Dear Albertan,

We now know Albertans do not receive a fair share from energy development in Alberta.

To see the proof, you need to read Our Fair Share: Report of the Alberta Royalty Review Panel (available at www.albertaroyaltyreview.ca).

Premier Ed Stelmach’s panel of six experts reviewed the province’s royalty system; and reported in Our Fair Share: Report of the Alberta Royalty Review Panel, released two weeks ago, that Albertans do not receive their fair share from energy developments. The Alberta Auditor General’s Report, issued this week, reinforced this conclusion.

You can make a difference by getting informed and telling Premier Stelmach and your MLA that you want Alberta’s government to stand up for Albertans’ interests by implementing the Our Fair Share recommendations. Do this now, before the government announces changes in mid-October.

Here’s how you can help:

1. **Get informed.** Read the attached letter that Bill Hunter, the Royalty Review Panel’s chair, wrote to Finance Minister Lyle Oberg and to all Albertans. In simple language, it explains why royalty reform is urgently needed to ensure fair share for Albertans, the true owners of this province’s oil, gas and oil sands resources.

2. **Read the report.** Read the royalty report (at www.albertaroyaltyreview.ca), or Pembina’s primer (attached).

3. **Have your say.** Let Premier Stelmach know what you think. Send a letter to the Premier, Finance Minister Lyle Oberg and your MLA this week.

4. **Spread the word.** Encourage others to read the report and Bill Hunter’s letter; and pass on this package. By spreading the word and letting your Premier and MLA know how you feel, you will be doing your part in ensuring Albertans get a fair return on their resources.

Sincerely,

Marlo Raynolds
Executive Director
Pembina Institute

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**Letter for Albertans, the owners of the resource, from Pembina Institute.**

It’s all in straightforward, easy-to-understand language.

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Marlo Raynolds
Executive Director
Pembina Institute
Who Owns the Resource?

Albertans are the owners of the oil sands, oil and gas resources in the province. The provincial government manages these resources on behalf of the owners.

The Manager's Role

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 that 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.

Royalty Reform Recommended

On September 18, the final report of the Royalty Review Panel was made public. After about seven months of research, analysis and input, the Panel concluded that Albertans “...do not receive their fair share from energy developments and they have not, in fact, been receiving their fair share for quite some time.”

According to the Panel “The royalty rates and formulas have not kept pace with changes in the resource base and world energy markets.” The Panel went on to say that the onus is now on the Alberta government to re-balance the royalty and tax system so that a fair share is collected. To that end, the Panel made a number of recommendations designed to ensure Albertans retain a greater share of revenues from the development of their resources while maintaining competitiveness with world energy investment opportunities.
**Impact of the Recommendations**

If all the Panel’s recommendations are implemented, Albertans’ royalty revenues would increase 20%, approximately $2 billion annually, as the share of revenue received by Albertans increases.

**Pembina Institute’s Work on Royalties**

The Pembina Institute has been working on this issue for a number of years resulting in our “Thinking Like an Owner” report series detailing the urgent need to review and reform Alberta’s oil sands royalty regime. The series continued with “A Blueprint for Royalty Reform” and finally “Royalty Reform Solutions”. The “Royalty Reform Solutions” report presented results of a detailed modelling exercise in which we demonstrated three alternative ways to reform Alberta’s oil sands royalty regime while maintaining the economic viability of oil sands projects. The Pembina Institute presented the results of this assessment to the Royalty Review Panel in May of this year. All these publications are available at www.pembina.org.

**Support Growing for Royalty Reform**

Since the release of the report, support has been mounting in favour of royalty reform. The Annual Report of the Auditor General 2006-2007, October 1, 2007, stated “Beginning at least three years ago, the Department [of Energy] demonstrated that Alberta’s share had fallen below its target range. The Department estimates that it could collect an additional $1 billion or more per year without stifling industry profitability. However, neither this information nor the reasons why changes have not taken place have been made public.”

“Department technical review staff assures us that they have held the view that Alberta has not been collecting its appropriate share since 2000.”

Energy consultant Pedro Van Meurs, in Comparative Analysis of Fiscal Terms for Alberta Oil Sands and International Heavy and Conventional Oils, May 17, 2007, (commissioned by Alberta Energy) said, “The low or very low government share [from oil sands] may be reasonable under conditions of low prices and high costs. However, it seems that there is considerable justification for establishing a higher share under conditions of high prices and low costs.”

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<th>Current Sharing</th>
<th>Recommended Sharing</th>
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<tr>
<td></td>
<td>Albertans’ Share</td>
<td>Developers’ Share</td>
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<td>Oil Sands</td>
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<tr>
<td>Natural Gas</td>
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**Figure 2:** Distribution of total net revenue from an oil sands project with 55% royalty on net revenue.

**Figure 3:** Distribution of total net revenue from an oil sands project with tiered royalty.

**Figure 4:** Distribution of total net revenue from an oil sands project with polluter pays reform.

Composite photo of oil sands mining and photo voltaic installation. PHOTOS: DAVID DODGE
Dear Mr. Premier (and/or) MLA _______________

Our Fair Share, the report of Alberta’s Royalty Review Panel, clearly concludes we Albertans do not receive our fair share from energy development and we have not, in fact, been receiving our fair share for quite some time. The report states that Albertans currently collect less revenue than other comparable regions and recommends reforms that should be implemented in Alberta. The reforms are essential to moving toward a fair share of revenues for Albertans.

I strongly urge you to implement the Panel’s full package of recommendations as quickly as possible to obtain the $2 billion more in revenue each year that we Albertans, the owners of the resource, should be receiving.

Now is the time for your government to take a stand on behalf of Albertans. Your decision to fully implement the recommendations will go a long way towards correcting the imbalance in the current royalty regimes and ensure we receive our rightful share of royalty revenue.

Sincerely,

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Re: Government of Alberta Response to Royalty Review Panel’s Recommendations

For More Information

Royalty Review Panel’s Report
Read the Royalty Review Panel report which is posted on the Panel’s website:
http://www.albertaroyaltyreview.ca/
and on the Alberta Finance Departments website:
http://www.finance.gov.ab.ca/whatsnew/index.html#royalty

Auditor General’s Report
Link to the most recent Auditor General Report:

Pembina Reports
Visit www.pembina.org and www.oilsandswatch.org

Here are links directly to the Pembina Institute’s reports on royalties:
Presentation to the Royalty Reform Panel (2007)
http://www.pembina.org/pub/1469
Royalty Reform Solutions Fact Sheet (2007)
http://www.pembina.org/pub/1460
http://www.pembina.org/pub/1457
Models for Oil Sands Royalty Reform (2007)
http://www.pembina.org/pub/1461

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Let Premier Stelmach or your MLA know where you stand on royalties