



May 15, 2007

Backgrounder

Albertans' Perceptions of Oil Sands Development: Poll

Part 2: A Fair Share for Albertans

The Pembina Institute commissioned Probe Research Inc., a professional research and survey organization based in Winnipeg, Manitoba, to conduct a study of Alberta adults. The purpose of the study was to gauge public attitudes toward the environmental and economic impacts of oil sands development in Alberta, with a focus on the pace and scale of development as well as on oil sands royalties — two issues that are receiving increasing public attention.

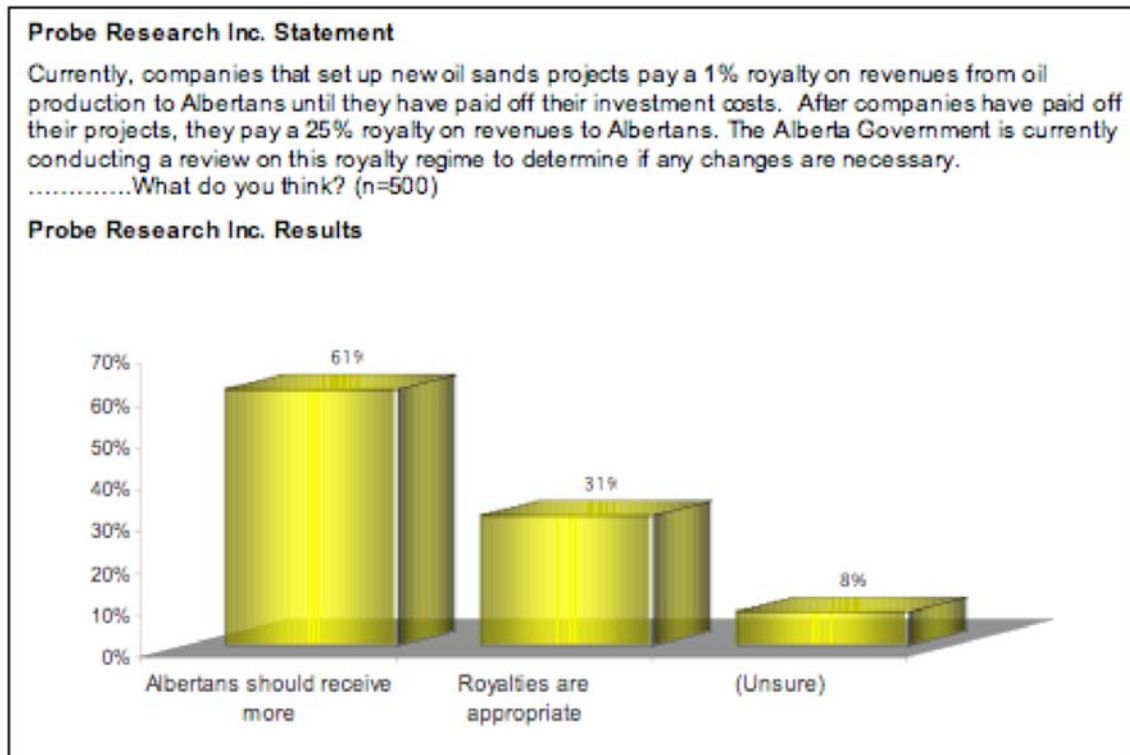
Survey data were collected using a state-of-the-art Computer Assisted Telephone Interviewing (CATI) system, and data analysis was conducted using SPSS 11. Random digit dialing was also employed to ensure that all Alberta adults would have an equal opportunity to participate in the survey. The survey instrument was designed by Probe Research Inc., in close consultation with the Pembina Institute.

The study was conducted via telephone interviews between April 3 and 16, 2007 of a random and representative sampling of 500 adults from across the province of Alberta. With this sample size it can be concluded with 95 per cent certainty that the results are within plus or minus 4.4 percentage points of what they would have been if all qualifying Albertans had been interviewed. The margin of error is higher for each of the survey's population subgroups.

On May 8, the Pembina Institute released the results of Part 1 of the survey, which focuses on Albertans' opinions on the pace and scale of oil sands development. This backgrounder summarizes Albertans' opinions on the economic issues related to oil sands development, particularly the royalty regime.

Question 1: Perceived need for royalty reform

A clear majority of Albertans (61 per cent) support reforming the current oil sands royalty regime so that Albertans obtain a greater proportion of revenues.



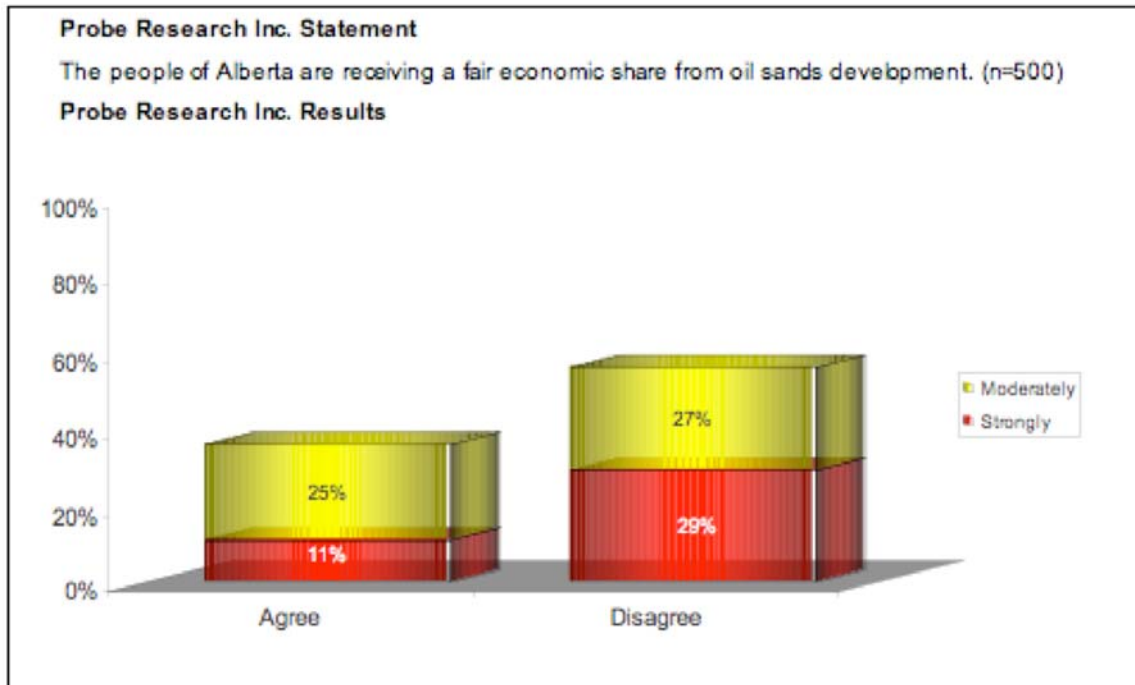
Oil Sands Fact

Oil sands production is expected to increase at least threefold by 2020, but a report prepared by the Department of Energy projects that royalty payments in 2020 will be the same as in 2004/2005.

Source: Alberta Department of Energy, *Prosperity for Our Future Generations* (Edmonton, AB: Alberta Government, 2005).

Question 2: A fair share for Albertans

More than half (56 per cent) of Albertans feel that citizens are not receiving a fair share of the wealth being generated by developing the province's oil sands.



Oil Sands Fact

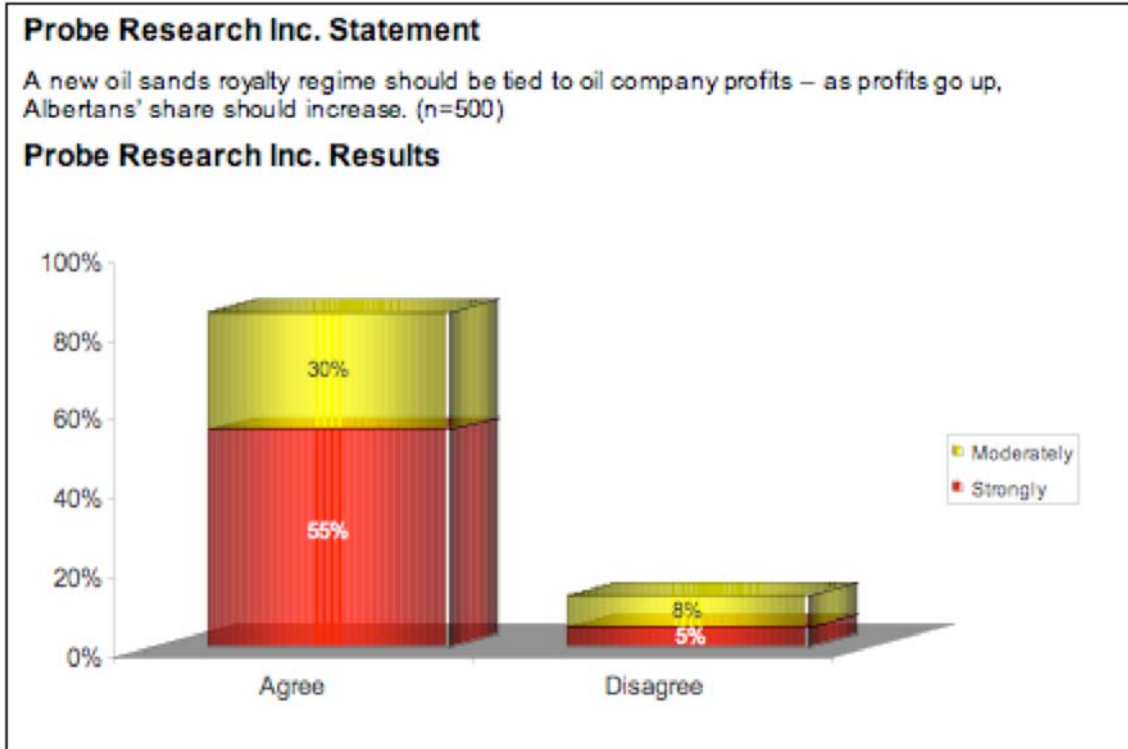
Under current royalty and tax payment structures, Albertans allow companies to take home 53 per cent of the revenues derived from developing the oil sands resource. This amount is effectively a commission paid by the resource owners — i.e., Albertans — to the resource developers — i.e., companies — for their services, and was set at artificially high levels in 1997 to stimulate investment in a then fledgling industry.

By contrast, commissions paid to conventional oil and natural gas producers in Norway are substantially lower. In Norway, citizens limit oil and gas companies' commissions to 22% of the available resource value.

Source: Ole Gunnar Austvik, "An Alternative Perspective: The Norwegian Example" (paper presented at the Power for the People: Determining Our Energy Future conference, Parkland Institute, November 17–19, 2006).

Question 3: Linking royalties to profits

An overwhelming majority of Albertans (88 per cent) support linking oil sands royalty payments to the take-home profits of companies allowed to develop the resources. More than half of Albertans (55 per cent) strongly support making this link.



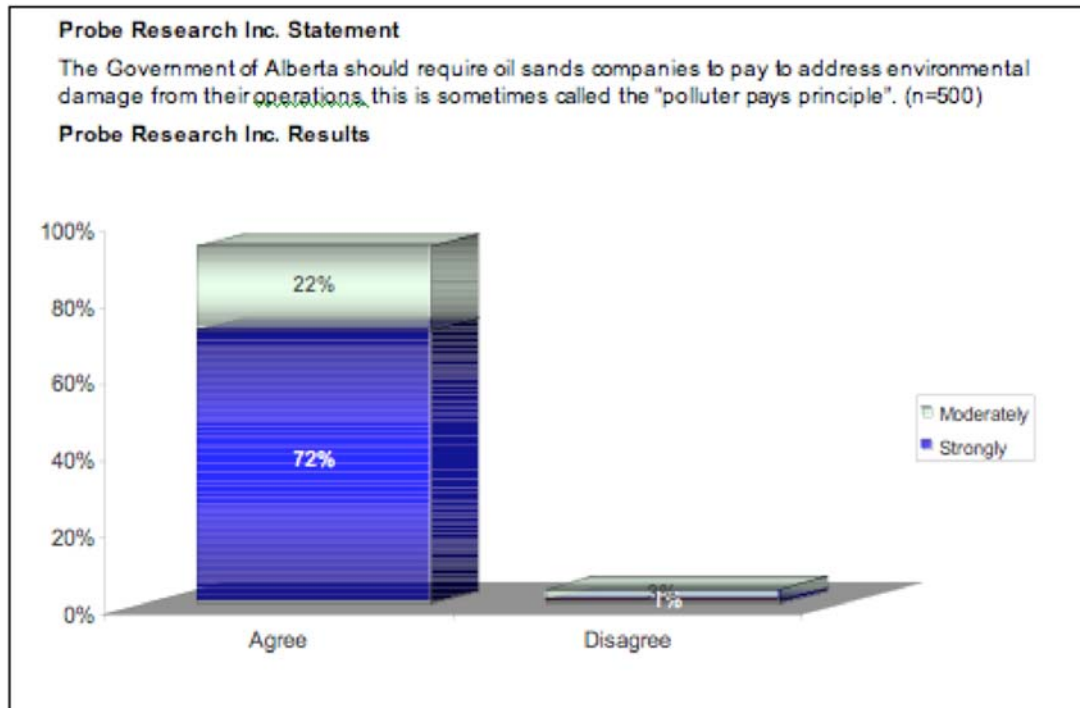
Oil Sands Fact

Canada's oil and gas industry set an all-time record for profitability in 2005 when operating profits reached \$30.3 billion, representing half of Canada's corporate profits outside of the financial sector that year. The \$30.3 billion figure was a 50 per cent increase from 2004. Over the same period, royalties paid to the Alberta government increased by a significantly smaller amount, about 27 per cent.

Source: Miles Ryan Rowat, *Boom Times: Canada's Crude Petroleum Industry*, (Ottawa: Statistics Canada, 2006), Catalogue no. 11-621-MEI-No. 047, and Statistics Canada, *Quarterly Financial Statistics for Enterprises* (Ottawa: Statistics Canada, 2006).

Question 4: Adherence to the polluter pays principle

Requiring companies to pay for activities that damage the environment is known as the “polluter pays principle.” An overwhelming majority (94 per cent) of Albertans feel that the government should require companies to abide by this principle. A substantial majority (72 per cent) strongly agree that such a requirement should be introduced.



Oil Sands Fact

Oil sands operations generate land and water impacts on a scale previously unseen in Alberta; they are also Canada’s fastest growing source of greenhouse gas pollution. In part, this is because companies are not currently responsible for paying the full social costs of the pollution they produce in Alberta.

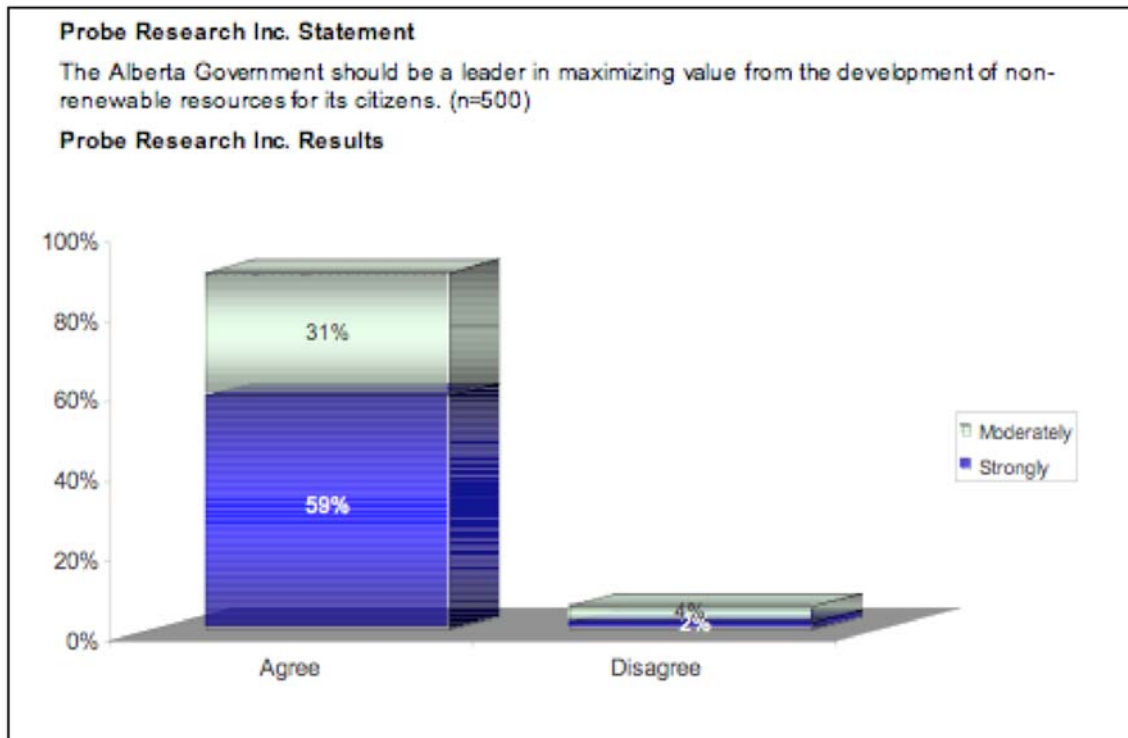
Other provinces, states and countries, however, are starting to use environmental taxes and charges to incorporate the costs of pollution. According to a recent report from TD Economics:

“Environmental taxes (or user-pay principle) promote both economic efficiency and greater fairness, because they help ensure that polluters bear the cost of their actions, thereby eliminating the free-rider problem. . . . For instance, if it’s much more expensive to engage in a polluting activity, individuals and firms will reduce that activity and search for alternatives.”

Source: TD Economics, *Market-based Solutions to Protect the Environment*, TD Bank Financial Group, www.td.com/economics/special/bc0307_env.pdf (accessed May 14, 2007).

Question 5: Maximizing value for Albertans

An overwhelming majority of Albertans (90 per cent) believe that the Alberta government should be a leader in maximizing value from the development of non-renewable resources for the people of Alberta.



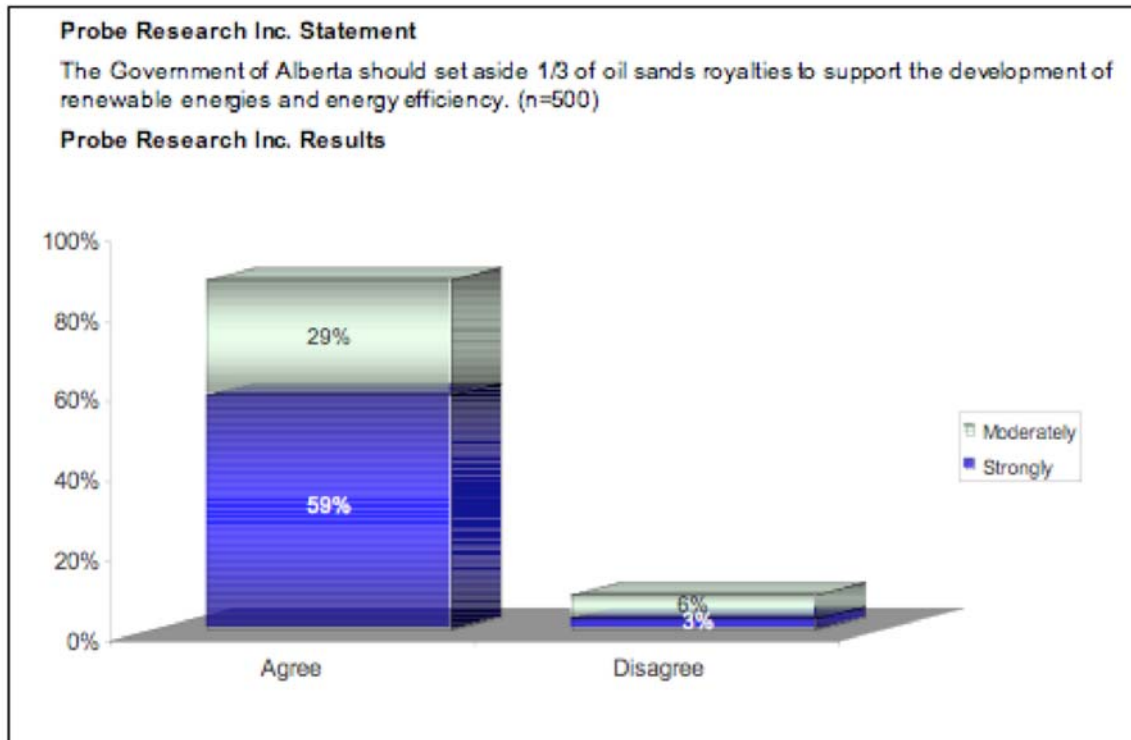
Oil Sands Fact

Canada's oil sands are the second largest proven oil deposit in the world. The other top-ten reserves are located, in order of size, in Saudi Arabia, Iran, Iraq, Kuwait, Abu Dhabi, Venezuela, Russia, Libya and Nigeria. Compared to these regions, Alberta offers a markedly stable investment climate, both politically and economically.

Source: "Worldwide Look at Reserves and Production," *Oil & Gas Journal*, 103, no. 47 (2005): 24–25. Cited in Energy Information Administration, *International Energy Outlook 2006* (Washington: Energy Information Administration, 2006), 28, www.eia.doe.gov/oiaf/ieo/pdf/oil.pdf (accessed May 14, 2007).

Question 6: Investments in renewable energy

There is overwhelming support for investing one-third of the oil sands royalties in the development of renewable energies and energy efficiency. Of Albertans surveyed, 88 per cent (59 per cent strongly and 29 per cent moderately) support government investment in renewable energies and energy efficiencies.



Oil Sands Fact

A Canada West Foundation study (2006) proposes that if Alberta can save 50 per cent of the revenues received from oil and gas revenues it is possible to accumulate “\$55 billion by 2015 that could be used to aid the Alberta economy in moving beyond its dependence on conventional oil and gas resources.”

Source: Ronald Kneebone, “The Feasibility of a 50% Savings Rule for Alberta,” in Roger Gibbons and Robert Roach, eds., *Seizing Today and Tomorrow: An Investment Strategy for Alberta’s Future* (Calgary, AB: Canada West Foundation, 2006), 60.

About the Pembina Institute

The Pembina Institute creates sustainable energy solutions through research, education, consulting and advocacy. It promotes environmental, social and economic sustainability in the public interest by developing practical solutions for communities, individuals, governments and businesses. The Pembina Institute provides policy research leadership and education on climate change, energy issues, green economics, energy efficiency and conservation, renewable energy and environmental governance. More information about the Pembina Institute is available at www.pembina.org or by contacting info@pembina.org.