



Thinking Like An OWNER

BLUEPRINT

A PROCESS FOR ALBERTANS TO THINK LIKE OWNERS

BLUEPRINT for Conducting Sound Royalty Reform in Alberta

ROYALTY REFORM – BY ALBERTANS, FOR ALBERTANS

Albertans are the owners of the oil sands, oil and gas resources in their province. The provincial government manages these resources on behalf of Albertans. As manager, the government allows companies to undertake oil sands, oil and gas developments. Companies incur costs to develop the resources and obtain revenue from their sale. The government is responsible for obtaining a fair share of the revenue on behalf of the resource owners – the people of Alberta. *It is the government's duty as manager to maximize the value that Albertans receive from the development of their resource.*

Currently, Albertans have serious doubts that they are getting maximum value for their resources. This is particularly true with regard to the oil sands: eighty-four percent of Albertans support a public review of the oil sands royalty regime.¹ In fact, most candidates in the Conservative Party leadership race expressed concerns about the inadequacy of the oil sands royalty regime and promised to hold a review. After becoming premier, Ed Stelmach committed to reviewing royalty rates for the oil sands as well as for conventional oil and natural gas. He has tasked the minister of finance, Lyle Oberg,

with designing the review process.

To address Albertans' concerns, the review needs to be conducted for Albertans, by Albertans in an open, transparent and citizen-driven way. However, we have heard nothing about the details of the review to date. Will the review of the royalty regime truly place the emphasis on Albertans as owners of the resources? As a primer for Albertans, the Pembina Institute has developed a blueprint of how the review, with a view to royalty reform, should take place. The details are provided below.

Objectives of the Royalty Reform

- To establish a royalty regime that ensures that Albertans obtain maximum value from the development of their oil sands, oil and gas resources.
- To establish how Albertans can invest in their future and the future of their children and grandchildren using revenue from the development of their oil sands, oil and gas resources.

An Owner's Perspective: Four Requirements for Successful Royalty Reform

- 1 Citizens First:** The review gives precedence to the needs of Alberta citizens as *owners* of the oil sands, oil and gas resources.
- 2 Meaningful Public Input:** The review incorporates genuine public deliberation and is structured as an exercise in collaborative problem solving. The review is *not* merely an exercise in public relations or "educating" the public.
- 3 Timeliness and Transparency:** The review timeline is ambitious but fair and always gives Albertans sufficient notice of opportunities to participate and comment. Albertans also have full access to details about the review process and to information generated by the review.
- 4 Neutrality:** The review does not contain any bias towards the current royalty system; instead, it aims to independently determine the best royalty system for Alberta's future, based on Albertans' wishes.

¹ "Albertans Perceptions of Oil Sands Development Poll, Part 1: Economic Issues" (Calgary, Alberta: Pembina Institute, May 30, 2006, <http://www.oilsandswatch.org/pubs-poll.php>).

An Owner's Blueprint for the Review Process

The structure of Alberta's royalty review process will determine whether Albertans' perspectives – as resource owners – are appropriately considered or not. In this context, the Pembina Institute proposes that the reform process include three independent review bodies, each reporting their findings to Cabinet and making their recommendations public:

1 A Citizen's Assembly: British Columbia, Ontario and other jurisdictions have successfully used citizens' assemblies to complete meaningful public deliberation on complex policy issues. A Citizens' Assembly on Royalty Reform would be comprised of everyday Albertans chosen randomly and representatively. These citizens would come together at a series of seminar-retreats structured so that they become citizen experts. Assembly members would study the current royalty regime and other models of resource revenue collection, and would be empowered to seek any further information or expert consultation deemed necessary. Through facilitated deliberation, the Citizens' Assembly would produce recommendations to Cabinet on a new royalty regime for Alberta.

2 A Royalty Reform Committee: An expert committee would work in parallel to, and independently of, the

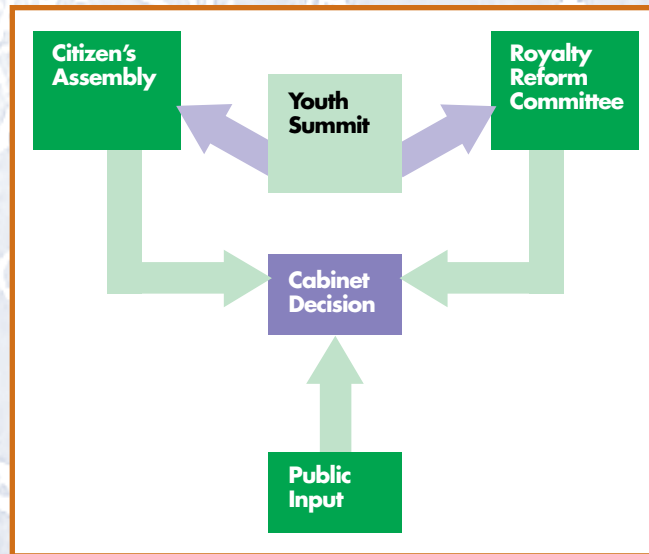
Citizens' Assembly to produce its own recommendations to Cabinet on the design of a royalty regime for Alberta. This committee would be comprised of five to nine experts representing a range of stakeholders with significant knowledge of oil sands, oil and gas development, and royalty systems. Experts might be drawn from academia, industry, non-government organizations, First Nations and regional municipalities. The committee would engage in fact finding and have the power to call expert witnesses and access public testimony.

3 An Avenue for Public Input: Every Albertan would have an opportunity to independently make comments or present written submissions as part of the

review. On-line forums or surveys, public meetings or toll free phone numbers could be used to allow for broad public input. Submissions would be compiled and summarized for presentation to Cabinet and made available publicly.

In addition, the Pembina Institute strongly recommends that **youth** have dedicated opportunities to participate in the review. Although the topic is complex, the royalty regime will affect future generations of Albertans even more than our own. As such, youth have an important role to play. One option for youth participation is a youth summit, focused on how Albertans can use resource revenues to invest in the future. Summit leaders could present their findings to the Citizens' Assembly and the Royalty Reform Committee for consideration.

Under the proposed model, Cabinet would receive recommendations directly from three sources: the Citizens' Assembly (citizen experts), the Royalty Reform Committee (professional experts) and the Avenue for Public Input (lay citizens). Cabinet members would be responsible for implementing royalty reform based on a careful weighing of advice from all three sources.



Left: A schematic of the blueprint is provided.

MAKING ALBERTANS' VIEWS COUNT

In the model presented here, the Citizens' Assembly would play a key role in the review process by achieving three essential outcomes:

- 1** A high quality of citizen input on what is, ultimately, a complex and technical topic (indeed, this kind of input is unlikely to be obtained by any other means).
- 2** Creative proposals as a result of extended deliberation and collaborative learning.
- 3** An explicit focus on Albertans as resource owners.

Placing the Citizens' Assembly alongside two more traditional review bodies – an expert committee and an avenue for public input – would generate a set of high-quality and highly representative recommendations for Cabinet to use in its decision-making.

To be successful, both the Royalty Reform Committee and the Citizens' Assembly would need unfettered access to relevant information (including data from the Department of Energy) and adequate operating budgets. The committee would need in-house technical expertise to perform its own analysis, while the assembly would require the authority to commission analyses that the group considers relevant to its deliberation.

Albertans own the oil sands, oil and gas resources in the province. They need to receive maximum value for the development of their resources. The upcoming royalty review needs to be conducted for Albertans, by Albertans in an open, transparent and citizen-driven way.