

# Energy industry likes plan, awaits budget

## Tories promise to make Alberta competitive

BY DINA O'MEARA, WITH FILES FROM JASON FEKETE, CALGARY HERALD, CALGARY HERALD; FEBRUARY 5, 2010



Lt.-Gov. Norman Kwong delivers the speech from the throne in the legislature Thursday, with the Tory government promising a review of Alberta's competitiveness.

**Photograph by:** Dan Riedlhuber, Reuters, Calgary Herald;

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Alberta's oil and gas industry welcomed a renewed government focus on energy reflected in Thursday's throne speech, but is keeping its eyes on next week's budget for delivery.

Premier Ed Stelmach's government outlined boosting the business environment and competitive standing at home and in global markets, announcing a bill that could reverse controversial energy royalty changes.

"Bill 1 of the legislative session, the Alberta Competitiveness Act, will signal our government's resolve to make Alberta the most competitive jurisdiction in North America," read Lt.-Gov. Norman Kwong from the government's throne speech. "To do this, we must minimize the cost of doing business here, including the cost of regulation, while at the same time providing the world-class services that are the hallmark of competitive jurisdictions."

Alberta's oilpatch has been chafing over the new royalty regimes imposed last year, which took a bigger take out of producers' pockets just as commodity prices tumbled.

Corporations such as En-Cana blamed Stelmach's new royalty framework for pushing their drilling programs out of the province to more business-friendly neighbours B.C. and Saskatchewan.

An awaited competitiveness review measuring Alberta against neighbouring provinces will be released by early March and will include some insight on the vilified royalty framework, Energy Minister Ron Liepert said Thursday.

"Industry has indicated to us that the royalty structure needs to be relooked at, and that is what it will do," Liepert said.

A combination of dramatically reduced prices for natural gas and a higher government take saw drilling activity in Alberta drop to decade lows last year, pushing up unemployment and pulling down royalty revenues.

However, more than an adjustment to the royalties is needed to bring investor dollars back into the province, said one industry association.

"Of course, we're anxious to have the competitiveness review complete, but it's going to be broader than just the royalties," said Greg Stringham, with the Canadian Association of Petroleum Producers. "It's going to have to include regulatory and technology. All those elements have to work together to attract investment and international investment."

The review on the province's standing compared with other jurisdictions will be broad-based and measure competitiveness for energy as well as other industries, such as forestry and agriculture, Stelmach said.

"We are coming out of a recession and we must make sure that as a government we are doing all we can to make Alberta an attractive place to do business," Stelmach said. "That includes a low tax base, reasonable regulatory regime, focus on protecting the environment, and building the infrastructure to support continued growth."

Other oilpatch players also expressed quiet enthusiasm for the throne speech, and welcomed the new focus on the oil and gas industry.

"I'm very pleased at the priority the province is giving to making some steps forward on Alberta's competitiveness issues," said Gary Leach, with the Small Explorers and Producers Association of Canada. "And I'm pleased that they are going to buttress it with the Alberta Competitiveness Act, which I think is a signal they're going to treat this as a key priority issue."

University of Calgary professor Bob Schulz, with the Haskayne School of Business, did not expect the energy industry to disagree with the sentiments expressed in the throne speech, noting executives would be more concerned with the upcoming budget.

"These are just general directives," said Schulz, director of petroleum land management with the university. "The industry is likely going to wait until specifics on the royalty review are released and then see what the government has in mind with the balancing of compliance with environmental outcomes and changes in approval stages."

The government speech included focusing more on "assuring compliance with environmental outcomes rather than creating hurdles at the approval stage for companies accessing the land," which raised eyebrows and concerns among Alberta's environmental groups.

"At this point we are concerned with the lack of clarity and the potential ramifications if what this does imply is a lower degree of environmental assessment," said Don Woyndlowicz, spokesman for the Pembina Institute think-tank. "Because that is such a critical component of ensuring that projects that do proceed are implementing appropriate levels of environmental mitigation."

Woyndlowicz said the institute was waiting to see what the budget will unveil in terms of maintaining or cutting funds for Alberta Environment monitoring and enforcement issues.

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