BELOW THE DRILL

Shallow Gas Assessment Reduction

This is week five of RMA's campaign to demonstrate the ongoing subsidization of the oil and gas industry by the Government of Alberta at the expense of municipal revenue.

RMA
RURAL MUNICIPALITIES *of* ALBERTA

What is it?

As an incentive to the shallow gas industry, the Government of Alberta (GOA) announced a 35% assessment reduction for shallow gas wells and associated pipelines. For the purposes of this initiative, shallow gas wells are defined as less than 1,500 metres in depth and produce only gas (no condensate). This policy took effect in 2019 and was originally intended to be in effect for three years. This GOA initiative came at a time of very low natural gas prices and was an attempt to decrease costs for operators with assets that are typically lower producing.

What does it mean for rural municipalities and industry?

The 35% assessment reduction meant that unless municipalities adjusted their mill rates, they saw a corresponding 35% reduction in tax revenue from these assets. While this initiative may have benefited shallow gas producers, it meant that municipalities had to make changes to their budgets to account for the lost revenue. As a result, the assessment reduction pushed increased costs onto other ratepayers through service level reductions, increased taxes, or potentially both.

When did it happen?

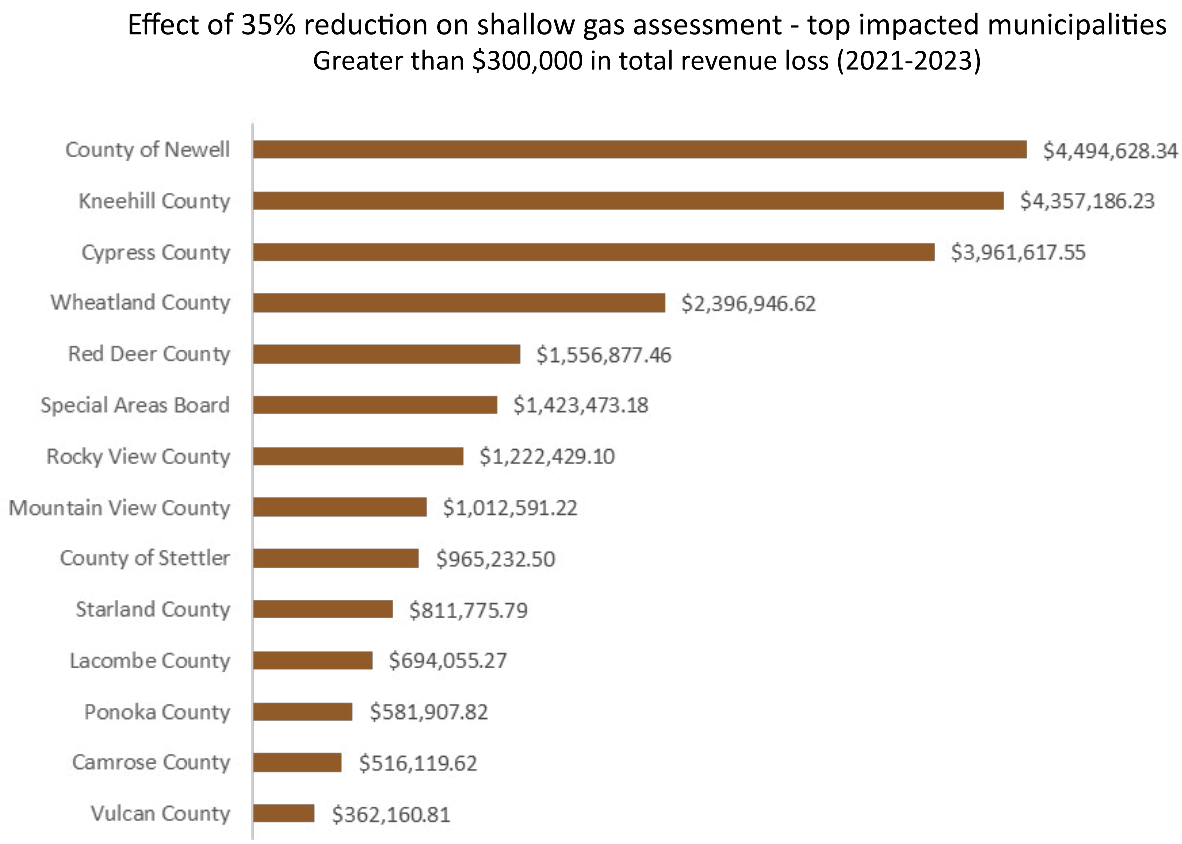
The assessment reduction was first announced for the 2019 tax year and was later extended indefinitely, until the Assessment Model Review concludes.

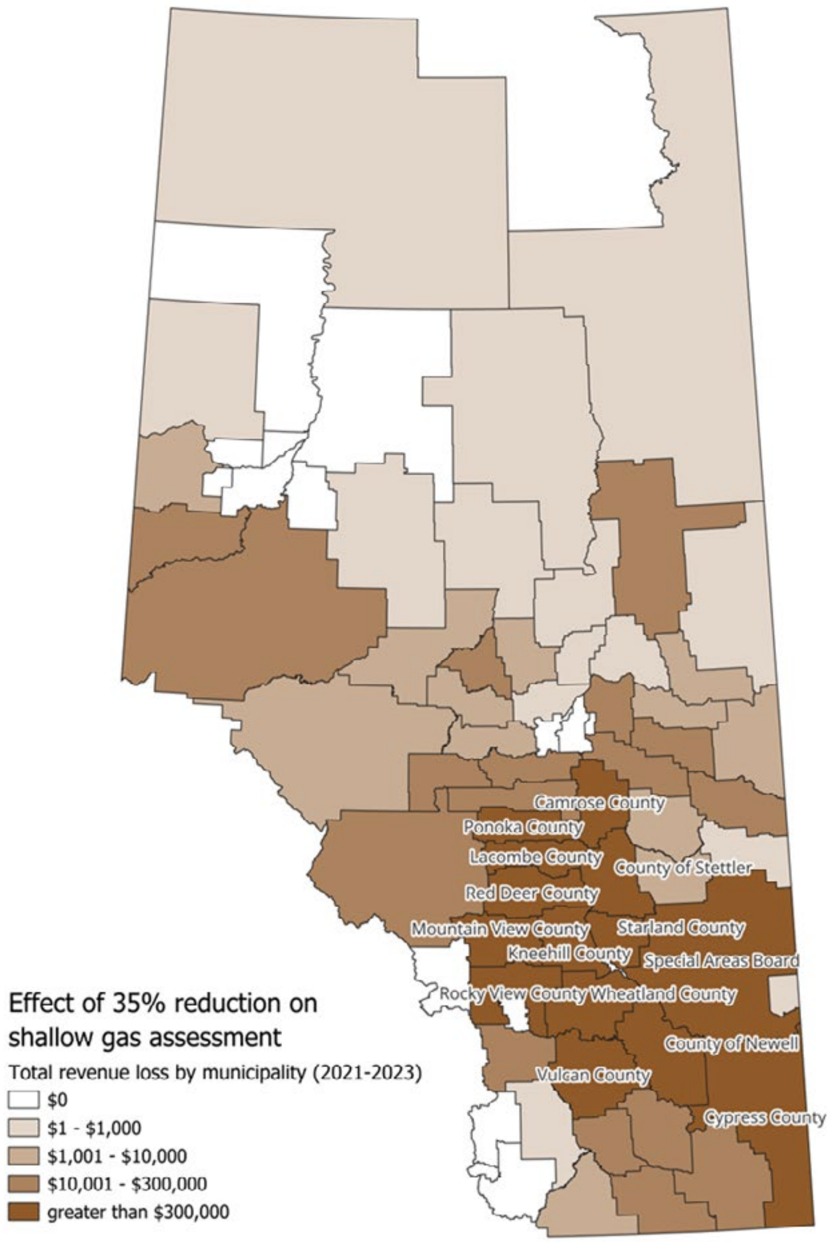
What are the impacts?

- From 2021 to 2023, the shallow gas assessment reduction cost RMA members $25.4 million in lost tax revenue.

Where are the impacts?

As shallow gas wells are predominantly in southern and eastern Alberta, the largest impacts are seen in municipalities in these regions. The graph and map below quantify the lost tax revenue and show where the impacts are.


Effect of 35% reduction on shallow gas assessment - top impacted municipalities
Greater than $300,000 in total revenue loss (2021-2023)
County of Newell
$4,494,628.34
Kneehill County
$4,357,186.23
Cypress County
$3,961,617.55
Wheatland County
$2,396,946.62
Red Deer County
$1,556,877.46
Special Areas Board
$1,423,473.18
Rocky View County
$1,222,429.10
Mountain View County
$1,012,591.22
County of Stettler
$965,232.50
Starland County
$811,775.79
Lacombe County
$694,055.27
Ponoka County
$581,907.82
Camrose County
$516,119.62
Vulcan County
$362,160.81



Our methodology

Municipal Affairs only provided data on the impacts of the shallow gas reduction for the 2023 tax year, therefore for 2021 and 2022 RMA assumed that the assessment data was the same as 2023. Similar to the tax holiday explored in the previous issue of Below the Drill, RMA calculated the loss in tax revenue by multiplying the assessment data by local mill rates in each RMA member municipality.

Watch next week for our final Below the Drill Issue that will explore the cumulative impacts of the four policies that have been explored.