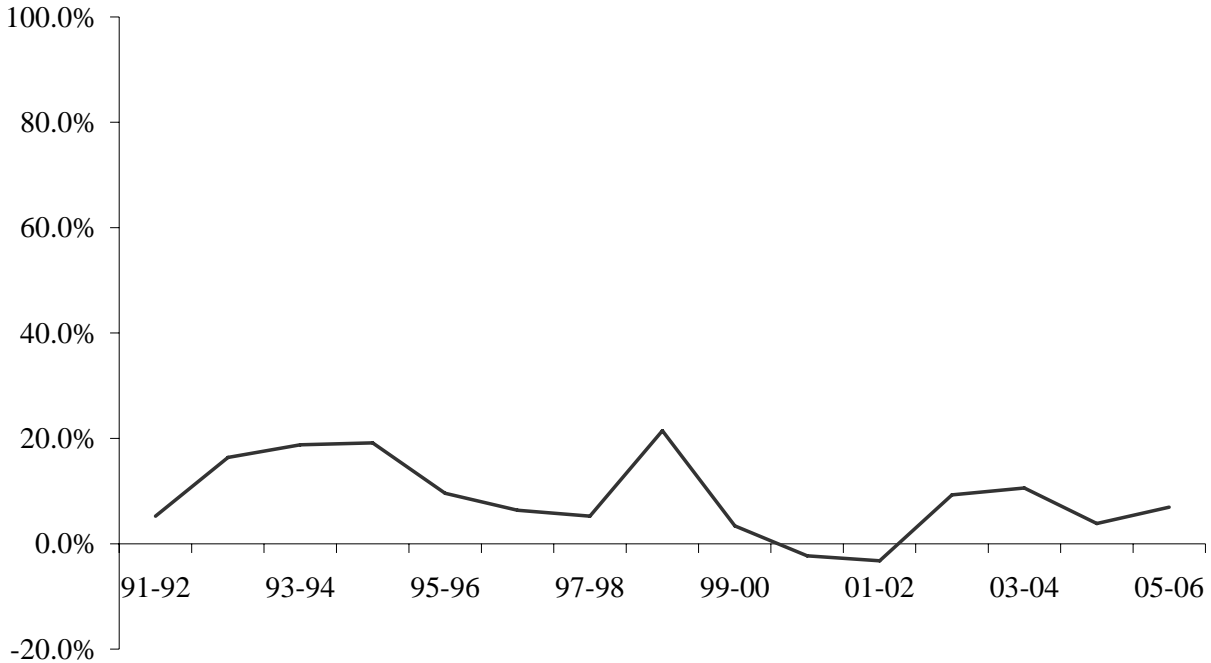


MEDIA BACKGROUND

Saskatchewan Effect of the Expert Panel's Recommendations

- The report uses 50% of resource revenues to calculate the Equalization entitlements and then uses 100% of natural resources to calculate a “cap” or clawback. This approach, combined with the effects of Associated Equalization, means that Saskatchewan would receive essentially no net benefit from its non-renewable resource revenues.
- The panel endorsed the principle that “as owners, provinces should receive a net fiscal benefit from those resources and Equalization should not compromise this fundamental principle.” This principle is critical and was not reflected in the substance of the recommendations.
- The report varies from the Conservative commitment to Equalization reform in three principal ways of importance to Saskatchewan:
 - it makes no distinction between renewable and non-renewable resources;
 - it falls short of full exclusion of non-renewables; and,
 - it introduces a clawback that would deny Saskatchewan any meaningful benefit from its non-renewable resources.
- The panel neglected to recognize the critical characteristic of non-renewable resources. They are not replaceable. Under the Panel's recommendations, Saskatchewan would be extracting non-renewable resources for the benefit of other provinces and the federal government, receiving little or no net benefit itself and eventually these resources will be **gone**.
- The other energy-producing provinces have, rightly, retained a much higher share of the revenues from their non-renewable resources. This has allowed them to invest in economic development and diversification. All Saskatchewan wants is to be treated consistently.
- See the following page for details.

**Per Cent of Oil and Gas Revenues
Retained by Saskatchewan**



Breakdown of Provincial Effects of Expert Panel Recommendations

Breakdown of the Effects 2007-08 Base Case Compared to 2007-08 Recommendations from the Panel \$ millions										
	NFLD	PEI	NS	NB	QUE	MAN	SK	BC	Federal Cost	
Base Case Scenario	587	282	1,363	1,417	6,273	1,720	0	35	11,676	
Panel Recommendations										
Treatment of resources	144	-19	-96	-79	-347	-117	431	84	0	
Other changes	51	25	195	125	1,001	186	231	-119	1,693	
Cap	-299	0	0	0	0	0	-506	0	-805	
Total	482	286	1,462	1,462	6,926	1,789	156	0	12,563	
Associated Equalization	-	-	-	-	-	-	-140	-	-140	
Total Impact	-105	4	99	45	653	69	16	-35	747	

Source: Expert Panel on Equalization and Territorial Formula Financing, May 2006. *Achieving a National Purpose: Putting Equalization Back on Track*, pages 129 and 137.