



# MEDIA RELEASE

## FOR IMMEDIATE RELEASE

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## ***RMA and rural municipalities concerned about possible changes to oil and gas property assessment***

**Nisku, AB, August 10, 2020** – The Rural Municipalities of Alberta (RMA) is extremely concerned with the changes to the assessment model for oil and gas properties that are currently being considered by the Government of Alberta. If implemented, the changes would abruptly alter how oil and gas properties are assessed for the purposes of property taxation, with potentially devastating impacts on rural Alberta.

Following a short confidential consultation process with municipal and industry stakeholders, government is currently considering four different scenarios, all of which would drastically reduce the assessed value of oil and gas property. The changes are intended to lower operating costs for companies by reducing the assessment value of wells and pipelines, which form the basis for municipal property taxes. The scenarios are being considered despite opposition from RMA throughout the review process.

“RMA participated in the assessment model review process by explaining the impacts that the changes being proposed by government, and supported by industry, would have on the ability of municipalities to maintain infrastructure, provide services, and in some cases, remain viable. Despite RMA’s input, the changes proposed became steadily more detrimental to municipalities as the process continued.” – Al Kemmere, RMA President.

All scenarios being considered would have major impacts on rural municipalities. Under the scenario favoured by industry stakeholders, an average rural municipality would lose 12.4% of their revenues in the first year of implementation, with 11 RMA members losing over 20%. Collectively, rural municipalities would lose over \$290 million in 2021 alone under the industry-supported scenario.

“The proposed changes prioritize reducing industry costs with little focus on municipal impacts,” Kemmere explained. “Some in industry and government view municipal taxes as a barrier to economic development. In reality, municipalities manage the roads and bridges that allow access to resources and provide the services that oil and gas companies and their employees rely on. This review has not considered how municipalities will be impacted by the changes, how they are expected to adapt with the limited revenue tools they have available, or the domino effects the changes will have on entire regions. What the review does show is that the province and

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industry do not understand the important role municipalities play in Alberta's economy."

RMA's analysis also questions the extent that the changes will enhance the competitiveness of Alberta's oil and gas industry. Based on confidential company data shared with RMA during the consultation, the proposed changes will disproportionately benefit Alberta's largest oil and gas companies. Under some scenarios, up to 54% of Alberta's small oil and gas companies (assessed assets less than \$100 million) would actually face an increase in their assessment. In contrast, large international companies would see the greatest cost reductions, with no requirement to reinvest any savings into Alberta.

Kemmere stated, "The province has repeatedly emphasized industry competitiveness as the driver for this review, which is clear when looking at how badly municipalities would be impacted. However, RMA is also concerned that any benefits will go to large companies, while many small companies that would reinvest savings locally would face assessment increases. These changes simply don't work from a municipal viability or an industry competitiveness perspective."

RMA is also concerned that the province has not considered the impacts that the changes will have on Alberta's villages, towns, and cities. Firstly, Alberta municipalities are requisitioned or invoiced from the Government of Alberta for costs related to education, seniors housing, and policing. The amount each municipality pays is determined in part by the assessed value of the properties within their boundaries. If rural assessment values drop significantly, urban municipalities will see their contribution costs to provincial services increase. Secondly, municipalities across Alberta have worked for several years on developing intermunicipal collaboration frameworks (ICFs) with their municipal neighbours. ICFs support neighbouring municipalities in developing approaches to the shared delivery of services that can be more efficiently delivered on a regional basis. Many ICFs are in the final stages of development or have been completed within the last year, but many will be impacted by reductions in rural assessment, as many rural municipalities will simply lose the financial capacity to contribute to regional service delivery at a level agreed upon in ICFs.

"Although rural municipalities will be more directly impacted by the proposed assessment model changes than their urban neighbours, the impacts of abrupt reductions in assessment spill across municipal borders and will have implications for entire regions," said Kemmere. "The province has emphasized the importance of regional collaboration in recent years, yet these changes will undermine the hard work that municipalities have undertaken to build relationships with one another and determine how to serve their residents effectively. It is yet another example of a lack of consideration of the secondary impacts of manipulating the assessment model on the part of the province."

Since the review concluded and confidentiality requirements were lifted, many RMA members have informed their local MLAs and ratepayers of how concerning the proposed changes are for rural Alberta. RMA appreciate the efforts of our members and hopes to build on this local advocacy success by meeting with the Premier and other government decision-

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makers to inform them of the province-wide rural impacts and to dispel the assumption that the changes will have industry-wide benefits. This is especially important given indications that industry stakeholders have received attention from government on this issue despite representing only a small portion of the companies impacted by the changes.

Rural Alberta recognizes the importance of the oil and gas industry in contributing to Alberta's economy, and strives to work collaboratively to support industry activities. The assessment system in Alberta is not perfect, and likely does need to be reviewed, but this should be done through an open, collaborative, and transparent process involving direct engagement with municipalities; the level of government that will be most impacted. The changes being proposed will devastate municipalities, as well as rural residents and businesses that will face reduced services or increased taxes to off-set the tax break being provided to the oil and gas industry.

"RMA needs to meet with government on this issue not only to advocate for their member municipalities, but to advocate for rural businesses and residents, all of whom will see negative impacts from these proposed changes, which are laser-focused on cutting costs for one industry. This government has called for Alberta to receive a fair deal from Ottawa. However, going through with these changes to the assessment model will result in rural Albertans wondering if they will receive a fair deal from the provincial government," Kemmere said.

*The Rural Municipalities of Alberta (RMA) is an independent association comprising Alberta's 69 counties and municipal districts. Since 1909, the RMA has helped rural municipalities achieve strong, effective local government. The RMA provides Advocacy and Business Services (including RMA Trade, RMA Fuel and RMA Insurance).*

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