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Proof of royalty 'guilt'

Censored report shows gov't was told in 2006 Alta. missing out on oil billions

Darcy Henton, With files from Archie McLean

The Edmonton Journal

Saturday, January 05, 2008

EDMONTON - Alberta Energy told the provincial government in 2004 that the province was missing out on billions of dollars in resource revenue, newly released documents show.

In a 2006 report, the department estimated that since royalty rates were capped at certain price levels, Alberta had lost between \$1.3 billion and \$2.8 billion in "uncaptured economic rent" for natural gas alone in 2003 and 2004, or between \$700 million and \$1.4 billion a year.

The department's cross-commodity resource valuation team called on the government to "increase conventional oil and gas royalties to restore Alberta's fair share at high prices."

Another section of the report, comparing Alberta with eight U.S. oil-producing states, showed the province ranked lowest in the percentage it took in royalties and taxes.

The information, inadvertently released by Alberta Energy, demonstrates the lengths to which the provincial government went to hide the fact that it has known for years Albertans weren't getting their fair share, provincial Liberal energy critic Hugh MacDonald said Friday.

The documents, released to environmental activist Martha Kostuch just before Christmas, show that key information about the royalty regime had been held back in documents released previously to opposition parties and the media.

"The reason they withheld this information until now is simply because of guilt," MacDonald said.

"They knew Albertans would be very angry with them. It was more than underhanded. It was deceitful."

Alberta Energy spokesman Jason Chance said Friday the department was justified in "severing" information that was categorized as advice to the government, and that the release to Kostuch of uncensored information was a mistake.

"It appears it was an unintentional administrative oversight in the FOIP (Freedom of Information and Privacy) process, and there was no intention to

provide different information to different applicants," Chance said.

"There was information in that document that was severed when it was previously requested because it was deemed to be advice to a former minister of energy."

The government, he said, has been forthright on the issue and has released "hundreds and hundreds of pages" of royalty documents.

Chance said the government responded to the concerns officials raised in the documents by developing a new royalty-rate framework that "captures more royalties for Albertans when prices are higher."

Premier Ed Stelmach announced last fall that he was hiking royalties, but not until 2009 and not to the extent called for by the royalty review panel headed by Bill Hunter.

MacDonald said the Stelmach government has forgotten that Albertans own the resources.

"If the public had this information uncensored at the height of this debate last fall, Mr. Stelmach's compromise royalty position would have been seen as an unacceptable compromise," he said.

Alberta Energy "can't hide behind FOIP whenever they don't want to release information," MacDonald said.

He said the new documents provide "100-per-cent" confirmation of conclusions reached by the provincial auditor general and a blue-ribbon committee appointed by Stelmach that Alberta hasn't been getting its fair share of royalties since prices skyrocketed, he said.

In the documents, information about oilpatch returns against reinvestment between 1990 and 2003 show that despite higher returns for companies and record drilling, the ratio of reinvestment has declined. The words "higher returns, record drilling, declining reinvestment" were stricken from documents previously released to The Journal.

Chance said the words were exempted because it was advice to the government.

MacDonald said he believes there are still several critical pages of missing royalty information that Albertans have a right to see.

Alberta's NDP joined in the fray Friday by attacking Stelmach's new royalty framework as a massive giveaway to oil companies.

"When oil hits \$100, this new royalty framework will forgo tens of millions of dollars a day compared to Alaska," NDP Leader Brian Mason said.

"When the time comes that oil regularly trades at \$100, the Tory royalty system will cost Albertans over \$4 billion a year."

dhenton@thejournal.canwest.com

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