



CANADIAN ASSOCIATION
OF PETROLEUM PRODUCERS
Canada's Oil and Natural Gas Producers

ALBERTA ROYALTY SYSTEM

LOCAL BENEFITS



WHAT IS A ROYALTY?

Alberta's natural resources belong to Albertans. In exchange for the right to develop these resources, companies pay the government a royalty. This is a percentage of revenues generated from the sale of oil and natural gas products, or in some cases takes the product in-kind for the government to sell.

Royalties are just one way oil and natural gas producers contribute to government revenues. Many different government taxation policies affect exploration and development of Alberta's natural resources.

AMOUNT OF ROYALTIES COLLECTED IN 2014/2015



Source: CAPP 2015

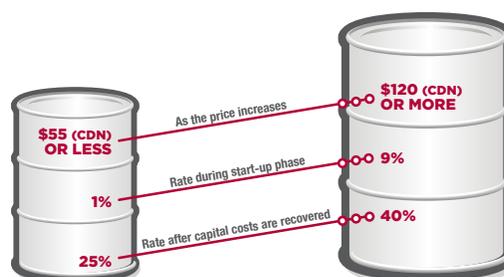
HOW ARE ROYALTY RATES DETERMINED?

Alberta's royalty system is designed to ensure that Albertans, as the owners of oil and natural gas resources, receive a competitive return for the extraction of their resources. Royalty rates vary depending on resource type, and on factors such as production level, age, well depth, and commodity price.

In the case of oil sands, royalty rates are calculated on a sliding scale that increases as the price of oil increases. There are two sliding scales: a pre-payout rate of 1 to 9 per cent applied during the startup phase of a project, and a post-payout rate of 25 to 40 per cent applied after a project has recovered its capital costs plus a small return allowance.

CALCULATING OIL SANDS ROYALTY RATES

Source: CAPP 2015



In 2014-2015, the Alberta government collected about \$8.3 billion in oil and natural gas royalties, representing about 18% of total provincial government revenues.

77% of Albertans believe if we care about jobs for young Canadians in the future, we must support development of the oil sands (and other resources).

Source: IPSOS Reid 2015



LOCAL BENEFITS

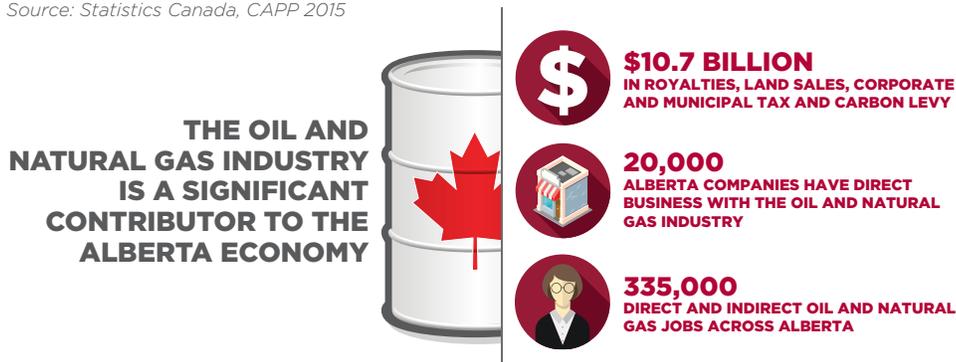
WHAT ARE ROYALTIES USED FOR?

Alberta has attracted the people and the capital to develop a world-class economy that is integrated into all Albertans' lives. Royalties are an important part of the Alberta economy and are used to:

- Fund provincial government operating and capital costs;
- Fund healthcare and education, build roads and pay for programs and services for Albertans; and
- Save for the future (Alberta Heritage Savings Trust Fund).

BENEFITS TO ALBERTANS

Source: Statistics Canada, CAPP 2015



“It is important to ensure government policies stimulate, not harm the competitiveness of an industry that is a critical source of jobs, government revenue and economic growth for Albertans and all Canadians.”

Tim McMillan, President and CEO of CAPP

ALBERTA COMPETITIVENESS

94% of Albertans believe it is important to the provincial economy that Alberta is able to attract, retain and develop oil and gas investment. (Source: IPSOS Reid 2015)

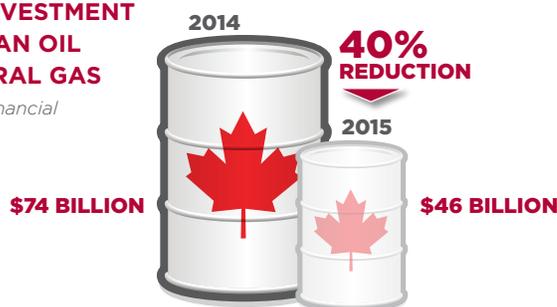
Alberta is currently paying higher royalty rates (before incentives) for oil and natural gas production than British Columbia or Saskatchewan and several jurisdictions in the U.S. Royalty adjustments should be considered in the context of all fiscal and environmental changes currently under consideration by the Alberta government, as their impacts are cumulative.

INVESTMENT IN ALBERTA

Capital investment in Alberta is down significantly in 2015 and the cash flow that drives investment, activity and jobs is at a 20-year low. Alberta competes increasingly on a global stage for investment. If capital cannot compete in Alberta, there is significant potential for it to go elsewhere such as B.C., Saskatchewan or to the U.S.

CAPITAL INVESTMENT IN CANADIAN OIL AND NATURAL GAS

Source: ARC Financial and CAPP



THE PROSPERITY OF ALBERTA MATTERS

In 2015, the Alberta government is proceeding with a review of the province's royalty system. CAPP urges the royalty review panel and the government to re-establish Alberta as a place that attracts capital investment, to pursue market access, to recognize that cumulative costs work against competitiveness, and to support innovative technology for its ultimate and ongoing value to Albertans.

Participate in this important conversation at:
www.letstalkroyalties.ca