

OIL ROYALTIES SUBMISSION

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MR. CHAIRMAN & PANEL MEMBERS

I thank you for the opportunity to present my submission on Alberta's Royalty Review.

At the outset, I quote the Mission Statement of the Minister of Energy as presented in the 2007 Budget Papers. "Optimize the sustained contribution from Alberta's energy and mineral resources in the interest of Albertans."

As a 25 year employee, now retired from the Oil and Gas Industry, I cannot comprehend how this mission statement can be accomplished unless the Government enacts drastic changes to the Royalty Structure. (Primarily to the Oil Sands Producers).

The current low royalty rate is nothing more than a subsidy to some of the wealthiest companies in the world (e.g. Exxon, Shell and Suncor) and is a sham to both us and our children. Meanwhile, our so called Alberta Advantage booming Province is chronically short of hospital beds, run down school facilities, affordable housing and large municipal debts, It seems very ironic that one of the fastest growing industries in our major cities are the "Food Banks".

Meanwhile, the developers of the Oil Sands are given a royalty break. They ship their raw bitumen to Chicago so we Albertans don't even have the benefit by getting jobs in our upgrader plants. Adding value to bitumen can greatly expand work and business opportunities for Albertans and royalty revenue.

The strategy of the U.S. dominated industry in Alberta is to extract a depleting resource as fast as possible and sell it for maximum profit to the United States for their

industrial and military machine.

The rate of new building and plant expansions in Fort McMurray have caused Alberta's economy to become totally out of control. A drastic increase in Crown Royalties will slow down this growth for the betterment of all Albertans and Canadians. Clean natural gas is used in the processing of the tar, water is squandered and our air is polluted. The companies profit, shareholders become richer and our environment is devastated.

Alberta's take of energy revenue has been stuck at 19% for several years, less than its minimum goal of 20% and far less than 24% seen in 1999 - 2001.

According to the last budget, oil sands royalties, were 2.4 billion in 2006-07, are projected to fall by half to 1.2 billion in 2009-10 because companies are charged on lowly valued bitumen (\$28 U.S. bbl) rather than expensive synthetic oil. It is clear we are not getting enough money for our resources.

I submit that all oil sands producers royalties should be set at 25% of gross production revenue. Payout of plant capital costs should not be considered in the determination of royalties. There is no need to provide any incentive for companies producing this tar sands oil to further increase their bottom line profits.

Canada's five largest energy companies - all major oil sands players, recorded their best ever year in 2006 despite souring costs in the field. Led by Encana, which made the biggest profit in Canadian history, the groups bottom line jumped 55% from 2005.

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| Encana | \$6.4 billion |
| Suncor | 3 |
| Imperial Oil | 3 |
| Canadian Natural Resources | 2.5 |
| Husky Energy | <u>2.7</u> |
| TOTAL | \$17.6 Billion |

These are astronomical profits when you consider that Alberta's net budgeted surplus is approximately \$8 Billion.

Countries like Saudi Arabia, Venezuela, Russia and Iran aren't exactly placid destinations despite their large crude reserves. If flight of capital is a genuine concern to the above majors, I ask you, where would these companies go? It becomes very obvious, it is a hollow threat. They won't go anywhere.

In conclusion, the primary objective of our royalty system is to provide a fair return to Albertans for our resources and it is obvious that our present low royalty structure is not proper.

Most oil exporting countries have a citizen owned oil industry. We could too!