

OIL AND NATURAL GAS PRIORITIES
for a prosperous Alberta





A COMPETITIVE OIL AND NATURAL GAS INDUSTRY

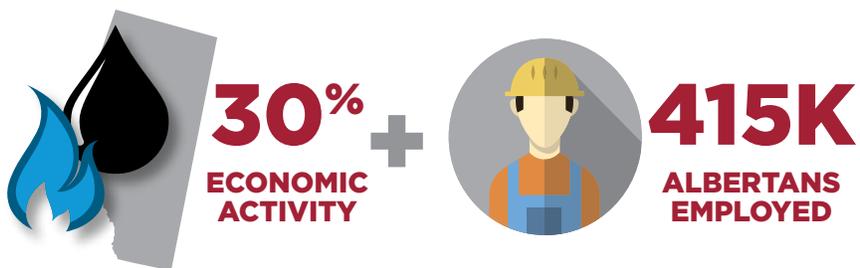
Alberta can and should be a global energy supplier of choice – generating economic benefits across the province, and minimizing environmental impacts at home and around the world.

Global demand for oil and natural gas is forecast to increase for decades to come, and Alberta must plan for what lies ahead. This will require a clear commitment from government to increase the competitiveness of our industry, and rethink the way we do business. It's a critical time to define a strategic long-term vision for the oil and natural gas industry, and begin to make key decisions to position industry for success in addressing challenges to pursue this opportunity.

With a duty to Albertans – who are the owners of the province's resources – we are committed to the responsible development of oil and natural gas, and the government should have policies that allow the industry to be globally competitive and to obtain fair market prices.

The government must strive toward creating an effective policy and regulatory environment that encourages investment in, and the development of, Alberta's oil and natural gas resources, and ensures resources are produced in an environmentally responsible and sustainable manner. Government must act in a measured way culminating in the development and implementation of policies that will position Alberta as a global energy leader.

Alberta's oil and natural gas industry remains a vital and growing part of the province's economy. Oil sands and conventional activity represents 30 per cent of all economic activity in Alberta and provides employment for 415,000 Albertans when direct, indirect, and induced factors are taken into consideration.



These activities contributed substantially to the public purse, with more than \$4.8 billion in non-renewable resource revenues, \$185 million in provincial corporate income tax, more than \$1.5 billion in personal income tax from direct and indirect employees, and approximately \$1.25 billion in the municipal portion of the property tax on upstream assets alone. In addition, the oil and natural gas sector supported more than 20,000 businesses across the province in 2015, including



A COMPETITIVE OIL AND NATURAL GAS INDUSTRY (CONTINUED)

399 Indigenous-owned companies in our supply chain, representing about \$3.33 billion in activity between 2015 and 2016.

A healthy oil and natural gas industry benefits all Albertans across the province. Our resources are the backbone of the provincial economy. It boosts our gross domestic product (GDP) and financially contributes to the costs associated with providing goods and services to communities.

The Canadian Association of Petroleum Producers (CAPP) supports the Alberta government's presence and advocacy at the federal level. The province has a critical role and ability to shape policy, and to position Alberta as an international destination of choice for oil and natural gas exploration and development.



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THE VISION:

MAKE ALBERTA THE MOST ATTRACTIVE JURISDICTION FOR OIL AND NATURAL GAS INVESTMENT IN THE WORLD.

GOALS FOR 2020:

- Ensure the rate of Alberta's oil and natural gas supply doubles in growth and helps meet global demand, thereby displacing less responsible sources of supply;
- Double investment in Alberta;
- Growth in Alberta helps Canada become the fourth-largest oil producer, surpassing Iraq and China; and,
- Growth in Alberta helps Canada become the third-largest natural gas producer, surpassing Iran and Qatar.

To advance this vision, action in the following areas is required:

- **Market access**
- **Regulatory competitiveness**
- **Climate policy**
- **Fiscal and economic policy**

CAPP is calling on all political parties to engage with the oil and natural gas industry to commit to policy solutions and actions that are critical to positioning Alberta as a leading global energy supplier.

MARKET ACCESS

A key factor in the oil and natural gas sector's ability to attract investment, and continue to create economic growth and jobs, is access to more customers in growing markets and obtaining a fair market price for the sale of Alberta's finite resources. Improved market access for both oil sands and conventional oil and natural gas is a key contributor to industry competitiveness. We have an opportunity to supply the world with sustainably produced energy, but first we must find a way to get our resources to the coast for global export.

RECOMMENDATIONS

- Work to ensure Alberta is able to attract full market price for its oil and natural gas exports by increasing and diversifying access to markets.
 - Actively support the safe completion of the Trans Mountain expansion pipeline, Keystone XL and Line 3 Replacement pipelines by 2020.
 - Support and create the conditions to complete three additional export pipelines to Canadian coasts by 2025.
 - Support and create the conditions to complete four major liquefied natural gas (LNG) projects by 2025.
- Support market-driven diversification of energy products.
- Work to ensure all Canadian oil and natural gas demand can be met by Canadian production.

It's a critical time to define a strategic long-term vision for the oil and natural gas industry, and begin to make key decisions that will position Alberta as a global energy leader.



REGULATORY COMPETITIVENESS

A robust regulatory environment is critical to providing Albertans with the confidence that our resources are developed responsibly, and meet the highest safety, environmental and regulatory standards. Alberta has world-leading standards, but is also one of the most complex environmental and regulatory regimes. There is a significant opportunity to enable a more predictable regulatory process; help achieve industry competitiveness while maintaining environmental and regulatory outcomes. An optimal regulatory system will be efficient and effective at achieving outcomes, and appropriately and effectively engage Albertans in the process.



RECOMMENDATIONS

- Set and achieve targets for application timelines for oil and natural gas projects, and infrastructure, that beats competing jurisdictions.
 - Reduce average application timelines by 50 per cent.
 - Undertake a robust review of Alberta's current regulatory timelines and assess against comparable jurisdictional benchmarks.
- Improve regulatory efficiency, certainty and stability.
 - Reduce annual regulatory costs by \$2 billion while maintaining environmental and safety outcomes.
- Achieve *one application, one review, one decision* process option for all applications by the end of 2019.
 - Fully implement technology solutions and risk-based application approach (OneStop).
- Assert Alberta's constitutional authority over oil and natural gas sector approvals and regulation for all projects within its jurisdiction (i.e., in situ projects).



CLIMATE POLICY

Climate policy is critical for Alberta's oil and natural gas industry to be a supplier of choice in order to meet growing global demand for energy. We encourage and support climate policies that are efficient and effective, and take into account cumulative impacts. With the right policies Alberta could be competitive, attract investment, spur innovation and reduce global emissions.

RECOMMENDATIONS

Industry is committed to being a constructive partner in addressing climate change. However, our ability to contribute is compromised by our lack of access to markets and capital. We support a made-in-Alberta climate plan that is applied in parallel to other competing jurisdictional climate policies and progress on access to markets, including:

- A climate policy that ensures flexibility, encourages innovation, doesn't impede investor confidence, and allows for the growth of greenhouse gas (GHG) emissions-efficient operations.
- Government to advocate for upstream oil and natural gas exclusion from the federal Clean Fuel Standard.
- Ensure any large emitter framework prioritizes investment in technology and emissions reduction.
 - Achieve positive results in a cost-effective manner that protects competitiveness.
 - Enable full access to offsets as a compliance tool.
- Any climate policy needs to ensure competitiveness and create protection mechanisms for emissions-intensive, trade-exposed sectors that include small and large producers.



FISCAL AND ECONOMIC POLICY

A provincial fiscal framework that is globally competitive, market-driven, encourages innovation, and positions Alberta's oil and natural gas as the energy investment of choice is critical for the province's oil and natural gas industry. The fiscal regime (including taxes, royalties and fees) has a substantive impact on the competitiveness of the industry.



RECOMMENDATIONS

- Ensure Alberta has the lowest municipal tax framework in North America.
- Ensure Alberta has the most competitive and efficient royalty framework in the world.
- Return the Alberta corporate income tax rate to 10 per cent from 12 per cent.
- Advocate to the federal government for 100 per cent immediate capital expenditure deductibility, consistent with the current United States tax rate reforms.
- Allow research and development costs to be deductible from royalties.

The province has a critical role and ability to shape policy, and to position Alberta as an international destination of choice for oil and natural gas exploration and development.



BENEFITS OF ACTION

The oil and natural gas industry generates activity that spurs jobs and economic growth. Taxes and royalties from the oil and natural gas sector help pay for important government services, such as education, health care, and infrastructure that benefit everyone living in Alberta.

Industry strives to collaborate and work closely with its neighbours and communities. The oil and natural gas industry works with stakeholders throughout the province and has partnered in project development, business opportunities, and education and training in communities across Alberta. Oil and natural gas extraction activities contributed 29 per cent to Alberta's total GDP in 2017. Direct employment in Alberta in 2017 equalled 151,000 jobs. Between 2015 and 2016, the oil sands provided \$48.6 million in community investment, funding for community activities, in-kind investments and contributions to community infrastructure.

Indigenous communities are our closest neighbours and we have been partnering with the communities located near operations, looking for ways to further strengthen relationships that help create opportunities for both communities and companies. Alberta's oil and natural gas industry works with Indigenous communities to grow energy development in a sustainable and responsible manner.

With an abundance of resources, developed responsibly and sustainably, the oil and natural gas industry could meet growing global energy demand, while also providing benefits at home. If government policy and market conditions enable Alberta's oil and natural gas producers to double their capital spending, then we expect to create up to 120,000 direct, indirect, and induced jobs in Alberta in 2020, a 30 per cent increase relative to 2017. This can only be achieved if Alberta's industry remains competitive and is able to attract investment and spur innovation.



CANADA'S OIL & NATURAL GAS PRODUCERS

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