment Dealers				
National Bank Financial (Mar/08)	8.00	8.00	8.00	8.00
Peters & Co Limited (Mar/08)	9.91	9.76	9.27	9.19
RBC Capital Markets (Mar/08)	9.53	9.51	9.19	9.14
Industry Analysts				
U.S. Energy Information Administration (Mar/08)	8.18	7.95	n/a	n/a
GLJ Petroleum Consultants (Jan/08)	7.50	8.25	8.25	8.25
Sproule Associates Limited (Feb/08)	8.60	8.78	8.55	8.59
Confidential Forecasts Provided to Alberta Energy^b				
Average	8.37	7.73	6.67	6.70
High	9.91	9.76	9.27	9.19
Low	7.50	6.80	6.33	6.26
Average of All Private Forecasts	8.40	8.22	7.91	7.87
Alberta Government (calendar year)	8.17	7.71	7.42	7.21

^a The natural gas price is the US price of gas at Henry Hub Louisiana, as this is the benchmark for natural gas prices in the rest of North America. The Alberta government forecast in the table above is the US Henry Hub price, and is based on the Alberta Reference Price used in natural gas royalty calculations, adjusted for the exchange rate and transportation costs. Includes forecasts finalized on or before March 20th, 2008.

^b Alberta Energy also surveys, on a confidential basis, private forecasts from the following forecasters: PIRA, Ross Smith Energy, Petral, CERA and Wood Mackenzie. The annual figures presented are the average forecast prices from these sources.

How Natural Gas Price Forecasters Did in Budget 2007

Both the Alberta government and the private sector accurately forecast natural gas prices in Budget 2007.



Source: Alberta Finance and Enterprise and Alberta Energy

Alberta's Real GDP Growth Benchmark

(per cent change)

Organization	2008	2009	2010	2011
National Forecasting Agencies				
Conference Board of Canada (Mar/08)	3.3	3.3	3.7	3.8
Global Insight (Mar/08)	3.0	3.2	3.1	3.2
Centre for Spatial Economics (Jan/08)	2.3	3.2	3.1	3.9
Banks				
Bank of Montreal (Jan/08)	2.8	2.7	n/a	n/a
CIBC World Markets (Feb/08)	3.0	2.7	n/a	n/a
RBC Royal Bank (Feb/08)	3.5	3.2	n/a	n/a
Scotiabank (Mar/08)	2.8	3.1	3.0	3.0
Toronto Dominion Bank (Mar/08)	2.1	2.8	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Feb/08)	3.2	3.0	n/a	n/a
High	3.5	3.3	3.7	3.9
Low	2.1	2.7	3.0	3.0
Average	2.9	3.0	3.2	3.5
Alberta Government (calendar year)	2.9	3.0	3.1	3.8

Canada/United States Exchange Rate Benchmark

(US\$/Cdn\$)

Organization	2008	2009	2010	2011
National Forecasting Agencies				
Conference Board of Canada (Mar/08)	99.6	99.0	98.1	97.0
Global Insight (March/08)	98.5	97.0	96.6	95.7
Centre for Spatial Economics (Mar/08)	102.8	102.7	100.0	95.8
Banks				
Bank of Montreal (Mar/08)	99.0	95.9	n/a	n/a
CIBC World Markets (Mar/08)	102.4	n/a	n/a	n/a
RBC Royal Bank (Mar/08)	96.2	n/a	n/a	n/a
Scotiabank (Mar/08)	102.0	103.0	102.0	102.0
Toronto Dominion Bank (Mar/08)	97.3	93.5	n/a	n/a
High	102.8	103.0	102.0	102.0
Low	96.2	93.5	96.6	95.7
Average	99.7	98.5	99.2	97.6
Alberta Government (calendar year)	99.2	96.5	96.0	96.0

Canadian Short Term Interest Rate Benchmark

3-month Government of Canada Treasury Bills (per cent)

Organization	2008	2009	2010	2011
National Forecasting Agencies				
Conference Board of Canada (Mar/08)	3.17	3.56	4.62	4.61
Global Insight (Mar/08)	3.20	3.62	4.38	5.00
Centre for Spatial Economics (Mar/08)	3.76	3.73	3.76	4.28
Banks				
Bank of Montreal (Mar/08)	2.52	3.28	n/a	n/a
CIBC World Markets (Mar/08)	2.19	2.70	n/a	n/a
RBC Royal Bank (Mar/08)	2.70	3.50	n/a	n/a
Scotiabank (Mar/08)	1.65	2.45	4.00	4.00
Toronto Dominion Bank (Mar/08)	1.91	2.53	n/a	n/a
High	3.76	3.73	4.62	5.00
Low	1.65	2.45	3.76	4.00
Average	2.64	3.17	4.19	4.47
Alberta Government (calendar year)	2.50	3.50	4.00	4.00

Canadian Long Term Interest Rate Benchmark

10-Year Government of Canada Bonds (per cent)

Organization	2008	2009	2010	2011
National Forecasting Agencies				
Conference Board of Canada (Mar/08) ^a	4.15	4.49	5.19	5.48
Global Insight (Mar/08)	3.41	3.97	5.30	5.52
Centre for Spatial Economics (Mar/08)	4.10	4.38	4.56	4.96
Banks				
Bank of Montreal (Mar/08)	3.47	3.86	n/a	n/a
CIBC World Markets (Mar/08)	3.48	3.80	n/a	n/a
RBC Royal Bank (Mar/08)	3.75	4.45	n/a	n/a
Scotiabank (Mar/08)	3.50	4.20	4.80	4.80
Toronto Dominion Bank (Mar/08)	3.58	3.83	n/a	n/a
High	4.15	4.49	5.30	5.52
Low	3.41	3.80	4.56	4.80
Average	3.68	4.12	4.96	5.19
Alberta Government (calendar year)	3.50	4.25	4.75	4.75

^a Encompasses all bonds 10 years or greater

Alberta Personal Income Benchmark

(per cent change)

	2008	2009	2010	2011
Organization				
Conference Board of Canada (Mar/08)	5.7	5.1	5.2	5.2
Global Insight (Mar/08)	4.0	5.3	4.9	4.6
Centre for Spatial Economics (Jan/08)	6.6	6.0	5.8	5.6
Scotiabank (Mar/08)	6.5	6.0	5.5	5.5
Toronto Dominion Bank (Jan/08)	6.1	6.7	5.5	5.2
Average	5.8	5.8	5.4	5.2
Alberta Government (calendar year)	8.2	6.6	5.6	6.0

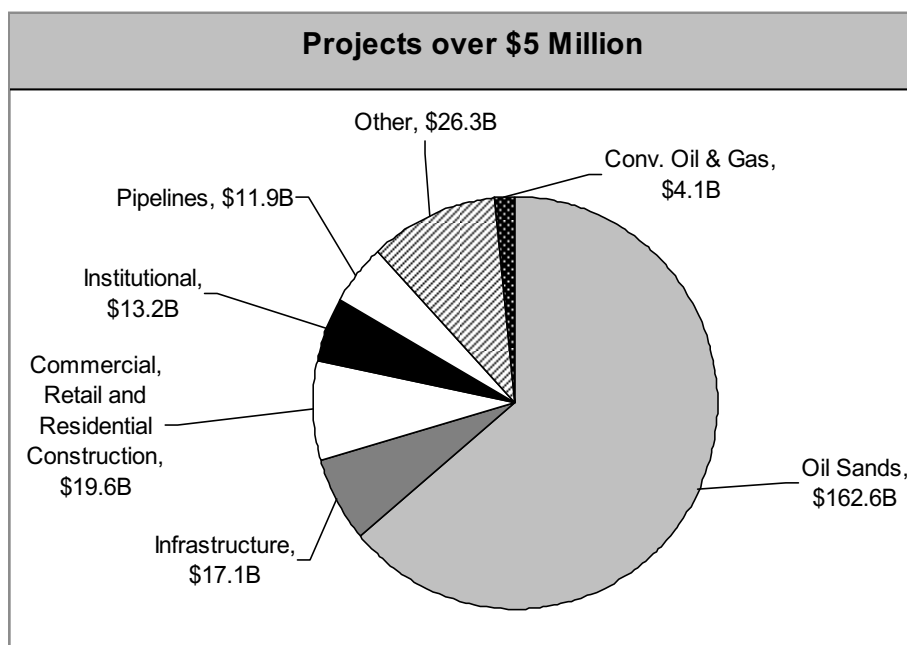
Alberta Corporate Profits Benchmark

(per cent change)

	2008	2009	2010	2011
Organization				
Conference Board of Canada (Mar/08)	8.4	6.6	6.7	4.9
Global Insight (Mar/08)	4.9	6.2	3.8	3.9
Centre for Spatial Economics (Jan/08)	9.2	3.6	0.8	4.5
Average	7.5	5.5	3.8	4.4
Alberta Government (calendar year)	10.5	-6.1	-2.9	-0.6

Almost \$255 Billion in Major Projects

Major projects valued at \$5 million or greater that are planned, underway or have recently been completed.



Source: Alberta Finance and Enterprise

Announced Major Projects Over \$2.5 Billion*

Announced or Under Construction

Company Name	Location	Type of Project	Cost (\$billions)	Timing
Petro - Canada Oil Sands / UTS Energy Corp. / Teck Cominco	RM of Wood Buffalo / Sturgeon County	'Fort Hills' Oil Sands Project and Upgrader, Phase 1	15.2	2007-2012
Suncor Energy Inc.	RM of Wood Buffalo	'Voyageur' Oil Sands Third Upgrader	11.6	2007-2011
Suncor Energy Inc.	RM of Wood Buffalo	'Firebag' Oil Sands Project, Stages 3 to 6	9.0	2006-2011
Canadian Natural Resources Ltd.	RM of Wood Buffalo	'Project Horizon' Mining and Drilling Project, Phase 1	7.75	2005-2008
OPTI Canada Inc. / Nexen Inc.	RM of Wood Buffalo	'Long Lake' SAGD Heavy Oil Project, Phase 1	6.1	2004-2008
Albian Sands Energy Ltd. (Shell Canada / Chevron Canada / Marathon Oil Corp.)	Strathcona County	Scotford Upgrader Expansion for Alberta Oil Sands Project	5.6	2006-2010
Albian Sands Energy Ltd.	RM of Wood Buffalo	Muskeg River Mine Expansion	5.0	2007-2010
SynEnCo Energy Inc. / SinoCanada Petroleum Corp.	RM of Wood Buffalo	'Northern Lights' Oil Sands Mine and Extraction Plant, Phases 1 and 2	4.4	2007-2010
North West Upgrading Inc.	Sturgeon County	Bitumen Upgrader, Phase 1	4.2	2007-2011
Canadian Natural Resources Ltd.	RM of Wood Buffalo	'Project Horizon' Mining and Drilling Project, Phases 2 and 3	3.1	2007-2013
Husky Energy Inc. / BP Plc.	RM of Wood Buffalo	'Sunrise Thermal Project' SAGD Oil Sands Project, Phase 1	3.0	2007-2012

* See www.alberta-canada.com/statpub/AlbertaConstructionProjects for a list of major projects valued at \$5 million or greater.