



September 29, 2015

To Mr. Dave Mowat and the members of the Alberta Royalty Review panel,

Thank you again for engaging us in this process. We very much appreciate you valuing the input of the Canadian Taxpayers Federation (CTF) and the over 88,000 supporters we represent.

As expressed at our initial consultation, the CTF has concerns about the royalty review based on the results of the province's last royalty review in 2007. Following those changes oil and gas money flowed out of the province. We also have concerns that the royalty review was tinted with an opinion from the outset, predicated on Albertans getting 'their fair share' of resource revenues, per the NDP platform. Our concern is that a hike in royalties could be instigated for the same purpose as any other tax hike, which is to stuff general government coffers. Overall, we believe government has a spending problem, not a revenue problem.

We want Albertans to maximize the return they get for their oil and gas deposits and that was not accomplished in 2007 when the royalties were raised.

That said we are pleased to be a stakeholder in the royalty review process. Our supporters believe this is a very important issue and were happy to provide feedback.

We have been engaging those supporters throughout the royalty review process. We directed our supporters to the website you have set up for the royalty review, and encouraged them to deliver their feedback directly to you.

We also conducted a detailed survey of our supporters in Alberta, focusing on the royalty review. Nearly 2,000 people responded to our survey, and 56 per cent of those respondents have a combined annual household income of less than \$100,000.

The following is a summary of the results:

We asked, "In general, what should the Alberta government do to oil and gas royalties?" **42.4% of respondents said the government should leave the current royalty regime alone**, 13.25% thought royalties should be lowered, and 15.5% would be fine if royalties increased just a little bit.

We asked specifically about conventional oil royalties. **53.63% of respondents said we should leave conventional oil royalties alone**, while 23.24% said we should raise oil royalties, and 13.2% said we should lower oil royalties. 9.93% were unsure.

We then asked specifically about oil sands royalties. Again the majority of respondents thought we shouldn't touch them, with **48.84% of respondents saying we should leave oil sands royalties alone**. 23.32% of respondents said oil sands royalties should be raised, while 18.73% thought oil sands royalties should be lowered. 9.11% of respondents were unsure.

The majority of those who thought royalties should be left alone grew even stronger when we asked specifically about natural gas royalties. **56.27% of respondents said we should leave natural gas royalties alone**. That closed the gap even further between those who thought royalties should be lowered and those who thought they should be increased. 18.7% of respondents thought we should raise natural gas royalties, while 15.59% of respondents thought we should lower them, and 9.44% of respondents were unsure.

Creating an environment of business certainty in the province was a priority for our respondents. We then asked, "After this review, should the government set the timing for the next royalty review in advance?" **75.62% said that yes, the government should give businesses some predictability so they know what to expect.** Only 18.02% of respondents said no, royalty reviews should be done on an as-needed basis as determined by our elected representatives. 6.35% of respondents were unsure.

We left an open-ended section for comments from respondents at the end of our survey. We were happy to receive over 1,200 responses in this section, demonstrating that this is an important issue for our supporters. The overwhelming response we received in the comments section was that royalties should be left alone. However, there were a myriad of views represented. The following is a selection of a variety of comments we received:

"The government should work with the oil companies to eliminate the uncertainty which is a job killer in the current environment. The industry should look to link the royalties to oil price and market access. Without pipelines the oil is worth far less hence royalties should be less."

"I'm sure that companies would be happy to pay higher royalties if the government would stop over-regulating everything. Companies are being prevented from starting up and continuing profitable businesses because of over-regulation."

“This is not the time. Focus on development to produce more revenues.”

“Do whatever it takes to promote and increase activity in the oil patch to increase/maintain employment in Alberta. Where and how is the NDP going to pay for everything promised without a vibrant economy?”

“Whatever you decide to do may get changed if and when we have a different government. I think it should be reviewed on a regular basis and companies held accountable. When royalties were messed with last time, the oil companies moved and stopped drilling here – but, that’s business. Business goes where the tax incentives and taxes are most favourable.”

“Leave things alone. Focus on ways to cut waste, and NOT on how to mess the economy up more than it is.”

“That raising royalties would add even more costs at a time when new government policies are already reducing the competitiveness of the oil and natural gas industry. The government needs to pursue policies that will attract and retain investment – not drive it away. They should be supporting the development of more ways – like new or improved pipelines – to get our oil and gas to market. Alberta has come to a grinding halt. How can that benefit anybody? We need to encourage industry to find the clean alternative, not bankrupt them and the province.”

“Periodic reviews should be done on a regular basis.”

“This is the worst time to be talking royalty review with the energy industry in a downswing. And besides this government does not seem to have any clue what a review would do to drive away business from the energy sector.”

“I believe at this point in time that the Alberta government should leave the royalty review alone. They can revisit it when the oil price has gone back up to a more favourable level (\$80/barrel).”

“I don’t think the royalties should be increased significantly. I believe the oil industry is very important to Alberta and Canada’s economy. It should be raised slightly, but only in consultation with the oil industry. The oil industry should agree to the percentage of the increase or give other options to the government that will work best for them.”

“My general thought is that the royalties were recently reviewed in 2007, and created a fiasco. I feel that the province benefits from oil not only through royalty, but through increased resident wage taxes, spending taxes and user taxes. I see the people and the province benefitting from

the competitive royalty rates and view the increase more as an additional tax to companies that have already been informed taxes are going up, not to mention the tighter environmental controls and thus expenses from the carbon tax. The increase in royalties will actually deter business investment in Alberta and deter migration from other provinces.”

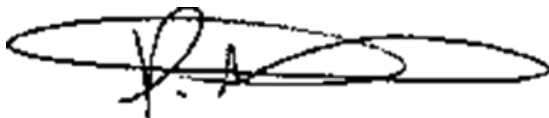
“How can a company invest when they don’t know what the royalty rates will be or when they will change? I don’t think leaving this question hanging over for a year is going to stimulate any new investments.”

“The royalties must be competitive with the jurisdictions we compete with. If they are lower elsewhere they must be reduced to keep work in the province. The first step must be to get spending under control.”

“‘Royalty Review’ means ‘Royalty Increase’. This government is all tax and spend. I can’t believe they will do anything but increase royalties to help with their never-ending appetite for more money. What they don’t seem to understand is that by increasing royalty rates, that actual royalty revenue might decrease when high taxes and extreme environmental regulations do not make it economical to do business in Alberta.”

Thank you again for taking the time to consider the input of the Canadian Taxpayers Federation and our supporters. We appreciate the opportunity.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paige MacPherson', enclosed within a large, horizontal oval shape.

Paige MacPherson
Alberta Director
Canadian Taxpayers Federation