

Property Tax Accountability Strategy (PTAS) Final Report

Prepared by the Rural Municipalities of Alberta
and the Government of Alberta, with support from
the Property Tax Accountability Strategy Working Group

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Property Tax Accountability Working Group | Final Report and Recommendations

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Executive Summary

Rural municipalities, the Government of Alberta, the Alberta Energy Regulator, and the oil and gas industry have a long history of collaboration and partnership in growing the industry, supporting rural development, and making Alberta a world leader in oil and gas development. In recent years, some oil and gas companies have continued to operate in rural municipalities while failing to meet their property tax obligations. The problem is widespread and impactful enough that further policy action is warranted.

In March 2025, the RMA requested that Alberta Municipal Affairs and Alberta Energy and Minerals commit to forming a joint working group to develop a “Property Tax Accountability Strategy” (PTAS). Recognizing the seriousness of the issue and the need for a collaborative approach to meaningfully address it, each Minister expressed support and committed senior and technical staff to participate in the working group. The working group was intended to develop a common understanding of the scope of the issue, the impacts on municipalities, and develop policy recommendations designed to allow for enhanced enforcement of property tax non-payment.

The working group was co-chaired by representatives from RMA and Municipal Affairs, and also involved participation from Energy and Minerals, the Alberta Energy Regulator, industry associations, and rural municipalities. Through research, analysis and discussion during eight meetings between July 2025 and February 2026, the working group identified the following findings:

- Most property taxes assessed to oil and gas properties each year do not become arrears.
- Most existing arrears are not recoverable, as the companies owing are insolvent. While some existing arrears may be recovered from still-operating companies if the recommendations are implemented in a timely fashion, they will be most impactful in enabling proactive identification and enforcement so tax arrears do not continue to accrue.
- Due to legally established creditor prioritization standards in federal insolvency proceedings, recovery of municipal taxes from companies in some form of insolvency or bankruptcy proceedings is costly to pursue and has a low likelihood of success.
- Municipal tax recovery tools are often ineffective owing to the unique nature of oil and gas industry property.
- Early intervention is critical because tax arrears are often an early warning sign of financial distress.
- Some companies continue to operate and generate revenues for multiple years, even with widespread tax arrears.
- The AER’s existing regulatory authority is not intended to address property tax arrears and therefore the effectiveness of existing regulatory tools intended to enforce payment is limited.
- The AER lacks clear authority to take compliance action based solely on property tax arrears.
- Municipalities do not find the AER to be transparent or consistent in its current use of unpaid tax information to inform enforcement action and risk assessments, both at a broad scale and in relation to specific companies.
- The portion of tax arrears attributable to insolvent or non-operational companies is increasing.
- Delinquent oil and gas companies are continuing to accrue a significant amount of new tax arrears.
- Differences in how municipalities, the GoA, and the AER collect, use, and report property tax arrears data could be addressed to better support enforcement of unpaid municipal property taxes.
- Municipal impacts are significant, widespread, ongoing, and unevenly distributed.
- Opportunities exist to improve communication between municipalities, the GoA, and the AER in relation to unpaid tax enforcement and monitoring.

Based on the findings, the working group developed 17 recommendations, organized into five themes, as follows:

Theme 1: Integrating Property Tax Arrears into the Alberta Energy Regulator’s Mandate

- 1) Make property tax payment a condition of holding or maintaining an AER licence.
- 2) Empower the AER to initiate compliance action based solely on a licensee’s tax arrears, enabling earlier intervention.
- 3) Establish a definition of “good standing in property tax payments” to inform AER compliance and enforcement action, with a licensee considered in good standing if it has no outstanding property tax arrears or if any arrears are fully covered by – and compliant with – a municipal tax repayment agreement.
- 4) Require the AER to prohibit licence transfers and the acquisition of new licences when a company is not in “good standing in property tax payments,” as per PTAS recommendation 3.
- 5) Authorize the AER to use a licensee’s history of property tax arrears as a basis for enhanced financial or compliance reporting requirements.

Theme 2: Property Tax Payment as a Key Measure of Industry and Regulatory Performance

- 6) Revise how property tax arrears information is used when determining a company’s Licensee Capability Assessment (LCA) by doing the following:
 - a. Determine and implement a consistent and impactful weighting for tax arrears within the broader LCA formula.
 - b. Provide public-facing information on how tax arrears inform the LCA determination process.
 - c. Provide municipalities with detailed information on how tax arrears are factored and weighted within LCA formula on a regular basis, including when the weighting changes.
 - d. Periodically evaluate the weighting to ensure it is effective in compelling payment of property taxes.
- 7) Treat property tax arrears as a formal compliance metric for industry-wide performance.
- 8) Include municipal tax payment indicators in AER performance dashboards and risk tools.
- 9) Require the AER to improve transparency and accountability by publishing how its risk-weighting methodology informs regulatory decisions and disclosing how property tax arrears influence risk assessments.

Theme 3: Enhancing Municipal Capacity to Enforce Oil and Gas Tax Accountability

- 10) Municipalities utilize enhanced access to relevant regulatory and financial-risk information for companies with assessed assets in their jurisdiction to support earlier identification of potential non-payment risks and enable timely enforcement or mitigation actions. This should include developing, through RMA, a municipal working group to continually review, evaluate, and share best practices related to company risk-monitoring and the use of local compliance and enforcement tools.

Theme 4: Mitigating Municipal Impacts of Property Tax Arrears

- 11) Implement mechanisms to remove insolvent companies’ assets from the assessment roll more expediently.
- 12) Renew and streamline the Provincial Education Requisition Credit (PERC) program, ensuring it is adequately funded to meet municipal needs until unpaid oil and gas taxes no longer present a material impact on rural municipalities.
- 13) Explore creating a financial support program to assist municipalities disproportionately affected by unpaid oil and gas property taxes.

Theme 5: Strengthening Collaboration and Communication Between Municipalities, the Government of Alberta, and the Alberta Energy Regulator on Property Tax Payment

- 14) Enhance municipalities' collection and reporting of property tax arrears through the following actions:
 - a. Undertake consistent and fulsome reporting of tax arrears in accordance with new mandatory provincial reporting requirements.
 - b. Develop a uniform mechanism for tracking and reporting on repayment agreements.
- 15) Enhance Government's collection and reporting of provincewide oil and gas property tax arrears data through the following:
 - a. Establish mandatory municipal tax arrears reporting periods, including related to repayment agreements.
 - b. Broaden current data collection to include unpaid municipal and education property taxes, penalties, and interest.
 - c. Update processes for verification and sharing of municipal data.
 - d. Publish periodic public reports summarizing the status of unpaid municipal oil and gas property taxes across Alberta, including any relevant trends or analysis.
- 16) Enhance the AER's collection and reporting of company-specific property tax arrears through the following:
 - a. Develop and implement a system to directly notify a municipality when a company operating within the municipality is in non-compliance with a regulatory requirement.
 - b. In conjunction with municipalities, develop a municipal collaboration system to ensure that all municipalities have timely and direct access to the AER for questions, concerns, or sharing of information.
 - c. Regularly gather tax agreement information from municipalities, including a mechanism to allow for immediate municipal reporting of non-payment.
 - d. Publish periodic public reports summarizing how unpaid taxes informed compliance and enforcement action, as well as trends, analysis and linkages between non-payment of taxes and other regulatory non-compliance issues.
 - e. Establish a mandatory enforcement reporting system that publishes detailed investigation summaries, enforcement outcomes, timelines from non-compliance to resolution, and data on repeat non-compliance and operator behaviour change.
- 17) Establish a formal quarterly working group with participation from the AER, RMA, and rural municipal representatives to monitor trends and issues related to property tax payment, coordinate cross-jurisdictional concerns, and ensure municipalities receive timely notification of relevant AER compliance and enforcement actions.

The working group's recommendations provide a practical set of legislative, regulatory, administrative, and system-level improvements to reduce non-payment of property taxes by some oil and gas companies. The success of the recommendations should be based on demonstration of several observable outcomes, outlined in detail in the "Moving Forward" section of the report.

Introduction

Rural municipalities, the Government of Alberta (GoA), the Alberta Energy Regulator (AER), and the oil and gas industry have a long history of collaboration and partnership in growing the industry, supporting rural development, and making Alberta a world leader in oil and gas development. In fact, Alberta's rural municipalities manage most of Alberta's roads and bridges, many of which exist primarily or exclusively for oil and gas industry use to access well sites and other industrial properties. The oil and gas industry, along with other rural property owners, contributes to the cost of building and maintaining this network, as well as providing other municipal infrastructure and services that benefit both industry and rural residents, through payment of property taxes.

In recent years, some oil and gas companies have continued to operate in rural municipalities while failing to meet their property tax obligations. While most oil and gas companies continue to operate in a responsible, accountable, and community-minded manner, the problem is sufficiently widespread, both in terms of the number of non-compliant companies and the fiscal impacts on rural municipalities, that policy action is warranted.

Rural Municipalities of Alberta (RMA) is a non-profit organization that represents Alberta's 69 municipal districts, counties, specialized municipalities, and the Special Areas Board. In early 2025, RMA released the results of their seventh annual unpaid oil and gas property tax member survey, which showed that although the GoA introduced some legislative and regulatory changes in recent years, unpaid taxes are continuing to accrue at concerning levels, with significant fiscal and operational implications for some rural municipalities. As part of the release of the survey results in March 2025, RMA requested that Municipal Affairs and Energy and Minerals to commit to forming a joint working group to form a "Property Tax Accountability Strategy" (PTAS). Recognizing the seriousness of the issue and the need for a collaborative approach to meaningfully address it, each Minister expressed support and committed senior and technical staff to participate in the working group.

While rural municipalities will most directly benefit from the recommendations in this report, the participation and buy-in from the municipal, government, and industry sectors underscores the benefits that solving this issue will provide to all three. For rural municipalities, strengthened policy responses will lead to a more stable revenue base, more confident long-term planning, reduced administrative costs associated with pursuing unpaid taxes, and equitable treatment of all property types in terms of enforcement of tax payment. For government, strengthened policy will improve municipal sustainability in rural Alberta, clarify legislative and regulatory requirements for industry, and provide additional metrics for monitoring industry performance and company risk. For industry, improved policy options will lead to a level playing field among operators in terms of property tax obligations, enhance industry's reputation as accountable and responsible, and contribute to strengthening existing partnerships with rural municipalities.

The PTAS Working Group first met in July 2025 and held a total of eight meetings between July 2025 and February 2026. This report and recommendations are the culmination of significant research, discussion, analysis, constructive debate, and a common commitment to solving the issue of oil and gas property unpaid taxes.

PTAS Working Group Mandate and Objectives

The PTAS Working Group Terms of Reference includes the following mandate:

- The Property Tax Accountability Strategy Working Group will develop actionable solutions to the ongoing issue of unpaid oil and gas property taxes owed to rural municipalities in Alberta. The solutions will take the form of public recommendations and an implementation report.

To support this mandate, the Terms of Reference included the following objectives:

- **Tax Recovery:** Develop effective strategies for recovering as much as possible of the \$253.9 million in unpaid oil and gas property taxes, including the identification of viable tax recovery methods and enforcement mechanisms for the oil and gas industry.
- **Common Understanding of Data:** Identify and gather municipal data and input for the following purposes:
 - Inform initial recommendation development;
 - Support effective ongoing monitoring of issue and effectiveness of recommended solutions; and
 - Develop a common methodology for consistent reporting of unpaid tax data by municipalities, and consistent use by government.
- **Understanding and Mitigation of Municipal Impacts:** Understand and develop strategies to mitigate current operational and viability risks that some municipalities face as a direct result of unpaid taxes.
- **Legislative and Regulatory Recommendations:** Identify existing gaps in legislation and regulations and recommend amendments to require industry accountability for payment of property taxes, with the goal of preventing future non-payment, as well as to reduce municipal administrative burden related to assessment of non-recoverable taxes.
- **Public Accountability:** Publish a transparent, publicly accessible report containing clear recommendations and an implementation strategy, as well as establish a monitoring framework to ensure accountability and periodic review of the implementation process.

Working Group Members and Roles

The PTAS Working Group was a collaboration between the RMA, GoA, and municipal and industry stakeholders to develop actionable solutions to the ongoing issue of oil and gas industry property tax arrears in rural Alberta.

The PTAS Working Group was supported by a sub-committee, led by staff from RMA and Alberta Municipal Affairs (MA), with contributions from Alberta Energy and Minerals (E&M) and the AER. The sub-committee undertook significant work to conduct research and analysis between Working Group meetings, including development of Working Group agenda packages, organization of delegations, and drafting of the final recommendations and report.

Both the PTAS Working Group and Sub-Committee were overseen by co-chairs: one each from RMA and MA. The co-chairs were responsible for planning meetings, facilitating discussions, and “steering” the overall Working Group process from information-gathering to analysis to recommendation development to the review and finalization of this report.

The following organizations participated on the Working Group:

- **RMA** – Board members and staff, including one of the two PTAS Working Group Committee co-chairs.
- **Government of Alberta** – Representatives from Municipal Affairs and Energy and Minerals, including a representative from Municipal Affairs serving as one of two PTAS Working Group Committee co-chairs.

- **Alberta Energy Regulator** – Representation from AER on an ongoing basis, as well as periodic participation from technical experts.
- **Rural municipalities** – Administrative representation from rural municipalities across Alberta chosen by the RMA and with direct experience dealing with the impacts of unpaid oil and gas property taxes. Participating municipalities included Big Lakes County, Flagstaff County, County of Newell, Parkland County, and the County of St. Paul.
- **Municipal administrative associations** – One representative each from the Alberta Rural Municipal Administrators' Association (ARMAA) and the Local Government Administration Association (LGAA) – as represented by the municipal representatives from Parkland County and the County of St. Paul respectively.
- **Industry representatives** – Two oil and gas industry representatives were jointly chosen by the RMA and GoA. These representatives participated in an observer capacity, with no input into final decision making or recommendation development but provided industry perspectives and subject matter expertise where needed. Participating organizations include the Canadian Association of Petroleum Producers (CAPP) and the Explorers and Producers Association of Canada (EPAC).
- **Subject matter experts** (e.g., legal professionals) – Were invited to present to and advise the PTAS Working Group as needed.

While the GoA was a key participant in the PTAS Working Group and co-chaired the process with the RMA, the recommendations in this report are still under provincial review. Additional analysis, consultation, and evaluation are required to understand the implications, feasibility, and fiscal impacts of each option. The GoA will assess the report's recommendations independently as part of its ongoing consideration of approaches to support rural municipal financial stability and industry accountability.

RMA appreciated the opportunity to work with the GoA on development of the PTAS. The GoA's willingness to collaborate on this undertaking reflects their commitment to supporting municipalities in accessing the property tax revenues they require to operate. While RMA was represented on the PTAS Working Group by one board member and staff, the full RMA Board of Directors has endorsed the final report and recommendations. While implementing the recommendations primarily falls on various GoA ministries and arms-length agencies, RMA will advocate for timely, transparent and collaborative implementation of each recommendation and ongoing monitoring of their effectiveness as per the PTAS objectives.

Stakeholder Roles and Context

Although municipalities are the most directly affected by unpaid oil and gas property taxes, addressing the issue requires alignment across multiple stakeholders – including the GoA, AER, industry, and the broader taxbase. Each plays a distinct role within the system, and gaps or constraints within those roles have contributed to the persistence of the problem. Improved alignment across the system has the potential to generate meaningful benefits for all parties involved, from enhanced fiscal stability for municipalities to greater regulatory clarity for industry and more predictable outcomes for government. The “impacts of report recommendations” described for each stakeholder reflects the working group's view of what an effectively aligned system would require.

Municipalities

Current role and impact: Municipalities are the most directly affected by unpaid oil and gas property taxes, facing significant fiscal pressures, administrative challenges, and limitations in the tools available to recover unpaid taxes. These pressures have contributed to frustration and strained relationships with both the GoA and industry, particularly when municipalities feel they are carrying disproportionate responsibility for an issue shaped by policy and regulatory gaps beyond their control.

Impact of report recommendations: Widespread non-payment of oil and gas property taxes is no longer an issue; municipalities have increased fiscal sustainability, certainty in long-term planning, and a renewed collaborative relationship with the oil and gas industry.

Government of Alberta

Current role and impact: The GoA is responsible for establishing the legislative and policy framework that governs property taxation, regulatory authority, and industry oversight, while balancing municipal sustainability, regulatory integrity, and economic competitiveness. Government has worked to understand the scope, root causes, and impacts of unpaid oil and gas property taxes, though the complexity of the issue has meant that initial policy measures have not fully addressed it.

Impact of report recommendations: Legislative and regulatory tools, information-gathering, and issue monitoring are harmonized across ministries and with the AER and municipalities to ensure that Alberta is viewed both internally and externally as a jurisdiction that supports industry while holding individual companies accountable for meeting their legislative and regulatory obligations.

Alberta Energy Regulator

Current role and impact: The AER's role and responsibilities are defined by its statutory mandate, which focuses on ensuring the safe, orderly, and environmentally responsible development of energy resources. Municipal tax enforcement does not fall within this mandate, and the regulator does not have authority to take action solely on the basis of unpaid municipal property taxes. As a result, the AER's ability to influence tax compliance is limited, contributing to a misalignment between municipal expectations and the regulator's capacity.

Impact of report recommendations: The AER has clear authority, reliable information, and consistent processes to ensure that property tax compliance is embedded as a meaningful and consistent factor in relation to their regulatory decision-making.

Rural Property Taxpayers and Broader Community

Current impact: Unpaid oil and gas property taxes place increasing pressure on the wider municipal tax base. When taxes on oil & gas industry properties go uncollected, the resulting shortfall is often absorbed by other taxpayers through higher municipal tax rates or reduced service levels. This affects households, farms, other businesses, and community organizations. Landowners, lease holders, vendors, and contractors experience these impacts directly – not only through delayed payments or uncertainty tied to operator financial distress, but also as local taxpayers who shoulder a disproportionate share of municipal costs when industry obligations go unmet.

Impact of report recommendations: A stable and predictable property tax system ensures that other taxpayers are not required to subsidize unpaid taxes on oil and gas properties. Clear expectations around property tax compliance strengthen fairness across the tax base and support more consistent enforcement in related areas, such as surface lease payments and vendor obligations.

Oil and Gas Industry

Current impact: While most oil and gas companies meet their property tax obligations, a portion do not. This results in a competitive imbalance by giving non-compliant companies an unfair cost advantage over those that pay their taxes in full. It also contributes to broader reputational harm, undermining industry credibility with municipalities, the provincial government, and the public.

Impact of report recommendations: All companies face the same expectations and enforcement provisions related to non-payment of taxes. Industry’s reputation as accountable to the communities in which it operates is restored.

These roles and dynamics demonstrate that unpaid oil and gas property taxes are not a challenge faced by any single stakeholder in isolation. The issue arises from the interaction of municipal authority, provincial legislation, regulatory mandates, industry practices, and community impacts. Coordinated action, clear expectations, and consistent processes across stakeholders will be essential in developing practical, system-wide solutions, which will benefit a broad range of stakeholders in multiple ways.

The remainder of this report will provide more details on the history and evolution of unpaid oil and gas property taxes, along with the key findings and themes identified by the PTAS Working Group. It also outlines seventeen recommendations that, if implemented and adhered to, are likely to meet the objectives outlined in the PTAS Terms of Reference, leading to beneficial outcomes for municipalities, the GoA, the AER, and industry.

Understanding the Issue

Property Taxes: What are they and why do they matter?

Property taxes serve as the financial backbone of municipal operations, supporting essential services, critical infrastructure, and the long-term viability of local communities. When municipal property taxes go unpaid, the impacts are immediate and tangible – services are strained, infrastructure investment is deferred, and in some cases, the fiscal stability of municipalities, particularly in rural Alberta, is put at risk. Recognizing these impacts is key to understanding why non-payment has real consequences for municipalities and all rural property owners.

Property taxes are the primary and most stable revenue source available to Alberta municipalities. The *Municipal Government Act (MGA)* requires municipalities to levy property taxes on their taxable assessment base – property that is liable for assessment and taxation. Municipalities are also obligated to collect provincial property tax requisitions on the GoA's behalf, including the education property tax (EPT). Property taxes play a significant role in funding the services and infrastructure required to support residents, businesses, and industry. Unlike provincial and federal governments, municipalities have limited revenue tools and are unable to run operating deficits, relying primarily on property taxes and provincial or federal grants to maintain balanced budgets. As a result, the stability, predictability, and collectability of property taxes is essential to municipal sustainability.

Rural municipalities have faced persistent challenges collecting property taxes from a significant number of oil and gas companies. Tax arrears include both property taxes that remain unpaid at the end of a tax year and accumulated penalties for non-payment – a balance that continues to grow as unpaid amounts remain outstanding.

Some municipal tax arrears have been outstanding for more than five years, and municipalities are hesitant to write these amounts off in the hopes of still being able to lay claim to them as insolvent companies go through receivership.

Unpaid property taxes have a major impact on municipal operations beyond the additional efforts related to tax recovery. Reduced property tax revenue for municipal operations and infrastructure development that results from unpaid oil and gas municipal property taxes creates financial pressures that compound over time and may continue for years without practical regulatory or legal consequences. Non-payment impacts the ability of municipalities to maintain infrastructure and provide services that benefit all property owners, and municipalities are often forced to adapt by reducing service levels or raising tax rates, which negatively impacts both the municipality and other residential and industrial taxpayers.

History of the Issue

The issue of unpaid oil and gas property taxes has developed in the wider context of economic cycles, the evolution of Alberta's energy sector, and the broader legal and regulatory environment in which industry operates. Unpaid property taxes can result from a range of factors, including financial pressures, corporate decisions, and other circumstances that affect a company's ability or willingness to meet its obligations. While municipalities have a range of tools to enforce tax payment on all property types, these have proven to have minimal effectiveness on oil and gas properties, for reasons explained later in this section.

As a result of limited enforceability of non-payment, municipalities began to observe increasing non-payment of oil and gas property taxes in approximately 2018, in conjunction with broader industry downturn and decline in commodity prices. In 2019, the issue became widespread and impactful enough that it spurred endorsement of member resolutions calling for the RMA to advocate to the GoA for changes to both municipal tax enforcement

powers and provincial regulation of the industry as a means to increase company accountability for meeting tax payment obligations.

Over the subsequent six years, the issue persisted even as the GoA introduced various legislative and regulatory changes to address the issue, and various Court rulings related to how assets are distributed in the insolvency process have further complicated the ability of municipalities to recover taxes.

While the circumstances vary for individual companies that incur tax arrears, the increase in the frequency and scale of arrears since 2019 corresponds with broader industry trends related to declining natural gas prices and reduced production associated with assets as they mature. Despite the regional concentration of age-related declines in productivity, municipalities in every corner of the province have faced significant non-payment of taxes, as companies in distress may have assets located throughout Alberta.

Also, since 2019, the Government of Alberta has implemented several policy decisions to reduce costs for the oil and gas industry through a reduction in municipal property taxation. This includes eliminating the Well Drilling Equipment Tax, implementing a three-year property tax holiday for new wells and pipeline between 2022 and 2024, and reducing the assessment value of shallow gas wells by 35%, a reduction that is still in place until related assessment models are updated.

Since 2019, RMA has conducted an annual member survey that has tracked trends in unpaid oil and gas property taxes. The survey results showed that cumulative unpaid property tax amounts increased significantly from 2018 to 2020, and since then have grown more gradually.

Municipal Impacts

Unpaid oil and gas property taxes pose a major challenge for Alberta's rural municipalities. While the specific impacts vary by municipalities based on the amount of arrears and local fiscal conditions, nearly every rural municipality in the province is facing some level of unpaid taxes. This has practical impacts for municipalities, as the structure of oil and gas property ownership and the recovery tools available to municipalities create a situation where tax enforcement operates differently than it does for most other residential and non-residential properties.

Data collected separately by the GoA and RMA show that cumulative unpaid property taxes now total around \$250 million. While exact values vary due to differences in methodology and scope of data collection, the impacts of lost tax revenue are both significant and apparent.

As the primary and most stable way for municipalities to raise revenue, property taxes are an essential tool to fund municipal infrastructure and services. This is particularly the case for rural municipalities with small populations spread across large areas and high levels of industrial development. Here oil and gas assets can represent a significant portion of the assessment base, making rural municipalities particularly vulnerable when one or more companies do not meet their property tax obligations. If even a few companies fall into arrears, then the revenue losses can be difficult to absorb and result in serious impacts and difficult decisions. These impacts include:

Significant Revenue Shortfalls

Rural municipalities rely on property taxes from the oil and gas industry to fund essential services and maintain core infrastructure. When companies stop paying property taxes, municipalities face immediate funding gaps that force difficult adjustments to service levels, capital plans, or tax rates. In many cases, rural municipalities must increase tax rates or reduce service levels to adapt. This approach is unsustainable over the long term, as it reduces financial flexibility and increases the risk of future fiscal instability. To maintain basic operations, many municipalities are left with little choice but to shift the financial burden onto residents and businesses – an

inequitable outcome that places additional pressure on local economies already operating with limited fiscal capacity.

Operational and Administrative Strain

Unpaid taxes result in significant operational and administrative pressures – municipal staff dedicate significant time and resources managing unpaid tax accounts, issuing notices, negotiating repayment agreements, and navigating complex legal and regulatory processes, all of which divert attention from core responsibilities. The persistence of unpaid taxes means these tasks recur year after year, adding to workload pressures and limiting the capacity of small administrations to focus on strategic priorities and service delivery.

Reduced Infrastructure and Service Capacity

Unpaid taxes reduce the revenue available to maintain and upgrade local roads, bridges, water and wastewater systems, and other essential infrastructure. When expected revenue falls short, municipalities are forced to delay maintenance, scale back capital projects, or cancel planned improvements. These deferrals contribute to faster infrastructure deterioration and higher long-term repair and replacement costs, making future projects more expensive and more difficult to manage.

Increased Burden on Local Taxpayers

Because the *MGA* does not allow municipalities to run operating deficits, revenue loss as a result of unpaid property taxes must be off-set by increasing taxes on residents and local businesses or reducing delivery of public programs, services, and capital projects, shifting tax burdens onto other non-residential and residential taxpayers.

Constraints on Inter-Municipal Collaboration

Rural municipalities often work closely with neighbouring municipalities – through a range of formal and informal collaborative arrangements to coordinate shared services and regional initiatives. Unpaid oil and gas property taxes jeopardize rural municipalities' ability to contribute to these efforts and can have spillover effects in communities not directly impacted (e.g., through reduced contributions towards wider regional planning and economic development initiatives, shared social and recreational programs, regional or shared infrastructure, etc.).

Strain on Municipal-Industry Relations

Unpaid taxes have created frustration among rural municipalities and other taxpayers, eroding trust in the oil and gas industry. Municipal leaders note that most taxpayers – residential, commercial, and industrial – face clear and enforceable consequences for non-payment of municipal property taxes, while the oil and gas industry's unpaid taxes often remain unresolved for years. This inconsistency undermines trust in the fairness of the system and contributes to a broader skepticism about industry's long-term commitment to the communities in which it operates. As unpaid taxes continue to accumulate, municipalities have reported a weakening of the cooperative relationships needed to sustain long-term community and economic stability. Addressing the unpaid tax issue presents a unique opportunity to enhance the reputation of the oil and gas industry both locally and provincewide, and to rebuild the long-time partnership between rural municipalities and the industry.

Actions to Date

As stated above, existing municipal tax recovery tools have limited effectiveness when applied to oil and gas properties. Despite this, municipalities regularly attempt to use the powers available to them to compel payment, though this is often not successful, especially when oil and gas companies are in the process or on the brink of insolvency, receivership, or bankruptcy. At the provincial level, legislative and regulatory changes have been

made in recent years with the goal of bolstering both municipalities' and the AER's ability to take enforcement action. While these changes have been helpful in specific situations, they have not resulted in meaningful changes in non-payment trends.

Given the limitations of their legislated enforcement powers related to oil and gas properties, municipalities have pursued a variety of operational and financial strategies, including negotiating repayment agreements, adjusting municipal budgets, and increasing taxes on other property owners to make up for lost revenue. They have also taken steps to encourage compliance to the extent possible within their authority, including increasing engagement with companies and seeking legal advice when appropriate. Some municipalities have attempted to increase financial reserves and/or adopt policies to better manage the risks associated with possible future tax arrears.

The GoA has also introduced several measures intended to broaden municipal and provincial enforcement powers or reduce the local fiscal impacts of non-payment, including:

- Creating the Provincial Education Requisition Credit (PERC) program, which provides municipalities with an education property tax credit equal to the uncollectable education property taxes on delinquent oil and gas properties for the 2015 through 2025 tax years.
- Amending the *MGA* in 2021 to restore a special priority lien for taxes owed on linear property (e.g., wells and pipelines) and machinery and equipment (M&E). The lien is applicable to all a debtor's assessable property within the municipality and gives municipalities priority over other creditors (apart from the Crown and regulatory obligations). It should be noted that the GoA provided financial support to the RMA to develop training materials to support municipalities in its use.
- Amending the AER's liability management framework to include the consideration of property tax arrears as a factor to consider in monitoring company risk.
- Issuance of ministerial orders to the AER from the Minister of E&M to the AER, including Ministerial Order 043/2023 (effective May 1, 2023) preventing the approval of a new well licence or licence transfer if a company owes tax arrears above a threshold. This was later updated by Ministerial Order 96/2024 (effective September 15, 2024) allowing well licences to be transferred from court approved insolvencies or under Orphan Well Association control to companies without tax arrears above the threshold.

While these measures have assisted with both recovery and impact mitigation in specific instances, they have not fully addressed the growth of arrears or municipal challenges, underscoring the need for a collaborative provincial-municipal approach to meaningfully address the issue.

Trends in Oil and Gas Property Tax Payment

Agreement among stakeholders on the scale and scope of unpaid taxes from the oil and gas industry has been complicated by varying data sources and reporting practices. These discrepancies have contributed to uncertainty as to the scope of the issue and level of impact on rural municipalities. Clarifying the data is more than a technical exercise – a common understanding of the data is essential to establishing a shared factual foundation, improving certainty and trust among stakeholders, and ensuring policy decisions are grounded in accurate information and a common understanding of the risks of allowing non-payment to continue.

RMA and Municipal Affairs undertook a collaborative review of their respective existing data to examine methodological differences in its collection and reporting. While the information was collected for different purposes, the collected data was broadly consistent and pointed towards the same trend – that unpaid oil and gas municipal property taxes are a persistent and impactful problem.

Rural Municipalities of Alberta Data

RMA's data collection is rooted in its mandate to advocate on behalf of its 69 member rural municipalities. Since 2019, RMA has conducted an annual member survey to determine the scope of tax arrears. The resulting data has been used to highlight the significance of unpaid taxes, track year-to-year trends, and call on government to develop solutions to the issue. Data collected by RMA includes outstanding arrears, historical tax write-offs, emerging issues, and provides updated annual information on total arrears, new arrears incurred in the most recent fiscal year, and multi-year trends. In RMA's 2025 survey – the dataset used for this report – RMA also collected company-specific information.

Municipal Affairs Data

Municipal Affairs has collected quarterly municipal tax arrears data since the spring of 2023 to support the AER's enforcement of Ministerial Orders that require companies to be compliant with property taxes before receiving new well licences or licence transfers. This dataset includes only arrears relevant for enforcement and excludes amounts under repayment agreements and taxes written off by municipalities. As a result, it provides a narrower and more targeted measure than RMA's broader dataset.

MA first surveyed rural municipalities in the summer of 2022 to better understand the scope of oil and gas industry property tax arrears, seeking detailed information on tax arrears, write-offs, operational impacts, and the companies involved. This was undertaken to inform government's initial policy work seeking to address the underlying issues – including the eventual development of a Ministerial Order making property tax compliance a necessary precondition for the AER's approval of applications for new well licenses and well license transfers.

To support the AER in its enforcement of the Ministerial Order, MA then began to collect quarterly municipal tax arrears data in the spring of 2023, focusing specifically on tax arrears relevant for enforcement purposes. This excludes arrears under valid tax repayment agreements and any amounts previously written off by municipalities, producing a more targeted and narrower measure than the GoA's earlier survey and of the broader data collected through RMA's annual survey.

RMA and MA have collected data for different purposes, and these purposes informed their respective methodologies. The different resulting methodologies created differing total amounts in their respective historical datasets. Despite this, the data can be broadly reconciled after accounting for differences in the treatment of amounts subject to repayment agreements or previously written off as uncollectible: RMA included these amounts while MA excluded them.

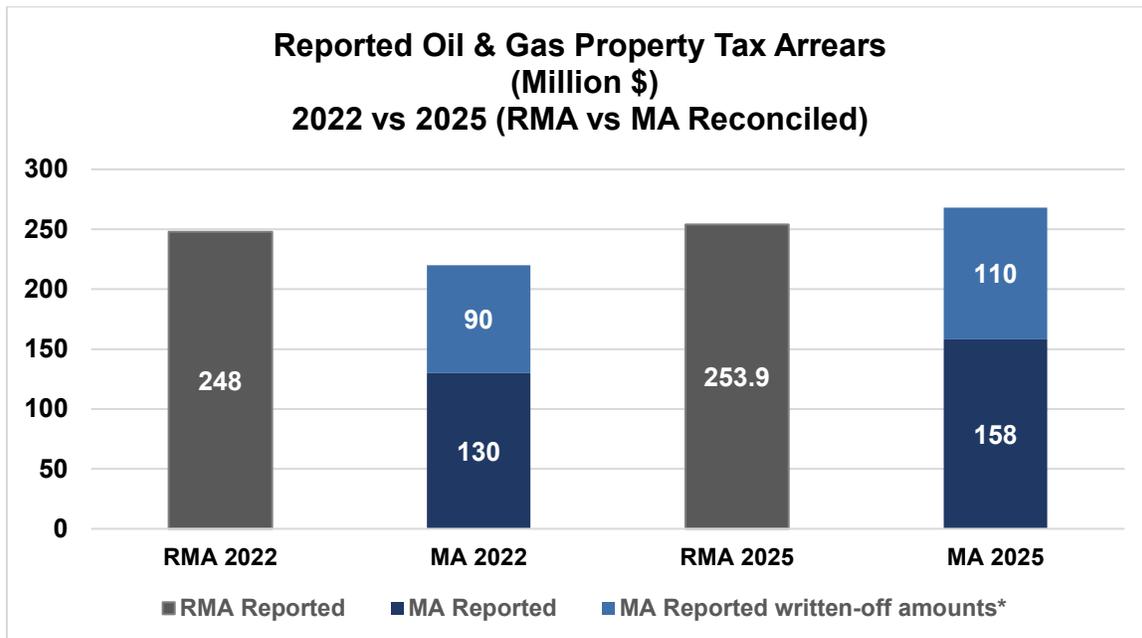
Based on their reconciliation of datasets, RMA and MA agreed that the oil and gas industry's property tax arrears continue to present a persistent and impactful challenge. Both datasets show that new amounts increased the annual outstanding balances – both at individual company levels and in aggregate – faster than municipalities can affect recovery.

Several consistent trends have emerged from the organizations' datasets, which reflect voluntarily reported tax arrears owed by oil and gas companies as of December 31, 2024.

First, total arrears (including amounts subject to repayment agreements and/or previously written off) are now firmly in the \$240–\$260 million range and continue to grow:

- RMA's 2025 survey, which collected tax arrears information as of December 31, 2024, identifies a total burden of \$253.9 million, inclusive of both outstanding arrears and historical write-offs.
- MA's 2025 data, which also reflects reported arrears as of December 31, 2024, identifies \$158 million in outstanding arrears; when combined with the \$90 million in written-off taxes reported in MA's 2022 survey – conservatively estimated at approximately \$110 million today – totals approximately \$248 million, an amount

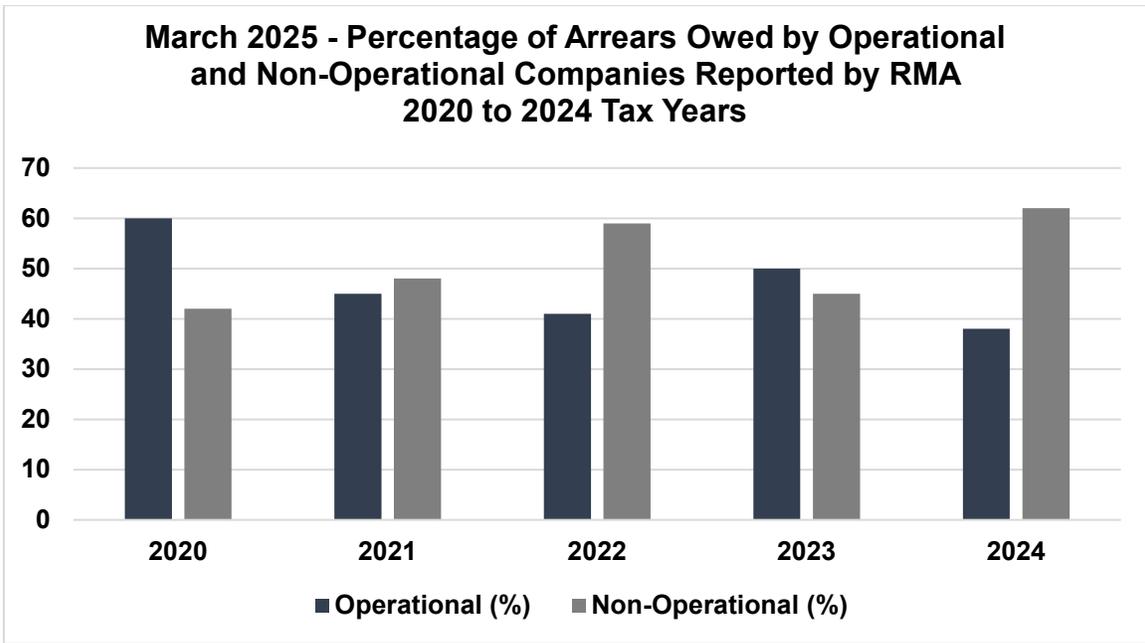
closely aligning with RMA's findings. These figures also do not include arrears below the \$20,000 threshold established for AER enforcement action under Ministerial Order 043/2023 (as later replaced by Ministerial Order 096/2024), indicating that the true total is likely higher.



**MA 2025 written-off amounts extrapolated from 2022 data.*

Second, both datasets include more than 200 companies currently in arrears, demonstrating that the issue is systemic rather than isolated. RMA's data identifies 201 companies, while MA's identifies 300 (147 owing more than the AER's \$20,000 threshold for enforcing the Ministerial Orders related to well licenses, and 153 owing less than \$20,000).

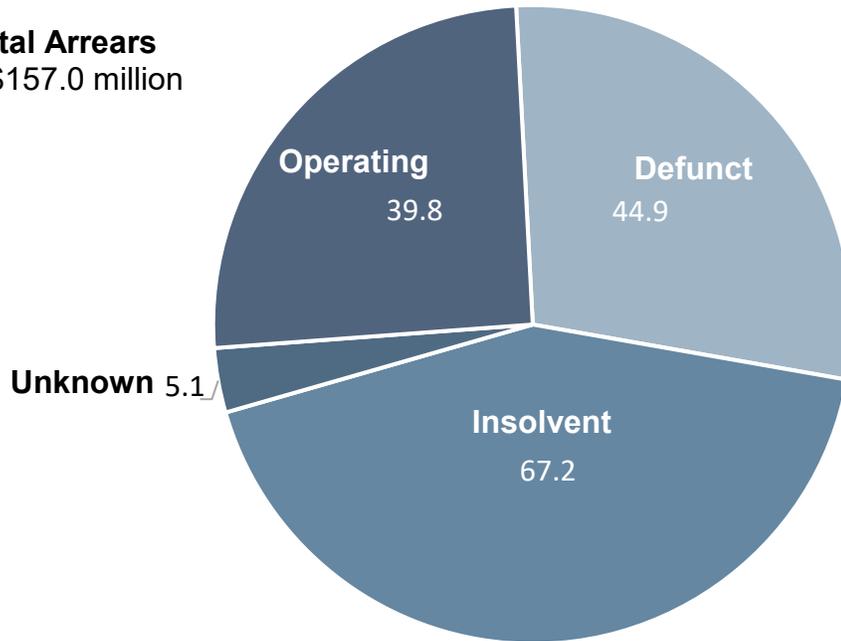
Third, the proportion of arrears owed by non-operational companies has increased in each organization's most recent annual data, complicating tax recovery and heightening long-term fiscal risk for municipalities. RMA reported in their 2022 survey (2021 tax year) that 52% of arrears were owed by non-operational companies, rising to approximately 60% in their 2025 survey (2024 tax year). MA data showed a similar trend, with the comparable figures rising from 42% non-operational in 2022 reporting, to approximately 60% by mid-2025. This indicates that an increasing share of arrears is tied to companies that are unlikely to resume operations or regain solvency, reducing the likelihood of recovery, and increasing the probability that outstanding balances will ultimately have to be written off, with municipalities, and by extension the broader property tax base, absorbing the associated costs.



Note: Calculated as a proportion of companies.

May 2025 – Composition of Arrears Reported by Municipal Affairs (\$ millions)

Total Arrears
= \$157.0 million



Note: Calculated as a proportion of tax arrears.

Nature of Companies in Arrears

While there is no single profile for a company in arrears, according to the AER, both insolvent and operational companies tend to have an asset mix that favours natural gas and often includes assets with lower production

and older assets with challenging reclamation obligations. RMA and MA data includes a wide range of companies varying in size, operational status, and history of regulatory compliance.

RMA's 2025 survey identified 201 companies with outstanding tax arrears, including 97 companies owing more than \$20,000 and 104 owing less than \$20,000.

MA's 2025 reporting identified 300 companies with outstanding tax arrears, including 147 companies owing more than \$20,000, 42 companies owing between \$10,000 and \$20,000, and 111 companies owing less than \$10,000.

In both datasets, more than a dozen companies were found to owe over \$1 million across multiple municipalities; several exceeded \$10 million; and the worst offenders owed more than \$30 million across multiple municipalities.

The data sets also illustrate the likely result of continued tax arrears. Both the RMA and MA data indicated a growing proportion of arrears is owed by companies that are no longer considered operational, either because they are in severe financial distress, insolvent, or defunct. This reinforces the need to address tax arrears as early as possible.

Once companies become insolvent, the likelihood of municipal tax recovery declines significantly. Under the federal *Bankruptcy and Insolvency Act (BIA)* and following the Supreme Court of Canada's decision in *Redwater*, regulatory obligations – such as reclamation and other environmental liabilities – are not treated as creditor claims in bankruptcy and therefore must be satisfied before any distribution to creditors, including municipalities. While municipal claims to the proceeds of an insolvent company's liquidation may otherwise rank ahead of unsecured creditors, *Redwater* confirms that these statutory priorities do not displace the requirement that a bankrupt estate first meet its outstanding regulatory obligations, which take precedence over municipal property tax recovery. This significantly decreases the likelihood of sufficient residual value to satisfy outstanding arrears. Addressing tax arrears before companies become insolvent is essential to ensuring municipalities have the greatest possible likelihood of recovering unpaid taxes.

The total costs associated with the tax arrears problem extend beyond the confines of municipal accounting. Oil and gas operational regulatory responsibilities – such as reclamation of land, remediation of property, environmental and safety concerns, etc. – are the responsibility of operational companies. When a company becomes insolvent, defunct, or cannot meet its obligations to close its site safely and responsibly, the AER may designate the well site as an orphan. The industry funded Orphan Well Association then becomes responsible for fulfilling the regulatory obligations for closure.

The company-specific impacts of earlier and stronger enforcement of non-payment of property taxes will vary based on the characteristics of various companies. Some companies may intentionally avoid paying property taxes and, if the consequences of non-payment are adequate, will meet their obligations and continue to operate. Others are facing broader operational and production challenges that are likely to lead to insolvency; compelling property tax payment is likely to hasten an already inevitable decline. In either case, earlier intervention will increase the likelihood of municipalities receiving at least a portion of what they are owed, and in the case of already-struggling companies, may lead to insolvency more quickly, and before additional environmental and other liabilities can be accrued, and while some assets are still productive and profitable. In this way, enforcing payment of taxes may not only benefit municipalities, but also the broader industry by increasing the likelihood that productive assets are transferred to fiscally stable companies.

The prevalence and number of companies in arrears – including the increasing share of non-operational entities – demonstrates the need for policy changes to address what has become a longstanding and province-wide problem. The association between arrears and company status illustrates the need for a preventative and comprehensive approach to addressing the underlying issues that address both operational and non-operational companies.

Municipal Authority and Limitations

Legislative Framework

The *MGA* requires municipalities to maintain balanced budgets. Property taxes serve as a municipality's primary source of revenue to achieve that balance. This revenue directly supports municipal operations, local services, programs, and infrastructure maintenance and development.

The *MGA* and associated regulations establish the legislative framework that guides property assessment and taxation in Alberta.

This framework sets the rules for assessing different property types including residential, non-residential, farmland, and machinery and equipment. It also assigns responsibility to the provincial assessor for assessing designated industrial property (DIP), which includes most oil and gas-related assets. DIP includes land and improvement on land where a leasehold interest is held for industrial purposes. DIP is assessed on a cost-recovery basis, the cost being recovered through a requisition tax rate set by MA.

The *MGA* sets out responsibility for paying property taxes and establishes the manner for preparing assessments, setting tax rates, issuing tax notices, and administering complaints and appeals. The *MGA* also outlines the recovery tools available to municipalities when taxes remain unpaid and become tax arrears. While this includes the public auction and sale of titled land and improvements, these tools are ineffective for most oil and gas industry property, which is typically untitled and impractical to seize and sell owing to their regulated nature. Instead, municipalities must attempt recovery through more limited and oftentimes less effective tools, including the application of a special lien, seizure and sale of goods, and pursuing court action.

In addition to municipal property taxes, the *MGA* also authorizes provincial requisitions to fund public education through the EPT, cover the provincial cost of assessing DIP, and support housing management bodies operating seniors' lodges. Municipalities are responsible for collecting and remitting these requisitions on the GoA's behalf and, as a result, municipalities serve as the single administrator and collector of both municipal and provincial property taxes.

Taxation and Assessment-Related Timelines

Property is reassessed annually. Because assessments are done before year-end, a given assessment year immediately precedes the tax year in which the assessed values are used to determine tax liabilities. For example, the 2024 tax assessment determines each property owner's share of the 2025 tax liabilities. Municipalities set annual tax rates by bylaw, mailing tax notices in the spring. Taxes are legally imposed on January 1, even if the notice arrives later.

Taxes become arrears when the payment deadline passes. For linear property and machinery and equipment, taxes become arrears if they are not paid 120 days after the notice is sent. Penalties for late payment may be added for tax arrears.

If taxes on titled land and improvements remain unpaid after December 31 of the tax year in which they are imposed, the property is added to the tax arrears list on March 31 of the following year, and a Tax Recovery Notification is registered on title. The list of registered tax arrears is shared with the property owner and interest holders, and posted publicly, with the municipality able to direct any tenants to pay rent directly to the municipality until taxes are paid. If taxes are still unpaid the following year, the municipality must advertise and auction the property. The municipality and the taxpayer may enter into a tax-repayment agreement at any time before the end of the year, delaying the auction by up to three years. Auction proceeds pay the arrears and accumulated penalties with the former owner able to claim any residual amounts. If the property does not sell, the municipality may take title and later sell or lease it.

Unique Nature of Oil and Gas Assets

The MGA's tax recovery tools for titled land and improvements do not work particularly well for most oil and gas property, significantly complicating rural municipalities' capacity to recover related tax arrears. This is because most oil and gas assets have no title, are highly regulated, and are either moveable (such as M&E at well sites) or underground or remote (linear property such as pipelines, wells, and electric power systems).

Significant environmental, safety, and regulatory obligations also arise from the care and custody of oil and gas property. These liabilities carry legal and financial risks that make seizing and selling them impractical if not detrimental for municipalities. As a result, municipalities are limited to other tax recovery tools, each with its own limitations in application and effectiveness:

Recovery Tool (and authority)	Application/Effectiveness
<p>Tax Repayment Agreement [MGA s.418(4)]</p> <p>The municipality may enter into a tax repayment agreement with the debtor, allowing for the structured repayment of outstanding taxes—along with any expected future taxes and penalties—for a term of up to three years.</p>	<p>Only effective when companies voluntarily enter - and follow - the terms of a repayment agreement. There are no legislated enforcement mechanisms available to address breach of repayment agreements; municipalities are left to seek remedy through court processes. Due to limited enforceability, some companies use these agreements to delay property tax payment while avoiding other regulatory or recovery enforcement actions under the current regulatory framework.</p>
<p>Special Priority Lien (MGA 348.1)</p> <p>Arises from tax arrears on linear property (e.g., wells and pipelines) and M&E. The lien places municipalities at a higher priority for repayment than every creditor except the Crown and regulatory obligations.</p>	<p>Applies to the assessable property of both the owners and assessed persons (operators) of the linear property or M&E in arrears, who are jointly and severally liable. The lien turns the municipality into a special secured creditor and remains valid through insolvency.</p> <p>The lien's effectiveness depends on the availability of assets within the municipality, and the amount of regulatory financial obligations tied to the bankrupt company.</p> <p>Additionally, special lien does not apply to personal property. Municipalities will rank behind any secured creditor of the seized goods for claim to the proceeds.</p>
<p>Distress Warrant (MGA ss.437 - 452)</p> <p>Authorizes the seizure and sale of the debtor's goods to satisfy the unpaid taxes.</p>	<p>While less expensive than civil litigation, there are costs associated with affecting seizure of goods. Use of a distress warrant also requires the presence of goods of sufficient value within the municipality's boundaries. Seizure of certain oil and gas equipment may face added regulatory hurdles associated with upkeep and sale, making them impractical for the municipality to seize.</p>

<p>Collection of Rents (MGA s.416)</p> <p>Allows a municipality to serve notice to tenants/lessees of the debtor's property requiring that rents be paid directly to the municipality to satisfy the unpaid taxes.</p>	<p>Only applies to taxes related to land and rarely applicable to oil and gas companies, as they do not typically lease or rent their assets to third parties in a way that would generate traditional rent.</p> <p>No effective or comparable mechanism to redirect revenue streams from oil and gas production.</p>
<p>Civil Litigation</p> <p>Municipalities may sue or otherwise commence with civil litigation to enforce their legal rights. If successful, a municipality may obtain a court order or writ of enforcement which permits the municipality to use other tools to recover assets, potentially reducing tax arrears.</p>	<p>Court orders and writs of enforcement rank below secured creditors in bankruptcy proceedings and only applies to the identified and registered assets in the order.</p> <p>Civil proceedings are expensive and time-consuming, potentially increasing costs to municipalities with no guarantee of recovery. Additionally, once bankruptcy proceedings are commenced under the <i>BIA</i>, it is common practice for the debtor to receive a stay of court proceedings which effectively block ongoing civil litigation until the resolution of the bankruptcy proceedings.</p>
<p>Receivership [<i>Bankruptcy and Insolvency Act (CA) s. 217-243</i>]</p> <p>Secured and unsecured creditors – including municipalities – may file with the courts to have their debts recognized through the receivership or bankruptcy process. As a secured creditor, and before the bankruptcy process commences, municipalities may also apply for receivership of goods. Where a receiver is appointed by the court, the court may make any order respecting payment of fees and disbursements that the receiver considers proper.</p>	<p>Municipalities' rank in receiving the proceeds of a debtor's liquidation are subordinate to the Crown and regulatory obligations. Proceeds after meeting abandonment and reclamation obligations are typically insufficient to cover tax arrears debt.</p> <p>The process also takes time, potentially years, and can be costly for municipalities (legal costs and receivership funding). This option may be practical if the debtor's assets can be liquidated and bought by other companies that adopt the liabilities associated with remediation and pay tax arrears.</p> <p>It is more likely that available assets will be exhausted by Crown and regulatory financial obligations before allocation of funds for the purpose of paying tax arrears.</p>

Because of the unique nature of oil and gas assets, municipalities are left with recovery tools that are expensive to implement, take an exceptional amount of time to affect recovery, and are likely to result in minimal or no recovery. These problems compound if a company is entering into receivership or bankruptcy.

Provincial Authority and Limitations

Oil and Gas Regulatory Environment - Background and Context

The *Responsible Energy Development Act (REDA)* establishes the AER with a mandate to provide for the efficient, safe, orderly and environmentally responsible development of energy and mineral resources in Alberta. In respect of energy resource activities, regulations under *REDA* provide jurisdiction to the AER to allocate and conserve water resources, manage public lands, and protect the environment.

Statutory Regime, Directives, and Enforcement Capacity

REDA enabled the formation of the AER as a full-lifecycle regulator, creating a single regulator in 2013. The AER assumed all the energy regulatory functions of the Energy Resources Conservation Board (ERCB), as well as those previously held by Alberta Environment and Sustainable Resource Development (now Alberta Environment and Parks) related to public lands, water, and the environment.

REDA sets out the AER's structure, powers, duties, and functions. The AER exercises regulatory and adjudicative functions under *REDA*, as well as under several statutes and regulations, including energy enactments and specified enactments. Energy resource enactments are the acts, regulations, and rules governing energy resource development in Alberta that the AER administers. Specified enactments are the acts and regulations that the AER administers with respect to energy resource activities; Alberta government departments administer these acts and regulations in relation to other kinds of activities. This legislation provides the policy framework for the AER, such as enforcing and overseeing end-of-life requirements (e.g., abandonment, reclamation, and remediation) for energy assets. The GoA provides policy direction to the AER through legislation, regulations, orders, and other formal instruments. The AER, in turn, implements this policy direction by establishing its specific requirements, procedures, and operational systems, such as its current Liability Management Framework introduced in 2020.

The AER is responsible for ensuring that regulatory requirements under its jurisdiction are implemented and that compliance is enforced through the compliance actions it is authorized to use. Changes to directives in recent years introduced consideration of unpaid property taxes into the risk assessment of an oil and gas company, and Ministerial Orders granted the AER limited authority to prevent the acquisition of new well licences or the transfer of a well licence when municipal tax arrears are present. These changes are listed below:

- **Directive 067** – Outlines the eligibility requirements for acquiring, holding, and maintaining energy licences and approvals in Alberta. Updates in 2021 added unpaid municipal property taxes as one of several factors that the AER may consider in assessing an applicant's overall risk. Under Directive 067, the AER reviews several factors related to current and historical financial performance, regulatory compliance history, corporate structure and ownership, and other areas to determine whether they pose an 'unreasonable' risk, including risks of default, insolvency, or leaving liabilities to the Orphan Well Association (OWA). The review of such information is not consistent or prescriptive, as Directive 067 empowers the AER to review any combination of the various factors (including tax payment performance) as they see fit for each applicant.
- **Directive 088** – Introduced a life-cycle approach to assessing and managing energy companies and came into effect in 2021. It establishes the Holistic Licensee Assessment, which evaluates the "unreasonable risk" factors under Directive 067 and uses information from the Licensee Capability Assessment (LCA) system. The LCA system provides information on the overall risk and performance of licensees, focusing on their financial health and liability, reserves, closure activity, and key elements of their compliance history. It also creates the Licensee Management Program to guide how licensees are monitored and managed over time,

and the Inventory Reduction Program, which sets closure quotas and allows for closure nominations. The directive also includes requirements for license transfer applications.

Directive 067 and Directive 088 include the identification of non-payment of municipal property taxes as an “unreasonable risk” factor, and it is integrated into the holistic licensee assessment.

- **Ministerial Orders (MO 043/2023, updated by MO 096/2024)** – Issued by the Minister of Energy and Minerals under *REDA* to the AER, these Ministerial Orders set prohibitions on the acquisition or transfer of well licences when companies involved have property tax arrears. Effective April 2023, applicants, transferors, or transferees with outstanding tax arrears exceeding a threshold set by the Ministries of Energy & Minerals and Municipal Affairs (currently \$20,000) must demonstrate that these amounts have been addressed before their licensing applications can be approved. Under these Ministerial Orders, the AER’s enforcement actions are limited to new well licence application and transfer decisions.

While these changes represent positive policy direction on this issue and have compelled payment of arrears in some cases, they have not fully addressed the significant and persistent issue of unpaid taxes. Despite these efforts, further policy action will be important to address the problem more effectively.

Key Findings

The PTAS Working Group's analysis of existing municipal authority and tax recovery tools, provincial regulatory frameworks, industry behaviour, and tax arrears data revealed several key themes and observations related to the persistence of oil and gas industry property tax arrears and the ineffectiveness of current regulatory tools and practices in addressing the issue. These findings inform the recommendations that follow in section "E" of the report.

Most property taxes assessed to oil and gas properties each year do not become arrears.

Based on data from recent years, the oil and gas sector contributes approximately \$1.66 billion annually in municipal property taxes, plus approximately \$260 million in education property taxes – of this approximately \$50 million goes unpaid. This indicates that most oil and gas companies pay property taxes, and while this issue reflects poorly on industry as a whole, many of the impacts are the responsibility of a sub-set of companies.

It is important to consider that although the total amount unpaid is relatively small on a provincewide basis, the impacts are not evenly distributed, with some municipalities incurring very high amounts in a given year that may be linked to a single operator with a large local asset base. It is equally important to consider that the impacts of a given amount of arrears will not be experienced evenly among all municipalities. For example, a \$1 million shortfall may be inconsequential in some large municipalities with a large and diversified industrial base; it could be catastrophic for smaller municipalities with less fiscal resiliency.

Because most of industry already meets their property tax obligations, the recommendations in this report are unlikely to have a significant industry-wide impact. They will enhance accountability on the sub-set of industry that regularly incurs arrears, and ultimately contribute to a stronger overall reputation for industry.

Most existing arrears are not recoverable, as the companies owing are insolvent. While some existing arrears may be recovered from still-operating companies if the recommendations are implemented in a timely fashion, they will be most impactful in enabling proactive identification and enforcement, so tax arrears do not continue to accrue.

The majority of existing tax arrears are attributable to companies that are now insolvent, with that portion increasing each year. Once a company enters into some form of insolvency, receivership, or bankruptcy proceedings, the likelihood of recovering tax arrears from limited claims diminishes. Prioritizing timely implementation of the recommendations, along with a general regulatory approach that focuses on early detection and intervention when operating companies begin to forgo tax payments will give municipalities a greater likelihood of recovering unpaid taxes, both immediately and in the future.

Due to the nature of insolvency processes, which are governed by federal legislation, recovery of municipal taxes from companies in any

form of insolvency or bankruptcy proceedings is costly to pursue and has a low likelihood of success.

Municipalities have the option to pursue recovery of unpaid taxes from companies in insolvency or bankruptcy proceedings. While recent legal decisions (*Redwater*) and changes to provincial legislation (clarification of municipal special lien in relation to oil and gas assets) have helped to clarify how municipalities fit within prioritization for distribution of assets during insolvency proceedings, the process remains lengthy, not susceptible to provincial control, and unlikely to result in significant disbursement to creditors. Municipalities will often incur significant legal costs participating in bankruptcy or insolvency proceedings, with a low likelihood of recovering arrears because in most cases, insolvent companies have significant outstanding regulatory or environmental obligations that take priority over municipal taxes.

Municipal tax recovery tools are often ineffective owing to the unique nature of oil and gas industry property.

While municipalities have the ability to utilize their legislated powers to recover some or a portion of tax arrears by selling the land and improvements through the tax recovery process for most property types, oil and gas assets are typically not titled land, are not easily transferable due to regulatory, environmental, and safety liabilities, often have little or no market value as standalone assets, and often are attached to significant liabilities and risks that would be borne by the municipality if they were to assume ownership. This removes the single most effective recovery mechanism available for other property types and significantly complicates municipal tax recovery efforts.

Other municipal tax enforcement and recovery mechanisms such as tax repayment agreements, special priority liens, distress warrants, and civil litigation are limited in scope and effectiveness as well. These tools have a slight chance of being effective when the debtor still has viable assets, cash flow, and active operations. Even in such cases, these tools are extremely limited, as many lack actual enforceability in practice (companies simply refuse to adhere to or unilaterally amend the terms to tax repayment agreements) serve more as “warnings” to companies rather than actual penalties or consequences (special liens), or require municipalities to absorb significant legal costs, unpredictable timelines, and no assurance of actual recovery (civil litigation).

Early intervention is critical because tax arrears are often an early warning sign of financial distress.

Arrears often arise months or years before a company becomes insolvent – and, once this happens, and a company’s financial position has deteriorated to the point of bankruptcy, municipalities become involuntary creditors with very limited recourse for recovery. Ensuring timely and effective enforcement action takes place immediately after arrears are identified, and before a company is no longer operational, is essential to improving recovery outcomes and mitigating risk.

Some companies continue to operate and generate revenues for multiple years, even with widespread tax arrears.

Although non-payment of taxes is commonly assumed to be linked to companies at risk of imminent insolvency, many remain operational for years. For example, MA’s 2025 tax arrears data shows that at least 40% of the companies in property tax arrears, representing \$40 million of the \$157 million in arrears reported to the AER in mid-2025, are operational yet fail to pay property taxes in full and on time. Analysis has not yet occurred to

determine what, if any, correlation exists between non-payment of taxes, insolvency, other regulatory compliance issues, and overall company fiscal performance and production. It does not appear that enforcement of taxes alone results in a company becoming insolvent.

The AER's existing regulatory authority is not intended to address property tax arrears and therefore the effectiveness of existing regulatory tools to enforce payment is limited.

MO 096/2024 (replacing MO 043/2023) is limited to requiring AER to restrict approval of new or transferred well licence applications when a company has tax arrears above a \$20,000 threshold. The directive has no effect on companies in arrears seeking to acquire or transfer pipeline and facility licences. At present, there are no mechanisms authorizing the AER to require payment of tax arrears as a condition of maintaining a licence.

Municipalities do not find the AER to be transparent or consistent in its current use of unpaid tax information to inform enforcement action and risk assessments, both at a broad scale and in relation to specific companies.

During the PTAS Working Group process, the AER indicated that while they lack the authority to undertake enforcement solely on the basis of unpaid taxes, they have the ability to use tax payment performance to contribute to enforcement decisions and risk assessment practices. However, through the working group process, the AER was unable to provide clarity as to how often they utilized unpaid tax data for these purposes, how it was weighted in relation to other factors, and also indicated that unpaid tax data was considered on a case-by-case basis as to if and how it was integrated into enforcement- and risk-related decision-making. This lack of transparency and consistency in how the AER currently uses unpaid tax data weakens the deterrent effect of regulatory tools because companies cannot clearly anticipate how non-payment will influence regulatory decisions. It also undermines municipal confidence in the regulator, as municipalities have limited visibility into whether and how unpaid taxes factor into enforcement actions.

The portion of tax arrears attributable to insolvent or non-operational companies is increasing.

A review of tax arrears data collected by the RMA and GoA indicates that an increasing portion of cumulative property tax arrears are attributed to companies that are insolvent and no longer operational. This suggests that as widespread non-payment persists for multiple years without adequate intervention, companies that initially began to incur arrears several years ago and continued to operate are now entering into insolvency on a larger scale. This reinforces the need for proactive enforcement measures that compel payment of arrears before companies become insolvent.

Delinquent oil and gas companies are continuing to accrue a significant amount of new tax arrears.

Data collected from the 2024 property tax year by both RMA and the GoA indicates that operating companies also continue to accrue tax arrears at a significant level. This reality underscores both the urgency of proactive

enforcement action on a go-forward basis, as well as possibility that a meaningful portion of existing unpaid taxes could be recovered if stronger and more proactive enforcement measures are implemented as soon as possible.

Differences in how municipalities, the GoA, and the AER collect, use, and report property tax arrears data could be addressed to better support enforcement of unpaid municipal property taxes.

Despite differences in data collection purpose and methodological approach, RMA and the GoA were able to collaborate to confirm that each organization's existing data demonstrated a similar amount of total arrears and comparable trends in terms of arrears owed by operational and non-operational companies, portion of written off taxes, and the number of individual companies with taxes in arrears. While values were not identical, the similarities were striking, especially given methodological differences.

While confirmation of similarity in data and the scope of the issue was crucial to advancing the work of the PTAS, the process highlighted that the existing method and scope of data collection could be improved to support enhanced regulatory action. As municipalities, the GoA, and the AER collectively shift from using data to understand the scope and extent of the issue towards driving compliance monitoring and enforcement, the way in which data is collected, shared, verified, and reported on by all three entities will require change as well.

A more proactive approach to enforcing unpaid taxes will only be effective if the data used to drive regulatory monitoring and compliance action is accurate, consistent, verifiable, and relevant for monitoring and enforcement purposes. To ensure data collected meets these newly-relevant purposes, strong partnerships and communication between municipalities, the GoA, and the AER is needed to define what data is required, how it is gathered by municipalities, how often it is submitted to government or the regulator, how it is verified, and how it is used to inform regulatory decision-making.

Municipal impacts are significant, widespread, ongoing, and unevenly distributed.

Unpaid property taxes create:

- Revenue shortfalls affecting municipalities' ability to fund essential services,
- Delayed infrastructure maintenance and renewal,
- Increased tax burdens on compliant property owners, and
- Strained intermunicipal collaboration and relationships between industry and the communities it operates in.

A small number of municipalities bear disproportionately large impacts, often tied to non-payment of taxes from one or more companies with an especially large presence in the municipality. Additionally, municipalities with comparable amounts of tax arrears may be impacted very differently from each other depending on their broader tax base, fiscal capacity, level of economic diversification, and other factors.

Opportunities exist to improve communication between municipalities, the GoA, and the AER in relation to unpaid tax enforcement and monitoring.

While municipalities currently submit unpaid tax data to the GoA, which subsequently distributes the data to the AER, the narrow purpose of data collection creates limitations and missed opportunities in how it is used by all

three entities to support collaboration in monitoring and acting on unpaid taxes. Municipal submission of unpaid tax data is currently voluntary and focused on specific information relevant to enforcement of MO 096/2024. This leads to inconsistent collection, an incomplete data set, and limits the ability of government and the regulator to adequately monitor broader unpaid tax trends. It has also contributed to a lack of verification or auditing of the data submitted by municipalities or its interpretation and use by the AER. Implementing mandatory municipal reporting would increase the likelihood of consistent data collection and support the development of a more comprehensive data set.

A more coordinated, data-driven approach across municipalities, the GoA, and the AER is essential, but improved data alone will not resolve the systemic issues identified. The findings show that arrears continue to grow largely because existing regulatory tools are not designed to address property tax non-payment, the AER lacks clear authority to act on arrears, and enforcement often occurs too late – after companies have become insolvent and recovery is unlikely or no longer possible.

Strengthening each entity's role in collecting, sharing, analyzing, and using property tax information must therefore be paired with clearer regulatory authority, earlier intervention, and more consistent enforcement expectations. Together, these changes would enable more timely action against delinquent companies, reduce the accumulation of unrecoverable arrears, support more transparent and consistent regulatory decision-making, and mitigate the significant and impacts currently borne by municipalities. The following recommendations outline the actions intended to achieve these outcomes.

Recommendations

Based on its analysis of the underlying issues and key findings noted above, the PTAS Working Group has developed 17 recommendations that, if implemented and adhered to, are intended to eliminate or significantly reduce continued accumulation of oil and gas property tax arrears and strengthen long-term accountability across the sector. These recommendations reflect the Working Group's assessment of current legislative and regulatory gaps, the need for a transparent, predictable framework that ensures all operators meet their statutory obligations, and the importance of mitigating the financial and operational impacts that unpaid oil and gas taxes impose on municipalities. While several recommendations are administrative or process-oriented and could be implemented in the short-term, others may require legislative or policy changes, including amendments to relevant provincial statutes, regulations, or AER directives with implementation approaches to be determined by the GoA and AER where applicable. The timing of potential implementation for such measures is therefore expected to be in the medium to long-term (i.e., mid-2026 and later).

Theme 1: Integrating Property Tax Arrears into the Alberta Energy Regulator's Mandate

1) Make property tax payment a condition of holding or maintaining an AER licence.

Under the current regulatory framework, property tax payment is not treated as a core condition of holding or maintaining an AER licence. While the AER can take certain actions in response to non-payment under specific circumstances, municipal tax obligations are not formally embedded within the licensing regime itself. As a result, licensees may continue to operate or hold assets while carrying persistent or material tax arrears, limiting the effectiveness of municipal enforcement tools and contributing to the accumulation of unpaid taxes.

This recommendation would establish municipal property tax payment as an explicit condition of holding and maintaining an AER licence. Licensees would be required to remain current on property taxes or be in good standing on a property tax repayment agreement as a prerequisite for continued licensing and operation. If a company does not pay their property taxes on time or in full or does not remain in good standing under a property tax agreement negotiated with a municipality, it would ultimately lose its ability to hold or maintain an AER license anywhere in the province.

Embedding tax payment directly into the licensing framework would create a clear, enforceable regulatory obligation. Failure to meet this obligation could result in licence conditions, restrictions, or, where necessary, suspension or revocation. By making tax compliance a fundamental requirement of responsible resource development, this approach seeks to strengthen both prevention and recovery of tax arrears

Rationale: Making property tax payment a condition of holding an AER licence supports the treatment of municipal tax obligations as a core regulatory requirement. Embedding tax payment into the licensing framework creates a powerful incentive for timely compliance. Licensees would be required to remain current on taxes – or adhere to a repayment agreement – to retain the privilege of holding and operating energy licences in Alberta. This approach supports early intervention by preventing arrears from accumulating and ensures that non-payment cannot persist without regulatory consequence.

2) Empower the AER to initiate compliance action based solely on a licensee’s tax arrears, enabling earlier intervention.

Under the current framework, the AER’s ability to initiate compliance action for municipal tax non-payment is constrained. Ministerial Order 096/2024 applies only once specified financial thresholds are met and is limited to certain licence and asset transfers. Directive 067 generally requires multiple indicators of non-compliance or elevated risk before enforcement measures are triggered.

As a result, tax arrears alone are not currently sufficient to warrant compliance action, even where arrears are persistent or material. This limits the AER’s ability to intervene early and effectively when a licensee demonstrates a pattern of non-payment.

The AER should be granted explicit authority – through an expansion or reinterpretation of its mandate, a stand-alone directive, or regulation – to initiate compliance action based solely on non-payment of property taxes. This authority should apply to both direct tax arrears and a company’s failure to comply with the terms of a municipal tax repayment agreement.

Enforcement tools should include regulatory measures analogous to other compliance requirements, such as licence conditions, restrictions, suspensions, or other administrative actions.

To mitigate the risk of overly emphasizing a single risk parameter, any compliance response should be proportionate to the circumstances of the operator and applied when arrears are material, persistent, or otherwise indicative of non-compliance. Safeguards would be required to ensure that compliant operators are not penalized, including provisions for sufficient notice and opportunities to remedy arrears. Accurate and timely data on municipal tax payment status will also be essential to support fair, proportionate, and evidence-based regulatory action, ensuring that compliance measures are not taken without adequate verification.

Rationale: Unlike municipalities, the AER has an existing suite of compliance tools, such as licence restrictions, conditions, or mandatory actions that are utilized for other instances of industry non-compliance without reliance on court proceedings or prolonged negotiations.

Granting the AER authority to take enforcement action based on unpaid municipal property taxes would increase the likelihood of compliance, support earlier intervention, and reduce the accumulation of arrears.

This approach strengthens both prevention and recovery by ensuring that property tax obligations are treated as a core regulatory responsibility tied to the privilege of holding and operating energy licences in Alberta.

3) Establish a definition of “good standing in property tax payments” to inform AER compliance and enforcement action, with a licensee considered in good standing if it has no outstanding property tax arrears or if any arrears are fully covered by – and compliant with – a municipal tax repayment agreement.

Government should develop and implement a definition of “good standing in property tax payments” to ensure that property tax payment status is assessed and applied consistently for the purposes of AER compliance and enforcement. Under this definition, a licensee would be considered in good standing if it has no outstanding property tax arrears or if any arrears are fully covered by – and compliant with – a municipal tax repayment agreement.

Under current provincial legislation, taxes for linear property and machinery and equipment become tax arrears 120 days after a tax notice is issued. This 120-day period should be adopted for the purposes of determining good standing, as it aligns with existing legislative timelines and provides operators with sufficient time to address outstanding taxes before they are formally reported as arrears and potentially subject to regulatory action. In the 120-day period following the issuance of a tax notice, coordinated communication between the AER, municipalities, and the operator should occur to ensure that outstanding amounts are clearly identified and that operators have an opportunity to resolve issues. This coordination could include formal notification protocols, standardized information-sharing processes, and clear expectations regarding repayment.

Accurate and timely data on municipal tax payment will be essential to support informed regulatory actions. The intent is to ensure that regulatory actions are grounded in verified information and applied only after operators have had reasonable notice and an opportunity to address outstanding obligations.

Rationale: A common definition of “good standing in property tax payments” will ensure consistent use of tax payment status across AER departments and regulatory functions and will support consistent and clear data collection processes.

The inclusion of tax repayment agreement adherence as a condition of good standing is warranted as some companies currently use tax repayment agreements as a strategy to delay property tax payments while avoiding consequences under MO 096/2024. There have been instances in which companies have delayed enforcement action by entering into tax repayment agreements without subsequently fulfilling the accompanying obligations.

At the same time, there are instances where tax repayment agreements have been complied with and have enabled municipalities to recover some or all of the taxes owed.

Specifying that compliance with repayment agreements is a condition of “good standing” will prevent misuse or manipulation of repayment agreements by allowing the AER to take enforcement action when they are breached.

4) Require the AER to prohibit licence transfers and the acquisition of new licences when a company is not in “good standing in property tax payments,” as per PTAS recommendation 3.

Ministerial Order 096/2024 currently restricts well licence acquisition or transfers when a licensee has more than \$20,000 in tax arrears. This threshold allows licensees with lower but persistent arrears to continue transferring licences or acquiring new ones and does not fully address situations where individuals accumulate unpaid taxes across multiple companies.

This recommendation would amend the existing MO to replace the \$20,000 threshold with a requirement that companies must be in “good standing in property tax payments” to acquire new licenses or transfer licenses.

By eliminating the threshold and utilizing this definition, outlined in recommendation 3, this approach would prevent companies or owners with property tax arrears from expanding or restructuring until arrears are resolved, strengthening both prevention and recovery of unpaid taxes. Adopting the 120-day period before taxes are formally considered arrears ensures that inadvertent non-payment due to administrative error, or data inconsistencies can be addressed before regulatory action is taken. This provides operators with reasonable time to address outstanding amounts and allows municipalities, the AER, and licensees to coordinate communication and verification before any transfer restrictions apply, avoiding unnecessary administrative burdens while still ensuring that material arrears are addressed.

Rationale: Implementing a prohibition on licence transfers when a licensee does not meet the proposed definition of “good standing in property tax payments” would prevent companies from transferring assets while leaving associated tax arrears unresolved without the knowledge or consent of municipalities or the AER. Proper implementation of this recommendation would ensure that licences cannot be transferred until outstanding taxes are paid, or a repayment arrangement is in place, reinforcing accountability by keeping financial obligations with the originating licensee.

Equally important, applying the same prohibition to the acquisition of new licences would prevent companies or owners with existing arrears from expanding their operations while municipal taxes remain outstanding. This would prevent scenarios in which companies with a history of non-payment acquire additional assets and continue to accumulate arrears. Ensuring that only licensees in good standing can acquire new assets strengthens the AER’s ability to prevent the continuation of arrears through distressed or non-compliant operators.

5) Authorize the AER to use a licensee’s history of property tax arrears as a basis for enhanced financial or compliance reporting requirements.

The AER should be granted legislative, regulatory, or policy authority to use existing or historical municipal tax arrears as a basis for enhanced financial or compliance reporting.

While the AER currently has the ability under Directive 067 to request financial information from licensees, that authority is not currently tied to a company’s record of municipal property tax arrears. The intent of this recommendation is to ensure that the AER has the ability to use non-payment of taxes to inform enhanced company-specific compliance monitoring.

This approach aligns with the AER’s current risk-based model, which already incorporates financial, operational, and compliance-related indicators. Adding municipal tax arrears as an explicit factor would strengthen the regulator’s ability to identify companies that may be experiencing financial stress or approaching noncompliance, without fundamentally altering the existing regulatory structure.

Rationale: Tax arrears can signal deteriorating financial health or a higher risk of regulatory noncompliance in other areas. While each situation differs, requiring enhanced financial and compliance reporting enables the AER to assess the company’s position more accurately and enhance monitoring of a recurrence of arrears or other regulatory non-compliance. Combined with improved public reporting, this information also allows municipalities to anticipate and mitigate potential financial impacts arising from continued tax arrears, company insolvency, or increased costs related to regulatory compliance, environmental harm, or deteriorating property values.

Theme 2: Property Tax Payment as a Key Measure of Industry and Regulatory Performance

6) Revise how property tax arrears information is used when determining a company's Licensee Capability Assessment (LCA) by doing the following:

- a. Determine and implement a consistent and impactful weighting for tax arrears within the broader LCA formula.
- b. Provide public-facing information on how tax arrears inform the LCA determination process.
- c. Provide municipalities with detailed information on how tax arrears are factored and weighted within LCA formula on a regular basis, including when the weighting changes.
- d. Periodically evaluate the weighting to ensure it is effective in compelling payment of property taxes.

The AER uses the LCA to evaluate a company's ability to meet its regulatory and liability obligations. Tax arrears are not currently incorporated into the LCA through a defined or weighted metric, and non-payment does not automatically trigger regulatory consequences.

This recommendation would require the AER to formally integrate tax arrears into the LCA by establishing a consistent and meaningful weighting for non-payment. Weighting should be publicly disclosed and periodically reviewed to ensure it remains effective and properly balanced with other LCA factors.

Incorporating tax arrears directly into the LCA would ensure that the presence of tax arrears triggers enhanced monitoring, compliance measures, and/or security requirements, strengthening the link between municipal obligations and regulatory risk.

Rationale: A company with unresolved tax arrears demonstrates elevated financial risk and a higher likelihood of broader regulatory non-compliance. Because unpaid taxes have direct impacts on municipalities and the public interest, this factor should be incorporated into the LCA through consistent and transparent weighting. Applying this weighting uniformly across all companies would ensure that tax non-payment is treated as a material indicator of regulatory and financial risk and that it appropriately influences licensing decisions.

7) Treat property tax arrears as a formal compliance metric for industry-wide performance.

The intent of this recommendation is to formally recognize municipal property tax arrears as a standardized, sector-wide compliance metric that reflects overall industry performance. Unlike the LCA, which evaluates individual companies for licensing purposes, this metric would operate at a system-wide level and provide a consistent way to track trends in tax payment behaviour across the sector.

Through municipally provided tax payment status information, the AER would be tasked with identifying and reporting on industrywide patterns and risk signals. This would create a transparent measure that highlights how the sector is meeting its obligations to municipalities. Establishing tax arrears as a formal performance indicator signals that municipal obligations are a core component of responsible operating and aligns with both the government and regulator's emphasis on accountability and risk-based oversight, while providing a transparent way to monitor trends, identify emerging risks, and assess the overall health of the sector.

Rationale: A formal, sector-wide compliance metric for municipal property tax payment would provide early insight into emerging financial stress within the industry and help identify trends before they escalate into significant arrears. It would also signal to companies that comply with tax and other regulatory requirements, as well as industry associations, that enhanced accountability may be required within industry to identify and correct non-compliant behaviour from some companies. Because unpaid taxes often signal broader financial challenges, tracking this information at an aggregate level strengthens the AER's ability to monitor systemic risk and understand the overall fiscal health of the sector.

By elevating tax arrears to a recognized performance indicator, the recommendation reinforces the expectation that meeting municipal obligations is a basic component of responsible operatorship. This approach supports prevention by highlighting sector-level patterns and supports transparency by providing a clear, consistent view of industry behaviour over time.

It is important to note that this recommendation is not suggesting that payment of property taxes be the only industry-wide performance metric. Metrics beyond unpaid taxes may already be in place or could be added at the discretion of the AER or GoA.

8) Include municipal tax payment indicators in AER performance dashboards and risk tools.

This recommendation would require the AER to integrate municipal property tax payment indicators into its existing performance dashboards and internal risk-assessment tools. Using the aggregate, sector-wide compliance metric established under Recommendation 7, the AER would incorporate tax-payment trends into its regular monitoring of industry conditions, alongside other indicators such as liability management, production trends, and compliance history.

Embedding municipal tax payment indicators into AER dashboards would allow the AER to visualize emerging patterns, identify areas of concern, and incorporate fiscal responsibility into its broader understanding of sector health. Integrating this information into internal risk tools would support more informed planning, resource allocation, and early-warning analysis.

Rationale: Integrating municipal tax payment indicators into AER dashboards and risk tools would strengthen the regulator's ability to monitor sector-wide financial health and identify emerging risks earlier. Municipal tax arrears often signal broader financial stress and incorporating this information alongside other indicators such as liability trends, production patterns, and compliance history, would provide a more complete picture of industry conditions.

By integrating these indicators into established monitoring systems, the AER can better anticipate pressures that may affect regulatory performance, municipal revenues, or long-term liability management.

9) Require the AER to improve transparency and accountability by publishing how its risk-weighting methodology informs regulatory decisions and disclosing how property tax arrears influence risk assessments.

The AER should be required to publish how its risk-weighting methodology informs decisions related to licence transfers, LCA, and other asset- or licence-related approvals. This should include explicit disclosure of how tax arrears are factored into risk assessments, and how this factor interacts with other risk indicators.

Publishing how the methodology informs decision-making would provide a transparent explanation of how municipal tax information and other factors influences regulatory decisions, ensuring that municipalities, industry, and the public better understand how this factor is considered within the broader risk-based framework.

Rationale: As a statutorily-created regulatory body, the AER is accountable to the public for its decisions – clear disclosure of its risk-weighting methodology supports that accountability.

Greater transparency also provides industry participants with a clear understanding of expectations regarding licence transfers, acquisitions, and other approvals. This helps ensure consistent compliance and informed decision-making.

For municipalities, disclosure of how tax arrears are weighted within the AER’s risk framework reinforces the importance of municipal obligations and provides insight into how local fiscal risks are reflected in provincial regulatory processes. More broadly, publishing how the methodology informs decisions enhances public confidence in the regulatory system by demonstrating that decisions are grounded in a clear, consistent, and transparent approach to risk.

Theme 3: Enhancing Municipal Capacity to Enforce Oil and Gas Tax Accountability

10) Municipalities utilize enhanced access to relevant regulatory and financial-risk information for companies with assessed assets in their jurisdiction to support earlier identification of potential non-payment risks and enable timely enforcement or mitigation actions. This should include developing, through RMA, a municipal working group to continually review, evaluate, and share best practices related to company risk-monitoring and the use of local compliance and enforcement tools.

Municipalities should receive enhanced access to regulatory and financial-risk information for companies with assessed assets in their jurisdiction. Earlier access to this information enables municipalities to identify potential non-payment risks before arrears accumulate. By detecting early signs of financial distress, regulatory non-compliance, or emerging payment issues, municipalities can intervene sooner and take enforcement or mitigation actions earlier than they currently can.

Earlier intervention not only helps prevent non-payment but also supports more timely tax-recovery efforts when arrears do arise. This reduces the continued accumulation of unpaid taxes on distressed or non-compliant assets and may limit losses in the event of insolvency. Strengthening both prevention and early intervention improves municipalities’ ability to manage property tax risks and reduces the likelihood of significant arrears accumulating on inactive or at-risk oil and gas assets.

It is crucial that if municipalities receive enhanced access to company-specific data, that this is used locally to enhance decision-making related to the use of tools such as payment agreements. While this recommendation would not mandate specific use of data by municipalities, it does create an expectation that municipalities, with support of RMA, develop and utilize best practices for using the information to enhance the local role in monitoring and addressing non-payment.

Rationale: Earlier access to regulatory and financial-risk information enables municipalities to identify potential non-payment risks before arrears accumulate. By detecting early signs of financial distress, regulatory non-compliance, or emerging payment issues, municipalities can intervene sooner and take steps that help prevent non-payment.

Improved access to this information also supports earlier tax-recovery efforts when arrears do arise, helping to limit the continued accumulation of unpaid taxes on distressed or non-compliant assets and potentially reducing losses in the event of insolvency. Strengthening both prevention and early intervention reduces the likelihood of significant unpaid taxes accumulating on inactive or at-risk oil and gas assets and enhances municipalities' overall ability to manage property tax risk.

Theme 4: Mitigating Municipal Impacts of Property Tax Arrears

11) Implement mechanisms to remove insolvent companies' assets from the assessment roll more expediently.

Various factors impact the timing of when the property associated with a well site is no longer considered in use and therefore neither assessable nor taxable, with unpaid taxes typically relating to three property classes:

- Linear property (the well itself and any associated pipeline);
- Machinery and Equipment (typically above-ground assets that remain relatively mobile); and
- Other non-residential property (typically buildings and structures).

Even if a company is insolvent, its assets are no longer operating, and there is no chance of tax obligations being fulfilled, its property continues to be assessed and taxed for a significant period of time. Linear property is no longer assessed when there is no associated production for 12 months and the operator is insolvent.

This change would expand the policy by discontinuing assessment for machinery and equipment and related buildings and structures where the operator is insolvent and the associated assets have no production for 12 months. If production resumes, the asset would be returned to the assessment roll.

Rationale: Prevents the ongoing assessment and taxation of assets belonging to insolvent and defunct companies with little to no chance of being able to pay.

Addresses concerns routinely raised by rural administrative officials, as they would no longer be obligated to either send a tax notice or cancel taxes for property where there is no ability to pay, reducing administrative burdens and associated costs.

12) Renew and streamline the Provincial Education Requisition Credit (PERC) program, ensuring it is adequately funded to meet municipal needs until unpaid oil and gas taxes no longer present a material impact on rural municipalities.

The PERC program provides municipalities with an education property tax credit equal to the uncollectable education property taxes on delinquent oil and gas properties for the 2015 through 2025 tax years.

Government should commit to long-term PERC funding (minimum of three years) or until such time as the issue of unpaid property taxes is resolved and municipalities no longer require support. The Government would also work with municipalities to identify opportunities to streamline and simplify access to the program (perhaps in combination with mandatory reporting requirements recommended under theme 5).

This recommendation would also apply to the Designated Industrial Requisition Credit program, which is delivered with PERC via a single application.

Rationale: Consistent access to PERC funding will reduce municipal fiscal impacts associated with unpaid education property taxes in the short-term, especially if other recommendations are not adopted by government or prove ineffective in eliminating the issue.

PERC funding should not be viewed as a substitute for unpaid municipal tax arrears. It covers only a fraction of outstanding taxes and ultimately represents a public payment to municipalities in place of industry meeting its obligations. PERC should not be expanded beyond its current role of offsetting education requisition costs for municipalities.

13) Explore creating a financial support program to assist municipalities disproportionately affected by unpaid oil and gas property taxes.

The intent of a financial support program would be to support municipalities that experience major, unexpected impacts to their property tax base due to non-payment of taxes by one or more oil and gas companies.

Such financial support would not necessarily fully compensate municipalities for tax arrears, nor would it diminish a company's obligation to pay taxes or a municipality's responsibility to pursue all reasonable tax recovery efforts. Instead, the program would provide temporary, targeted relief to stabilize municipal finances when revenue losses are both material and unavoidable.

The intended outcome is to protect municipal fiscal stability from losses that arise through no fault of the municipality, while maintaining incentives for diligent tax collection and enforcement.

Rationale: The impacts of property tax non-payment on an individual municipality can abruptly switch from relatively minor to extreme in the event that one or more companies with a large presence in the municipality forgo tax payments. While implementation of other recommendations in this report should render such situations rare, in recent years some municipalities have unexpectedly lost access to a large portion of their budgeted tax revenue due to non-payment by one or a small number of companies.

Though the province supports municipalities in meeting their obligations related to remitting funds to the education property tax through the PERC program, municipalities bear a disproportionate financial burden and have little to no capacity to influence industry viability or insolvency outcomes.

A financial support program would help stabilize municipal finances in situations where revenue losses linked to non-payment of taxes pose a disproportionate or extreme impact on municipal operations and viability. By providing targeted relief in these exceptional circumstances, the program would reduce fiscal volatility, protect essential services, and ensure that municipalities are not disproportionately burdened by tax arrears.

Theme 5: Strengthening Collaboration and Communication Between Municipalities, the Government of Alberta, and the Alberta Energy Regulator on Property Tax Payment

14) Enhance municipalities' collection and reporting of property tax arrears through the following actions:

- a. Undertake consistent and fulsome reporting of tax arrears in accordance with new mandatory provincial reporting requirements.
- b. Develop a uniform mechanism for tracking and reporting on repayment agreements.

The recommendation requires full collective action on the part of rural municipalities to participate in reporting to government and AER, including greater consistency in repayment-agreement reporting.

These undertakings are directly related to new or expanded mandatory municipal requirements recommended elsewhere in the report. There is also a focus on strengthening voluntary collaboration among municipalities to improve consistency, transparency, and shared understanding of arrears and repayment-agreement practices across municipal boundaries.

Rationale: Municipal powers to directly prevent tax arrears and take enforcement action when arrears are incurred are limited. However, there are opportunities for increased consistency in local data collection and reporting methods that may support enhanced regulatory monitoring and enforcement at the AER level.

Municipalities may also be more likely to utilize existing enforcement tools where it is known that a company is non-compliant in multiple municipalities.

15) Enhance Government's collection and reporting of provincewide oil and gas property tax arrears data through the following:

- a. Establish mandatory municipal tax arrears reporting periods, including related to repayment agreements.
- b. Broaden current data collection to include unpaid municipal and education property taxes, penalties, and interest.
- c. Update processes for verification and sharing of municipal data.
- d. Publish periodic public reports summarizing the status of unpaid municipal oil and gas property taxes across Alberta, including any relevant trends or analysis.

Mandatory municipal reporting of arrears can be implemented in multiple ways, including in relation to timing, data requirements, and penalties for non-reporting.

Regular and detailed reporting of tax arrears data and information is provided to the AER to inform compliance, monitoring activities, and other regulatory concerns. This information and data should also be reported to the public and municipal stakeholders, especially on broader trends that relate to the issue of municipal property tax arrears. This will provide transparency, allowing for effective evaluation of the regulatory scheme.

Rationale: Consistent collection, analysis, and verification of tax arrears data is crucial to properly understanding the broad trends in the unpaid tax issues, evaluating the effectiveness of current related tools and powers, and

ensuring the regulator has access to up-to-date, accurate, and relevant data to properly exercise their monitoring and enforcement capacity.

16) Enhance the AER’s collection and reporting of company-specific property tax arrears through the following:

- a. **Develop and implement a system to directly notify a municipality when a company operating within the municipality is in non-compliance with a regulatory requirement.**
- b. **In conjunction with municipalities, develop a municipal collaboration system to ensure that all municipalities have timely and direct access to the AER for questions, concerns, or sharing of information**
- c. **Regularly gather tax agreement information from municipalities, including a mechanism to allow for immediate municipal reporting of non-payment.**
- d. **Publish periodic public reports summarizing how unpaid taxes informed compliance and enforcement action, as well as trends, analysis and linkages between non-payment of taxes and other regulatory non-compliance issues.**
- e. **Establish a mandatory enforcement reporting system that publishes detailed investigation summaries, enforcement outcomes, timelines from non-compliance to resolution, and data on repeat non-compliance and operator behaviour change.**

It remains unclear if, how, or to what extent the AER incorporates municipal tax arrears data into its compliance monitoring and enforcement activities beyond using it as a determinant in licensing decisions under MO 096/2024. While other recommendations encourage more consistent and meaningful use of this data by the AER, this recommendation focuses on strengthening information-sharing between municipalities and the regulator to ensure that data flowing in both directions is accurate, timely, and relevant.

This recommendation is intended to enhance AER transparency in relation to the role of unpaid taxes in its regulatory undertakings, as well as to develop direct communication processes with municipalities as a distinct level of government with clear taxation authority over the properties regulated by the AER.

Rationale: Many of the recommendations in this report are related to providing the AER with the tools and mandate to embed payment of taxes into their existing regulatory processes. Effective regulatory actions require relevant, timely, and consistent data, that is reflective of a clear mandate encouraging full and meaningful integration of the data into existing processes. This recommendation requires the effective embedment of the payment of municipal property taxes into regulatory processes; this necessitates specific processes.

17) Establish a formal quarterly working group with participation from the AER, RMA, and rural municipal representatives to monitor trends and issues related to property tax payment, coordinate cross-jurisdictional concerns, and ensure municipalities receive timely notification of relevant AER compliance and enforcement actions.

Rural municipalities and the AER each hold important information about licensee behaviour, compliance status, emerging financial risks, and other non-public indicators such as pending licence transfers, compliance history, and internal financial-risk assessments that are not currently available through public AER dashboards. This information has not historically been shared – with the public or government officials – in a structured or timely

way, limiting the ability to identify trends early, coordinate responses, and anticipate potential impacts on municipal property tax collection.

Establishing a formal quarterly working group between municipalities (through RMA) and the AER would create a consistent mechanism for information exchange, joint monitoring, and discussion of questions, concerns, and emerging issues. This structure would strengthen the legislatively grounded relationship between municipalities and the regulator and support the implementation of PTAS recommendations as well as longer-term collaboration related to unpaid taxes and other common issues.

Rationale: For the AER to meaningfully integrate municipal property tax payment into its regulatory processes, it requires timely, accurate, and consistent data from municipalities, along with a clear mandate to use that information in compliance monitoring, risk assessment, and enforcement. This recommendation establishes the processes needed to embed property tax payment into regulatory decision-making, including mechanisms for regular information exchange, joint monitoring, and improved transparency. By strengthening the flow of relevant data between municipalities and the AER, the recommendation supports more proactive oversight of licensee behaviour, enhances the effectiveness of related PTAS reforms, and forms the basis for strengthened overall collaboration between municipalities and the AER, both in relation to unpaid taxes and other issues and emerging trends.

Moving Forward

Implementation Strategy

The PTAS Working Group's recommendations provide a practical set of legislative, regulatory, administrative, and system-level improvements to reduce non-payment of property taxes by some oil and gas companies. Implementing these changes will require coordinated action by all stakeholders, including the GoA, AER, municipalities, RMA, and industry. Successful implementation depends on clarity around roles, timelines, responsibilities, and communication protocols, ensuring that each party understands its contribution to the broader accountability framework. This includes establishing clear expectations for how information will be shared, how decisions will be coordinated, and how emerging issues will be addressed as the strategy evolves.

Implementation will require a phased and structured approach. Some recommendations may require legislative or regulatory amendments, while others involve changes to policy, administrative processes, AER policy frameworks, data collection and reporting, inter-agency coordination, and municipal practices. Implementation will require careful consideration of the phased and sequential actions necessary to effect change, practical timelines for bringing these changes about, and ongoing communication and engagement between stakeholders. Many recommendations are interconnected and cannot function effectively in isolation. For example, improvements to data reporting will only achieve their intended impact if the regulator is equipped with the authority and processes required to act on that information. Similarly, enhanced municipal recovery tools will be most effective when supported by clearer provincial policy direction and consistent regulatory enforcement. A coordinated approach, supported by clear communication and defined responsibilities, will help ensure that progress is deliberate, transparent, and aligned across stakeholders.

Monitoring Framework

Ongoing transparency relating to the implementation of recommendations and their effectiveness in meeting PTAS objectives is crucial. A structured monitoring and reporting framework will be essential to track both implementation and outcomes alignment. Monitoring should provide clear, shared insight into what is working, what requires adjustment, and where further action may be necessary. A carefully considered and evidence-based framework will establish whether recommendations are being implemented as intended, whether they are achieving measurable improvements in tax recovery and compliance, and whether adjustments or refinements are necessary, including where new issues or unintended consequences emerge.

Defining Success

The ultimate success of the PTAS Working Group's recommendations should be based on demonstration of the following observable outcomes (note that government and municipal stakeholders should work together to develop specific thresholds and benchmarks for some or all the outcomes below as part of the monitoring framework development process):

A. Improved Tax Payment Behaviour

- More companies paying property taxes in full and on time.
- A sustained reduction in new arrears among active operators.

B. Increased Recovery of Still-Outstanding Arrears

- Increased recovery of unpaid taxes from active, inactive, insolvent, and defunct operators where viable pathways exist.
- Earlier and more effective use of municipal and provincial recovery tools to recovery of currently existing arrears from operational companies, supported by clearer information and regulatory alignment.

C. Integration of Tax Compliance into Regulatory Oversight

- Tax compliance treated as a core element of responsible energy development, rather than a separate municipal concern.
- Regulatory processes including licensing, transfers, and compliance reviews, are consistently informed by accurate and timely municipal tax information.
- A more integrated oversight model where tax compliance and regulatory compliance are interconnected processes

D. Meaningful and Timely Regulatory Action

- The AER consistently incorporating municipal tax information into licensing, compliance, and enforcement decisions.
- Clear, transparent communication from the regulator regarding how unpaid taxes factor into regulatory outcomes.
- Earlier regulatory intervention when non-payment is identified.

E. Reduced Fiscal and Administrative Pressure on Municipalities

- Fewer municipalities experiencing revenue losses due to unpaid taxes.
- Reduced administrative burden associated with monitoring arrears, managing recovery processes, and navigating complex regulatory or legal pathways.
- Stronger municipal-provincial-regulator alignment on managing at-risk companies and monitoring broader trends in industry performance and risk.

F. Enhanced System Transparency and Communication

- Routine, standardized provincial and municipal reporting on arrears.
- Improved data quality, access, and reliability across all parties.
- Clearer communication channels between municipalities, the AER, and GoA.

G. Clearer and More Predictable Rules for Industry

- More consistent and transparent expectations for tax compliance across the province.
- Fewer disputes or misunderstandings between municipalities and operators regarding obligations and enforcement processes.

H. Strengthened Public Confidence in the System

- Rural ratepayers observing clear evidence that municipal tax obligations are enforced fairly and consistently.
- Industry operators seeing that compliance expectations are applied transparently and that persistent non-payment results in consistent regulatory response.
- Municipalities regaining trust that the regulatory and fiscal framework supports long-term sustainability.

With these outcomes as the measure of success, the PTAS Working Group's recommendations are intended to provide a practical and collaborative path forward by strengthening municipal enforcement capacity and creating a clearer regulatory and reporting environment. This will require coordinated action, sustained monitoring, and a shared commitment to continuous improvement. With these elements in place, Alberta's rural municipalities will be better positioned to prevent future arrears, support responsible industry operators, and maintain the health and sustainability of their communities.

While this report does not include a detailed implementation roadmap, the PTAS working group expects that relevant government ministries, the AER, and RMA will work together in the coming months to respond to the report with a defined plan for implementation, including timelines and leads for each recommendation.

Glossary

Alberta Energy Regulator (AER): An independent provincial regulator responsible for overseeing the safe, efficient, and environmentally responsible development of Alberta's energy and mineral resources. Created under the *Responsible Energy Development Act (REDA)*, it regulates every stage of an energy project's life cycle—from application and exploration to operation, closure, and reclamation.

Assessed Person: The assessed person is the individual or entity to whom a property is assessed and is issued the assessment notice and property tax notice. This is typically the owner of the land and any improvements. For land leased, licensed, or permitted from the Crown or a municipality, the lease, licence, or permit holder is the assessed person. For properties used in resource extraction or processing, the holder of the lease, licence, or permit is recorded as the assessed person. For linear property, the assessed person is the operator (usually the licensee), and for machinery and equipment used in coal or oil sands excavation or transportation, the assessed person is the equipment owner.

Debtor: In the context of tax arrears liability, a debtor is a person or entity that owes taxes to a municipality, including property taxes, local improvement taxes, or other levies. For tax arrears on oil and gas linear property or machinery and equipment, the *Municipal Government Act (MGA)* makes both the assessed person and the owner jointly and severally liable. In these cases, a special priority lien applies to all the debtor's assessable property within the municipality for tax recovery purposes.

Designated Industrial Property (DIP): A category of property defined under the *MGA* and assessed centrally by the Provincial Assessor. It includes major energy-related, utility, and large industrial assets that the province, not municipalities, is responsible for assessing, including:

- Facilities regulated by:
 - the Alberta Energy Regulator (AER),
 - the Alberta Utilities Commission (AUC), or
 - the Canada Energy Regulator (formerly the National Energy Board)
- Linear property, including:
 - pipelines,
 - wells,
 - electric power systems,
 - telecommunications lines, and
 - railways
- Major plants designated by regulation (typically large industrial facilities assessed using provincial Machinery & Equipment Guidelines).
- Land and improvements on parcels containing any of the above facilities.

Education Property Tax (EPT): A provincial property tax levy collected annually by municipalities on behalf of the Government of Alberta and used to help fund the K-12 public education system. The EPT is levied on municipalities according to their proportion of the total provincial assessment base, as determined using the Equalized Assessment – to ensure uniform taxation for properties of similar value province-wide.

Energy and Minerals (E&M): The Government of Alberta ministry responsible for policy, resource management, and fiscal oversight of the province's energy and mineral sectors, including oil, natural gas, oil sands, coal, and minerals. The ministry develops sector policies, administers royalties and other resource revenues, manages exploration rights, and promotes investment to support responsible and competitive resource development. Agencies under E&M include the Alberta Energy Regulator (AER), Alberta Utilities Commission (AUC), and Alberta Petroleum Marketing Commission (APMC), which provide regulatory and market oversight.

Equalized Assessment: The adjustment of each municipality's assessment base to a common valuation that can be compared uniformly across the province, creating a single, province-wide assessment base for determining each municipality's contribution toward the provincial education property tax (EPT) levy.

Licensee Capability Assessment (LCA): The AER's centralized, multi-factor evaluation system used to assess an energy company's financial, operational, and liability management capacity throughout the full life cycle of oil and gas development. Introduced under Directive 088: Licensee Life-Cycle Management, the LCA is a key part of the AER's broader framework for assessing licensee assessment used to evaluate companies.

Linear Property: A category of property under the *MGA* that includes infrastructure built or distributed in a linear pattern—such as pipelines, wells and well-site equipment, electric power systems, and telecommunications systems. These properties are assessed by the Provincial Assessor using regulated rates, rather than by municipalities. Operators are typically identified as the assessed persons responsible for the associated property taxes. Linear property is distinct from residential, farmland, and machinery and equipment, and forms an important part of the tax base for many rural municipalities, especially those with significant oil, gas, or utility infrastructure.

Machinery and Equipment (M&E): A property category under the *MGA* that includes industrial equipment used in manufacturing, processing, and resource operations. This includes equipment commonly found at well sites—such as tanks, separators, compressors, pumps, and metering systems. M&E is typically movable, which can limit the effectiveness of traditional tax recovery tools. Most M&E is assessed by the municipal assessor using regulated rates, except when it forms part of designated industrial property, in which case it is assessed provincially.

Municipal Affairs (MA): The Government of Alberta ministry responsible for supporting viable, well-governed, and financially sustainable municipalities. MA works with municipalities to ensure effective local governance, alignment with provincial legislation, and support for community development. Key responsibilities include municipal governance and accountability, land-use planning and development, and oversight of municipal financial sustainability and property taxation.

Municipal Government Act (MGA): The primary provincial legislation establishing the legal framework for how all forms of municipality (including cities, towns, villages, summer villages, municipal districts, and specialized municipalities) are governed, outlining municipal powers, responsibilities, governance structures, planning authorities, and taxation/assessment rules.

Orphan Well Association (OWA): A non-profit, industry-funded organization operating AER-delegated authority to decommission and reclaim orphaned (i.e., abandoned) oil and gas wells, pipelines, and related facilities and associated sites where no legally or financially responsible party exists to carry out these obligations.

Person liable to pay property taxes: Under the *MGA*, the person liable to pay a property tax is the assessed person at the time the assessment was prepared, as well as any person that subsequently becomes the assessed person. If a tax on linear property or on machinery and equipment remains unpaid after the due date shown on the tax notice, the owner of the linear property or machinery and equipment becomes jointly and severally liable with the assessed person to pay the tax debt.

Provincial Assessor: A designated role within the Assessment Services Branch (ASB) of Municipal Affairs responsible for assessing DIP (including major industrial facilities, linear property, and related M&E) according to regulated rates and provincial standards. Most other property types (e.g. residential, farmland, non-DIP non-residential, etc.) are assessed by municipal assessors (employed or contracted by local municipalities), with the Provincial Assessor focusing specially on the centralized, provincially regulated property to ensure consistency across municipalities.

Responsible Energy Development Act (REDA): Provincial legislation establishing the Alberta Energy Regulator (AER) as the single, centralized authority responsible for regulating the full life cycle of upstream oil, gas, oil sands, and coal development—from initial application through to reclamation.

Rural Municipalities of Alberta (RMA): An independent, province-wide association representing and supporting Alberta's 69 counties, municipal districts, specialized municipalities, and the Special Areas Board. With roots going back to 1909, the RMA advocates on behalf of rural municipalities and provides services that help strengthen local government, including policy advocacy, cooperative procurement programs, and insurance services. To learn more, visit rmaalberta.com.

Tax Arrears: For property taxes not related to land and its improvements, unpaid amounts become arrears after they have remained outstanding beyond after the period for payment. In respect of linear property and M&E, the period for payment is 120 days after the tax notice is issued. For all other untitled but assessable property, the period for payment is 14 days if the assessed person is a resident of the municipality, otherwise, 30 days. In respect to land and its improvements, taxes arrears are taxes that remain unpaid after December 31 of the year in which they are imposed.