

UNPAID OIL AND GAS TAX SURVEY

By the Numbers

In early 2025, the RMA requested that all members complete a survey providing an update on their unpaid oil and gas tax burden as of December 31, 2024. The survey builds on previous member input on this issue from 2019-2024.

This briefing provides an overview of survey results, and what these trends mean for rural municipalities using the most up to date data provided by all RMA members. The data collected is accurate as of December 31, 2024.

Survey Response Rate

Sixty-five member municipalities responded to the survey. This **94% response rate** speaks to the importance of this issue across the province and the accuracy of the final data collected.

Survey Results

- ◆ Rural municipalities are currently facing an overall unpaid oil and gas property tax burden of **\$253.9 million**.
- ◆ Rural municipalities are owed **\$67.8 million** in oil and gas property taxes from the 2024 tax year alone. This is a significant increase from last year's outstanding taxes owed in the most recent tax year (2023), which was \$42.9 million.
- ◆ The average RMA member who completed the survey is facing an unpaid tax burden of **\$3,906,880.69** from the oil and gas industry.
- ◆ Seven municipalities have unpaid tax burdens **above \$10 million** from the oil and gas industry.
- ◆ Four municipalities have no unpaid tax burden from the oil and gas industry, and an additional five municipalities have an unpaid tax burden **below \$100,000**.
- ◆ Municipalities have written off over **\$200 million in unpaid taxes** since 2015. This means that municipalities consider these taxes uncollectible, and they will never recover this lost revenue.
- ◆ Municipalities are owed over **\$100 million** in unpaid oil and gas property taxes from companies that remain operational.
- ◆ 201 companies have unpaid property taxes owed to rural municipalities.
- ◆ Municipalities are owed a total of **\$67.3 million** by the ten worst offending companies.
 - The worst offending company owes over **\$27 million** to 19 municipalities.
- ◆ Approximately half of survey respondents have been forced to increase both residential and non-residential tax rates to off-set lost oil and gas tax revenues.

Key Analysis

- ◆ The problem is **province-wide**: Every RMA district is facing **at least \$19 million** in unpaid taxes, with an average of **\$50.8 million** owed to each district.
- ◆ The problem is **not improving**: Despite the recent introduction of enforcement and recovery mechanisms, the current amount of unpaid taxes owing from the oil and gas industry is still very similar to previous years' amounts, including a significant increase in the outstanding tax amount owed in the most recent fiscal year.
- ◆ **The issue is evolving**: Approximately 60% of unpaid property taxes are now owed by companies that are no longer operational. This highlights the need for the Alberta Energy Regulator (AER) to adopt a more effective approach to ensure that the oil and gas industry meets its tax obligations to municipalities while still operating, as the likelihood of recovering property taxes through the insolvency process is extremely low.
- ◆ **Solutions require collaboration**: Given the continual growth and evolution of the issue, it is clear that a solution will require collaboration among the provincial government, municipalities, industry, and other key stakeholders. This collective effort is essential to develop a comprehensive strategy that addresses the issue, ensures municipalities are supported, and holds accountable those responsible for their financial obligations.

Property Tax Accountability Strategy

- ◆ RMA has proposed to Alberta Municipal Affairs and Alberta Energy and Minerals a joint approach to developing and implementing solutions to eliminating the issue of unpaid oil and gas property taxes once and for all. The "Property Tax Accountability Strategy" would consist of a working group designed to confirm the scale, scope and impacts of the issue and create solutions that are effective and implementable, with the ultimate goal being to produce a joint report with actionable recommendations and strategies to recover unpaid taxes and restore a strong partnership between industry, rural municipalities, and government. RMA is pleased to note that Municipal Affairs Minister Ric McIver and Energy and Minerals Minister Brian Jean have indicated a willingness to work with RMA to form the PTAS in the coming months.

Unpaid Oil and Gas Property Taxes by District

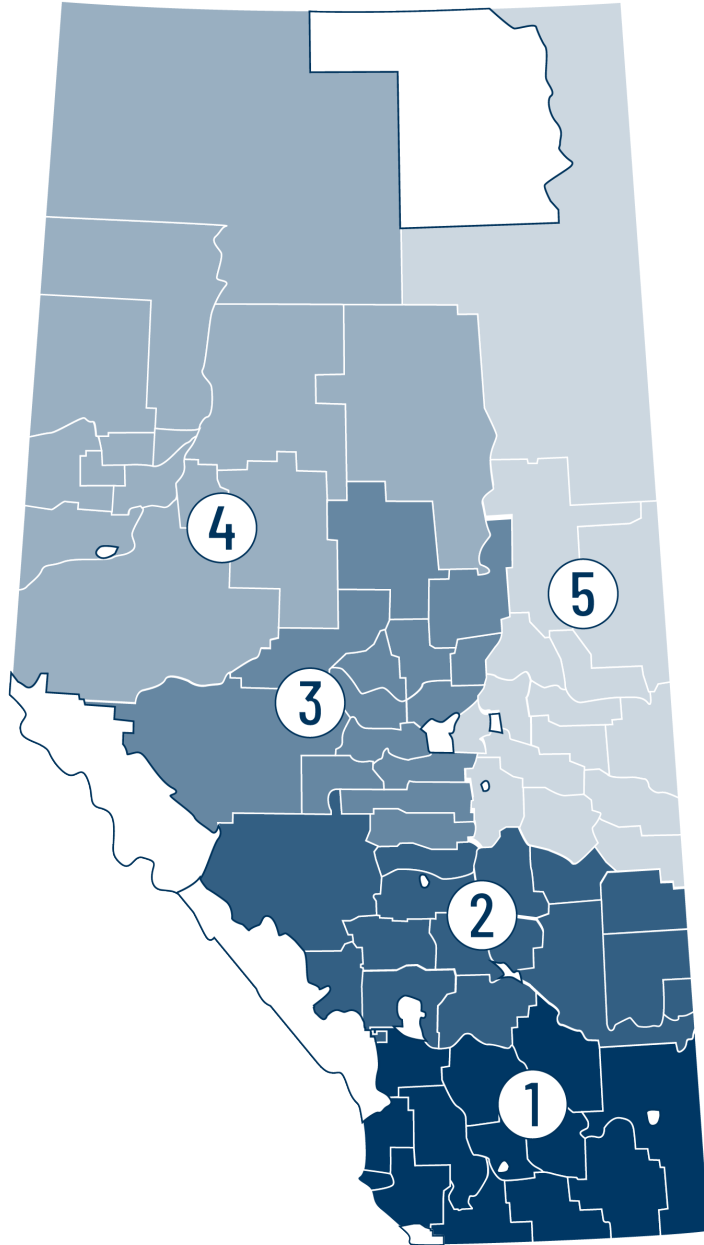
Unlike some issues, which only impact municipalities in some regions of the province, unpaid taxes from the oil and gas industry have provincewide consequences, as shown below:

Cumulative Unpaid Taxes:

District 1: \$19,851,777.13
District 2: \$47,375,765.62
District 3: \$20,728,865.39
District 4: \$63,528,723.12
District 5: \$102,462,113.85

Unpaid Taxes in 2024:

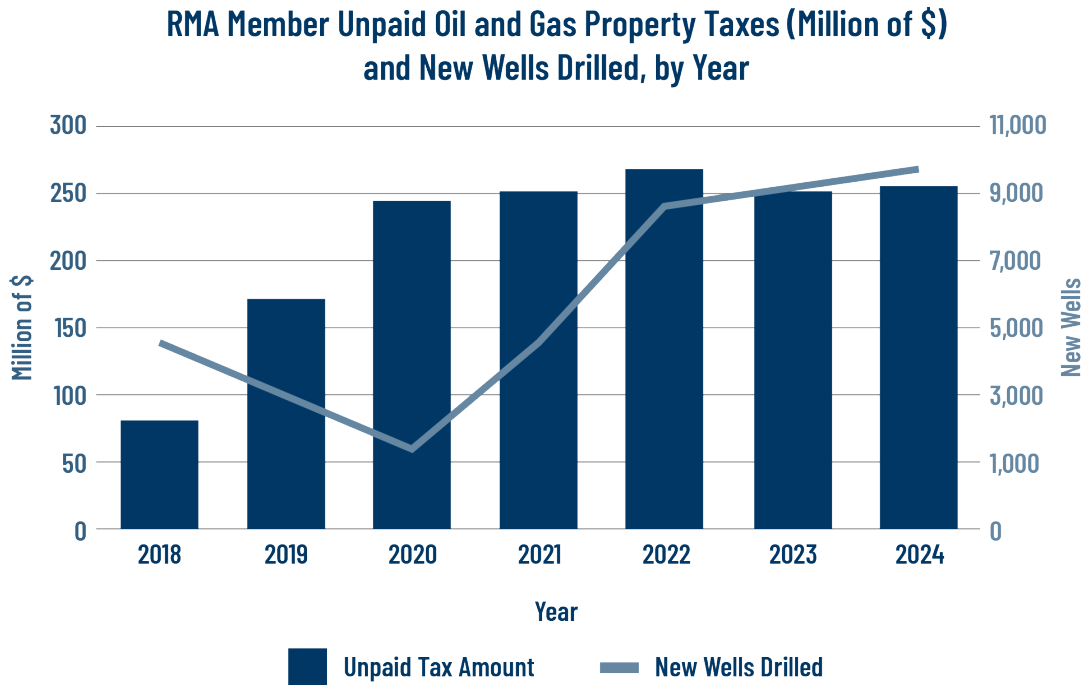
District 1: \$2,654,022.47
District 2: \$11,166,298.97
District 3: \$6,327,587.35
District 4: \$23,146,397.24
District 5: \$24,484,630.16



Unpaid Oil and Gas Property Taxes by the Numbers

As Industry Growth Remains Stable, the Tax Payment Problem Persists

In 2024, municipalities incurred \$67.8 million of new unpaid taxes from oil and gas companies. Despite the industry’s stable growth in recent years, unpaid taxes continue to persist. The chart below compares trends in industry growth (represented by new wells drilled each year) and cumulative unpaid tax amounts.



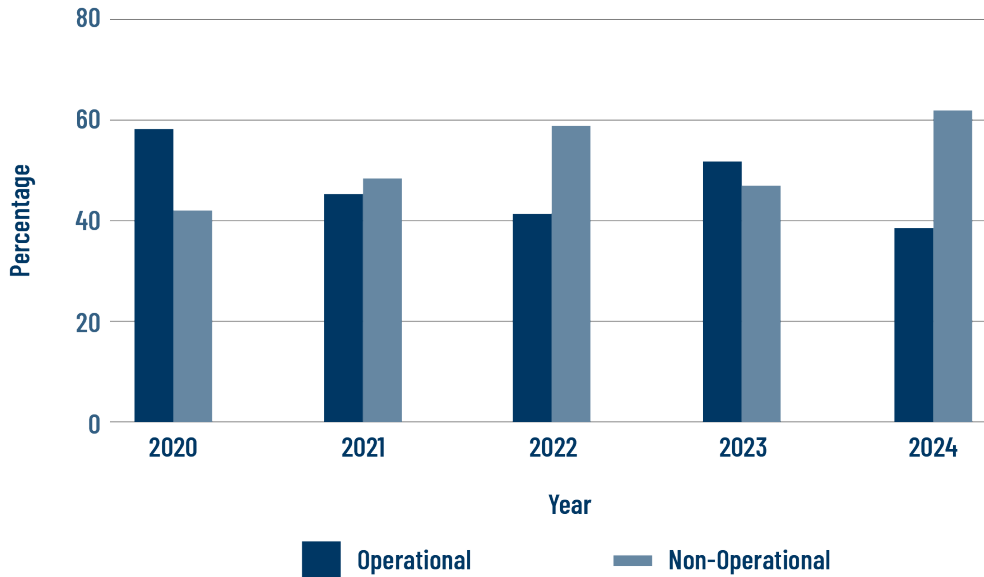
Between 2018 and 2020, the rate of unpaid taxes generally increased as the number of new wells drilled in the province declined, indicating a potential link between the unpaid tax issue and the broader struggles within the industry. However, this trend has since shifted. From 2023 to 2024, the number of new wells drilled rose by 17.7%, yet unpaid taxes remain persistently high. This suggests that the issue of non-payment is no longer tied to overall industry performance. Instead, it appears to be driven by a small number of poorly managed companies, which, rather than expanding, seem focused on profiting from their existing wells while avoiding costs such as property taxes.



Non-operational Companies are Responsible for an Increasing Amount of Unpaid Taxes

The survey asked members to indicate the portion of unpaid taxes owed by companies that continue to operate and those that are non-operational, usually due to insolvency. These results show an interesting trend:

**Portion of Unpaid Taxes Owed by Operational and Non-Operational Companies
2020 to 2024 Tax Years**



While 2023 showed a shift towards a larger portion of taxes being owed by operational companies in comparison to previous years, 2024's results shifted dramatically in the other direction, with non-operational companies now responsible for a much larger share of unpaid taxes. This sharp rise indicates that municipalities are facing even greater challenges in recovering taxes during bankruptcy or insolvency proceedings. Additionally, the AER's prohibition on transferring or acquiring new licenses has been ineffective in curbing non-payment by companies that have ceased operations. It also suggests that there were likely several financially non-viable companies operating without paying taxes in 2023 and parts of 2024 before entering insolvency at some point in 2024.

With \$67.8 million in new unpaid taxes owed to municipalities in 2024, and a growing portion of that responsibility falling on non-operational companies, the issue of unpaid taxes is clearly worsening, and the impacts on municipalities are becoming more severe. Companies are increasingly aware of the loopholes at their disposal; something that must be confronted in 2025 with renewed urgency.

The Growing Crisis of Unpaid Oil and Gas Property Taxes

Key Takeaways

- ◆ While the ten worst offending companies owing \$67.3 million in unpaid property taxes is concerning, the issue is much more widespread, with members identifying over 200 companies in tax arrears, contributing to the total of \$253.9 million in unpaid property taxes.
- ◆ Oil and gas companies' failure to pay municipal property taxes, surface leases, and vendor contracts severely impacts landowners, local businesses, and municipalities.
- ◆ Members have indicated unpaid oil and gas taxes have led to increased tax rates for residents and businesses, increased reliance on debt or reserve funds to cover operating expenses and routine maintenance, and a reduction in intermunicipal funding, hindering intermunicipal collaboration and sustainability.
- ◆ As municipalities experience increased provincial downloading and grant reductions, unpaid oil and gas taxes further threaten municipal sustainability and viability.
- ◆ The Government of Alberta's Mature Asset Strategy (MAS) aims to support marginal oil and gas assets' continued operation but does not address the issue of unpaid oil and gas taxes, which requires a separate strategy focused on enforcement and accountability.
- ◆ RMA is calling for the creation of a Property Tax Accountability Strategy (PTAS) to address the complex issue of unpaid oil and gas taxes, requiring collaboration between government, municipalities, and industry to close legislative gaps and enforce accountability.