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Alberta's new royalty framework



Meeting the needs of Albertans now and into the future

Earlier this year, I promised Albertans—as owners of the province's non-renewable energy resources—a fair share from the development of these resources.

I made a commitment and I delivered. I am proud to share *The New Royalty Framework* with Albertans. I know it is the right plan to secure Alberta's future.

The New Royalty Framework gives future generations of Albertans a fair share from the development of their resources. It gives stability and predictability to the oil and gas industry.

And it assures investors that Alberta will remain an internationally competitive and stable place to do business.

We project these changes will bring in \$1.4 billion in additional royalties in 2010 for Albertans—an increase of 20 per cent over revenues forecast for that year under the current regime.

The New Royalty Framework furthers my plan for Alberta's future—a plan to build communities, green our growth and create opportunity.

Together, we're building tomorrow.

- Premier Ed Stelmach

The New Royalty Framework is based on input from the public, industry, international experts as well as the report of the Alberta Royalty Review Panel established earlier this year. **Here are highlights of Alberta's new royalty regime, which will take effect January 1, 2009.**

- A royalty rate structure for conventional oil and gas that operates on a sliding scale determined by commodity price and well productivity. The formula will eliminate the need for rate tiers and many royalty exemption programs.
- A sliding scale for oil sands royalty rates ranging from one to nine per cent pre-payout, depending on the price of oil. Post payout the net royalty will start at 25 per cent and increase for every dollar that oil prices rise above \$55 per barrel to 40 per cent when the world oil is priced at \$120 or higher.
- The province will also exercise, where appropriate, its right to receive raw bitumen in-lieu of royalties, which can be used to promote value-added upgrading and refining projects in Alberta.

Resource royalties support sustainable economic development that contributes to a high quality of life for all Albertans now and into the future. Royalties are only one of the ways Albertans benefit from energy development. Economic activity, jobs, and tax revenue generated from the energy sector are also important and are part of the broader considerations government has taken into account in developing the new royalty framework.

One-third of any additional revenues generated by Alberta's New Royalty Framework will be put into savings and invested for future generations of Albertans, while two-thirds will be committed to capital-spending projects that meet the needs of our growing economy.

For more information on Alberta's New Royalty Framework, visit www.alberta.ca or call 310-4455 toll-free.

Inside you'll discover...

A plan for Alberta's future to build communities, green our growth and create opportunity

A plan for Alberta's future

Alberta is at a unique place in the province's history—it is growing, it is dynamic and the future holds great opportunity. At the beginning of Alberta's second century, we find ourselves facing unprecedented global demand for our resources. The world is beating a path to our door. Our economy is the hottest in Canada, and it's predicted that Alberta will have one of Canada's top performing economies in the future.

We are proud of our individual accomplishments, and those we've achieved collectively as a province. But we also understand the need to plan beyond oil and gas. We know that strong fiscal planning is a pillar to our success in the years to come. We must strike the right balance to meet our needs today, while also looking forward to the future.

We're working hard to do the planning that will carry the province forward. As a result, we have the unique ability to build a future where prosperity goes hand-in-hand with opportunity, quality of life, and deep respect for the breath-taking environment we have inherited.

Alberta's course for the future is to build our communities, green our growth and create opportunity.

Where Alberta is 30 years from now depends on the direction we establish today. That's a unique opportunity, and a profound responsibility.

Building communities

As our population grows and becomes more diverse, supporting strong communities is key to ensuring that our high quality of life is sustained and enhanced. Our province will continue to be the best place in North America to live and to raise a family. And all Albertans must share in the benefits of prosperity. We'll enhance and better co-ordinate the wide range of services already available to support the well-being of our children, seniors, and those most in need. High quality childcare, world-class education opportunities, long-term care for the elderly—these are the true measures of a compassionate society.

Investment in infrastructure

Alberta is currently working on a long-term capital plan, one of the most aggressive programs of investment in public infrastructure in Alberta's history. It will respond to immediate pressures, and ensure that longer-term needs are anticipated and addressed, with a clear commitment to keep pace with a changing Alberta. This includes transportation systems, health and seniors facilities, schools and universities, affordable housing, water and wastewater management, and recreation and cultural opportunities that a growing province needs.

Crime strategy

Albertans deserve to feel safe in their communities. Alberta's new crime strategy, to be announced in the near future, will aim to reduce crime and bolster law enforcement. Equally important, we must address the factors that give rise to crime, such as drug and alcohol abuse.

Community spirit

The dedicated work of community groups and volunteer organizations contributes greatly to our quality of life. To help increase giving, Alberta has enhanced its charitable tax credit. Starting this year, Albertans will receive a combined federal and provincial tax credit of 50-cents for every dollar donated over 200 dollars.



Greening our growth

As we grow the economy, we're also growing our green agenda – already the strongest in Canada. Albertans place a high value on clear air, clean water and wide open spaces. **Alberta will forge a sound, practical and achievable environmental vision, and take bold action to combine development with a strong environmental ethic.** Finding the balance between development and conservation is a great challenge of our time, and that balance starts with a practical plan that encourages innovation and sets realistic goals for industry. We're updating our groundbreaking *Water for Life Strategy* and producing a comprehensive Land-use Framework that will help balance the competing demands on Alberta's landscape.

Climate change

Alberta's record shows we take climate change seriously.

- In 1999, Alberta established Climate Change Central, a public-private partnership that helps Albertans reduce their greenhouse gas emissions. The partnership sponsors a program that rewards people for getting their older, high-polluting cars permanently off the road. In 2006, Car Heaven prevented the release of 26,910 tonnes of greenhouse gas emissions across Canada.
- In 2002, Alberta was the first in Canada with a comprehensive climate change plan.
- In 2004, Alberta was the first in Canada to require large facilities to report their greenhouse gas emissions.
- In 2007, Alberta became the first jurisdiction in North America to put in place regulations requiring large industrial facilities to reduce their greenhouse gas emissions intensity.

- This spring we consulted with Albertans, stakeholders and international experts to help renew our climate change action plan. This input will help us build a new strategy to reduce greenhouse gas emissions and prepare Albertans to deal with a changing climate.

Learn more about how Alberta is enhancing technology, improving energy efficiency, and developing renewable energy resources in *Albertans and Climate Change: Moving Forward*. Find it at www.environment.gov.ab.ca and click on *Climate Change*.

Creating opportunity

Alberta must capitalize on new opportunities if we are to continue growing our economy, building strong communities, and securing long term prosperity—for all Albertans.

To sustain a strong economy, we're working hard to expand our value-added sectors and build on our traditional strengths in energy, agriculture, forestry, tourism and health sciences. The diversification of our economy will be driven by the creativity and innovation of Albertans. We'll support them by encouraging investment and research that transforms new technologies such as life sciences, material engineering, and nanotechnology into commercial successes.

Leading-edge technology

Alberta is moving quickly to establish the capacity to develop and commercialize leading-edge technology. We continue to focus our research on priority areas of energy, life sciences, information and communications technology as well as nanotechnology — the 'science of small.' Just this fall, Alberta committed an additional \$100 million (for a total of \$220 million this year) to accelerate nanotechnology innovation here in the province. Strategic investments in our post-secondary education system across Alberta and in our innovation capacity are positioning Albertans - leaders and learners, entrepreneurs and employees alike – to be the agents of change who will take our province forward as a strong competitor in increasingly global industries.

Progress already made on the plan

When he first arrived in office, Premier Ed Stelmach outlined a number of key actions to address existing challenges and move Alberta forward. Since December of last year, significant progress has been made in the priority areas of:

- governing with integrity and transparency;
- managing growth pressures;
- improving Albertans' quality of life;
- building a stronger Alberta; and,
- providing safe and secure communities.

Key work completed includes introducing legislation for a lobbyist registry; creating a Land-use Framework; launching the most aggressive-ever investment in public infrastructure and establishing an \$11-billion funding arrangement with municipalities.

For more details of the work underway in these five-priority areas visit www.alberta.ca.



How does the province determine funding for municipalities?

Roads and bridges, buses and emergency vehicles, cultural and recreation facilities —these are just some of the types of new municipal infrastructure construction and upgrade projects that the Alberta government is financially supporting over the next 10 years with \$11.3 billion in new funding for municipalities.

Details of the Municipal Sustainability Initiative (MSI) were recently announced by Premier Ed Stelmach and Municipal Affairs and Housing Minister Ray Danyluk following extensive consultations this past summer with more than 450 mayors, reeves, councillors and senior administrators on the parameters of the funding.

It's a simple, fair funding formula that gives Alberta's municipalities maximum flexibility to respond to local needs and priorities. How much your community receives depends on

population, education property taxes paid to the province and kilometres of local roads. This initiative also includes appropriate reporting requirements to ensure accountability for the expenditure of taxpayers' dollars, and recognizes that MSI allotments may need to be adjusted if provincial revenues decline.

Beginning this year, municipalities will see \$400 million in 2007-08, \$500 million in 2008-09, and \$600 million in 2009-10 before ramping up to \$1.4 billion annually in 2010-11.

For the 24 municipalities within the Edmonton capital region, this means \$3.1 billion in additional funding over the next 10 years. For Calgary, it means \$3.3 billion. For Alberta's 265 other cities, towns and villages, it's \$2.4 billion over 10 years, and for the province's counties, municipal districts and other rural municipalities, it's \$2.5 billion.

This new funding is unprecedented in Canada, and comes on top of programs like our gasoline tax rebate for major cities, the Rural Transportation Grant for rural municipalities, the Streets Improvement Program for towns and villages, and numerous other provincial initiatives in support of municipal infrastructure. All in all, we're leading the country with our financial support to local governments.

Already the government's 359 municipal partners are benefiting from the recently detailed Municipal Sustainability Initiative. Long-term plans are being drawn up across the province for major initiatives like new overpasses, skating arenas, and numerous other infrastructure projects that enhance the quality of life for Albertans.

Preliminary estimates on how much each community will receive are available at www.municipalaffairs.gov.ab.ca.

Help us design a new licence plate for Alberta

Our province has been growing in leaps and bounds, with thousands of people moving here every year. That means more cars on the roads... and more licence plates. In fact, within the next few years, the province will run out of licence plate numbers. This is a good chance to introduce a new licence plate design for Alberta and we want to hear your thoughts and ideas.

Licence plates are primarily about safety. They need to be clear, easily identifiable, and above all, must meet the needs of law enforcement. After all, the safety of our roads and highways is paramount.

Licence plates are also a statement about our province. When Albertans drive to other places, their licence plate tells a story about Alberta. Many people take great pride in their licence plate, and with today's technology it's possible to create a licence plate with more visual impact and more colour.

In the months ahead, the Alberta government will consult with law enforcement officials, public safety organizations, and all Albertans on options for a new plate design.

We want to hear from you

Starting in mid-November, visit servicealberta.gov.ab.ca to fill out a survey online to tell us what you think about Alberta's licence plate.

Should Alberta introduce a new licence plate design? What should a new design look like? What colours would work best? Should themes or graphics be included? Should there be a front licence plate again?

The final design will incorporate as much input from Albertans as possible, while also meeting the Alberta government's visual identity guidelines and the needs of law enforcement and public safety officials.

Information for teachers and parents

The licence plate website will have a special section for children with online fun and games, and children are encouraged to fill out the survey and tell us what they think about Alberta's licence plate. The website launches in mid-November. Log-on to find out more at servicealberta.gov.ab.ca.



Your Alberta offers latest government news and information

Your Alberta, a new e-newsletter from the Government of Alberta will keep you up-to-date on the province's latest projects and plans. It also highlights programs and services the government offers, shares money saving tips and invites your say on issues that are important to Albertans. Once you subscribe, Your Alberta will be delivered to your inbox at the beginning of every month. To sign-up, visit www.alberta.ca.

Find out more. Share your ideas.

To learn more about the province's plan, our progress, and the work underway, visit www.alberta.ca. To reach any government office call 310-0000 toll-free throughout Alberta.

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