

Alberta Budget 2026



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For the second year in a row, low WTI prices, global economic uncertainty and rising cost pressures are putting a dent in the operational budgetary balance. Budget 2026 projects large deficits ahead of \$9.4B in FY 2026-27, \$7.6B in FY 2027-28 and \$6.4B in FY 2028-29.

Total revenues are projected at \$74.6B, essentially unchanged versus the prior year. Non-renewable revenues of \$9.7B in FY 2026-27 are significantly below two years ago (\$17B), the main drag of the fiscal deterioration, compensated by higher labour income growth supportive for personal income taxation.

Budget 2026 assumes WTI prices closer at US\$60.50 per bbl in FY 2026-27, about US\$10 below the 2025 budget. WTI prices are hovering near a 7-month high on rising US-Iran tensions, but such geopolitical risk premium (~US\$3 per bbl) is more likely to fade than be sustained. As such, higher WTI are projected the following year, at US\$67, allowing the deficit to shrink very modestly (a US\$1 variation has a net annual fiscal impact of ~\$680M).

The current WTI-WCS spread of US\$12 is just a notch higher than a few months ago. Budget 2026 assumes a US\$13 and US\$14.10 differential this year and next (a US\$1 variation has a net annual impact of ~\$670M). Such projection implicitly shares the same view as market participants: reviving Venezuela's oil production – to 3M bpd like in the 1970s from less than 1M bpd currently – is not going to happen anytime soon even if the country sits on massive reserves.

Budget 2026 also comprises a fiscal headwind coming from the CADUSD strengthening of about 1 cent per year, to 73 US cents in FY 2026-27 and 74.10 US cent in FY 2027-28 (a 1 cent variation has a net annual fiscal impact of ~\$440M).

Total spending is projected to increase by about 5.7% in FY 2026-27 from the prior year. Part of this increase relates to the incorporation of an annual contingency of \$2B (representing about 2.5% of total annual revenues). Another upward driver of costs relates to the responsible choice of dedicating new funding for higher physician service volumes and wait time reductions in the health care sector. The other large contributor to the increase in spending is new funding for public sector compensation, estimated at \$3.7B alone in FY 2026-27.

Takeaway

As Finance Minister Nate Horner mentioned at the beginning of his press conference of Budget 2026: “hard fiscal years ahead ... 2026 won’t be easy”. Given the FY 2025-26 deficit of \$4B, the province may run deficits four years in a row although plenty of developments could improve the outlook.

First, for the time being, the deliberate choice was made to not increase broad-based tax rates and maintain Alberta’s tax advantage. Second, the MOU signed last Fall with the federal government is not part of the 3-year fiscal outlook provided. Market participants will monitor future developments relative to a future new pipeline, given it would significantly upgrade the Budget 2026 outlook proposed. WTI at approximately US\$74 per barrel is often cited as required to balance the budget.

Lastly, a profound commitment of the Alberta government relates to the steady build-up of the Heritage Fund. The Fund will retain all its net investment income, although the challenging global situation will likely prevent additional net contribution. The Fund is valued at \$31.9B. The Alberta government is on track with its ambitious plan to grow the size of Fund to at least \$250B by 2050.