

Submission to the Alberta Royalty Review
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First, I would like to thank the staff of the Alberta Royalty Review for giving me an opportunity to present my views. I speak as a citizen of Calgary and Alberta, but also of the Earth which is, after all, our only home. All of those contexts, especially the last one, are important.

I am not an economist or a petroleum producer. But I do teach clinical practice as an assistant professor at the Faculty of Social Work at the University of Calgary and work as a family therapist at the Calgary Family Therapy Centre. One of the primary areas in which I research, write, and teach is on the relationship between personal and societal well-being and the environment, particularly on the impact of climate change and environmental problems on the psychological and social health of individuals and communities.

My position, simply put, is this. The present royalty and tax system provides industry with an incentive package by charging only 1% royalty on oil sands revenues until capital costs are paid off. It is a serious mistake to leave this arrangement as it is, or only make minor changes. Albertans, both present and future generations, are the owners, or better, the stewards of the oil sands. We are also the guardians of the health of our communities and society in which we live, and the protectors of the well-being of the environment, - water, earth, air, and animal and plant life – upon which we depend for our survival.

The existing royalty regime has all but ignored any sense of responsibility in these areas, and is nothing short of a mountain of rampant growth and non-existent planning and an ocean of squandered, missed opportunities. It does not include a land-use plan, or a substantial environmental assessment, or a chance for input from citizens. It excludes social, environmental, and long-term economic perspectives, and has fueled an unbalanced form of economic expansion. As an economy on steroids, the infrastructure, social communities and economy of Alberta have been severely stressed, resulting in a growing social deficit and a disregard for the best interests of Albertans.

With a majority of Albertans and Canadians experiencing deep concern about global warming and climate change and wanting hard caps on CO₂ emissions, the oil sands are now the single greatest emitter of CO₂ in the country, expected in 4 years to exceed 80 million tonnes of CO₂, more than all the cars in Canada. The drawing of huge amounts (349 million cubic metres of water per year) of a shrinking resource - water - from the Athabasca, the creation of toxic tailings lakes so large that they are actually visible from space, the fact of hundreds of hectares of drilling and strip-mining in the Boreal Forest – the lungs of the Earth: Albertans have a growing sense of urgency about addressing these issues seriously with action rather than talk. There are about 3,244 oil sands lease agreements, totalling 49,973 square kilometres, an area larger than Vancouver

Island. A total of 149,000 square kilometres could be leased for extraction and reduced to an industrial desert, an area the size of Florida. No wonder that two former premiers, Ralph Klein and Peter Lougheed, have both expressed concerns about the so-called "growth" that is taking place.

On the other hand, this Royalty Review represents a great opportunity to shift direction, to address the shortcomings of the royalty regime, and to contribute significantly to the future health of the society, environment, and economy of Alberta. Oil sands rights should be allocated so that the benefits and value for Albertans is maximized, while limiting the destructive effects of extraction.

The royalty regime was developed in the mid-1980's when oil prices were as low as \$10 a barrel, and has remained basically the same since this time. It is when we compare Alberta with other jurisdictions that the missed opportunities become clear. In 1996, there was \$13.7 billion in the Alberta Heritage Fund, while Norway's fund was smaller at \$11.1 billion and Alaska had the largest fund at \$26.5 billion. By 2002, Alberta's fund had actually dropped to \$11.8 billion, while Alaska has expanded to \$35.7 billion, and Norway's fund had leapt to an astonishing \$101 billion. Between 1995 and 2002, the oil sands production increased about 74%, but the Alberta government and people of Alberta only received \$6 billion from royalty payments during this time. Between 1996 and 2005, royalties paid to Albertans decreased by a third, from \$3.39 to \$2.29 for every barrel of oil, while oil prices rose by 214% in the same period. The imagination staggers when one considers what could have been possible in this period from the permanent depletion of the oil sands, the natural capital of Alberta. But responsible and planned development did not take place, and it is an incredible missed opportunity, resulting directly from the present royalty regime.

How does the existing royalty regime need to be changed?

1. There needs to be a balance between social, environmental, and long-term economic values and goals that prioritizes the common good of Alberta, rather than stimulating growth outside of a comprehensive sustainable vision.
2. The Premier and the Minister of Energy should initiate a moratorium on the granting of all future development of the oil sands until the tenure process is re-shaped and built on the foundation of appropriate, sustainable development within a balance of social, environmental, and economic objectives.
3. The moratorium should only be lifted *after* the completion of a land-use plan for the oil sands so that rights issuance is guided and determined by a larger, long-term, and effectively sustainable vision.
4. An environmental assessment that examines both the present and cumulative impact of extraction should be completed as a basis for developing specific, comprehensive, and measurable environmental objectives. These objectives would then be used as a basis for evaluating oil sands rights as to whether they are consistent with the environmental objectives or they negatively undermine provincial management of this capital resource. The Alberta government developed the Regional Sustainable Development Strategy (RSDS) for the oil sands in 1999. One of its important

purposes was to gather scientific information to identify environmental thresholds that would place limits on development in order to protect water, air quality, wildlife, and the Boreal Forests. These thresholds should have been used as guides for making decisions about the amount of extraction the environment can tolerate before irreversible and serious damage occurs. Sadly, to date, the government has approved multiple new gigantic projects in the oils sands, but has been silent about any of these environmental thresholds, and has failed to act to protect the environment for Albertans.

5. The tenure process should include an ongoing process where decisions for tenure are completed after notifying the public and after actively soliciting the comments of citizens. This measure would foster accountability and would clarify the ownership of the natural capital of the oil sands by the citizens of Alberta, rather than by industry.
6. Decisions regarding tenure should be based on both an environmental assessment and public input as to whether the proposed extraction actually promotes the common good of Alberta.
7. There should be a comprehensive evaluation of the present requirements for tenure so that environmental, social and long-term economic goals and values are included and prioritized.
8. According to a Probe Research poll of Albertans in April 2006, 92% of Albertans support the idea that a portion of revenue from the oil sands should be diverted to fund the development of renewable energy sources, such as wind, geothermal, and solar power. This feature of investing in renewable energy sources needs to be integrated as part of the present tenure regime.

Sources: Pembina Institute, Parkland Institute

Thank you for your time and attention. And I wish you all the best in your deliberations.