

Market Update

Electricity prices were mostly stable compared to the first quarter of this year in Alberta. However, pool prices jumped to \$720 /MWh and averaged at around \$51/MWh during last week of April, due to the snow storm that barreled into Southern Alberta. With [below normal temperatures](#) forecasted for May and [approved outages](#) for the first half of month, pool prices could continue to be slightly higher than last month. Major [spring maintenance activities at the oil sands](#) could bring down oil inventories but also increase demand for electricity. Meanwhile, forward prices last week increased by 8% week over week since the new provincial government – UCP sworn in.

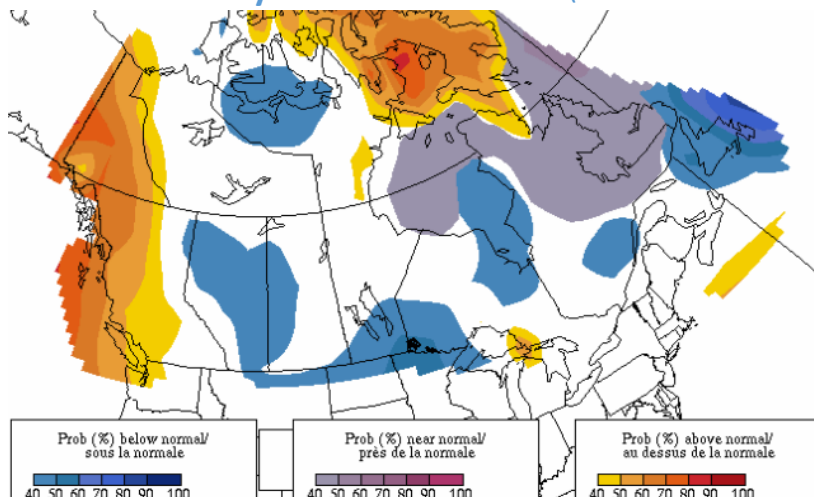
Following acute changes to Alberta’s electricity sector could be implemented by the new government:

- Sask. Govt.’s challenge against federal imposition of carbon levy is dismissed by the Sask. court on May 3rd, 2019. The federal carbon levy of a \$20/ ton for 2019 and an annual \$10/ ton increase until it reaches a \$50 / ton in 2022 may set a precedent to be upheld in other Canadian Provinces. UCP’s promise of a \$10 /ton reduction of carbon tax on greenhouse - gas emitters, and an elimination of provincial carbon tax in Alberta could be effected by this.
- Although renewable energy program auctions resulted in cheaper electricity supply costs than traditional alternatives, UCP pledged to end this program on [grounds of costly subsidies to renewables](#). This could mean that Alberta will also be moving away from it’s 30% power supply target from renewables by 2030.
- Although federal regulations for coal– fired plants phase out by 2030 are applicable, this plan could also be reconsidered by UCP.
- Last week’s hearings at Alberta Utilities Commission will be pivotal in defining the future of Alberta’s energy market structure and future electricity demand. Proponents of existing “Energy only” market and the proposed “Capacity market” presented their cases. In order to eliminate price volatility as the market transitions to cleaner supply, NDP & AE-SO have been working towards implementing Capacity market starting 2021.

In the current “Energy only” market, consumers only pay for consumption. Unlike this market, consumer will also have to [pay premium for having power available if transitioned to capacity market](#). Naturally, there is a worry of [unnecessary costs associated with over procurement](#). But, as the tax payers money has already been invested in this reform, it could be hard for the new government to just drop it.

For now, we wait and watch as pool prices could continue to see greater volatility in the near future.

Weather: 31 Day Canadian Forecast (Source: Environment Canada)



Monthly Average AESO Pool Price

Date	Average (\$/MWh)	Avg. System Demand (MW)
Apr, 2019	\$40.80	6,695
Mar, 2019	\$65.04	7,150
Feb, 2019	\$109.36	10,697
Jan, 2019	\$37.83	10,304
Dec, 2018	\$43.99	9,694
Nov, 2018	\$59.25	7,080
Oct, 2018	\$63.48	7,212

Market Highlights:

- In an attempt to rescue the Canola industry, federal government has increased interest free loans to the farmers. With seeding season running into mid May, electricity demand could go down after that.
- Considering recommendations from Indigenous groups, federal government [delayed its decision on expansion of Trans Mountain pipeline](#) by a month to June 22. Electricity demand could increase if the pipeline gets approved.
- UCP has not yet enacted on repealing rail leases that support oil to be transported out of Alberta. With no moving pipeline projects and UCP being head on against federal government, this could be a sensitive subject as federal oversees pipeline approvals. However, slight ease on production cuts and rail shipments in April helped bring up the oil prices.
- Federal government announced ~\$8.5 Mn funding for two Alberta projects: a unique geothermal project, and for research on [innovation in electricity grid](#).

Bill C-69:

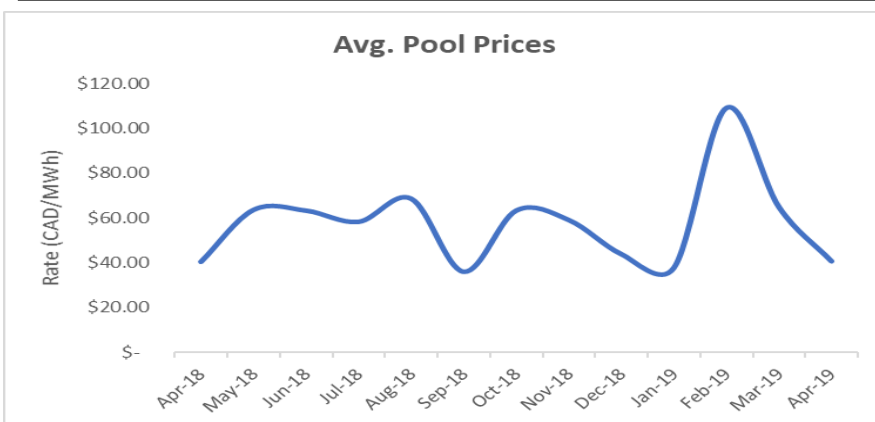
As a part of international commitment to reduce greenhouse –gas emissions by 30% from 2005 levels by 2030, federal government in 2016 has legislated a cap of 100 MT on annual emissions. Although Alberta’s NDP government has included emission cap in it’s 2016 Climate Leadership Act, it was never enforced. Fast forward to April 2019, UCP- the new pro-business government has expressed concerns with the emission cap, but did not scrap it.

The federal government recently released a list of projects that would be subjected to environmental impact assessments through federal regulations, rather than provincial regulations. These projects under Bill C-69 include pipelines, wind farms and large hydro dams that have an environmental impact in areas of federal jurisdiction. In the wake of UCP’s election promise to [scrap the emission cap](#), or a lack of plan to implement one, federal government has promised to subject In-situ oil sands to the Bill as well. About 80% of Alberta oil projects are In-situ. These extract bitumen using steam instead of mining.

In summary, Bill C-69 potentially overhaul’s provincial energy regulators authority . If this bill is passed as is, UCP has promised to launch a court challenge on grounds of infringement of constitutional rights of provinces to control their natural resources. Alberta’s businesses are with Kenny on this subject.

Bill C-48:

Nation wide public hearings on Bill C-48 are taking place. UCP is of opinion that this act is unfavorable to Alberta and Canadian industries. It expressed these concerns at the last week’s hearing in Edmonton. UCP also promised to challenge the act in court if it passes. Bill C-48 bans oil tankers docking along northern BC coast, on grounds of threat to marine life.



Date	Energy Supply Surplus
May, 2019	23%
Jun, 2019	24%
Jul, 2019	23%
Aug, 2019	24%
Jan, 2020	17%
Apr, 2020	23%
Jan, 2021	17%
Apr, 2021	23%

Data valid as of May 02, 2019;

British Columbia Market:

The future is uncertain as B.C and Alberta are preparing for a legal battle, after UCP formed the government last month in Alberta. UCP has proclaimed Bill 12, an act created by NDP to allow reduction in oil and gas shipments to B.C, if the later hinders pipeline projects. In response, [B.C filed a constitutional challenge](#). B.C's previous challenge against this Bill during April 2018 was tossed out, as the Bill was not legalized at that time. Some parties are of the opinion that turning off the supply has much wider [implications actually to Alberta](#), while UCP disagrees. Prices are affected by this turmoil.

However, high Natural Gas prices in B.C are due to a combination of refinery shortages, WestCoast pipeline explosion & on-going maintenance.

- Increased supply and completed pipeline inspections brought down April prices slightly. However, May could see increased prices, due to an average 200,000 GJ/day drop [in available operating capacity of Station 4B](#) from last month. Meanwhile, supply in Western U.S market has improved over last month due to [completed North-West pipeline maintenance](#), and this [brought down Sumas prices](#).
- Meanwhile, concerns around Canadian dollar are rising after Bank of Canada [cut down the growth forecast](#) to 1.2% from 1.7% in early 2019. Huntingdon index trades at USD, so a weaker CAD currency further increases Gas prices in B.C.
- Perhaps on a brighter note, [Better Buildings program](#) now offers incentives to commercial buildings in B.C with energy efficient natural gas furnaces .

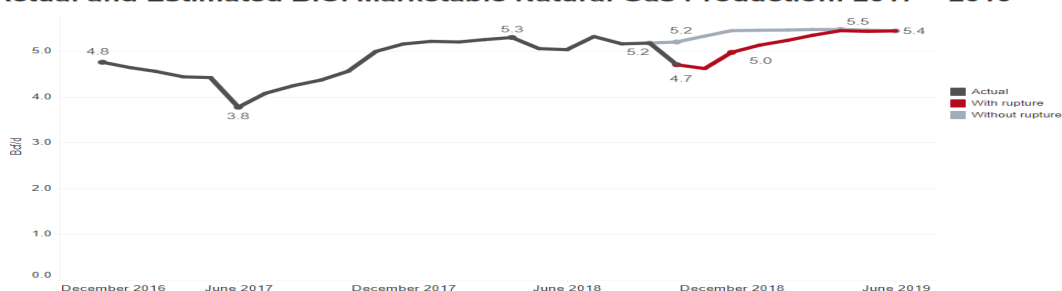
Alberta Market:

Natural gas prices are consistently decreasing in Alberta. Higher injections in April reduced deficits compared to last year. AECO prices averaged around \$1.39/GJ in April. 2019 futures decreased by 2% over last month to \$1.30/GJ . NOVA Gas transmission's 21 Km. [West Path Delivery project is now approved](#) by NEB. This pipeline will connect Western Alberta System's main loop with other NDTL pipelines. The [344Km. Expansion project](#) to NGTL is under Indigenous consultations by NEB. If approved, Natural Gas produced in North-Western Alberta & North-Eastern BC could be made accessible to intra Alberta and other export markets by 2021.

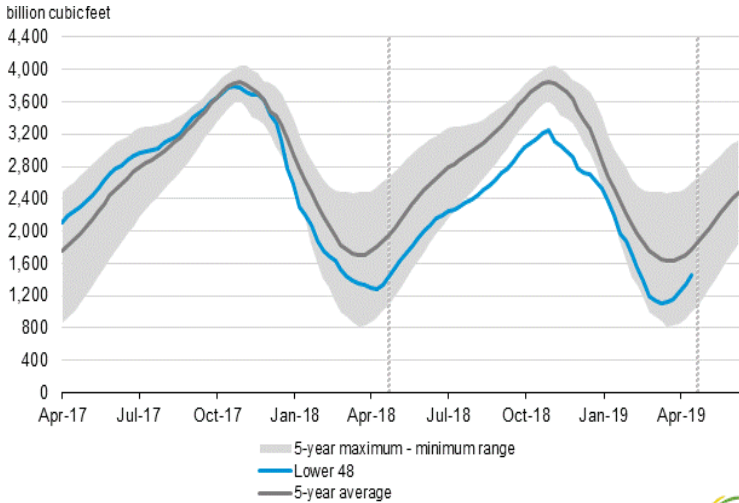
Eastern Canada:

Federal carbon levy on Sask., N.B, Ont., M.N. markets is now upheld by Sask. Court. Dawn and Henry Hub spot prices in April reduced up to 4% compared to last year same time. The short run indicators for both these indices are neutral, as temperatures are forecasted to be above normal. Inventories in USA during April were 21.6% less than the 5 year average, due to higher injections than market expectations. According to Jupiter Energy Advisors, Union Gas which holds 60% of total storage capacity for Ontario is estimated to have [~38.7% more Natural Gas in storage compared to last year](#). This could slightly bring down the prices in May, in combination with increased supply in U.S.

Actual and Estimated B.C. Marketable Natural Gas Production: 2017 – 2019



Working Gas in Storage: U.S



Forward Market AECO Pricing (\$CAD/GJ)*

Season	Fixed Price
Jun 19—Oct 19	\$ 1.70
Winter 19/20 (Nov 19— Mar 20)	\$ 2.49
Summer 20 (Apr 20 — Oct 20)	\$ 1.75
Winter 20/21 (Nov 20 -Mar 20)	\$2.43

* Data valid as of May 02, 2019.

Historical Spot Market \$CAD/GJ

	AECO-NIT	Huntington	Station 2 (North BC)	Dawn	Henry Hub (USD/mm)
May-18	\$1.07	\$1.69	\$0.71	\$2.37	\$2.94
June-18	\$0.99	\$1.55	\$1.00	\$2.66	\$2.96
July-18	\$1.18	\$2.63	\$1.27	\$2.56	\$2.82
Aug-18	\$0.87	\$ 2.87	\$1.03	\$2.80	\$2.98
Sept-18	\$1.30	\$2.73	\$1.31	\$2.88	\$3.01
Oct-18	\$1.28	\$2.97	\$1.00	\$3.19	\$3.31
Nov-18	\$1.71	\$15.27	\$0.31	\$3.73	\$4.61
Dec-18	\$1.55	\$7.29	\$0.65	\$3.05	\$3.25
Jan-19	\$1.80	\$4.40	\$1.36	\$2.70	\$2.82
Feb-19	\$3.07	\$22.67	\$1.40	\$2.99	\$2.89
Mar-19	\$2.59	\$25.75	\$0.97	\$ 2.99	\$ 2.72
Apr-19	\$ 0.80	\$2.57	\$0.70	\$2.47	\$2.65
12 Month Average	\$1.27	\$ 7.70	\$ 0.98	\$2.94	\$3.08

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