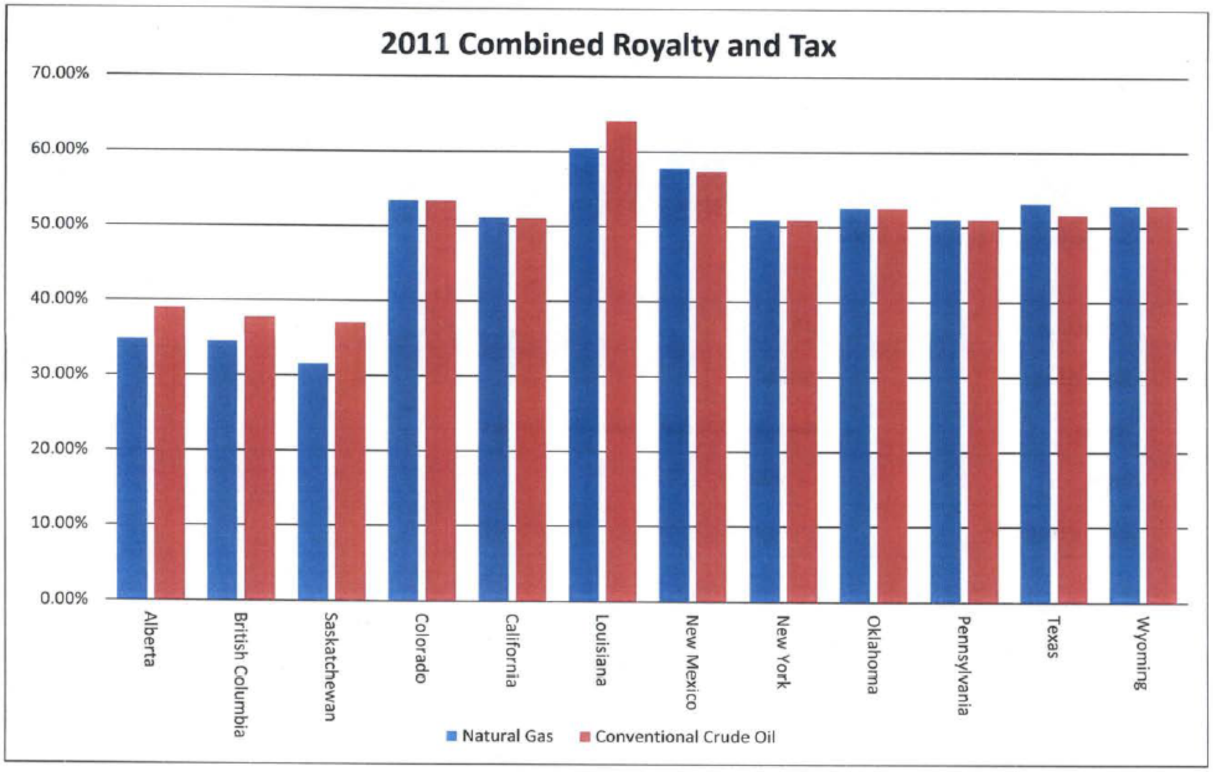
Backgrounder

Conventional Oil and Gas Royalties

Internal government documents obtained by the Alberta Federation of Labour show that Alberta has one of the cheapest conventional oil and gas fiscal regimes in North America.

Performance Measure Control Record



(Source: *Freedom of Information* request 2012-G-0021, Page 5)

In 2011 – the latest available data – Alberta had combined royalty and tax rates that were *lower* than those in 2007, when the Royalty Review Panel found Albertans weren't receiving their fair share from our non-renewable resources. [1] The Panel recommended the natural gas rate be 49 per cent and the conventional oil rate be 63 per cent.

Alberta Combined Royalty and Tax Measure

	Natural Gas	Conventional Oil
2007 (pre-Royalty Review)[2]	58%	44%
2009	39.73%	43.02%
2010	37.37%	41.34%
2011	34.73%	38.97%

[1] Royalty Review Panel, "Report of the Royalty Review Panel," September 18, 2007, 7
[2] Royalty Review Panel, "Report of the Royalty Review Panel," http://www.albertaroyaltyreview.ca/panel/final_report.pdf

10654 - 101 Street, Edmonton, AB T5H 2S1 Ph: 780-483-3021/1-800-661-3995
Fax: 780-484-5928 Email: afl@afl.org www.afl.org

What is the "Combined Royalty and Tax Measure?"

The Government of Alberta documents obtained by the AFL show the combined tax-royalty rate is meant to show what the public's share of the resource is (emphasis added):

"This measure was chosen as a proxy for government share. The combined royalty and tax rate is a) measureable, b) commonly understood, c) pro-active and timely, d) comparable with other jurisdictions; and e) consistent with other measures of competitiveness."

*"This measure should be treated as an "**early warning" signal** to indicate whether the royalty system requires amendment."*[3]

How does Alberta measure up?

Alberta is winning the royalties race to the bottom. We are giving away our resources at among the cheapest rates in North America.

Every U.S. state has rates of more than 50 per cent.

Alberta, Saskatchewan and British Columbia have rates that are less than 40 per cent.

Of our competitors, Louisiana gets the most out of its non-renewable resources: 60.9 per cent for natural gas and 64 per cent for conventional oil – more than 20 percentage points higher than Alberta.

How did this come to be?

The Alberta government's stated goal is to have one of the cheapest conventional oil and gas regimes in North America: "Alberta will have a combined royalty and tax rate that is in the top quartile of investment opportunities compared to similar jurisdictions."[4]

How much revenue are we losing?

The Alberta Federation of Labour estimates that royalty giveaways since 2009 have cost Albertans at least $4.7 billion.

When the Drilling Stimulus is taken into account, the giveaway spikes to $7.7 billion.

---

[3] *Freedom of Information* request 2012-G-0021, Page 1

[4] Government of Alberta, "Budget 2013, Energy: Business Plan 2013-2016 ," http://www.finance.alberta.ca/publications/budget/budget2013/energy.pdf

Royalty Rollbacks (In Millions)				
Year	**Drilling Stimulus Incentives** (June 25, 2009)	**Transitional Rates** (November 19, 2008)	**Oil and Gas Competitiveness** (March 11, 2010)	**Finalized Royalty Curves** (May 27, 2010)
2009		-$172		
2010	-$1,500	-$290	-$27	$22
2011	-$1,500	-$381	-$16	-$243
2012		-$453	-$785	-$368
2013		-$512	-$940	-$493
Total	-$3,000	-$1,808	-$1,768	-$1,082
Grande Total	**-$7,658.00**			

(Sources: Government of Alberta news releases and documents obtained through *Freedom of Information* request # 2011-G-0054)

TC:kp*cope458 File: G:\Communications\NEWS\AFL\2013\Backgrounder_Conventional oil and gas royalties_2013May10.doc