

## Alberta's \$2.9-billion Drilling Stimulus: Where did the money go?

### ***What was the Drilling Stimulus Initiative?***

The Drilling Stimulus Initiative consisted of two main programs: The New Well Royalty Reduction program and the Drilling Royalty Credit program.

The New Well Royalty Reduction program reduced the maximum royalty rate for new oil or gas wells to five per cent for the first year of production.

The Drilling Royalty Credit program gave oil and gas drilling companies a \$200-per-metre-drilled royalty credit. This credit was based on a sliding scale from their production levels from 2008.

### ***How much did the Drilling Stimulus Initiative cost?***

The Drilling Stimulus Initiative cost \$2.9 billion over two years (2009 and 2010).

### ***What were the goals of the Drilling Stimulus Initiative?***

The stated goals of the Drilling Stimulus Initiative were to create new jobs and new future royalties by increasing drilling.

### ***Did the Drilling Stimulus Initiative work?***

No, the Drilling Stimulus Initiative did not create new jobs or future royalties by increasing drilling. New well starts (known as "spuds") in Alberta declined while the Drilling Stimulus Initiative was running. Jobs in oil and gas extraction and support activities also declined.

### ***What is a "drilling royalty credit"?***

Under the Drilling Royalty Credit program, "drilling royalty credits" were paid to drilling companies

based on a formula that included the number of metres drilled and royalty obligations in 2008.

Drilling royalty credits have a value like cash in that they're used to reduce the amount of royalties owed by energy companies to the Alberta public.

### ***How did energy companies get drilling royalty credits?***

There were two ways companies could get drilling royalty credits: from the government based on their drilling activity, or they could buy them on the grey market.

### ***What is a "Grey Market"?***

A "grey market" is an unofficial and unregulated, though legal, market.

### ***What's wrong with the Grey Market?***

The problem with the grey market is that energy firms were able to buy drilling royalty credits at a discount and use them to reduce royalties without creating new jobs or initiating new oil and gas drilling. The grey market royalty credits buyers could reduce their payment to the public by doing nothing more than writing a cheque for a fraction of the cost.

### ***Where did the money go?***

That's a secret. By law, the Minister of Energy must keep a list of every transaction in the grey market, but according to the government, only a handful of people have access to the books on this \$2.9-billion scheme.