

## Did Alberta's budget deficit just vanish?

By Warren Lovely

Less than two weeks ago, Alberta presented its 2026 budget. In the lead up to its release, the premier had warned of a “tough” budget complete with “significant” deficits. Sure enough, the budget plan showed Alberta on a weaker fiscal path than prior guidance. Or did it?

Take the 2026-27 fiscal year, which is set to kick off April 1<sup>st</sup>. Budget 2026 formally projected a deficit of \$9.4 billion, much wider than the \$2.4 billion shortfall eyed one year earlier. Contributing to this larger deficit was anticipated weakness in non-renewable resource (NRR) receipts—comprised mostly of oil royalties and the single biggest source of budgetary volatility for this energy dependent province. But hang on...

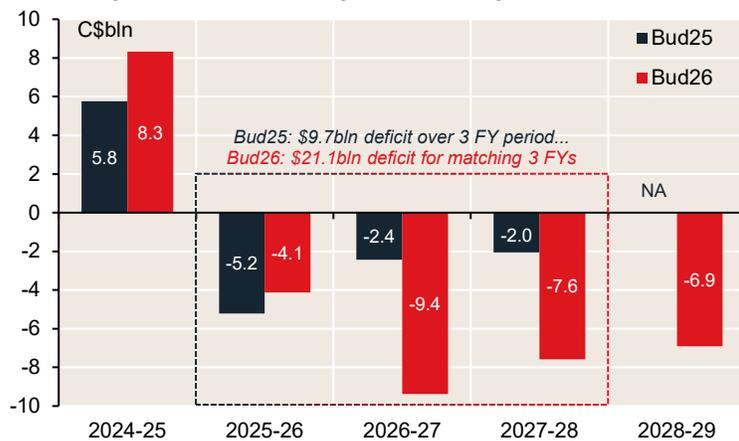
The ink on Alberta's budget had barely dried when a fresh conflagration ignited in the Middle East. Fears of disrupted/destroyed energy shipments/production quickly sent crude oil prices sharply higher, with near-term contracts re-priced violently. Setting aside broader implications

for the global economy (including consumer price inflation), the oil price pop (if sustained) would see extra royalty dollars bubble up in Alberta... likely in the billions. Enough to eliminate most (all?) of the 2026-27 deficit? Time will tell. Ultimately, the scale of the revenue boost will be influenced by the *size, sustainability and sensitivity* of the oil price shock (among other things). It's a multivariate equation, the solution to which may not engender maximum conviction. Still, it's worth exploring some scenarios.

*Note: We deliberately held off publishing this analysis, allowing markets to digest the initial reports out of the Middle East. Clearly, the geopolitical (and military) situation remains fluid. This preliminary assessment, generated on 6-Mar-26 (08:00ET), gives a sense of potential multi-year budgetary impacts for Alberta—at this point the one oil-leveraged province with a fresh budget to test. Given scope for further price adjustments and the significance of related sensitivities, budgetary, borrowing and credit implications can/will shift. Thus, interpret our findings with caution. An up-to-minute fiscal assessment is available for interested parties.*

### Chart 1: Alberta budget balance placed on weaker path?

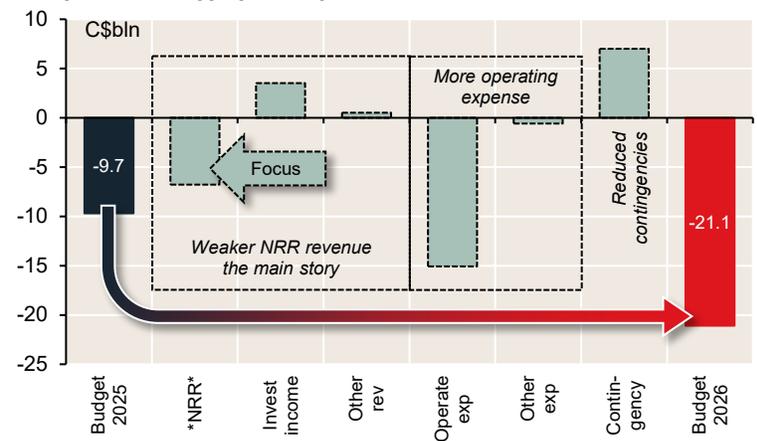
Alberta budget balance outlook: Budget 2026 vs. Budget 2025



Source: NBC, Alta | Note: Balance including contingencies (where applicable)

### Chart 2: Resource revenue one part of larger deficit story

Change in Alberta aggregate budget balance for 2025-26 to 2027-28

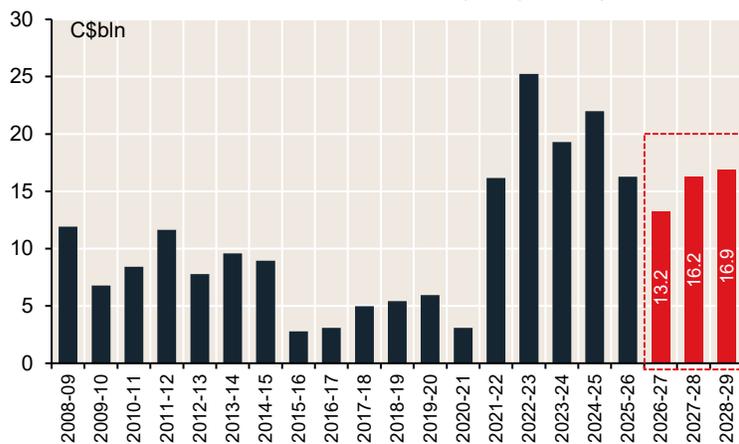


Source: NBC, Alta | Note: Net change in 3 FY aggregate balance from Bud25 to Bud26

You could sense this was going to be a challenging budget season and the three provincial blueprints out so far have spilled incremental red ink. In Alberta's case, a \$9.4bln deficit was projected for 2026-27. At the margin, Alberta's weaker fiscal path (vs. the prior plan) captured, in part, expected softness in non-renewable resource revenue (though extra operational spending is another factor).

### Chart 3: Resource revenue expectations from Budget 2026

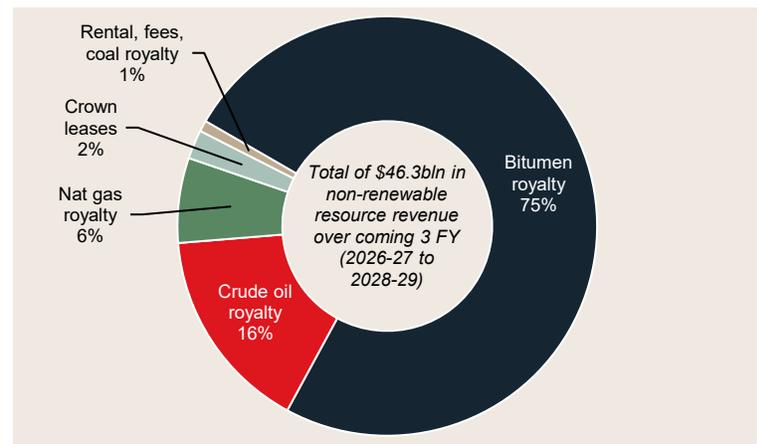
Alberta non-renewable resource revenue, including Budget 2026 plan



Source: NBC, Alberta

### Chart 4: Oil royalties ~90% of expected resource revenue

Share of Alberta non-renewable resource revenue for 2026-27 to 2028-29



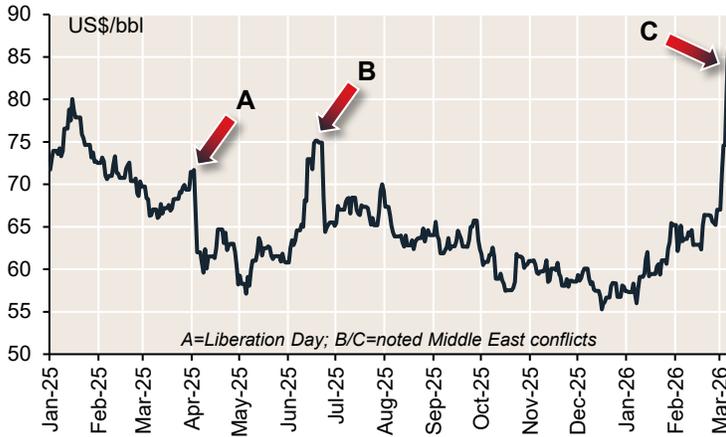
Source: NBC, Alberta | Note: Based on Bud26 plan

Alberta's budget projected \$13.2bln in non-renewable resource revenue for 2026-27, a step down from recent years. NRR receipts were seen accounting for ~20% of total revenue in the fresh three-year plan, more significant to the province than anticipated federal transfers. Since NRR revenues consist mainly of oil royalties, crude pricing dynamics are vital to watch. Which brings us to...



### Chart 5: Middle East conflict sends crude soaring

Crude oil price (WTI)

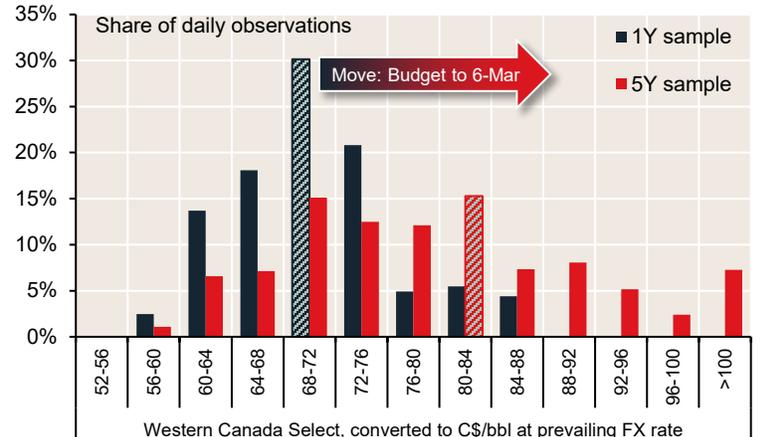


Source: NBC, BBG | Note: Active contract; daily through 6-Mar-26 (08:00ET)

The unfolding conflict in the Middle East has sent crude oil prices sharply higher. The situation is fluid, but as of March 6<sup>th</sup> (08:00ET) the prompt WTI contract traded around US\$86/bbl. Canada's heavy oil benchmark (WCS) price has likewise moved quickly. Expressed in loonies, WCS (spot) has jumped up from ~C\$70/bbl on Alberta's budget day (February 26<sup>th</sup>) to almost C\$90/bbl currently.

### Chart 6: Putting new (higher) crude pricing in context

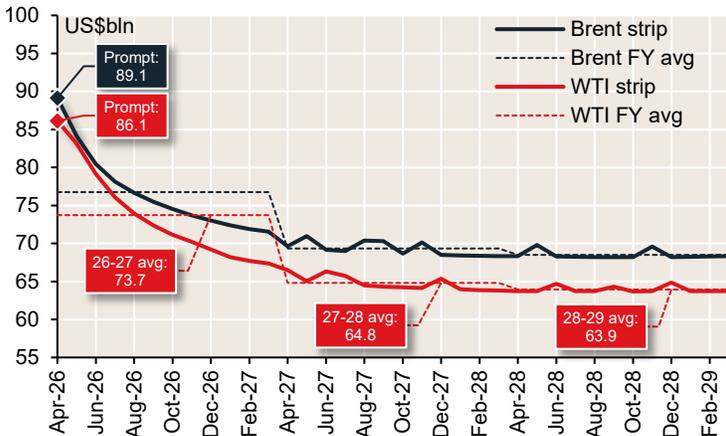
Distribution of daily WCS (C\$) pricing: 1- & 5-year samples



Source: NBC, BBG | Note: Crosshatching contains mean; arrow denotes chg since budget

### Chart 7: How long premium lasts remains open question

Crude oil futures contract pricing: As of 6-Mar-26 (08:00ET)

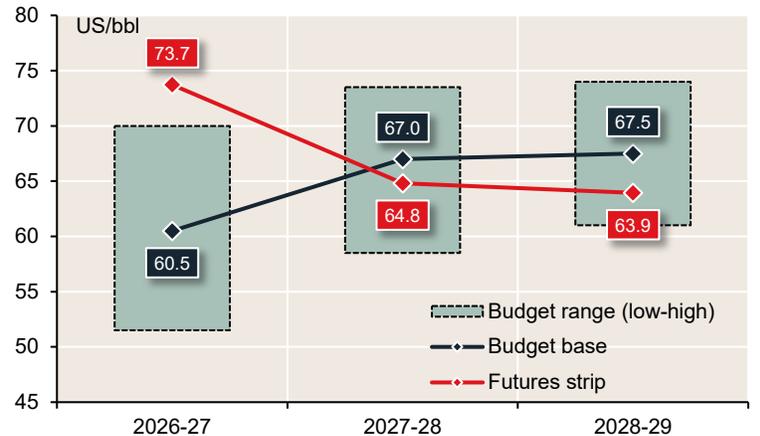


Source: NBC, BBG | Note: Based latest/indicative pricing for date-specific futures contracts

Notwithstanding a dramatic re-pricing of near-term contracts, the futures strip implies oil prices could cede ground over time. As we write this, the implied average for WTI during 2026-27 (i.e., Apr-26 to Mar-27) is roughly US\$74/bbl, very much qualifying as a 'high' price scenario relative to Alberta's budget planning assumption (US\$60.5/bbl). WTI futures hover closer to US\$65/bbl further out.

### Chart 8: 'High' crude oil price scenario in near-term at least

Crude oil price (WTI): Alberta budget vs. implied average of futures contracts



Source: NBC, Alta, BBG | Note: Budget base/range from Bud26; futures strip as of 6-Mar-26

### Chart 9: Official scenarios provide some guidance

Alberta tax & resource revenue impacts from oil price scenarios: Budget 2026

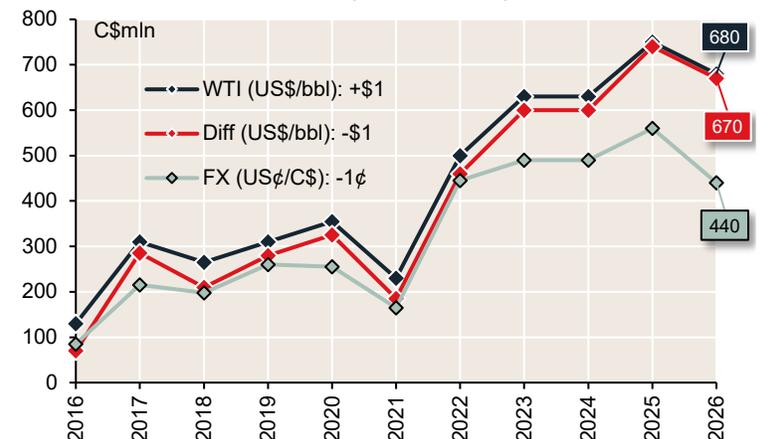


Source: NBC, Alta | Note: For 2026-27, 'high' price scenario includes WTI at US\$70/bbl

What do recent oil price developments mean for Alberta's finances? Helpfully, the province's budget defines oil price scenarios, with the 'high' price scenario (increasingly relevant/likely) flagging \$6bln in extra tax and resource revenue for 2026-27. Additionally, specific sensitivities for WTI, the light-heavy differential, the loonie, interest rates, natural gas, etc. provide scope to stress-test parts of Alberta's budget. Warning: The application (and stacking) of individual sensitivities is an imperfect science, with potential impacts for custom oil price scenarios provided for illustrative purposes.

### Chart 10: Sensitivity to oil prices has grown over time

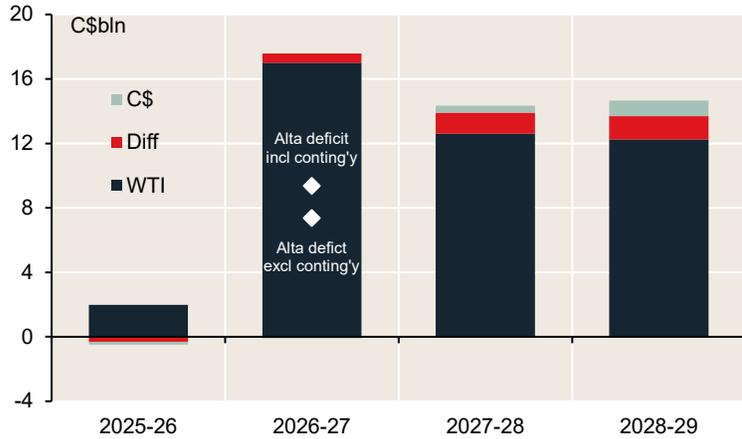
Evolution in Alberta sensitivities to oil prices & exchange rate



Source: NBC, Alta | Note: Select sensitivities as at moment in time for 1-year period

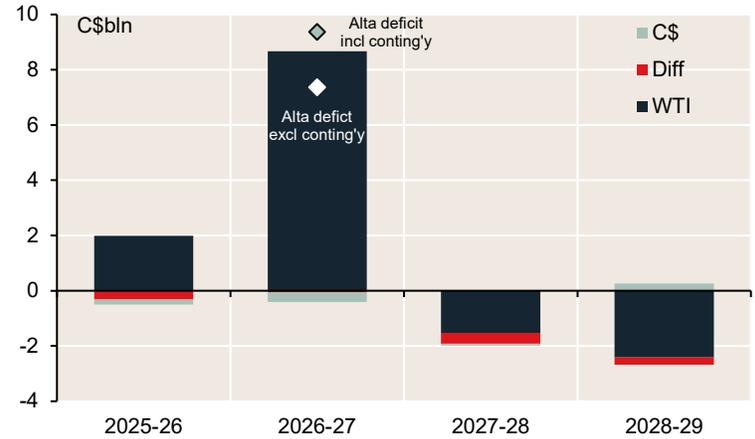


Chart 11: Illustration A, extending current prices into future
Estimated impact on Alberta royalties, assuming current pricing persists



Source: NBC, Alta, BGG | Note: Illustration only; extends 6-Mar-26 (08:00ET) levels indefinitely

Chart 12: Illustration B, factoring in backwardation in futures
Estimated impact on Alberta royalties, applying FY averages from futures strip



Source: NBC, Alta, BGG | Note: Illustration only; averages 6-Mar-26 (08:00ET) futures strip

By way of illustration, assume that current levels (i.e., US\$86/bbl WTI) persisted indefinitely. While a bit of a leap, that would trigger a resource revenue bonanza for Alberta, where marginal royalties would easily erase the deficit. A more nuanced illustration, using implied fiscal year averages (based on the prevailing futures strip), would still be a clear plus for 2026-27. Note: Since Alberta's WTI planning assumptions for the 2027-28 and 2028-29 fiscal years reside above corresponding futures pricing, sensitivity analysis hints at potential royalty downside in later years (ceteris paribus).

Table: Choose your own (oil price) adventure for Alberta in 2026-27

Alberta fiscal sensitivity matrix: 2026-27 royalty impact (C\$m) for FY average WTI price & light-heavy differential | Note: As at 6-Mar-26 (08:00ET); prevailing C\$ level

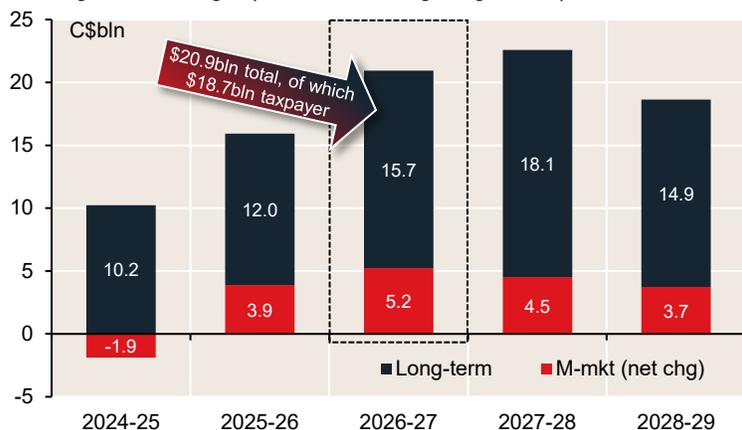
Table with 19 columns (WTI price from \$56 to \$90) and 19 rows (Differential from \$8 to \$20). Includes callouts for 'Budget zone i.e., no impact', 'Futures FY avg zone ~\$9bln', and 'Prompt contract zone ~\$18bln!'.

Source: NBC, Alta | Note: Illustration only as of 6-Mar-26 (08:00ET); potential royalty impacts only for 2026-27; FY averages for WTI/differential compared to budget planning assumptions, with differences multiplied by relevant fiscal sensitivity; indicative impacts based on prevailing level for C\$, with changes in FX adding another dimension to fiscal analysis

The above table hints at the potential change in Alberta's 2026-27 oil royalties relative to budget for a given average for WTI and the light-heavy differential. Most of the recent movement (on the Middle East conflict) has been left to right (i.e., higher assumed WTI), though the differential remains a key consideration. Exchange rate and interest rate impacts are likewise important to monitor.

Chart 13: Extra oil royalties would ease cash requirement

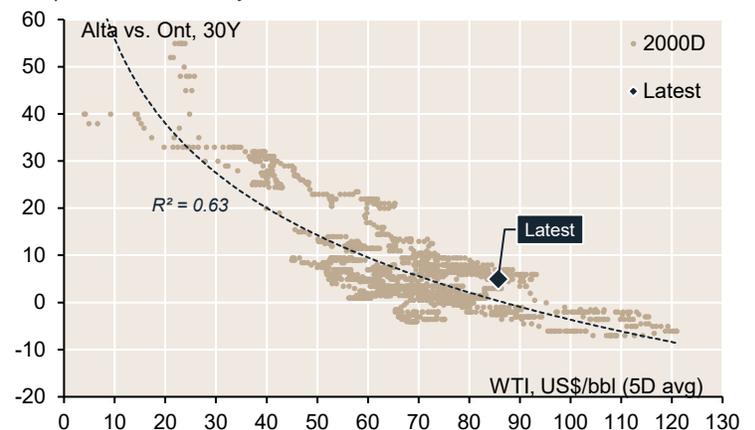
Alberta gross borrowing requirement, including Budget 2026 plan



Source: NBC, Alta | Note: Combined column height is total gross borrowing requirement

Chart 14: Higher oil prices a plus for Alberta bond basis

WTI price vs. Alberta 30-year basis to Ontario



Source: NBC, BGG | Note: NBC daily spread indications & 5D avg for WTI; latest is 6-Mar-26

Again, we can't overemphasize the fluid and imprecise nature of fiscal sensitivity analysis. And while we can debate the scale of the budgetary upside Alberta may enjoy, it should follow that any prospective improvement in the budget balance could lessen cash requirements and associated borrowing needs. Notwithstanding the preliminary nature of our analysis, a prospective reduction in the deficit and bond supply would be fundamentally and technically supportive of Alberta's basis to key provincial peers, with current valuations (Ontario +5bps in 30s) flagging 'cheap' to us.



## Economics and Strategy

**Subscribe to our publications:**  
[NBC.EconomicsStrategy@nbc.ca](mailto:NBC.EconomicsStrategy@nbc.ca)

**To contact us:**  
514-879-2529

**Stéfane Marion**  
Chief Economist and Strategist  
[stefane.marion@nbc.ca](mailto:stefane.marion@nbc.ca)

**Matthieu Arseneau**  
Deputy Chief Economist  
[matthieu.arseneau@nbc.ca](mailto:matthieu.arseneau@nbc.ca)

**Jocelyn Paquet**  
Senior Economist  
[jocelyn.paquet@nbc.ca](mailto:jocelyn.paquet@nbc.ca)

**Kyle Dahms**  
Senior Economist  
[kyle.dahms@nbc.ca](mailto:kyle.dahms@nbc.ca)

**Alexandra Ducharme**  
Senior Economist  
[alexandra.ducharme@nbc.ca](mailto:alexandra.ducharme@nbc.ca)

**Daren King, CFA**  
Senior Economist  
[daren.king@nbc.ca](mailto:daren.king@nbc.ca)

**Warren Lovely**  
Chief Rates and Public Sector Strategist  
[warren.lovely@nbc.ca](mailto:warren.lovely@nbc.ca)

**Taylor Schleich**  
Rates Strategist  
[taylor.schleich@nbc.ca](mailto:taylor.schleich@nbc.ca)

**Ethan Currie**  
Strategist  
[ethan.currie@nbc.ca](mailto:ethan.currie@nbc.ca)

**Angelo Katsoras**  
Geopolitical Analyst  
[angelo.katsoras@nbc.ca](mailto:angelo.katsoras@nbc.ca)

**Nathalie Girard**  
Senior Coordinator  
[n.girard@nbc.ca](mailto:n.girard@nbc.ca)

**Giuseppe Saltarelli**  
Desktop Publisher  
[giuseppe.saltarelli@nbc.ca](mailto:giuseppe.saltarelli@nbc.ca)

**General:** This Report was prepared by National Bank Financial, Inc. (NBF), (a Canadian investment dealer, member of CIRO), an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange.

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete and may be subject to change without notice. The information is current as of the date of this document. Neither the author nor NBF assumes any obligation to update the information or advise on further developments relating to the topics or securities discussed. The opinions expressed are based upon the author(s) analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein, and nothing in this Report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this Report. The Report alone is not intended to form the basis for an investment decision, or to replace any due diligence or analytical work required by you in making an investment decision.

This Report is for distribution only under such circumstances as may be permitted by applicable law. This Report is not directed at you if NBF or any affiliate distributing this Report is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that NBF is permitted to provide this Report to you under relevant legislation and regulations.

National Bank of Canada Financial Markets is a trade name used by National Bank Financial and National Bank of Canada Financial Inc.

**Canadian Residents:** NBF or its affiliates may engage in any trading strategies described herein for their own account or on a discretionary basis on behalf of certain clients and as market conditions change, may amend or change investment strategy including full and complete divestment. The trading interests of NBF and its affiliates may also be contrary to any opinions expressed in this Report.

NBF or its affiliates often act as financial advisor, agent or underwriter for certain issuers mentioned herein and may receive remuneration for its services. As well NBF and its affiliates and/or their officers, directors, representatives, associates, may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time in the open market or otherwise. NBF and its affiliates may make a market in securities mentioned in this Report. This Report may not be independent of the proprietary interests of NBF and its affiliates.

This Report is not considered a research product under Canadian law and regulation, and consequently is not governed by Canadian rules applicable to the publication and distribution of research Reports, including relevant restrictions or disclosures required to be included in research Reports.

**UK Residents:** This Report is a marketing document. This Report has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. In respect of the distribution of this Report to UK residents, NBF has approved the contents (including, where necessary, for the purposes of Section 21(1) of the Financial Services and Markets Act 2000). This Report is for information purposes only and does not constitute a personal recommendation, or investment, legal or tax advice. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant investments or related investments discussed in this Report, or may act or have acted as investment and/or commercial banker with respect hereto. The value of investments, and the income derived from them, can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance. If an investment is denominated in a foreign currency, rates of exchange may have an adverse effect on the value of the investment. Investments which are illiquid may be difficult to sell or realise; it may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed. Certain transactions, including those involving futures, swaps, and other derivatives, give rise to substantial risk and are not suitable for all investors. The investments contained in this Report are not available to retail customers and this Report is not for distribution to retail clients (within the meaning of the rules of the Financial Conduct Authority). Persons who are retail clients should not act or rely upon the information in this Report. This Report does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

This information is only for distribution to Eligible Counterparties and Professional Clients in the United Kingdom within the meaning of the rules of the Financial Conduct Authority. NBF is authorised and regulated by the Financial Conduct Authority and has its registered office at 70 St. Mary Axe, London, EC3A 8BE.

NBF is not authorised by the Prudential Regulation Authority and the Financial Conduct Authority to accept deposits in the United Kingdom.

**EU Residents:** With respect to the distribution of this report in the member states of the European Union ("EU") and the European Economic Area ("EEA") by NBC Paris, the contents of this report are for information purposes only and do not constitute investment advice, investment research, financial analysis or other forms of general recommendation relating to transactions in financial instruments within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 ("MiFID 2"). This report is intended only for professional investors and eligible counterparties within the meaning of MiFID 2 and its contents have not been reviewed or approved by any EU/EEA authority. NBC Paris is an investment firm authorised by the French Prudential Control and Resolution Authority ("ACPR") to provide investment services in France and has passported its investment services throughout the EU/EEA under the freedom to provide services and has its registered office at 8 avenue Percier, 75008 Paris, France. "NBC Financial Markets, a subsidiary of National Bank of Canada" is a trade name used by NBC Paris S.A.

NBF is not authorised to provide investment services in the EU/EEA.

**U.S. Residents:** With respect to the distribution of this report in the United States of America, National Bank of Canada Financial Inc. ("NBCFI") which is regulated by the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation (SIPC), an affiliate of NBF, accepts responsibility for its contents, subject to any terms set out above. To make further inquiry related to this report, or to effect any transaction, United States residents should contact their NBCFI registered representative.

This report is not a research report and is intended for Major U.S. Institutional Investors only. This report is not subject to U.S. independence and disclosure standards applicable to research reports.

**HK Residents:** With respect to the distribution of this report in Hong Kong by NBC Financial Markets Asia Limited ("NBCFMA") which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 (dealing in securities) and Type 3 (leveraged foreign exchange trading) regulated activities, the contents of this report are solely for informational purposes. It has not been approved by, reviewed by, verified by or filed with any regulator in Hong Kong. Nothing herein is a recommendation, advice, offer or solicitation to buy or sell a product or service, nor an official confirmation of any transaction. None of the products issuers, NBCFMA or its affiliates or other persons or entities named herein are obliged to notify you of changes to any information and none of the foregoing assume any loss suffered by you in reliance of such information.

The content of this report may contain information about investment products which are not authorized by SFC for offering to the public in Hong Kong and such information will only be available to, those persons who are Professional Investors (as defined in the Securities and Futures Ordinance of Hong Kong ("SFO")). If you are in any doubt as to your status you should consult a financial adviser or contact us. This material is not meant to be marketing materials and is not intended for public distribution. Please note that neither this material nor the product referred to is authorized for sale by SFC. Please refer to product prospectus for full details.

There may be conflicts of interest relating to NBCFMA or its affiliates' businesses. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities and instruments that may be purchased or sold by NBCFMA or its affiliates, or in other investment vehicles which are managed by NBCFMA or its affiliates that may purchase or sell such securities and instruments.

No other entity within the National Bank of Canada group, including National Bank of Canada and National Bank Financial Inc, is licensed or registered with the SFC. Accordingly, such entities and their employees are not permitted and do not intend to: (i) carry on a business in any regulated activity in Hong Kong; (ii) hold themselves out as carrying on a business in any regulated activity in Hong Kong; or (iii) actively market their services to the Hong Kong public.

**Copyright:** This Report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of NBF.