

Albertans shortchanged billions in royalties: review

Panel recommends significant hikes and more accountability

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EDMONTON - Albertans have not been getting their fair share of oil and gas royalties and are entitled to another \$2 billion per year, says a new Alberta government-commissioned report released today.

An expert panel appointed by Premier Ed Stelmach says Albertans have probably been shortchanged \$1 billion a year in natural gas royalties alone over the past five or six years.

The panel recommended hikes in royalties that will boost revenues and called for more accountability to ensure that Albertans know what return they are getting.

The 104-page report says that hasn't been the case to date.

"Albertans do not receive their fair share from energy development and they have not, in fact, been receiving their fair share for quite some time," said panel chairman Bill Hunter.

"By recommending an accountability package in the strongest possible terms, the panel intends that both government and industry will be forced to gather and produce data so that statistics and actionable information can be reported to the owners."

The panel has also called for a price-sensitive severance tax on bitumen and a credit for bitumen upgrading that occurs in the province.

Premier Ed Stelmach declined to say whether the province will in fact hike royalties, but promised his Tory government will respond to the report in October.

"It has to work for Albertans and it has to work for industry," he told reporters at the legislature. "It has to be fair, but it also has to be competitive."



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Bill Hunter, chairman of the royalties review panel

He said his caucus will begin reviewing the report Wednesday.

Liberal Leader Kevin Taft said billions of dollars have been lost because of the way the Progressive Conservative government has managed the royalty regime.

"The Tories have failed the people of Alberta and they have failed them badly," he said.

The report says it doesn't believe the government has "sufficient expertise" to keep up with developments.

It says the workings of the energy industry appear "shrouded," but suggests that is not intentional.

"Imagine the repercussions if the income tax system experienced such drift and nobody knew and nobody seemed to give 'a tinker's damn.' "

Hunter said the fact remains the resources belong to the people and that hasn't always been clear to the government in the past.

The panel recommended a five-per-cent increase in Albertans' current share of conventional oil and natural gas production and a 17-per-cent hike in oilsands revenue.

The panel has recommended that the province maintain the controversial one-per-cent tax royalty "holiday" that oilsands companies currently enjoy until they pay off their intitial costs, but recommends ratcheting up the royalties from 25 per cent to 33 per cent once they reach that point.

It says that will enable Alberta to remain competitive internationally, but it acknowledged it will slow the pace of oilsands investment.

Hunter reiterated that the government can't pick and choose from the recommendations, but must implement them all in order to boost the revenues by \$2 billion annually.

The panel rejected oilpatch claims that its recommendations will damage the industry.

The panel also offered a suggestion that Alberta should consider a new tax on energy production as well as mining, forestry and agriculture that would be used for environmental protection for future generations.

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See Wednesday's Journal for full coverage of the royalties review report.

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