

Jack Mintz and Daria Crisan release definitive report on the effects of the NDP royalty regime – significant net positives to energy sector - Alberta more competitive

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The NDP made a review of the Alberta royalty regime a priority. Most reviews suggest the new regime is relatively neutral in its impact. But today, Jack Mintz and Daria Crisan released a report that shows that rather than just being neutral, in many cases the new royalty regime will make Alberta significantly more attractive for investment.

This paper focuses on oil and the fiscal regime (it does not consider other regulatory and carbon policies that affect competitiveness). The changes for conventional oil are significant enough that the new regime entirely overcomes the competitive disadvantages for non-oil sands producers created by the NDP government's increase in provincial corporate income taxes last year. Under the current regime, Alberta conventional oil bears a marginal effective tax and royalty rate (METRR) of 35.0 per cent (the METRR is relevant for new investment decisions). The changes have sharply reduced that to 26.7 per cent.

At present, when compared against its peers in the U.S., Europe and Australia, Alberta has one of the highest METRRs for conventional oil. When the new royalty regime takes effect in 2017, it will have one of the lowest, bested only by Australia, the United Kingdom, Pennsylvania and, in Canada, Nova Scotia and Newfoundland & Labrador. Most notably, Alberta is more competitive now than its immediate neighbors, British Columbia and Saskatchewan, for conventional oil investment. It is also less distorting across different types of wells, which is an important quality in a well-designed royalty system.

According to Mintz, "Whether the province will attract investment for conventional oil once market conditions improve will depend on several policies, but the new royalty regime will help boost interest in the Province."

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