Varcoe: Consolidation in Canadian oilpatch hits eight-year high

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Chris Varcoe, Calgary Herald January 7, 2026

A new report anticipates mergers and acquisitions in Canada's upstream oil and gas sector will moderate in the next 12 months, after more than $30-billion worth of activity in 2025.

However, expectations of more U.S. buyers searching for prime properties, along with more favourable government policies toward the oil and gas sector, could still spur action in 2026, according to industry executives and analysts.

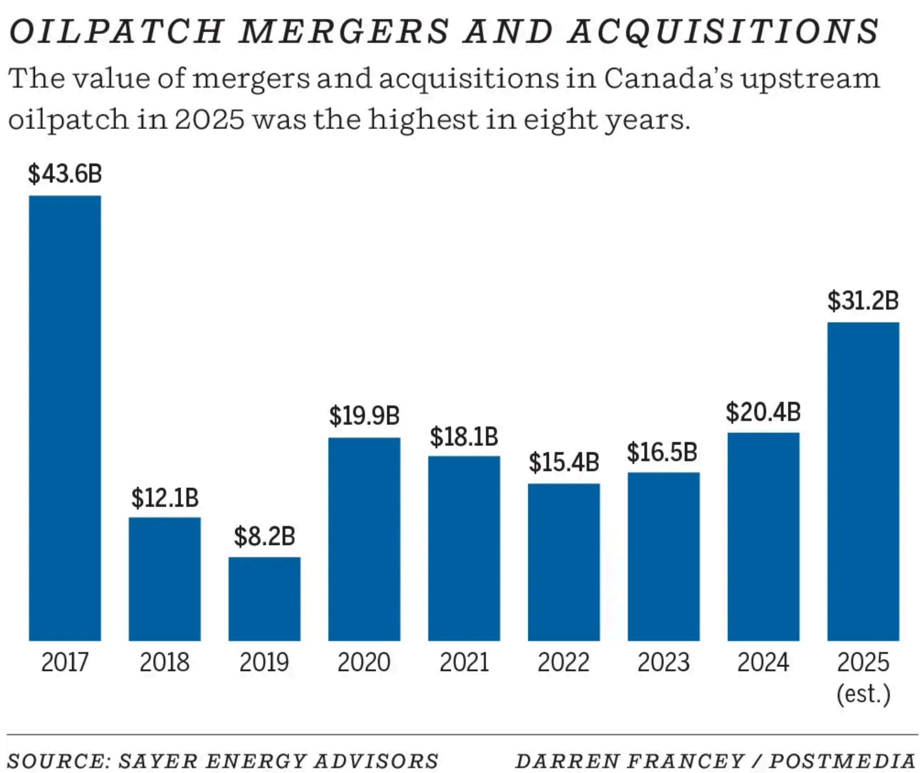
The upstream oil and gas sector in Canada saw an estimated $31.2 billion of M&A activity in 2025, a 53 per cent jump from the previous year, according to preliminary data from Calgary-based Sayer Energy Advisors.

Several large takeovers propelled the tally to an eight-year high, with corporate deals accounting for about $24.3 billion, and asset sales making up about $7 billion.

The total includes Whitecap Resources' merger with Veren in March, which Sayer pegged at almost $10 billion, and Cenovus Energy's $8.4-billion takeover of oilsands producer MEG Energy in November.

"These (consolidation) deals are ones that might have made sense at any point in the past few years," Ben Rye, a vice-president with Sayer Energy Advisors, said in a recent interview.

"But when you get the stability in the commodity prices, I think that makes it a time when they can actually occur."



Benchmark U.S. oil prices started off last year relatively strong, topping US$80 a barrel by mid-January, but spent most of the second half of 2025 hovering between $55 and $70 a barrel as growing supplies and global trade conflicts weighed upon the market.

On Tuesday, benchmark U.S. oil prices dipped more than $1 to close at $57.13 a barrel.

In a separate report, ATB Capital Markets projects West Texas Intermediate crude will average $60 throughout this year, while AECO natural gas prices are expected to strengthen, averaging $3.30 per thousand cubic feet.

ATB notes most producers still have strong balance sheets, which could slow M&A action in 2026, as there will be fewer firms looking to sell.

"We anticipate a modest slowdown in Canadian (exploration and production) M&A activity through 2026 following three years of robust consolidation within the sector," the report states.

"This expected decline in momentum is driven by an intersection of structural and economic factors, most notably the scarcity of remaining high-quality targets that possess adequate scale and inventory depth to justify valuation premiums."

ATB analyst Patrick O'Rourke said the pursuit of quality assets spurred acquisitions in 2025, but an expected weakness in global oil prices could dampen M&A interest this year, at least initially.
"It's a bit of a moderation from last year, probably, especially to just start the year with the overhang here with commodity prices, Venezuela with uncertainty," O'Rourke said Tuesday.

"I think people will sit and watch some of these things play out before they consummate a transaction, unless it comes with a substantial premium today — and there are not a lot of forced sellers."

The last time the sector witnessed this much M&A activity was in 2017, when five large transactions accounted for 80 per cent of the total deal value, led by foreign firms exiting the oilsands.

Within a few months that year, Cenovus Energy spent $17.7 billion to buy oilsands properties and gas assets from ConocoPhillips, and Canadian Natural agreed to a $12.7-billion deal to acquire oilsands assets from Royal Dutch Shell and Houston-based Marathon Oil.

In 2025, the takeover of MEG was the largest oilsands deal, but Rye pointed out about 30 per cent of all M&A occurred with assets in the Montney formation of northeast B.C. and northwest Alberta.

"The oilsands, it's a little bit different in that we're almost at the point now where there's not much consolidation left to be done," he added.

The past year also saw more U.S. buyers examining Canadian oil and gas assets, as top tier prospects south of the border continue to be drilled up.

Tamarack Valley Energy CEO Brian Schmidt, whose company did a smaller "tuck-in acquisition" last year and also sold some properties, doesn't expect M&A to play a big part in the company's plans in 2026.

But more broadly, he believes U.S. companies are considering Canadian properties, which could drive some deals.

“Because you had a lot of consolidation in the U.S., there’s a lot of equity that needs to be placed somewhere, and Canada is seen as a pretty good place to invest right now. The change in tone with the (federal) government is part of it,” Schmidt said, referring to a recent energy MOU signed between Alberta and Ottawa.

“A number of private equity players that had left Canada for a number of years are now active . . . I think ’26 could be an active year in Canada.”

Analysts and investors say the drive by producers to increase their top-tier prospects will continue to propel producers to seek M&A opportunities.

“The companies that have done major deals this (last) year are positioning themselves strategically and in a certain sense, they’re making sure that they’re not foreclosed out of future opportunities,” said Michael Tims, vice-chair of Matco Investments in Calgary.

“That’s what we are seeing play out, and my guess for the future is that the desire is still there. It’s just that opportunities . . . are limited.”

And with fewer producers in the Canadian sector, the list of companies or assets attracting prospective acquirers is a short one, say analysts.

“I think 2025 was a big year, and it’s hard to see how we match that because, ultimately, you are losing companies,” said Jeremy McCrea of BMO Capital Markets.

“It’s hard to see how that continues, but you still have the same conditions that precipitated the high number of transactions that happened in 2025, so there are a lot of reasons why 2026 could have a lot of M&A activity.”

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