



talk about the energy incentive program

April 2009

On March 3, the Government of Alberta announced a three-point incentive program to encourage additional activity in the province's conventional oil and gas sectors.

This program is focused on keeping drilling and service crews at work, while also recognizing the enormous economic benefits this activity has in Alberta communities.

Why is this incentive program necessary?

Activity in Alberta's oil and gas sector is forecasted to drop over 27 per cent¹ in 2009—a result of depressed energy commodity prices and the global economic slowdown.

While the province cannot directly influence the global economic climate, the incentive program is designed to help keep Albertans at work.

How will it work?

- A **drilling royalty credit** will offer \$200 in royalty credits per meter drilled on new conventional oil and natural gas wells. Maximum benefits will be provided to smaller oil and gas companies.²
- A **new well incentive program** provides a maximum five-per-cent royalty rate for all new wells that begin producing conventional oil and natural gas between April 1, 2009 and March 31, 2010.³
- The province will invest \$30 million in the **reclamation and abandonment of old oil and gas well sites**. This will reduce the environmental footprint of the energy sector, while helping to keep Albertans at work.

Why offer royalty credits to industry?

When Alberta's oil and gas sector isn't working, not only are thousands of Albertans not at work, but there are no royalties, taxes or other revenues being generated for the province.

The drilling royalty credit and the new well incentive program will only be offered when Albertans are working on new oil and gas wells in the coming year.

How does this respond to the credit crisis?

The energy incentive program responds in two ways. The drilling credit offers credits based on drilling activity and royalties owed in 2009-10. The sliding scale will ensure that the maximum benefits go to smaller companies, while freeing up capital for all companies operating in Alberta.

The new well incentive recognizes that many wells are highly productive during the first 12 months of production. Particularly in these cases, the maximum five per cent royalty rate will respond to cash-flow pressures that can inhibit new investment, and in turn, new jobs.

Isn't well abandonment and reclamation industry's responsibility?

Yes it is. That's why this funding will be targeted at very old "legacy" sites or final reclamation efforts at sites that predate current regulatory or industry standards.

How many jobs are created or affected when new wells are drilled?

Each new oil or gas well drilled supports approximately 120 jobs.⁴ That includes those directly employed by the energy industry, supplies and service sector; as well as those working in hotels and restaurants, and those working to provide supplies and services to the support industries.

The province will monitor the impact of the incentive program, and at the end of the year, assess whether it is necessary or appropriate for it to be continued.

¹Petroleum Services Association of Canada (PSAC), 2009 Canadian Drilling Activity Forecast

²Maximum credits available will be determined by a company's production levels from 2008 and its drilling activity in 2009-10. Visit www.energy.alberta.ca for more details on this program.

³Credits available for up to 12 months production or the first 50,000 barrels of oil or 500 million cubic feet of natural gas. Visit www.energy.alberta.ca for more details on this program.

⁴Canadian Energy Research Institute