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## Another year, another mountain of unpaid property taxes: As oil and gas industry booms, municipalities seek accountability

**Nisku, AB, March 7, 2023** – The Rural Municipalities of Alberta (RMA) has conducted a member survey identifying that, as of December 31, 2022, approximately **\$268 million in property taxes** currently owed to rural municipalities by oil and gas companies have gone unpaid. This represents a 6.1% increase from amounts reported for the 2021 tax year, and a whopping 231.5% increase from the 2018 tax year, which was the first year that the RMA collected such data. After four years of requests for government to act in the public interest to put a stop to this unethical behaviour, rural municipalities continue to be treated as a piggy bank by some oil and gas companies, even as industry profits and government royalty revenues soar.

“Given the success of the industry and the wealth it has generated, I am shocked that I still have to discuss this issue, and that rural municipalities and rural property owners continue to be forced to subsidize an industry in a massive boom period. While oil and gas revenues flow to government as royalties or out of the province to shareholders, industry and the provincial government assume rural municipalities can magically maintain service levels even as they face an average shortfall of nearly \$4 million due to non-payment of taxes.” – Paul McLaughlin, RMA President

While this is not a new issue, some companies continue to ignore their obligations and pile a fresh mountain of tax arrears onto the backs of rural municipalities. RMA members reported over \$53 million in unpaid taxes from the 2022 fiscal year that are currently unpaid. This is a larger amount than from any other fiscal year, and a sign that previous government attempts to address the issue have been ineffective. Additionally, operational companies are responsible for 41% of the \$268.5 million unpaid tax burden. This suggests that for many companies, not paying property taxes is a choice without consequences, as they continue to profit from Alberta’s natural resources without meeting their legislated responsibilities.

“The unpaid oil and gas property tax issue is nowhere near solved. The Government of Alberta has allowed legislative and regulatory gaps to remain in place and industry continues to take advantage of them, even in good economic times,” explained McLaughlin. “The fact that many years after this issue arose, 41% of unpaid taxes are from operational companies shows a complete failure on the part of the Alberta Energy Regulator to ensure that the industry operates in the public interest. While rural municipalities try their best to use the limited enforcement tools available to them, there needs to be an effort at the provincial level to hold the industry accountable. If property tax payments are ignored, what other environmental or regulatory responsibilities will the province look the other way on next?”

In recent years, the Government of Alberta has amended legislation to provide municipalities with a “special lien” on unpaid oil and gas property taxes that gives them status as a secured creditor in bankruptcy

proceedings. Additionally, the AER now has the option to consider property tax and surface lease payment records when assessing their risk levels. Both of these changes were promoted as major steps toward solving the issue, but clearly neither has been effective. **To address this issue once and for all, the AER could simply prohibit any company in arrears on property taxes or surface leases from operating.**

“While we’ve gone in circles with the province and AER on this issue over the years, the solution is simple: if a company wants to continue to extract and sell Alberta’s oil and gas resources, they must make property tax and surface lease payments. Unfortunately, the province has been unwilling to pursue this simple and rational regulatory solution presumably because doing so would push several companies that have no business operating into bankruptcy and create a messy situation for the province and the Orphan Well Association,” said McLauchlin. “In other words, the AER is propping up ‘zombie companies’ on the backs of rural municipalities because they lack the proper regulatory and accountability framework to properly address the impacts of poorly regulated companies failing.”

Payment of property taxes is a matter of survival for many rural municipalities. RMA members are responsible for over 70% of Alberta’s roads and 60% of Alberta’s bridges. The industry’s boom means more strain on municipal roads and bridges from drilling rigs, more maintenance activities at older wells, and more of a need for new or upgraded municipal roads and bridges to reach previously untapped resources. Without access to tax revenues, many municipalities have had no choice but to reduce service levels, increase tax rates on other property owners, and even lay off staff. These decisions impact all rural residents and businesses, and often cancel out the local economic benefits that oil and gas industry growth should provide.

McLauchlin said, “What some in the industry and government don’t understand is that without rural municipalities, the oil and gas industry would be nowhere near as successful as it is. Property taxes are not collected for fun. They pay for the construction and maintenance of roads and bridges for the oil and gas industry to access resources, as well as to provide everything from water to waste collection to recreation and many other services to rural residents, many of whom work in the oil and gas industry. Ignoring property taxes doesn’t just hurt the municipality, it hurts rural communities and places an unfair burden on other rural businesses and residents.”

For decades, Albertans and the oil and gas industry have been partners. While individual companies profit from Alberta’s oil and gas reserves, tax and royalty payment from industry support world-class infrastructure and services. However, when industry is no longer asked to be accountable or follow the same rules and regulations as other industries and individuals, public trust in both the industry and the regulator is compromised. As this issue drags on and all other rural property tax payers continue to subsidize non-payment of taxes by industry, municipal leaders are left to wonder if “public interest” will ever be a part of the AER’s vocabulary.

“Rural municipalities and the industry are partners in driving Alberta’s economy. Our members know that most oil and gas companies pay their taxes on time and in full, and are strong corporate citizens,” explained McLauchlin. “They also know that there are no consequences for those that don’t. The Government of Alberta talks about ethical oil and a commitment to ESG principles, but the AER has shown little interest in ensuring the oil and gas industry acts in the public interest, leaving this up to companies to decide. Rural municipalities are not looking for the AER to collect taxes on their behalf or get involved in local disputes over tax rates or payments. They are simply asking for industry to be held accountable to meet their legal obligations, which includes paying property taxes to support the costs of the public infrastructure and services they are more than happy to utilize. This is a reasonable request with a straightforward solution. All that seems to be lacking is the political will.”