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Rural municipalities encouraged by Government of Alberta's action on unpaid oil and gas property taxes

Nisku, AB, March 20, 2023 – As rural municipalities continue to face an escalating unpaid property tax burden from oil and gas companies, the RMA sees real promise in the action taken by the Government of Alberta to address the issue. Through the Ministerial Order issued by Energy Minister Pete Guthrie and supported by Municipal Affairs Minister Rebecca Schulz, the Alberta Energy Regulator (AER) will now require proof of full payment of municipal property taxes prior to issuing a new licence to a company or allowing a company to sell or purchase existing licences. This action aligns with the RMA's preferred solution to the issue.

"I'm pleased with the minister's announcement today. Municipalities are strong partners in responsible energy and resource development. Unpaid oil and gas property taxes have been the RMA's top advocacy issue for several years and resulted in rural municipalities across the province losing a collective \$268 million in revenue that would be used to provide infrastructure and services across rural Alberta. We appreciate that this is a complex and politically sensitive issue, and the ministers of Municipal Affairs and Energy deserve credit for taking action to stand up for rural municipalities and all taxpayers in Alberta. This action represents major progress in holding accountable the small number of oil and gas companies that operate without paying taxes." – RMA President Paul McLaughlin

A recent RMA member survey showed that rural municipalities collectively face an unpaid property tax burden of \$268 million from oil and gas companies, which represents a 6% increase from last year. These results show that unpaid taxes continue to be a crisis for rural municipalities even as the industry enjoys a boom period, and that a legislative or regulatory solution is long overdue. While this approach will not assist municipalities in recovering taxes owed by companies that are now insolvent, it will require operating companies to pay municipal taxes to sell or acquire licences. This is a crucial accountability tool that has been lacking. Given that 41% of the \$268 million currently outstanding is owed by operational companies, this change could have an immediate positive impact for rural municipalities.

"This issue is not only about municipal impacts. It is also about industry operating with a complete lack of accountability due to legislative loopholes and an uninterested regulator. Today, with the province's action, some industry accountability has returned," said McLaughlin. "This change will not only provide rural municipalities with greater fiscal certainty moving forward, but should also have an immediate impact as operational companies with taxes in arrears will be required to pay what they owe before selling or acquiring licenses."

The RMA is also encouraged by the requirement for the AER to work directly with the RMA and rural municipalities to gather unpaid tax data and update it on a regular basis. Rural municipalities are stewards of the

land, and this action will support responsible energy development moving forward. While the AER previously had the option of considering property tax payment status when assessing a company's risk, it had continuously refused to work with municipalities to gather that data, instead relying on companies to self-report their property tax payment performance, and ignoring the RMA's requests for information on if and how the regulator actually gathered or used property tax payment data. The RMA is looking forward to developing an approach to support the ongoing sharing of property tax data between municipalities and the regulator.

“Rural municipalities are crucial to the oil and gas industry. RMA members build and maintain the roads and bridges industry uses to access wells and pipelines, and provide crucial community services used by those working in the industry. Despite this, the AER has refused to treat rural municipalities as partners, or even as high-priority stakeholders. Year after year, it refused to act on a growing problem as frustration mounted and the reputation of the industry suffered. The province's actions show that, regardless of the AER's views, oil and gas companies should be held accountable for paying municipal property taxes, much like every other property owner in the province. While I'm disappointed that it took a ministerial order to push the AER to properly partner with municipalities, I'm optimistic that we will collaborate to develop a strong system of sharing unpaid tax information and, as a result, improve industry accountability across the board.” – RMA President Paul McLaughlin

While the Ministerial Order is great news for rural municipalities, rural landowners across the province continue to face a similar issue as some oil and gas companies ignore their contractual obligation to pay surface leases for oil and gas wells located on private property. While data on unpaid surface leases is much harder to access because it depends on individual landowners sharing such information, rural municipalities are reporting widespread frustration and concern among landowners that surface lease payments are being ignored, delayed, or that companies are making only partial payments. Surface lease disputes can be directed to the Land and Property Rights Tribunal, but the dispute process often places landowners at a disadvantage as many lack the resources and knowledge of the process to participate effectively. While addressing accountability for municipal tax payments is a huge step in the right direction, the province must now turn its attention to surface lease payments.

“While this Ministerial Order is a major positive step in holding oil and gas companies accountable for paying municipal property taxes, rural landowners continue to struggle with unpaid surface leases. In many cases, those affected are small family farms or acreages that use surface lease revenue to supplement their agricultural income, or to support their retirement,” explained McLaughlin.

“Unfortunately, the data on the value of unpaid surface leases is not great; we know that this is also a widespread problem, but it is mainly the responsibility of some small group of bad actors that are ignoring their property tax payment obligations. We are thankful for the province's action on unpaid taxes, but we now plan to shift our focus to better understanding and developing solutions to hold the same companies accountable for making surface lease payments.”