

Energy

Alberta's energy sector plays an important role in the province's economy. RMA members are often among those impacted by new energy projects through increased municipal costs and revenues, employment opportunities, and environmental challenges. As the Government of Alberta continues to focus on economic development and attracting investment in the energy sector, rural municipalities will be responsible for hosting and supporting such infrastructure.

What is the RMA's position on the importance of having a municipal perspective in energy production and development?

- ◆ The instability of an energy-based economy has significant local impacts for rural municipalities since energy development has traditionally been critical to the viability of rural Alberta. A diversified, stable, and sustainable energy industry will benefit the province as a whole, and will provide rural municipalities with planning and growth certainty.
- ◆ Rural municipalities are often directly impacted by energy projects because rural Alberta is the home to most of Alberta's energy resources. The Alberta Energy Regulator (AER) should consult rural municipalities before an energy project is approved, during its construction, during operation, and upon its decommissioning.
- ◆ Rural municipalities are experts in hosting traditional energy projects in the oil and gas sector but are also at the forefront of working with the renewable energy industry to address land use and reclamation challenges related to this emerging industry. Both today and in the future, rural Alberta will be the home of the province's energy industry.

What financial considerations do rural municipalities have with respect to energy production and development?

- ◆ Rural municipalities are leaders in piloting alternative and renewable energy technologies on community facilities. Not only have these technologies assisted rural municipalities and residents in lowering their long-term energy costs, but they also contribute to mitigating the impacts of climate change.
- ◆ The financial difficulty faced by many oil and gas companies has had an adverse impact on rural municipalities. As of December 31, 2023, rural municipalities are owed approximately \$251.8 million in cumulative unpaid property taxes from the oil and gas industry with \$43 million accrued from 2023 alone.
- ◆ The Government of Alberta has subsidized the oil and gas industry by over \$331 million between 2021 and 2023 using municipal tax revenue. This includes the removal of the well drilling equipment tax, the three-year tax holiday on newly drilled wells, the 35% reduction in assessment on shallow gas infrastructure, and unpaid municipal taxes.
- ◆ Ministerial Order 96/2024 allows for the transfer of oil and gas assets with outstanding taxes if that asset is designated an orphan. While keeping producing assets in the hands of operating companies is a laudable goal, RMA is concerned that the receiving company is under no obligation to pay the outstanding taxes.

- ◆ In 2023, the RMA released a guide titled *The MGA Special Lien: What It Is and How to Use It*. The guide provides municipalities with an overview of special lien powers on oil and gas properties, how they align with other tax recovery tools, and various scenarios in which using a special lien may or may not be effective.
- ◆ The costs of preparing for energy project approval hearings under the regulatory system often preclude municipalities from participating. The RMA calls on the Government of Alberta to ensure that municipalities have an opportunity to make their concerns heard throughout the application process and in approval hearings.
- ◆ While energy projects often provide local and provincial economic benefits, they may also place great strain on municipal infrastructure. Taxation revenues collected by municipalities that host energy projects are typically required to maintain and expand infrastructure to accommodate increased use. The RMA supports this taxation revenue remaining with the municipality so they are equipped to tend to the infrastructure needs of their community.

What collaborative relationships are essential to rural municipalities in energy production and development?

- ◆ The RMA works collaboratively with rural municipalities, other levels of government, regulators, industry, landowners, and other stakeholders to encourage best management practices for energy production and development.
- ◆ The RMA encourages rural municipalities and industry partners to engage proactively on energy development, planning, reclamation, and address local concerns in an efficient manner.
- ◆ Municipalities are legislatively required to meet certain deadlines for approving and denying applications for development and subdivisions and are required to send referrals to the Alberta Energy Regulator (AER) of any development in Crown land areas. The RMA encourages the AER to review its timelines and ensure they are providing responses to referrals within 30 days as indicated on the receipt of the referred application.
- ◆ A final report with eight key recommendations was developed following the creation of RMA's member committee in 2023 to review the approval processes of energy projects by quasi-judicial agencies, including the AER. These recommendations included calls to align development with land use bylaws and municipal development plans, requirements to integrate land use assessments and reclamation, and automatic status for municipalities at hearings. RMA encourages the implementation of these recommendations to better integrate municipal perspectives into quasi-judicial project approval processes
- ◆ Both rail and pipelines are vital to allowing energy resources to reach market. Each of these modes of transportation carries with them planning, environmental, and safety challenges for municipalities. As such, municipalities should be consulted on proposed pipeline or rail infrastructure for energy use.
- ◆ The Government of Alberta must take a leadership role in promoting Alberta's energy resources contribution to local, provincial, and national economies. The Government of Alberta must also promote the need to reduce regulatory barriers for Alberta's energy resource and the benefits of allowing these resources to reach foreign markets.

How does the work of the RMA support the sustainability of the energy industry?

- ◆ The RMA has been a vocal supporter of greater market access for Alberta's natural resources. Natural resources exported to Canada's tide water benefit all Canadians through greater taxation revenue and new jobs for Albertans.
- ◆ To support consumer protection, the RMA is actively involved with organizations such as the Utilities Consumer Advocate (UCA) and value-added initiatives including RMA's energy program focused on aggregated purchasing.
- ◆ Through the Municipal Climate Change Action Centre (MCCAC), the RMA works with the Alberta Municipalities (ABMunis) to provide municipalities with grants and rebates for energy efficient building and infrastructure retrofits.
- ◆ Since they first electrified rural communities across Alberta, rural electrification association (REAs) have been institutions that have supported rural industries and residents with community owned electricity. REAs continue to operate and adapt despite changes and challenges in the electricity marketplace.

What current energy related issues are impacting rural Alberta?

Renewable Energy and Climate Change Initiatives

- ◆ Alberta has the potential to be a world leader in renewable energy development and climate change mitigation; however, in doing so, provincial decision-makers must consider the local impacts of these energy types such as the impact on agriculture lands and economic development.
- ◆ When transitioning from existing energy sources to renewable energy sources, the Government of Alberta must consider not only the broader environmental benefits of such a transition, but also the local economic and community impacts as well. Many of Alberta's communities have historically grown around the extraction and production of energy resources, and any policy changes that devalue resources should be accompanied by concrete plans to ensure that the impacted communities remain viable.
- ◆ Renewable energy projects need responsible end-of-life management regulations and plans to prevent such projects from turning into environmental liabilities on Alberta's landscape. This includes appropriately funded reclamation securities for renewable projects.

Unpaid Property Taxes from Oil and Gas Companies

- ◆ Municipalities rely on property tax revenue to provide essential services and core infrastructure to support economic development.
- ◆ The Alberta Energy Regulator (AER) must consider outstanding municipal property taxes and unpaid surface lease payments when assessing risks associated with new and existing oil and gas companies in Alberta.
- ◆ As of December 31, 2023, rural municipalities in Alberta are facing approximately \$252 million in unpaid property tax revenue from oil and gas companies.
- ◆ As oil and gas prices rise and the industry recovers from previous economic struggles, there are no more excuses for oil and gas companies to not pay property taxes. Other taxpayers are not exempt from payment due to economic, industry or personal situations and such a loophole should not exist from a single industry.

- ◆ The Alberta Energy Regulator (AER) has expressed concerns about the safety risks of municipalities seizing oil and gas properties under special lien powers. RMA has called on the AER to serve a constructive role by offering to educate and support municipalities in safely exercising these powers.
- ◆ As the oil and gas industry in Alberta is regulated by the AER, municipalities are challenged to hold oil and gas companies accountable for unpaid taxes given the limited compliance and enforcement tools available. The AER must begin to consider unpaid municipal taxes as not only a local issue but also an important regulatory issue that signals an increased risk that a company is unable or unwilling to comply with other regulatory requirements.
- ◆ Regulatory inaction has led to the formation and growth of "zombie" companies: oil and gas companies that are largely responsible for the unpaid taxes owed to municipalities. RMA reiterates its calls for the AER to fulfill its obligation as an industry regulator to ensure that tax-owing oil and gas companies are held accountable. The Government of Alberta needs to ensure that oil and gas companies are being held accountable to municipalities, rather than provide programs which incentivize these companies to complete their regulatory requirements.
- ◆ The RMA is monitoring the ongoing use of Ministerial Order 96/2024, which directs the Alberta Energy Regulator to block transfers between companies if one has outstanding municipal property taxes, unless the asset in question is designated an orphan. RMA will continue to monitor the implementation of Ministerial Order 96/2024 for effectiveness.

Hydrogen

- ◆ Alberta has the potential to be a world leader in hydrogen energy development however, provincial decision-makers must consider the local impacts and benefits of hydrogen on agricultural lands and economic development.
- ◆ Municipalities play a significant role in helping the federal government achieve net-zero emissions by 2050, as the majority of hydrogen infrastructure is located on the land within rural municipalities.
- ◆ Hydrogen energy projects must be equipped with an end-of-life of management plan for the infrastructure and assets to ensure that such infrastructure is not left on the rural landscape to the detriment of rural landowners.

Electricity Transmission and Rates

- ◆ Alberta Affordability and Utilities should ensure that the retail energy market is regulated in such a way to maximize competition and ensure that Albertans receive the best possible energy rates.
- ◆ The RMA is engaged in ongoing work by both the Government of Alberta and the Alberta Utilities Commission to consider municipal land use plans when reviewing electricity transmission projects.
- ◆ Rural electrification associations (REAs) are vital sources of retail energy competition in many rural areas. Any changes to Alberta's retail electricity market should ensure that REAs are able to operate on a level playing field with investor-owned utilities.
- ◆ Alberta Affordability and Utilities must complete a review of the transmission and distribution rates that municipalities and rural residents are facing. Costs are rising significantly which impacts the standards of living of Albertans.



Warren Noga

Manager of Policy and Research

825.319.2285

warren@RMAAlberta.com