Change, Continuity, and... a Lament: Assessing Alberta Governance

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However, while scientists, politicians, and citizens alike agree that the time for action on the environment is now, this Conservative government’s plan to fight climate change will not see any real reductions in greenhouse gas emissions until 2050. Alberta is now Canada’s biggest greenhouse gas polluter, and the Conservatives are doing nothing to change this.


I think we might have made a little bit of history tonight. Friends, I believe, that change has finally come to Alberta. New people, new ideas and a fresh start for our great province.


It looked so certain, so promising, for Alberta’s Progressive Conservatives in the late winter of 2015. The cover photo of Alberta Views featured a beaming Premier Jim Prentice in a Nixonian pose, giving his audience “V for victory” signs with his arms stretched skyward. In the words of a well-respected political analyst: “He banished the black cloud plaguing the sclerotic PC dynasty and won over not only the disenchanted but also the formerly opposed.”\(^1\)

The May 2015 election turned that conventional wisdom on its head. With the bright, charismatic, and pragmatic Rachel Notley at its helm, the Alberta New Democrats delivered an upset for the ages at the end of that campaign. Notley’s New Democrats capitalized on a poorly-run Progressive Conservative campaign, a split in the centre-right vote, and the collapse of the provincial Liberals to rout the party that had looked so certain of extending its dynasty a few short months before the ballots were cast. The 54 members the New Democrats elected to the legislature in this one election
were more members than the party had elected in the previous 14 elections dating back to 1963…combined.

This paper examines the governance of Alberta since the NDP’s historic victory. The examination looks at this governance primarily from the perspectives of change and continuity. It concludes with a lament, one revolving around a pessimistic view of our ability to meet the political and economic challenges we face honestly and constructively. To what extent has politics and public policy changed following the “little bit of history” Premier Notley’s party made in the last general election. The paper doesn’t claim to answer the question comprehensively. To do so would require a breadth of expertise I don’t have. I will stick instead largely to what I (or…think I) know best. Those areas are energy and environment. In these areas the New Democrat policy record will surprise those who expected radical or dramatic change to have followed the NDP win in the last election. The New Democrat record is one distinguished by more continuity than change. The lament focuses, on the one hand, on government and on the “fiscal expectations conundrum” in today’s Alberta that any party aspiring to govern must address – we are an electorate that expects Cadillac public services without having to pay much in taxes for them. The other focus is a call directed at all who participate in public life such as our governments, ministers, parties, media, and voters. The call may sound naïve coming from someone who has spent most of his adult life teaching and researching politics and public policy. It’s a call for more honesty, fewer exaggerated claims. It’s a call to hold those with power to scrutiny and account for what they say. Our politics are debased by political spin, by what in more honest times we would simply call propaganda. If we aspire to improve the health of democracy in Alberta we
could do far worse than demand “truth in advertising” from the parties of all political stripes who curry our favour come election time.

The Inheritance: A Snapshot of Alberta’s Political Economy and Policy Legacies

This first section of the paper offers a brief snapshot of Alberta’s political economy, focusing on the places of energy and environment therein. The energy and environmental policy legacies established by the Progressive Conservatives and inherited by the New Democrats figure importantly in this analysis. Obviously, all newly elected governments inherit policy legacies from their predecessors; they are not blessed with a clean slate to write on as they please. Instead, they are presented with political economic circumstances and policy legacies of varying strength and significance. The challenge all new governments face is to decide how they are going to address those legacies. Will they try to reject those legacies and adopt policies that take the political economy in a different direction? Will they embrace those legacies and essentially stay the policy course their predecessors set? A handful of factors will influence the new government’s tack. Some of these are internal to government, such as the expertise of the public service and the amount of personnel change that takes place from one administration to the next. Others are external to government, such as the economic and societal importance of the activities sustained or compromised by those policy legacies. Nearly two generations ago, Hugh Heclo offered some good advice to those who study political change – don’t assume elections that bring new parties in power necessarily produce significant policy change.
Petroleum

It’s difficult to overstate the importance of petroleum in Alberta’s political economy. To a very significant extent, the politics of Alberta since the late 1940s is a politics dominated by the place of Alberta’s petroleum in national and continental markets. Due to petroleum’s dominance the phrase “petro-state” is in vogue among some critics of tar sands exploitation. Thomas L. Friedman uses the term “petrolist state” to outline the tendencies conjured by the term “petro-state.” Such states are “both dependent on oil production for the bulk of their exports or gross domestic product and have weak state institutions or outright authoritarian governments.” Andrew Nikiforuk, the award-winning writer, thinks the label applies very well to Canada. I don’t find this characterization particularly useful to understanding petroleum politics in Canada. My problems don’t rest with its inference about petroleum’s economic importance but rather with the suggestion that our politics is dangerously close to the authoritarianism typical of regimes such as Saudi Arabia, Iran, and Venezuela. Critics of those regimes likely would gladly accept the political freedoms available in imperfect representative democracies such as Canada. The dangers to democratic politics in Alberta rest more in the complacency of citizens.

Statistics Canada and Government of Alberta data on Alberta’s exports, new investment, gross domestic product, employment, and provincial revenue were used to compose a snapshot of the Alberta political economy over the last several decades. Export data offer the most compelling, emphatic evidence of petroleum’s enduring significance in Alberta. In 1997, as the Asian financial crisis started to damage global
economic growth, Alberta energy exports amounted to $18.9 billion or 56.5 percent of Alberta’s total merchandise exports. After dipping in 1998 energy’s importance in Alberta’s export profile grew steadily and substantially, hitting a peak and setting a record of 75 percent in 2014 ($91.3 billion). Showing the effects of lower commodity prices after 2014 Alberta’s energy exports last year, at $69.6 billion, comprised 69.4 percent of Alberta’s exports. Over the last twenty years, petroleum’s significance to Alberta exports, already significant, has grown tremendously. Over those years, oil – particularly oil sands production – has loomed larger and larger in our export picture.

The post-2014 drop in petroleum prices left a strong damaging imprint on capital investment in Alberta’s oil and gas extraction sector. Reporting capital expenditures of $58.1 billion in oil and gas in 2014 new investment in this sector plummeted first to $38.0 billion in 2015, then to $27.5 billion in 2016, and down again in 2017 to $25.6 billion. Two points warrant emphasis here inasmuch as they confirm petroleum’s significance. First, during good times for petroleum prices oil and gas sector investment dwarfs the amount of investment made in all other industries. In 2014, when capital expenditures in all Alberta industries peaked at $97.8 billion the investments in oil and gas amounted to 59.4 percent of that amount. Capital expenditures in the transportation and warehousing sector ranked second. They amounted to $9.6 billion or 9.8 percent of capital expenditures in all industries. Second, even when oil and gas investment shrank dramatically it still constituted the most important investment sector. In 2017 the $25.6 billion invested in oil and gas still accounted for 44.9 percent of total capital investment in Alberta. Third, investment in no other province in Canada is as dependent on one sector as investment in Alberta is on petroleum.
When it comes to petroleum’s direct contribution to Alberta’s Gross Domestic Product (GDP) something of a secular decline, not attributable to the “boom-bust” cycle in petroleum prices, has occurred. Oil and gas extraction activities contributed 37 percent of the GDP generated by the province’s industries in 1997. That percentage shrank over time, hitting a low of 23.5 percent in 2013 before bouncing back to 28.1 percent in 2016. The growth of the services sector in Alberta’s economy helps account for this erosion. In 1997, service-producing industries generated 45.2 percent of Alberta’s GDP. In 2014, when oil prices last peaked, 57.5 percent of GDP was accounted for by these industries; in 2016 that percentage stood at 54.7 percent.  

The employment importance of the petroleum industry has grown in Alberta during the last generation. Since the tar sands boom began in the late 1990s Alberta’s population has grown much faster than any other major province in the country. With an estimated population of 4.3 million at the end of 2017, Alberta had 54 percent more residents than lived here at the beginning of 1997. Not surprisingly, this impressive population growth was correlated positively with full-time employment in Alberta’s mining/quarrying/oil and gas extraction sector. Direct employment more than doubled here between 1997 and 2014 (it grew by 108 percent) while total full-time employment in the province grew by 61 percent. Statistics Canada estimated that 169,600 full-time employees were in these non-renewable resource industries when oil prices last peaked nearly four years ago. This growth meant that petroleum accounted for 27 percent of goods-producing jobs in 2014, up from 22 percent in 1997. Readers will not be surprised to see data illustrating how full-time employment in the oil and gas sector suffered badly as oil prices fell and petroleum investment ambitions shrunk. The
mining/quarrying/oil and gas extraction sector shed 39,800 full-time jobs from 2014 to 2016.¹³

Strikingly, full-time employment in the educational services and health care/social assistance sectors grew impressively during the most recent slump. While the oil/gas and manufacturing lost tens of thousands of full-time positions between 2014 and 2016 employment in these two services-producing sectors grew by the tens of thousands. These two services-producing sectors added 21,000 and 22,300 full-time jobs respectively between 2014 and 2016.¹⁴ Between 1997 and 2017 full-time positions in the health care and social assistance sector more than doubled (they grew by 106 percent), helping to increase the overall importance of the services sector to employment in Alberta. Full-time jobs in the services sectors amounted to 69 percent of all positions in the province in 1997; in 2017 they amounted to 71 percent.

There is one striking, vital, departure from these stories of petroleum’s enduring importance in Alberta. That departure is found in the recent contribution of non-renewable resource (NRR) revenues to the provincial treasury. Here we have witnessed a sharp about-face from the giddy years between the 2000/01 and 2008/09 fiscal years. During that run of good fortune, when natural gas prices were at or near record levels, NRR revenue never dipped below 28.4 percent of total revenue. Due largely to that natural gas bounty the province amassed $40.7 billion in budget surpluses over the 2000/01 to 2007/08 period. This record is detailed in Figure 1.¹⁵ Since 2009/10 NRR revenue only has delivered more than 28 percent of total provincial revenue in one fiscal year – in 2011/12 (29.58 percent). NRR revenue’s importance to provincial revenues essentially has collapsed since 2011/12, falling first to 18 to 19 percent of provincial
revenues before sinking to single digits in 2015/16 (6.56 percent). Since 2008/09 the province has run deficits in eight of nine fiscal years, with three more deficits in the $10 billion range forecast for the 2016/17 to 2018/19 fiscal years. By the end of the 2018/19 fiscal year Alberta’s accumulated deficits since 2008/09 are projected to be $41.86 billion (this total includes the $2.57 billion surplus of 2011/12).

Petroleum presents two quite different faces in Alberta’s political economy. There is no question that the oil and gas sector plays a tremendously important role with respect to exports, investment, gross domestic product, and employment. But, a very different face appears to be emerging over the last decade with respect to the importance of non-renewable resource revenues in the provincial budget. In percentage terms, those revenues have become significantly less important in the last ten years to the provincial
treasury than they were in the first decade of this century. As the data for the 2012 to 2014 fiscal years suggest this decline is not confined to years of low oil prices. Therefore, to understand the reduced importance on non-renewable resource revenue to the provincial treasury I suggest we need to look at more than just commodity prices. We need to consider the policy legacy that spurred the surge in oil sands production and how that policy legacy affected the structure of non-renewable resource royalties in Alberta. That legacy may help us to appreciate why, despite petroleum’s importance to the Alberta economy, its importance to public finances has diminished somewhat.

The oil sands boom that started in Alberta after 1995 was driven primarily by a combination of technological change and public policy. The major technological driver came in the shift to truck and shovel operations in tar sands mining. This switch away from the draglines, bucketwheel excavators, and conveyor belts used when Suncor and Syncrude started operations enabled oil sands miners to deliver very substantial reductions in operating costs. When Suncor made this switch in the early 1990s it enabled the company to drive its operating costs down to the point where “it practically guaranteed profitability over the normal range of oil prices.”\(^{16}\) The key public policy change came through Alberta’s adoption of the so-called generic royalty regime. In this regime, recommended by the industry-dominated National Task Force on Oil Sands Strategies in 1995, royalties would be calculated on the price of bitumen, not the price of crude oil. This change in the commodity used to calculate royalties helped create a “new royalty and tax treatment that was admittedly very generous.”\(^{17}\) The intent of the royalty change was to stimulate investment, not to capture economic rent. Here, as the economic importance of petroleum suggests, it was very successful. The National Task Force that
recommended the policy change hoped that changing the fiscal terms would deliver deliver $21 to $25 billion in new investment by 2020. Between 1999 and 2013 the tar sands attracted more than $201 billion in new investment. In part this flood of investment dollars was inspired by the windfall to tar sands producers that the 1997 royalty change offered. Because the price of bitumen traded at a discount, sometimes a very steep discount, to the price of a conventional crude oil such as West Texas Intermediate (WTI) oil sands producers could see their share of economic rent rise. As the Canadian Association of Petroleum Producers told the U.S. Securities and Exchange Commission the average bitumen price between 1997 and 2004 was just 51 percent of the price for WTI. Until the Stelmach government royalty changes of 2007 only the price of bitumen mattered when it came to collecting royalties from companies under this regime. For example, in the pre-payout phase of an oil sands project if bitumen was priced at $20 a barrel or $60 a barrel the government still would collect a one percent royalty on that production. The 2007 changes introduced a measure of price sensitivity to royalty calculations. The one percent royalty would apply as long as the price of WTI was below $Cdn55 per barrel. At prices above that level the base royalty percentage would increase in steps until the price of WTI hit $120 a barrel. This type of combination stimulated the tremendous growth in oil sands investments and production.
Environment

Turning to the environment, in 1970 Dr. George Govier, the chair of Alberta’s Energy and Resources Conservation Board (ERCB), said: “Our environment must be preserved but realism must prevail – we cannot frustrate the development and use of our energy resources.” Alberta governments during my lifetime have not cared a great deal about the quality of the Alberta environment they preserved as they developed the province’s petroleum resources. They treated nature much as Edward Rochester treated his mentally-ill wife Bertha in Jane Eyre. Better to neglect the environmental damage left in the wake of industrializing Alberta’s landscapes and keep that record of neglect locked in the attic in the hopes that no one would notice and care.

The province’s modern history is one where the industrialization cart always has come before the environmental horse. When Premier Lougheed supported the Syncrude project in the 1970s he did so without any plan to address the environmental consequences of tar sands mining. Given the Lougheed government’s hope in the 1970s for Syncrude to be followed by another, another, and another oil sands mine in quick succession, there was no small irony to hear Lougheed criticize Premier Klein for not taking a more measured approach to exploiting the oil sands. Premier Klein’s reality bore more similarities to, than differences from, Premier Lougheed’s ambitions.

Statistics Canada data cannot be used to contrast Alberta’s cavalier treatment of nature with its enthusiasm for unbridled petroleum development. Some may bristle at the use of conservation organizations’ assessments to support this assessment of nature’s stature in the corridors of the provincial government. World Wildlife Federation Canada, for example, in the 1990s gave Alberta more failing than passing grades when it came to
protecting landscapes in Alberta. What else would you expect from WWF Canada? That
certainly was then Environment Minister Ty Lund’s reaction to the conservationists’
assessment. Playing the western alienation card, Lund characterized the organization’s
conclusions this way: “It’s an insult to the province…This special interest group, centred
in Toronto, comes and says the sky is falling.”

Perhaps then better evidence of the poor standing of nature during the
Progressive Conservative dynasty might come from the words and actions of those who
boosted resource exploitation for the past two generations. Lund used the term
“sterilization” to refer to any outcome where an Alberta landscape was spared from
tasting the metal of drillbits and shovels. Tellingly, so too did Dr. Steve West, Lund’s
colleague and energy minister in the Klein government of the late 1990s. It’s also the
term used on more than one occasion by Alberta’s ERCB as it blessed one oil sands
project after another during the post-1995 boom. To the ERCB, sterilization in the
context of its regulatory responsibilities regarding bitumen extraction meant not taking
advantage of the opportunity to exploit every last economically-available barrel of
bitumen. Alberta, during more than 40 years of Progressive Conservative rule, was a
one-dimensional administrative and political world; government never used sterilization,
accordingly, to describe exploiting bitumen at the expense of ecological or cultural
values.

Key figures in the petroleum industry lent their voices to the marginalization of
ecological values in the rush to turn Alberta’s resources into jobs and profits. Clive
Mather, in his position as the President and Chief Executive Officer of Shell Canada,
told the BBC radio program “World Business” in 2005: “The Athabasca region itself is
not a pristine wilderness. This is scrub land.” Or, as Greg Stringham the Canadian Association of Petroleum Producers’ vice-president of markets and oil sands said in 2007: “There is a perception painted by some of the environmental community that the oil sands development is proceeding at breakneck speed without regard for damage caused to the environment. This is not the case.” Either there was little to no ecological value in the Athabasca oil sands region or the environmental damage of the oil sands boom was being taken into consideration. In either case, there wasn’t much, if anything, to worry about.

The 2015 NDP Platform and Its Promises of Change

Heading into the 2015 election the New Democratic Party platform, like the platforms of other political parties that want to be regarded as serious contenders for power, was comprehensive and ambitious. With the benefit of hindsight, its most important strength likely was its emphasis on Rachel Notley. The platform trumpeted the importance of leadership; each NDP commitment was presented as “Rachel Notley’s commitment to you and your family.” Notley’s approval rating of 53 percent during the campaign was more than 20 percentage points higher than Premier Prentice’s. The issue concern profile of the Alberta electorate appears to have remained quite stable between January 2012 and April 2015. When asked the unprompted question, “What is the most important issue facing Alberta today?”, participants in a CBC/Report on Insight poll identified the economy/jobs (32%), healthcare (30%), and education (26%) as the three most important issues in Alberta.26 These issues then were three of the key planks in the New Democrat party’s platform.
Diversifying the economy figured prominently in the NDP’s message on the economy. There the party focused on the petroleum sector. The Progressive Conservatives were charged with exporting jobs to Texas by not doing enough to promote value-added processing and refining in Alberta. Cronyism was behind the NDP’s assertion that the Progressive Conservatives had “refused to implement realistic oil royalties that the people who own the resources – all of us – deserve.”\textsuperscript{27} To address this the platform promised to review carefully how the New Democrats “will promote” resource processing and fair royalties. The inference in the phrase “will promote” is clear: Alberta was a jurisdiction with not enough resource processing and unfair royalties. The NDP commitment to tackle the petroleum sector was first articulated clearly in Rachel Notley’s Bill 209, the \textit{Commission to Safeguard Albertans’ Interests in Natural Resources Act}, introduced in the legislature on the eve of the election. The commission outlined in Bill 209 would be a serious counterweight to the influence of the public service and energy sector in Alberta’s petroleum economy. First Nations, industry, labour, energy economics experts, and sustainable development experts all would have seats on the Commission. The Committee would hold public hearings and report annually to the Legislature on whether it felt Albertans were receiving a fair return on the province’s non-renewable resources wealth. Its indicators of a fair return would be royalties, value-added processing such as upgrading bitumen, and the long term sustainable development of petroleum in Alberta. Whatever economic logic the commitment to upgrading bitumen followed, its political pedigree rested in the ambitions of the Alberta Federation of Labour – a key political supporter of the New
Democrats. Change certainly was promised in this section of the NDP campaign platform:

- “we’ll implement competitive, realistic royalty rates as prices rise, to ensure full and fair value for Albertans as the owners of the resources.”
- “we’ll reduce our province’s over-dependence on raw bitumen exports and create more jobs with more upgrading and processing here, rather than in Texas.”

This section of the platform also committed to increase the minimum wage to $15 per hour by 2018, to introduce a job creation tax credit, and to promote economic diversification in a wide range of economic sectors.

On the healthcare front the NDP campaigned to eliminate the health care tax Jim Prentice had proposed in his March 2015 budget. This “levy,” a term that governments of all partisan stripes seem to prefer to the clearer, more honest term “tax,” would be paid by all Albertans with taxable incomes of more than $50,000. In 2016, Albertans earning more than $130,800, would pay the maximum amount of $1,000 under this health care tax. It was estimated that this tax would add more than $500 million to provincial revenues in the 2016/17 and subsequent fiscal years. A significantly greater financial commitment to public health care spending was the other major theme here. In the 2015/16 fiscal year the New Democrats promised to inject $1.19 billion over and above the Prentice government’s March 2015 budget commitment into the province’s health care budget. The vast majority of those proposed expenditures ($1.11 billion) would be devoted to general health care. Smaller increases to the Prentice health care budget of $40 million, $30 million, and $10 million would be devoted to long term care, homecare, and mental health.
After health care, adding approximately $400 million to education spending constituted the second most important spending component of the NDP platform. NDP promises to invest in education, like those promises in health care, were championed for the stable funding they would deliver. Unlike the Progressive Conservatives, the New Democrats would hire new teachers to address an expected enrolment increase of 12,000 in September 2015. Among their education investment strategies, the New Democrats promised to “reverse the reckless Prentice cuts,” reduce “skyrocketing” school fees for essential services, freeze university tuition, build more schools to reduce class sizes, and get partisan politics out of and more transparency into the decisions about where those schools would be built.

“Honesty and ethics in government” was another important theme of the New Democratic Party platform. On the one hand, this theme was inspired by Premier Prentice’s efforts to decimate and neuter the Wildrose party by successfully enticing Danielle Smith, the party’s leader, and eight other members of the Wildrose legislative caucus to cross the floor and join the Progressive Conservatives. Other, more systemic, features of Alberta politics inspired this concern. One target was Alberta’s longstanding “liberal” party and electoral campaign financing regimes. Individuals, corporations, and trade unions could donate up to $41,250 to parties and candidates in election years; there were no limits on spending by interest groups (third parties) in elections; there were no limits on how much political parties could spend in election campaigns. The NDP platform proposed to address this by banning both corporate and union donations. Cronyism was a second ethical focus of the NDP platform that, if not then systemic,
appeared to be on the rise in Alberta politics and public administration. Here the NDP pledged to strengthen conflict of interest and sunshine provisions if they were elected.\textsuperscript{33}

The New Democrats promised to take action on seven issues as part of their commitment to a healthy environment. Contributions to mitigating climate change figured importantly here – the platform promised that an NDP government would “take leadership on the issue of climate change.” First steps there would include energy efficiency and renewable energy strategies. Further to this the NDP called for the phase-out of coal-fired electricity generation and committed to more renewables as well as to more co-generation in the oil sands (12 of Alberta’s 18 coal-fired electricity power plants would be closed in 2030 as a result of regulations introduced by Prime Minister Harper’s Conservative government). They would cancel Alberta’s “costly and ineffective” carbon capture and storage initiative and, in 2015/16, divert the $313 million committed to that initiative into public transit. A green retrofitting loan program would be introduced in order to help reduce energy use in the residential, agricultural, and small business sectors. Environmental standards would be strengthened. The province would ban gas drilling in urban areas. With respect to protected areas the party promised to protect the Castle wilderness in southwestern Alberta.

When it came to the overall fiscal picture, the New Democrats proposed to run deficits through to the end of the 2017/18 fiscal year (2015/16: $5.4 billion; 2016/17: $4.3 billion; 2017/18: $1.2 billion). The provincial budget would be balanced in 2018/19 and a surplus of $586 was targeted for 2019/20 (the 2018/19 fiscal year projection was for a surplus of $25 million). Apart from the promise to eliminate the health tax proposed in the March 2015 budget by Premier Prentice and reduce user fees, the most
noteworthy elements of the NDP fiscal plan were its proposed corporate and personal income tax increases. The corporate tax rate (other than for small businesses) would be increased by 20 percent, from 10 to 12 percent. The New Democrats committed to making the personal income tax system more progressive than what Premier Prentice had promised in the March 2015 budget; and, unlike the Prentice proposal, personal income tax increases for those earning above $125,000 would not be phased in over three years. They would take immediate effect in the 2015 tax year.

The NDP Record of Change…

Election Financing and Political Advertising

With just over one year until the next anticipated provincial election in May 2019 the New Democrats clearly have delivered a range of important policy changes, many of which were articulated in the party’s 2015 campaign platform. This record of change shouldn’t be ignored in a paper that will go on to argue that the more striking feature of the government’s record has been continuity with the past.

Change is certainly apparent with respect to what the Party called “honesty and ethics in government” in its campaign platform. The first NDP government bill introduced in the legislature, given the self-congratulatory title of An Act to Renew Democracy in Alberta, implemented the party’s election promise to ban corporate and union monetary donations to political parties. It didn’t go further, however, and tackle some of the other features of what was one of the most liberal, unregulated elections finance and spending systems in Canada. The other features of Alberta’s electoral financing system that privileged monied interests, such as very high individual
contribution limits, corporate/union ability to invest considerable amounts of money in advertising, and unlimited spending by parties and interest groups alike, were left to be examined by the Select Special Ethics and Accountability Committee. I regarded this Committee as possibly offering Albertans a once in a lifetime opportunity to inject important values such as fairness and equity into Alberta electoral politics.34

The product of the Committee’s deliberations, the *Fair Elections Financing Act*, went some distance to introduce a healthy amount of regulation to Alberta electoral politics. On the political contributions front, the $15,000 annual contribution limit for individuals, a limit that ballooned to $30,000 during election years, was reduced to $4,000 annually. Furthermore, the Act prohibited corporations, unions, and employee organizations from giving their employees paid time off in order to volunteer in a political campaign.

Courtesy of this legislation, the next provincial election campaign will be the first one in Alberta history subject to spending limits. Parties will be prohibited from spending more than $2 million during the 28-day campaign;35 in addition, a $50,000 limit will be placed on what each candidate may spend in their constituency campaigns. These spending limits will be implemented at the expense of Alberta’s Conservative parties. The combined expenditures of Alberta’s Progressive Conservative and Wildrose parties in the last three provincial elections dwarfed the amount of money spent by the New Democrats in those campaigns. Unconstrained by a spending limit, the Progressive Conservatives spent just over $4.3 million in the last election – the Wildrose Party spent nearly $1.2 million. In contrast to this party expenditure total of $5.5 million, the New Democrats spent over $1.6 million. That amount, while essentially double what the party
spent in the 2012 and 2008 elections, pales in comparison to the amounts of money that Alberta’s Conservative parties pulled out of their wallets.

Alberta’s new elections financing legislation also imposes important limits on the amounts that third party advertisers (individuals, groups, or corporations) can spend on election advertising. Bill 1’s prohibition of corporate and union donations to political parties left the door open for these organizations to use campaign advertising as an alternative path to the same goal. The *Fair Elections Financing Act* closed that door partially. The law essentially replicated the federal government’s approach and limits to third party election advertising. Third parties could spend up to $150,000 on election advertising during a provincial election campaign of which no more than $3,000 could be directed at an individual candidate running for office.

These restrictions represent an important first step to reduce the inordinately privileged position that monied interests and the parties they fund have enjoyed on Alberta’s electoral landscape over the last generation. Whether they went far enough is a question we cannot try to answer definitively until after the next and subsequent elections. But, just as the wealthy try to find ways around income tax law amendments they object to I expect unions, corporations, and wealthy Albertans to search for other ways to try to boost the electoral fortunes of their favourites and ruin those who they oppose.

In jurisdictions with fixed election dates, like Alberta, this potential will be affected by the rules that apply to third party political advertising – advertising aimed at the electorate *outside of* the formal campaign period. In 2015, the editorial board of the *Globe and Mail*, expressed its concerns that Canadian versions of American Political
Action Committees (PACs) were likely to become a noxious feature of the Canadian political landscape unless governments took action. Those PACs are notorious for running “attack ads” against the candidates they oppose; the editorial noted how Premier Wynn’s surprise majority victory may have been aided by the alarmist anti-Progressive Conservative ads that several pro-union organizations had run in that provincial campaign. The Globe and Mail’s concern was that, although third party advertising might be limited during a campaign, limitless political advertising before the election writ was dropped would be just as corrosive. Only one jurisdiction in Canada, the province of Manitoba, places any limits on third party political advertising in the period before an election campaign begins. Third parties are prohibited from spending any more than $100,000 in the 90-day period before the election campaign in a fixed-date election starts.

Alberta’s New Democrats chose not to incorporate a similar measure into its electoral reform legislation. It is inevitable that, in the run-up to calling the 2019 provincial election, a significant amount of pro or anti-government political advertising will appear in the Alberta media. This is because several, already-well funded, organizations have registered with Elections Alberta as political third party advertisers. These organizations can only hit the electorate with their political messages of support or attack outside of the 28-day election period. The Alberta Advantage Fund raised $1,097,480 in just the last eight months of 2017. Given its contributors, this Fund should be expected to use the war chest it is building to advertise on behalf of corporate Alberta before the next provincial election. The New Democrats can expect to see the Alberta Federation of Labour Political Third Party Advertiser, registered in February 2017,
praise NDP policy in the run up to the 2019 election. In 2017, 50 unions and locals of unions contributed $560,618.47 to this political advertising organization.\(^3\)

From a principled perspective, the NDP changes to electoral financing law should be applauded for the contribution they make to enhancing the values of fairness and equity in Alberta electoral politics. But, the prospect of a barrage of political advertising prior to the start of the election campaign may negate some of this positive impact. On the other hand, those who cherish free speech in electoral politics may cringe at the NDP’s changes. For those who give greater importance to free speech and see money as just a vehicle for promoting that fundamental principle the NDP changes are dangerous ones. The prospect of unfettered political advertising prior to the election campaign should be viewed very positively from this second, free speech perspective.

**Health Care and Education**

The adequacy of health care and education spending in Alberta figured importantly in the NDP campaign. The adjective “stable” was used to describe the funding an NDP government would deliver in these sectors if Albertans gave them the mandate to govern. By stable, the party meant increases. The Notley government has delivered, without question, in this respect. In its March 2015 budget the Prentice government proposed to reduce health care spending from 2014/15 to 2015/16 by $159 million to $18.8 billion and then hold health care spending stable at that level through to the end of 2017/18. The New Democrats, as they promised, reversed course dramatically. In 2015/16 health care consumed $20.0 billion, $1.144 billion more than the Progressive Conservatives would have spent. Rather than holding health care
spending stable at that level, the New Democrat expense plan as outlined in *Budget 2017* sees health care growing annually by between 1.7 and 3.3 percent through to the 2019/20 fiscal year. The New Democrat health care spending target detailed there for 2019/20 is $22.6 billion. Health care’s percentage of government spending would shrink marginally to 39.0 percent from 39.8 percent in the 2014/15 fiscal year.

The New Democrats more than met the spending commitments they outlined for education – just over $400 million in additional K-12 educational spending was delivered through the NDP 2015 budget. In percentage terms, K-12 spending is projected to grow by a total of 14.7 percent from the last Progressive Conservative complete fiscal year (2014/15) to 2019/20.

In comparative terms, and perhaps ironically to some, the New Democratic Party spending in the health care and education sectors affirms the Alberta position the Notley government inherited from the Progressive Conservatives. Only one province, Newfoundland and Labrador, devoted more money to health care on a per capita basis in 2014 than Alberta did. (March 2015 budget: 14) This is still the case in 2017. Alberta was forecast to spend $7,329 per person on health in 2017; only Newfoundland and Labrador’s per capita spending of $7,378 was higher; the national per capita average was $6,604.37

The same story is told by the record of spending in Alberta’s primary and secondary schools. On a per capita basis, only Saskatchewan devoted more financial resources than Alberta to primary and secondary school education in 2014. This was no different in 2016. Alberta spent $1,999 per capita while Saskatchewan spent $2,103 per person.38 While the funding proposed in the Prentice March 2015 budget might have
nudged Alberta’s health and education spending slightly closer to the Canadian average the New Democrats have ensured that Alberta’s place near the top of Canada’s per capita spenders is safe for as long as they govern Alberta.

With the NDP commitment to increased health and education spending has come improved relations with doctors, nurses, and teachers. The health care sector illustrates this well. In early 2015, the Prentice government signaled that, through to the end of the 2017/18 fiscal year, health care spending would be flat at $18.8 billion. Then the government used per capita spending levels and physician compensation to justify its intent to hold the line on health care spending and physician pay. The proposed March 2015 budget highlighted the fact that Alberta per capita health spending was 19 percent above the national average in 2014. Furthermore, when it came to doctors’ pay: “Alberta physicians are the highest paid in Canada, with both family physicians and specialists earning much more than their provincial counterparts.” These statements were part of the basis for that budget’s health care contribution tax, its one percent reduction in the Ministry of Health spending through to 2017/18, and its intent to hold physician compensation from Alberta Health Services to $945 million through to the 2019/20 fiscal year.

Now such facts are not cited in government budgets. New Democrat budgets do not mention these data despite the fact that overall health care spending and physician compensation both are growing faster than what the New Democrats planned for in their first budget. Alberta’s enviable position with respect to the per capita measure of health care spending and the enviable position of Alberta doctors when it comes to compensation so far are not up for a challenge from the New Democrats. The Ministry
of Health was expected to spend $20.936 billion in the current fiscal year (2017/18) when Finance Minister Joe Ceci introduced his first budget in October 2015. *Budget 2017* revised that target just over 2 percent higher, to $21.406 billion.\(^{41}\) It estimated that physician compensation through Alberta Health Services would cross the $1 billion mark in 2017/18 ($1.013 billion); *Budget 2015* set a target of $955 million for this budget line item in the current fiscal year. This year’s physician compensation through the Department of Health is now expected to be $4.185 billion, $139 million more than Finance Minister Joe Ceci estimated in the fall of 2015. In the 2015/16 fiscal year Alberta physicians continued to be, on average, the highest paid physicians in Canada. With an average gross clinical payment per physician of $380,384, Alberta physicians earned 12.3 percent more than the Canadian average.\(^{42}\)

The NDP commitment to increased health care spending also has improved the government’s relationship with the United Nurses of Alberta. In January 2018 the United Nurses of Alberta accepted a mediator’s recommendations for a three-year contract between its 30,000 members and Alberta Health Services. The agreement called for a wage freeze for the first two years of the contract with a commitment to open salary negotiations in the final year of the agreement; if a pay increase cannot be agreed on in those negotiations the dispute will be decided by arbitration.\(^{43}\) Heather Smith, the president of the United Nurses, was pleased with the agreement. It gave her members important guarantees regarding job security; nurses cannot be laid off involuntarily – nor can they have their hours arbitrarily cut back.\(^{44}\)

A similar story is presented if we look instead at the relationship so far between government and teachers under the Notley administration. Like in the case of nurses, the
teachers agreed to a two-year wage freeze. In exchange, they realized protections with respect to instructional and assignable time that were heralded by the Alberta Teachers Association. In addition to those workplace condition protections the teachers also secured a $75 million Classroom Improvement Fund.45

Climate Change

Few should dispute that, largely due to the boom in bitumen production from the tar sands, Alberta was a climate change policy laggard as global concerns grew about the magnitude and effects of climate change. In 1990, on the eve of the Rio Earth Summit that would develop the United Nations Framework Convention on Climate Change, Alberta emitted 175.3 Million Tonnes (MT) of greenhouse gases. By 2015, Alberta’s emissions had increased by 56.4 percent; they stood at 274.1 MT.46 The petroleum sector accounted for more than 64 percent of this 98.8 MT increase; the oil sands alone accounted for 54 percent of this nearly 100 MT increase.47 Alberta’s emissions in 2015 equaled just 5.1 MT less than the sum of all of the greenhouse gas emissions from its fellow provinces except Ontario. Given the real reductions in GHG emissions that Ontario and Quebec had made since 1990 there is much truth in the statement that the failure of Canada to reduce GHG emissions over the past generation should be attributed to the failure of the federal and Alberta provincial governments to restrain the explosive growth of emissions from petroleum production.48

In opposition the New Democrats sometimes chastised the Progressive Conservatives for their lack of concern and failure to take any serious actions to curb the aggregate amounts of greenhouse emissions sent skyward by the petroleum sector.
Rachel Notley used the occasion of Earth Day in 2009 to tell her colleagues in the Legislative Assembly that climate change was an “especially concerning” environmental threat and to criticize Premier Ed Stelmach’s Progressive Conservative government for refusing to develop policies that would reduce greenhouse gas emissions before 2050. “Alberta is now Canada’s biggest greenhouse gas polluter,” she said, “and the Conservatives are doing nothing to change this.”

Ten months earlier, New Democratic Party leader Brian Mason shared his dream that, if an NDP government was ever elected, his party would create a $20 billion fund to dethrone petroleum’s economic importance in Alberta. That future government would use that money to make Alberta “a leader in the world on green or renewable energy sources.” The ambition of his dream bore no positive correlation whatsoever to the fact that he and Rachel Notley were the only two NDP members in the 83-seat Legislative Assembly.

During the 2015 election campaign the New Democrats vowed to “take leadership” on the climate change. Barely one month into its mandate, Premier Notley created a climate change policy review panel. Chaired by Dr. Andrew Leach, an economist from the University of Alberta’s School of Business, the panel set out to find a path to produce what Alberta Environment and Parks Minister Shannon Phillips called “real demonstrable reductions in greenhouse gas emissions.” Five months later the Premier unveiled and endorsed the panel’s report to Minister Phillips. Premier Notley committed to implement the following Panel recommendations: phase out all coal-fired electricity generation by 2030; replace two-thirds of that retired coal-fired electricity with power from renewables; introduce an economy-wide carbon tax; invest some of the carbon tax revenues in the transition to a greener energy grid and economy; devote some of those revenues to help lower-income Albertans, workers and affected
communities adjust to the new carbon tax and the retirement of coal-fired generation.\textsuperscript{53}

The Premier’s speech was a public relations coup. The praise was thick from governments and environmental groups. The federal and Ontario governments congratulated Alberta on assuming the mantle of climate change leadership; Environmental Defence Canada congratulated Alberta for becoming “a climate leader” while the Pembina Institute claimed “the world needs more of this kind of leadership.” Even the CEOs of four tar sands producers joined the Premier on the podium to announce the policy.\textsuperscript{54} Only a few sirens in the business press such as Peter Foster and the Wildrose Party’s leader Brian Jean spoke out loudly against the plan.\textsuperscript{55} At first blush, the plan had convinced the world that Alberta would do exactly that Minister Phillips promised – produce real reductions in greenhouse gas emissions.

Three aspects of the NDP climate change initiative are considered in this section on policy change. They are the phasing-out of coal fired electricity generation, the commitment to increase the percentage of renewable electricity in Alberta’s grid, and the carbon tax. These three measures represent real change with respect to the Alberta approach to climate. The first to mention is the phase-out of coal-fired electricity generation. As Joe Vipond, Raquel Feroe, and the Canadian Association of Physicians for the Environment point out, closing coal-fired electricity plants not only reduces greenhouse gas emissions but it also improves human health.\textsuperscript{56} In announcing the NDP phase-out of coal, the Premier got away with some exaggeration. To listen to or read her speech you wouldn’t be wrong to conclude that the New Democrats were breaking new ground when it came to closing the gates of coal-fired electricity generators. They should get all the credit – or blame – for turning off the coal-fired electricity switch. Twelve of Alberta’s 18 coal-fired power plants already were scheduled to be shuttered by no later than 2030. Four were scheduled to close in 2019, four between 2025 and 2028, and the four by the
end of 2029. Those scheduled closures were all due to federal regulations passed by the Harper Conservative government when Jim Prentice was Environment Minister. Alberta’s action to phase-out this type of electricity production applied to the remaining six power plants. Federal regulations would have shut the first of those six plants in 2036; the last of those plants could have operated until 2061 according to the federal regulations.\(^57\)

With respect the phasing out of coal I also believe that so far the NDP have benefitted politically from the fact that little attention has been devoted to the compensation the government agreed to pay to ATCO Power, Capital Power, and TransAlta. These three companies, ignoring a growing international tide of opinion against new coal-fired electricity plants, all invested in coal-fired plants with expected closure dates between 2036 and 2061. Terry Boston, the former president and CEO of a United States electricity system operator who Premier Notley retained to advise her on the compensation question, recommended that the government make a “voluntary payment” of $1.1 billion to these companies in order to signal to potential investors that Alberta offered a positive investment climate. He made it very clear that he believed Alberta had to rescue these companies from their risky business decisions if the province wanted major utilities to invest in Alberta’s electricity market.\(^58\) Beginning in the 2017/18 fiscal year, and for the next 13 fiscal years after that, Alberta will spend $97 million annually from carbon tax revenues to compensate those companies. A total of $1.358 billion in carbon tax revenues will be used in this fashion.\(^59\)

The NDP’s complementary commitment to replace two-thirds of this coal-fired electricity generation with 5,000 megawatts of power from renewables by 2030 is a very GHG emissions-friendly policy pledge. The Renewable Electricity Program is the flagship of this initiative and, with a minimum project size of five megawatts, is designed to favour industrial/utility-scale
renewable projects. The first round of bidding under this program was designed to deliver 400 megawatts of renewable electricity into Alberta’s grid by the end of 2019. By all accounts, the first round was a resounding success. Four industrial wind projects, promising to add 596 megawatts or 12 percent of the 2030 renewables target, were selected by the Alberta Energy System Operator through a competitive bidding process. The successful bidders promised to deliver this electricity for an average price of 3.7 cents per kilowatt-hour, the lowest ever recorded in a renewable electricity auction in Canada. The government predicted these four projects will deliver approximately $1 billion in renewable energy investment.60

On the heels of what Energy Minister McCuaig-Boyd called this “roaring success,” the Minister directed the Alberta Electric System Operator to develop Rounds 2 and 3 of the Renewable Energy Program.61 These rounds would proceed in parallel with a view to selecting successful bids by the end of 2018. Round 2 has a procurement target of 300 megawatts of renewable power; Round 3’s target is 400 megawatts. In addition, Round 2 includes an Indigenous equity ownership requirement where an estimated minimum of 15 to 25 percent of each successful project will be owned by Indigenous groups.62 Unlike the first round, a date was not set for when this 700 megawatts slate of projects must be completed.

In line with the government’s intention to meet its 2030 renewable energy target through industrial/utility-scale projects, it has committed much smaller amounts of the revenues collected through the climate leadership plan to lower the cost for farmers, homeowners, businesses, and municipalities to install solar photovoltaic systems. For example, the province has committed $36 million over two years in a solar rebate program for individuals and businesses who install solar systems. The rebate program is expected to add 50 megawatts of solar electricity to the Alberta electricity system by 2019.63
These mentions of compensation, renewable electricity auctions, and rebates brings us to the carbon and other taxes. The NDP platform, as noted earlier, promised to increase both personal income and corporate taxes. The general corporate tax rate would be raised to 12 percent from 10 percent; the 10 percent flat personal income tax system that the Klein government introduced in the 1990s would be eliminated and replaced by a more progressive tax system. Bill 2 delivered on both of these fiscal promises. Five personal income tax rates were established. Individuals earning $125,000 or less would continue to pay a 10 percent income tax. The highest rate was set at 15 percent and would apply to those earning more than $300,000 per year. The 15 percent rate would apply to that portion of an individual’s personal income that was greater than $300,000. When the New Democrats were campaigning in the May election they asserted these measures would deliver nearly $2 billion more in the 2015/15 fiscal year than the Prentice government anticipated. They were advertised to electors as likely to deliver more than $1.545 billion to the treasury in 2016/17 than the Progressive Conservatives were counting on.

The NDP’s 2015/16 targets were wildly optimistic. Together, even with the corporate and personal income tax rate increases, the actual revenue from these sources was $2.185 billion less than the New Democrats hoped for when they crafted their campaign revenue policy commitments. Of course, the slump in the petroleum sector bears responsibility here. In the 2015 calendar year Alberta’s real GDP shrank by 3.6 percent; in 2016 it shrank again by another 3.7 percent. But this shouldn’t divert us from concluding there is much to be concerned about in this picture from the financial sustainability perspective. Income tax growth is now expected to be much more modest than what either the former Progressive Conservatives or the New Democrats predicted. Even though real GDP rebounded strongly in 2017 and likely grew by 4.5 percent, much stronger than Budget 2017 anticipated, personal income and corporate income tax
revenues now are expected to deliver $388 million less than was budgeted for. With non-renewable resource revenue now languishing at just 9.7 percent of forecast 2017/18 revenues and its future worth resting in the unpredictable world of global oil markets there are many question marks associated with the belief that Alberta’s current revenue stream will reduce the province’s deficit significantly, let alone return the province to the days of balanced budgets. Crisis may be a word overused in political science but I think that, from a structural perspective, Alberta may be facing one in terms of the amount of revenues we can rely on from personal income taxes, corporate income taxes, and non-renewable resource revenues.

The carbon tax is the most controversial taxation change introduced by the NDP. When Albertans elected the NDP they certainly shouldn’t have been surprised at personal income and corporate tax increases. The carbon tax, however, wasn’t part of the party’s platform and, to the best of my knowledge, wasn’t mentioned at all during the election campaign. Most consumers of heating and transport fuels in Alberta pay this tax, now set at $30 per tonne of carbon dioxide equivalent. In 2018, the tax adds 6.73 cents to every purchase of a litre of gasoline and $1.517 for every gigajoule of natural gas individuals and most other consumers use. Through a rebate component of the Climate Leadership Plan, the carbon tax joins the NDP personal income tax changes as a revenue-generating measure injecting some progressivity into Alberta’s taxation system. *Budget 2017* estimated this tax would collect $3.85 billion in revenue over the three fiscal years stretching from 2017/18 to 2019/20. With more than one-half of these funds dedicated to rebates and a small business tax reduction, the remaining $1.775 billion “will be invested in programs that reduce emissions and diversify the economy.”
Continuity

Continuity: Royalties

When it comes to energy and environment, the policy areas I am most familiar with, the NDP government’s record is strikingly similar to that of the Progressive Conservative dynasty they so rudely tossed out of office in 2015. Policy continuity, not change, is the most striking characteristic of Premier Notley’s approach to governing Alberta with respect to these areas in her first term. That this continuity is prominent even within the Climate Leadership Plan, supposedly a flagship of change, says much about just how uncritical the vast majority of Alberta political observers and pundits have been of what we have witnessed in these fields over nearly three years now. When it comes to the subjects of energy and environment Albertans replaced the Progressive Conservatives with a very conservative brand of progressivism.

To support this observation, we first look at what the 2015 election campaign suggested would be a major area of change under a New Democratic Party administration. That would be the subject of royalties. Notley opened the campaign by blasting the Progressive Conservatives for conducting a “fire sale” of our petroleum resources without securing fair value for the people of Alberta. The first step to correct this record would be to establish a Resource Owner’s Rights Commission modeled on the Commission she proposed in her private member’s bill – Bill 209. Implicit in this suggested change was the NDP concern that the Progressive Conservatives had failed the people in not ensuring that the provincial government received more economic rent from non-renewable resources for the people of Alberta. The New Democrats didn’t
believe that this situation could be left just to the Energy Minister, the public service, and the petroleum industry. To rectify this situation a new institution was needed, the Commission to Safeguard Albertans’ Interests in Natural Resources. The Commission would recommend targets for so-called “fair value returns” for Alberta’s non-renewable resources, propose indicators to meet those targets, measure and report to the public on the quest to realize fair value, and provide strategic advice to the government on how to realize the fair value return targets and indicators. Any targets and indicators the Commission might recommend had to consider the royalty rates on all non-renewable resources, value-added processing of those resources – possibly with public funding, value-added processing’s impact on economic development, and long-term sustainable management of these resources.  

The participatory, or democratic, aspects of this bill were striking. With respect to membership, the Commission could have as many as 10 members. Those members had to represent the following constituencies: First Nations, the energy industry, energy industry workers, energy economics experts, and sustainable development experts. Commission members would be appointed by the cabinet but recommended by the Legislative Assembly. The public also would be given opportunities to consult the Commission either through submissions or public hearings. During public hearings, the Commission also would have the power to call witnesses from the government “who must attend the hearing and give evidence subject only to any privilege recognized in law in Alberta.”

In addition to ensuring this wide range of representation and public participation, the Commission also was designed to strengthen government accountability to the
Legislative Assembly. The Commission would report to the Assembly on targets and indicators within one year. The Speaker would table the report in the Legislative Assembly; once tabled it would be referred either to the Standing Committee on Public Accounts or another legislative committee. Whatever Standing Committee considered the report it would have to report back to the Legislative Assembly within three months. The committee report would have to explain why the Commission’s proposals should or should not be implemented. The Minister responsible for the Commission would then have up to three months either to implement the proposals of the Commission or to issue a report explaining why the government wouldn’t implement the Commission’s proposals. All of these measures would improve accountability inasmuch as they would present opportunities for debate and questions inside and outside the legislature.

As the polls swung in favour of the New Democrats and the campaign entered its last week, industry pulled out the capital strike or “we’ll invest somewhere else” card they had used so successfully when Premier Stelmach considered changes to the royalty system in 2007. Raise royalties, Cenovus Energy warned, and future investment in Alberta would suffer. Notley blinked. She tried to reassure the oilpatch that she knew they were trying to cope with lower prices and that she, like them, understood the importance of maintaining the petroleum industry’s competitiveness. Notley’s about-face was summarized well in the rhetorical question that was the heading of a Don Braid editorial: “Really, Just How Scary is Notley?”

It didn’t take Premier Notley long to prove to the petroleum industry she wasn’t scary at all on the royalties issue. Notley didn’t pursue the institutional changes outlined her Commission to Safeguard Albertans’ Interests in Natural Resources Act through a government bill that would
be ensured of passage by an NDP majority in the legislature. Instead the Premier replicated what the Stelmach government did in 2007, announced that the government would appoint an ad hoc royalty review panel. She did this, according to industry, in a much more collaborative vein than Premier Stelmach did. "Since the party has been elected,” Husky Oil’s Chief Operating Officer said, “the premier has actually made lots of constructive noises about wanting a very collaborative working relationship.” One month after the election, Peabody cautiously described the Premier’s door as seeming “to be much further open” than was the case during the Stelmach years. This general view of the Notley was shared by Peabody’s colleagues from Suncor, Canadian Natural Resources Ltd., and Imperial Oil. Energy Minister Margaret McCuaig-Boyd also stressed the very positive relationship the government was developing with the petroleum industry in her first few weeks of office. “It was excellent and positive,” she said after meeting with CNRL’s President Steve Laut. “We all agreed to continue to work together. They're pleased that we're reaching out for their assistance and advice.” Laut was encouraged to believe the government would be “pragmatic” when it came to issues such as royalties.

Favouring the industry’s version of pragmatism was exactly what you might expect from an energy minister who reportedly met with over 1,000 industry representatives in her first three months on the job. It was certainly reflected well in the composition of the ad hoc royalty review panel the Minister created. The panel’s Chair was banking executive Dave Mowat. Peter Tertzakian, the chief energy economist and managing director of ARC Financial Corporation – the largest energy-focused private equity firm in Canada, was the only economist on the panel. A third member was Leona Hanson, the mayor of Beaverlodge. The fourth member was Dr. Annette Trimbee. With a doctorate in ecology Dr. Trimbee had served in three Deputy Minister positions in the Progressive Conservative governments of Ed Stelmach and Alison Redford
before she moved to become president of the University of Winnipeg in 2014.

Business and conservative columnists endorsed, if not applauded, the NDP’s choices. Claudia Cattaneo, the award-winning and unabashedly pro-energy industry Western business columnist for the *Financial Post* wrote that Minister McCuaig-Boyd had selected a panel “that promises an intelligent effort with perspectives reflecting industry, government and communities.” Lorne Gunter, one of Canada’s leading conservative columnists, wrote that the panel was “pretty good.” He could imagine Premiers Ed Stelmach or Alison Redford selecting these members if the Progressive Conservatives were establishing a royalty review panel. Gunter had the most praise for Tertzakian, “one of the sharpest oil and gas economists in the country.” Tertzakian’s company managed nearly $6 billion in energy assets and he authored an energy newsletter that was “very influential with investors.” Hanson’s pedigree was up to Gunter’s standards since she had spent more than ten years trying to help small businesses get involved in the energy business in the prime oil and gas country surrounding Beaverlodge. Only Trimbee, perhaps due to her government experience, raised Gunter’s eyebrow but he seemed persuaded by a former government colleague’s observation that Trimbee was “pragmatic” and “well aware you can’t squeeze the golden goose too hard.”

It’s impossible to disagree with the assessments of Cattaneo and Gunter. In fact, there are grounds for concluding that, colloquially speaking, the fix was in. The NDP were persuaded quite easily that, when it came to royalty rates, the status quo should remain in place. And, the Premier seemed to have lost all interest in making the major institutional change a Resource Owner’s Rights Commission would have represented. With respect to staying the course on royalties, in part the debilitating slump in crude prices explains the NDP selection of panel members that, based on their resumés, would be predisposed to prefer this path. The prices for
West Texas Intermediate and Western Canadian Select had plunged in the year leading up to the May 2015 election. By June, this freefall had taken Western Canadian Select to $51.29 from $86.56 the previous June; a barrel of West Texas Intermediate could be had for $59.83 rather than the $105.15 that same barrel commanded in June 2014. During the rest of 2015, as the Panel carried out its mandate, the freefall in prices continued. By February 2016 the respective prices for WTI and WCS were $30.62 and $16.30.

More than low prices likely is responsible for the fact the Panel, when it reported to the government in January 2016, did not recommend any rate changes or major institutional innovations to the royalty system. First, there were important connections of some panel members to the energy industry. Peter Tertzakian was a good example of an individual with a stellar industry pedigree. Also he certainly wasn’t a stranger to Alberta government royalty review panels. He appeared before the 2007 Royalty Review Panel in his capacity as the Chief Energy Economist of ARC Financial. Then, in his words: “We are a large stakeholder in Alberta’s financial community and I come to you today as a representative of the financial community.” While he didn’t tell the 2007 Panel it shouldn’t suggest “burdening Alberta’s oil and gas industries with additional royalties” he concluded there were too many risks and uncertainties facing all sectors of the Alberta petroleum industry. Consequently, he recommended “maintaining the current royalty structure until the citizens of Alberta can be assured that risks and vulnerabilities are mitigated and until a sustainable level of excess rent is available or demonstrated.” If Tertzakian was unsympathetic to royalty increases when spot prices for WTI were in the US$63 range it seems inconceivable he could support changing the royalty structure 8 years later when those spot prices were falling and were in the range of US $37 to $46 per barrel. The same could be said for natural gas prices. When he was questioned
by Panel member Dr. Judith Dwarkin in May 2007 he mentioned he had considered asking the Panel actually to consider reducing the conventional gas royalty. Then natural gas was trading for over Cdn$6 per gigajoule. In September 2015, as the Notley review panel began its work, natural gas was selling for $2.55 per gigajoule. Again, it’s inconceivable that an expert who thought the government perhaps should reduce gas royalties when the commodity was trading for over $6 per gigajoule would recommend royalty increases when that commodity was trading for less than half that much 8 years later.

Dave Mowat, the Chair of the NDP’s Royalty Review Panel, also had an important, professional and business interest in avoiding any royalty changes that might threaten the profitability of the Alberta petroleum sector. Mowat’s financial firm, ATB Financial, depended importantly on the Alberta energy for its business and profits. Lending to oil and gas companies was financially significant to ATB Financial. The firm describes its energy group as one of Canada’s largest energy lending specialists; over the past several years the company has grown its “Energy portfolio to become a significant portion of the overall market here in Alberta.” The company’s 2015 annual report made it very clear that when it came to managing risks the vitality of Alberta’s petroleum industry was crucial:

The effects of the recent plunge in oil prices have shown that the volatility of energy prices, particularly oil prices, is a profound risk to both the Alberta economy and ATB. Alberta is Canada’s largest oil-producing province, and ATB is geographically bound by its mandate to operate predominantly in this province.

When it came to the composition of the royalty review panel I think some insights can be gained by comparing the backgrounds of the 2015 panel members with those who were appointed to Premier Stelmach’s 2007 royalty review panel. Based on the number of panel members and credentials/backgrounds of the 2007 and 2015 panels I would suggest the panel Ed
Stelmach appointed had more of the background you would have expected of Premier Notley’s panel. The Chair of the 2007 panel, Bill Hunter, certainly had strong roots in the natural resources sector. He was the former President and Chief Operating Officer of Alberta-Pacific Forest Industries Inc. But, unlike Dave Mowat, he wasn’t the principal in a company that relied financially on the oil and gas sector. When it came to economic expertise, the Stelmach panel boasted three economists with PhDs – Drs. Dwarkin, McKenzie, and Plourde. Dave Mowat had a university education in business finance; Peter Tertzakian had a Master’s of Science (Management of Technology) from the Sloan School of Management at the Massachusetts Institute of Technology and a post-graduate certificate in Econometrics and Economics from the University of Southampton; Dr. Trimbee’s PhD was in ecology; Beaverlodge Mayor Leona Hanson was described by the government as “a seasoned business professional.” The surprising aspect of Lorne Gunter’s earlier comment about the members of the 2015 advisory panel is not that they should have appealed to Progressive Conservative premiers, it’s that an NDP premier would select a panel with more ties to the oil and gas industry than the panel Ed Stelmach created in 2007.

In opposition, the New Democrats were certainly critical of Progressive Conservative petroleum policies. In light of their criticism one striking aspect of the tack the Notley government steered after the election was the Premier’s decision to leave the senior levels of the Energy Department intact after assuming power. No changes were made to the department’s Deputy Minister or Assistant Deputy Minister positions. This is particularly relevant to the composition of the review panel since some of the same officials who approached and vetted candidates for the expert panel in 2007 were still in their positions when the 2015 panel was selected. Long serving ADMs like Mike Ekelund (Strategic Operations/Revenue and Operations)
and Steve Tkalcic (Oil Sands) could not have been unaware of the perspective Peter Tertzakian shared with the 2007 review panel. Those officials experienced first-hand the barrage of outrage the Stelmach government received from industry when the 2007 Royalty Review released its report *Our Fair Share*. Allegedly, the Panel’s recommendations to increase royalties then would turn Alberta into a much frostier version of Hugo Chavez’s Venezuela. Deutsche Bank wondered if the panel’s report “was authored by a visiting delegation of Venezuelans.” If Premier Stelmach accepted the Panel’s recommendation the province should be renamed “The Bolivarian Republic of Alberta.” Those who thought there was merit then in increasing the public’s share of its bitumen were derided by the bank’s analysts as “Stelmachistas.” Panel members more likely to retain the status quo due to their sympathies with industry should have suited the interests of the officials who were in the government for the 2007 review and its aftermath.

The interests of those long-serving members of the Energy department also should be considered when trying to explain the NDP government’s failure to implement any of the institutional changes championed in Bill 209, the *Commission to Safeguard Albertans’ Interests in Natural Resources Act*. The Bill promised important participatory and accountability gains. Representatives from a wider number of constituencies from outside the public service would play a formal role in recommending targets and indicators for collecting economic rent from Alberta’s non-renewable resources, for pursuing value-added processing of those resources. The Commission would consult the public widely; it would report its recommendations annually to the Legislative Assembly; government would have to respond publicly to the Commission’s recommendations. The Commission would disrupt significantly, in other words, the customary approach to evaluating royalty policy – a relatively private affair between government officials and industry. It would shine a light regularly on decision-making that normally remained behind-
the-scenes. It would threaten the public service/industry oligopoly over petroleum policy making.

Nearly 70 years ago Seymour Martin Lipset wrote *Agrarian Socialism*, his classic study of how Saskatchewan’s Co-operative Commonwealth Federation (CCF) formed North America’s first social democratic government in 1944. Part of that study examined how unreceptive the Saskatchewan public service was, after decades of Liberal party rule, to the CCF’s proposed changes: “The goals and values of the civil service are often as important a part of the total complex of forces responsible for state policy as those of the ruling political party.”

What transpired in Alberta after the 2015 election begs to be understood in a similar way. Those sectors of Alberta officialdom responsible for the petroleum sector, in this case the Department of Energy, were participants and architects of the tar sands boom that had swept across Alberta’s northern landscape since the mid-1990s. They helped draft the blueprints for what history may regard as the greatest resource boom in North American history. If the NDP seriously considered making major changes to the terms or responsibilities of developing Alberta’s bitumen treasure their plans would have confounded decades of administrative decisions and administrative process. Without shaking up the senior levels of the Energy department the Notley government increased the odds that Alberta would experience exactly the pattern of policy continuity detailed above.

**Continuity: Climate Change**

With respect to addressing climate change we noted earlier the two promising changes contained in the Notley government’s climate change commitment. The first was the decision to build on the Harper government’s decision to close down coal-fired electricity generators and the
second was the plan to see renewables generate 30 percent of Alberta’s electricity by 2030. But, when it comes to the petroleum industry, the NDP’s climate change initiatives so far really have demanded very little from the oil sands when it comes to reducing greenhouse gas (GHG) emissions from today’s levels. In fact, while taking climate change seriously demands real cuts in the millions of tonnes of greenhouse gas emissions sent skyward, the Alberta NDP’s version of climate leadership allows for spectacular real increases in the GHG emissions from the oil sands to continue.

The irrational exuberance that drove the post-1995 tar sands boom, generating hundreds of billions of dollars in investments and economic prosperity, also generated millions and millions of tonnes in increased GHG emissions. Between 1990 and 2015, as the world became more and more concerned about climate change, Alberta’s emissions skyrocketed by 56.4 percent. In 1990 they were 175.3 megatonnes; in 2015 they were 274.1 megatonnes. Most of this nearly 100 MT increase came courtesy of the petroleum sector. The sector’s emissions essentially doubled over that period – shooting up to 132.3 MT from 69.1 MT. GHG emissions from the oil sands boom accounted for 53.2 MT or 84.2 percent of the increase in GHG emissions from the oil and gas sector. Not surprisingly then, the tar sands have become a larger and larger component of Alberta’s GHG emissions. In 1990, the 15.4 MT in oil sands emissions constituted 8.8 percent of Alberta’s emissions. In 2015, after rising to 68.6 MT, they made up 25.0 percent of provincial emissions. What Rachel Notley noted critically in the Legislative Assembly in 2009, that Alberta sent more GHG emissions into the atmosphere than any other province in the country, was even truer in 2015. It was due in large part to the oil sands. She certainly was correct in 2009 to observe that the Progressive Conservatives had done nothing to change this. What, as Alberta’s premier, has the leader of the NDP so far done to start to build a
different policy legacy?

There is nothing in the Notley government’s climate change policy approach to petroleum, and the oil sands in particular, that differs significantly from what her Progressive Conservative predecessors conceived. There’s a great deal of irony in the fact that, as the Premier tried to raise doubts in the Legislative Assembly about whether Jason Kenney believed our species is primarily responsible for climate change, she used her decision to adopt “a world-leading, a continent-leading climate leadership plan that is reducing emissions on a number of fronts…” to prove the New Democrats had no doubt about who was responsible for climate change. Recognizing our responsibility, she asserted that Alberta was taking serious actions to stem the rise in carbon dioxide levels and the globe’s average temperature. The irony rests first in the emissions trajectory the NDP’s Climate Leadership Plan promises to deliver by 2030. Alberta’s GHG emissions under this plan would be reduced to 270 megatonnes. This is a meagre 4.1 MT less than Alberta emitted in 2015. The NDP’s version of “world-leading” climate leadership calls for Alberta to reduce its GHG emissions by 1.5 percent over the next 12 years.

Two years, 1990 and 2005, have served as important benchmarks for emissions reductions in the international politics and policy of climate change. The European Union uses its member states’ emissions in 1990 as its benchmark for making emissions reductions. Under the 2015 Paris Accord the European Union committed, by 2030, to reducing its greenhouse gas emissions by 40 percent relative to 1990 levels. Canada, like the U.S. during the Obama administration, uses 2005 as its benchmark. Stephen Harper’s Conservatives proposed to reduce Canada’s emissions to 30 percent below 2005 levels by 2030. Justin Trudeau’s Liberals, after slamming the Harper target as insufficient while in opposition, now endorses it as government. By contrast, Alberta’s 2030 emissions target amounts to a 56.4 percent increase over provincial
emissions in 1990 and a 17.7 percent increase over 2005 GHG emissions in Alberta. I suspect it’s impossible to find another jurisdiction in the developed world with the chutzpah to claim to be a world climate change leader while sanctioning such emissions increases.

Alberta’s Climate Leadership Panel allowed that some might wonder if its recommended policies and the emissions trajectory they anticipated were consistent with the global ambition to keep the world’s average temperature to below 2 degrees centigrade:

Many will look at these emissions reductions and claim that our policies will not place Alberta on a trajectory consistent with global 2°C goals, and in some sense this is true – the policies proposed for Alberta in this document would not, if applied in all jurisdictions in the world, lead to global goals being accomplished. In looking at Alberta’s ambitions it’s impossible for me to see any sense in which that claim isn’t true. The Climate Leadership Plan’s failure to propose a set of policies consistent with meeting today’s global goals is justified because of the damage more meaningful measures, more meaningful leadership, would do to the competitiveness of Alberta’s industries. More stringent policies would sacrifice the wealth and prosperity of Albertans. Alberta, according to this logic, should not take more meaningful actions “until our peer and competitor jurisdictions adopt policies that would have a comparable impact on their industrial sectors.” In Alberta, climate leadership means waiting for others to take the lead and then following in their footsteps.

Phasing out coal-fired electricity generation in Alberta by 2030 will reduce Alberta’s GHG emissions by approximately 38 megatonnes. So, despite that reduction, if Alberta’s overall emissions in 2030 only are expected to be 4.1 MT less than they were in 2015 then what sectors are going to increase emissions? Some of the emissions reductions achieved through retiring coal will be lost by adding natural-gas fired electricity generation capacity to the electricity grid. But the majority of these increased emissions is anticipated to come from
growing oil sands production. The Leach panel never specified in its report how many more megatonnes it expected to see from the tar sands in 2030. Premier Notley set a 100 megatonnes-plus ceiling for oil sands emissions in her broadly-acclaimed speech announcing the Climate Leadership Plan. The “plus” represented a then unspecified additional tonnage that would come from new bitumen upgraders and cogeneration. Subsequently Bill 25 – Oil Sands Emissions Limit Act specified that, in addition to the 100 MT cap mentioned in the Premier’s speech, the government would set a 10 MT limit on emissions from new upgrading capacity (including the expansion of existing upgraders). It also specified that the electricity cogeneration emissions from oil sands operations would not count towards the 100 megatonne limit. These limits open the door to quite a spectacular increase in GHG emissions from the tar sands. In 2015 Alberta’s oil sands emissions were 68.6 megatonnes. Bill 25’s 110MT+ limit facilitates a 60.3 percent increase in absolute GHG emissions from the oil sands by 2030. Dr. Paul Boothe, a former federal deputy minister of Environment Canada, wasn’t exaggerating when he noted that the Alberta plan anticipated a “staggering” increase in oil sands emissions.

The NDP government tells a story where its Climate Leadership Plan has turned a climate change laggard into a climate change leader. We saw the Premier claim earlier that her plan is “world leading;” her Environment Minister happily tweeted that Alberta had crafted “a climate plan that sets the bar for the whole country” after B.C. Premier John Horgan withdrew planned measures aimed at blocking Kinder Morgan’s Trans Mountain Pipeline. Given the NDP’s enthusiasm for oil sands expansion these claims don’t stand up to serious scrutiny. In her early days in the Legislative Assembly, Rachel Notley pilloried the Progressive Conservatives for taking an emissions intensity approach to regulating tar sands’ GHG emissions. She challenged Environment Minister Renner: “Why won’t you admit that your intensity targets are nothing
more than a laughable smokescreen that nobody is going to buy except your staff and that does nothing to address climate change?”

If there was an opposition party in the Legislative Assembly today that took climate change seriously that party could ask the very same question of Premier Notley or her Environment Minister. As she noted when talking about the decision to allow the oil sands sector to increase its emissions by 60 percent, the 100MT+ emissions limit would “reduce our carbon output per barrel” – exactly what an emissions intensity approach delivers. Also, previous Progressive Conservative governments fancied telling Albertans about the significant reductions their measures would realize in the future compared to a business-as-usual approach. The Stelmach government asserted that, by 2050, its climate change strategy – overwhelmingly weighted towards carbon capture and storage – would reduce Alberta’s emissions by 200 megatonnes below 2050 business as usual levels. Such a remarkable promise was less impressive if it was described instead as a plan that would leave Alberta’s emissions 14.5 percent higher than they were in 1990. Budget 2017 saw the New Democrats dusting off that same script. The Climate Leadership Plan should do no worse that produce a 50 MT reduction by 2030. Such an impressive reduction is from a business-as-usual scenario where Alberta would be expected then to emit 320 MT of GHG emissions. Budget 2017 doesn’t tell the reader that this reduction actually amounts to a 54 percent increase over what Alberta actually emitted in 1990. In many more ways than one, the climate change file is one where Tweedledee has replaced Tweedledum.

**Continuity: Regulating Oil Sands Tailings**

The leniency that Progressive Conservative and NDP governments alike have shown the oil sands sector strains towards being boundless. Another environmental illustration of this
continuity between these parties is provided by policies towards the current blight on the boreal landscape manifested by the tailings reservoirs accompanying oil sands mining. In the early days of the post-1995 oil sands boom the tailings ponds constructed to hold the toxic wastewater produced by mining operations covered only 35 square kilometres north of Fort McMurray; by 2013 they sprawled over 220 square kilometres. Tailings and the environmental performance of the oil sands were thrust into the international spotlight in April 2008 when a spring snowstorm forced over 1,600 migrating waterfowl to land on what they thought was an inviting waterbody. It wasn’t. They landed on the toxic, bitumen-infused waters of a tailings reservoir at Syncrude’s Aurora mine. As Judge K.E. Tjosvold noted when he found against Syncrude in the subsequent court case, the birds landed on a mat of bitumen in the pond that covered a significant area. The mat, “several inches thick, viscous and cohesive with the consistency of a frothy roofing tar,” trapped the birds and drowned them when it sank to the bottom of the pond. Until this incident, and the harmful publicity it generated for the Stelmach government and Syncrude, the regulation of tailings was lax.

In February 2009 the Energy Resources Conservation Board (ERCB) seemed determined to turn its back on that history. Through Directive 074 the ERCB required mine operators to reduce their volumes of fluid tailings. It required operators to turn significant percentages of those fluid tailings into dry tailings and do so quickly. By 2013 and thereafter 50 percent of mine tailings must be dry. The ERCB’s chair said that his agency’s new rules would mean that “for the first time Albertans will have certainty on how tailings from oil sands projects will be stored, converted and reclaimed.”

Such a promise proved to be an empty one. Only two of the nine tailings management plans submitted to the ERCB in 2009 complied with the Directive. Operators such as Canadian
Natural Resources Limited sought exemptions from the Directive’s requirements; Imperial Oil’s Kearl Project’s plan didn’t follow the Directive and instead stuck to what regulators had approved in 2007 – the company said those plans met the intent of the ERCB’s Directive; only Suncor committed to trying to meet the ERCB’s requirements but it was unable to do so. By 2013 it was clear that the companies couldn’t or wouldn’t meet the Directive’s prescriptions for managing tailings. The regulator’s efforts to create an industry-wide tailings management regime had failed badly. In part I think this policy failure should be attributed to the lax regime that existed prior to 2009. Decades of neglect on the part of government and industry made it very difficult to meet the expectations of the new, much stricter, tailings regulatory world that Directive 074 imagined.

The government responded to this policy failure with two, simultaneous actions. Directive 074 was suspended – the regulator’s framework for managing tailings was discarded. A new tailings framework document was issued. This framework clearly hoped that many who read it wouldn’t realize what a colossal failure Directive 074 had been. If Directive 074 had been too ambitious the new tailings management framework was too lenient. It responded to industry’s concerns by relaxing requirements. Annual targets were discarded; operators weren’t going to be required to ensure that certain percentages of their tailings were dry by specific dates; reclamation requirements following the closure of mines were relaxed. The stricter, more environmentally-sensitive, ambitions of Directive 074 were abandoned. The seed for a new, more industry-friendly replacement for Directive 074, was planted.

Directive 085, not surprisingly then, institutionalized a more flexible approach that industry had sought. All fluid tailings would have to be “ready to reclaim” ten years after a mine’s life ended. This condition only meant that reclamation could begin at that point in time.
The universal standard for tailings management that industry had found problematic was dropped. Mine operators would be left to identify what the optimum solution for their particular projects would be. While there could be financial or production consequences for companies with mines that exceeded either tailings volumes and limits such regulatory responses only were optional.102

For some, the surprise in Directive 085 rested with the fact that the New Democrats, not the Progressive Conservatives, introduced it. When Brian Mason was NDP leader he responded to the waterfowl deaths at the Aurora tailings reservoir by chastising the PC government for not taking action to eliminate and reclaim tailings ponds by 2020.103 The AER’s approval of Suncor’s tailings management plan in October 2017 only highlights how little change the New Democrats demand from the Regulator and oil sands companies when it comes to managing tailings. Suncor’s base plant is expected to close in 2033 and the AER claims to be concerned that there is quite little time left to resolve the tailings management reclamation issues for this site; the Regulator needs “appropriate assurances” from the company that its strategies will meet the outcomes set in the government’s Tailings Management Framework.104 Critics argue that those assurances have yet to be provided, not least because Suncor’s plans hinge on a proposed technology that has, in the AER’s opinion, “uncertainties.”105 This technology, only demonstrated so far in the laboratory, is planned to proceed over the next 15 years – while the company plans to go ahead with implementing the technology at its base plant. Let’s hope such optimism is justified.

The lenient, “leave it to the future,” approach to managing tailings that has so far characterized the NDP’s policy here, carries significant financial, as well as environmental, risks. Alberta Environment and Parks is responsible for the design of the Mine Financial Security
Program (MFSP). This plan is intended to ensure that mining companies, including those operating in the tar sands, will supply the financial security to government needed to reclaim their operations after they close without the need for additional financial aid from taxpayers. The Auditor General reported that, at the end of 2014, the government held $1.57 billion of security against estimated mining reclamation liabilities of $20.8 billion. Carolyn Campbell concluded that, as of June 2017, oil sands companies had submitted $939 million in security deposits to the AER. The estimated reclamation liabilities of the sector then stood at $27.4 billion. Financial security only has been offered for 3.4 percent of the oil sands mining sector’s estimated liabilities. The Auditor General’s 2015 report raised important concerns about the design of the MFSP. His office found “a significant risk” that Alberta Environment and Parks overstated the value of mining company assets; asset calculations were made without incorporating a discount factor to recognize risk; the system underestimated the impact of future price declines; the program assigned the same value to probable reserves as it did to proven reserves. In July it will be three years since the Auditor General recommended that Alberta Environment and Parks improve the MFSP design. In his October 2017 report the Auditor General reported that, if the Department was working on a response to his recommendation, the recommendation was still outstanding and not ready to be followed up on. Given the record to date I would be surprised that, if Alberta Environment and Parks responds to the Auditor General, it does so by increasing the financial security obligations of oil sands miners. When it comes to petroleum the government’s approach too often seems to be to close their eyes and hope for the best.

A Lament

This paper has sought to shed some light on several aspects of governance in Alberta. Its
sketch of Alberta’s political economy confirmed what many of you knew already – petroleum dominates in many respects. But, one indicator of its dominance and importance has eroded significantly over the mixture of good and bad times Alberta’s economy has experienced in roughly the last decade. That indicator is the contribution of non-renewable resource revenues to the provincial treasury. To some degree I believe this erosion in non-renewable resource revenue’s significance is due to the important change the Klein government made to the oil sands royalty system when it embraced the National Task Force on Oil Sands Strategies report. That change shifted the basis for calculating royalties from crude oil prices to bitumen prices. This so-called generic royalty regime contributed mightily to the frenetic post-1995 oil sands investment. But it also meant that an oil sands producer’s royalties would be calculated primarily on the price of bitumen, a commodity that generally has been priced at very significant discounts to conventional oil such as West Texas Intermediate. This might counsel caution to those who may believe that Alberta’s bitumen royalty system will be able to reap enough rewards to push the level of non-renewable resource revenues back to the levels they enjoyed in the first decade of this century.

After reviewing the NDP’s 2015 election platform we looked for where the New Democrats have made significant changes to public policy. Ethics, electoral financing, health care, education, taxes, and climate change are policy areas where the New Democrats have made significant changes. Some of these changes, such as new personal income and corporate tax rates or increased health care and education spending, were promised during the 2015 campaign. Other changes, most notably and controversially the carbon tax, were not. Those who privilege fairness and equality in political and election financing may wish the government had done more to control the political spending of third party advertisers. The next election should be
instructive.

Here though I have tried to argue that, especially with respect to climate change and petroleum, the Notley record is characterized by much more continuity than we might have expected. Changing governing parties, as Heclo might have predicted, hasn’t changed the substance of policy in these areas a great deal. Certainly petroleum’s significance when it comes to employment, exports, and investment accounts for much of this. At the same time, I believe it’s very plausible to suggest that the refusal of the new governing party to make changes to the senior levels of the Department of Energy and Alberta Energy Regulator also is an important contributor to continuity.

The basis for this concluding lament rests first in the challenge the New Democrats face in the remainder of their term. Challenge is singular because at this point in time only one challenge matters – re-election in 2019. The lament arises from how I suspect that challenge will be addressed. Here I suspect the New Democrats will continue a long, if not distinguished, tradition in contemporary Alberta politics. This is to ignore all the evidence supporting the claim that we don’t have a taxation system that can support sustainably the level of service the New Democrats believe Albertans expect in their health care and education systems. Even with rising revenues from personal income taxes and corporate income taxes and higher oil prices Budget 2017 estimated that Alberta will run a deficit of $7.2 billion in 2019/20. Budget 2018 estimates that deficit will be higher – $7.9 billion – due in part to its prediction that the bitumen royalty will deliver substantially less revenue in the 2019/20 fiscal year than Budget 2017 predicted. Any serious effort to balance the Alberta budget, without cutting spending for health care or education by very significant amounts, must look to additional sources of revenue. The New Democrats should consider introducing a sales tax.
I know…the sales tax is a bogeyman in Alberta. I can hear you saying that to broach this policy option in the next election campaign would be political suicide for the New Democrats. Sadly, you’re probably right. That you’re probably right has as much to do with us as it does with politicians and their parties. It’s another reason for this lament. I’m afraid we’re likely not to reward the honesty that would be behind the statement that: “We cannot rely on non-renewable resource revenues to generate the revenue needed to maintain the high quality health care and education you expect. If you want those services we’re asking you to pay a small sales tax to help pay for them.” Voters are more likely to be attracted to those in opposition who would claim instead that our health care and education systems are afflicted with waste and inefficiencies, that those who provide the services are over-paid. “We don’t need more taxes,” they would cry. “What we need is better management of the taxes we already pay.” High quality public services, with low taxes – it’s an illusion that many will be tempted to embrace.

Part of my lament then is based in my suspicion that, in contemporary politics, frankness and, more importantly honesty, is not valued by enough of the citizenry. We want to be told that there is an easier way to realize our dreams, even if that way is an illusion. Perhaps there is some aspect of human nature that contributes to this. I think though that political parties of all stripes have nurtured electors to think this way, to vote this way. Parties have become masters of political spin, of what in some instances we could more accurately call propaganda. Here “telling it like it is” is antithetical to winning political support. Instead, the politician’s words will try to convince us of some great achievement when the achievement is much more modest, perhaps even non-existent.

If there’s one takeaway from this lament it would be that, as electors, we should do our utmost to interrogate the ideas and proposals the parties will put before us. Don’t be complacent,
be skeptical, raise critical questions. When it comes to seeing a change in Alberta politics it’s what I hope for the most.

2 This argument likely clashes with other perspectives presented at this conference. Graham Thomson’s – battle between energy and environment. This battle never took place and isn’t likely to.
3 I use the phrase “political economy” to describe the relationship between politics, law, and the economy. The efforts of Alberta governments to influence and shape economic growth and the distribution of wealth in the province has contributed to the current political economy.
5 What should we call the bitumen-impregnated sands discussed in this paper? Both the terms “tar sands” and “oil sands” have merit; both are used in the paper. Since bitumen has a tar or pitch-like character of bitumen, I believe the term “tar sands” offers a more accurate physical description of this resource. The decision to call this resource “tar sands” or “oil sands” has been influenced strongly since the 1990s by whether the speaker favours or opposes turning the bitumen found in these sands into synthetic crude oil. Governments and companies that favour exploiting the bituminous sands generally call them “oil sands.” However, there have been some notable exceptions to this tendency. Today, the US Bureau of Land Management still uses the phrase “tar sands.” See United States Department of the Interior, Bureau of Land Management, “Oil Shale and Tar Sands Leasing Programmatic EIS Information Center,” http://ostseis.anl.gov/index.cfm. In Alberta’s Legislative Assembly, “tar sands development” was preferred to “oil sands development” in the official records of debates in the Alberta legislature until February 2006, the year environmental opposition to exploiting the tar sands became more public, vocal, and international. J. Howard Pew, the father of the first commercial tar sands operation – Great Canadian Oil Sands (now Suncor), called them “tar sands.” President George W. Bush thanked Canada for developing its “tar sands” when he met with Canadian Prime Minister Paul Martin and Mexican President Vincente Fox in March 2005. See “President Meets with President Fox and Prime Minister Martin” (United States Department of State, March 23, 2005), https://2001-2009.state.gov/p/wha/rls/rm/2005/q1/43847.htm. Most environmentalists prefer the term “tar sands.” The Pembina Institute, an environmental group with important ties to the petroleum industry, is an exception to this tendency and is more likely to use the phrase oil sands.
8 Statistics Canada, Table 228-0034 – Domestic exports, customs-based, by province of origin, monthly (dollars), CANSIM (database); Statistics Canada, Table 228-0060 – Merchandise imports and domestic exports, customs-based, by North American Product
Classification System (NAPCS), Canada, provinces and territories, monthly (dollars), CANSIM (database).

Statistics Canada, Table 029-0045 - Capital and repair expenditures, non-residential tangible assets, by North American Industry Classification System (NAICS), Canada, provinces and territories, annual (dollars), CANSIM (database).

Statistics Canada, Table 379-0030 - Gross domestic product (GDP) at basic prices, by North American Industry Classification System (NAICS), provinces and territories, annual (dollars), CANSIM (database).

Statistics Canada, Table 051-0005 - Estimates of population, Canada, provinces and territories, quarterly (persons), CANSIM (database).

Statistics Canada, Table 282-0008 Labour Force Survey estimates (LFS), by North American Industry Classification System (NAICS), sex and age group, annual (persons unless otherwise noted), CANSIM (database).

With respect to full-time employment in all industries (service-producing as well as goods-producing) the mining/quarrying/oil and gas extraction sector claimed 7 percent of Alberta’s jobs in 1997 and 9 percent of total employment in 2014. Statistics Canada, Table 282-0008 Labour Force Survey estimates (LFS), by North American Industry Classification System (NAICS), sex and age group, annual (persons unless otherwise noted), CANSIM (database).

Only direct employment is considered here. After hitting a low of 129,800 full-time jobs in 2016 employment in oil and gas activities recovered slightly in 2017. The mining/quarrying/oil and gas sector accounted for 135,800 full-time jobs in 2017. Clearly, employment in other sectors suffered from the slump in oil prices. Most notably perhaps, the manufacturing sector shed 30,700 jobs between 2014 and 2016, before recovering 4,000 of those full-time jobs in 2017.

Educational services added 4,600 more full-time positions in 2017; health care and social services added 1,700 more positions in 2017.

The data in Figure 1 are taken from Alberta Budgets. The data for the 2016/17 is a forecast from Budget 2017. The data for 2017/18 is an estimate from that same budget; the 2018/19 data is the target set in Budget 2017.

Mike Ashar, “Remarks by Mike Ashar, Executive Vice President, Suncor Oil Sands to John S. Herold Pacesetters Energy Conference,” September 27, 2002. Slurry pipelines to transport bitumen to processing facilities was a second important technological change in tar sands mining.


Alberta Energy.

Canadian Association of Petroleum Producers, “Submission: Bitumen Pricing Methodology for SEC Reserves Disclosure,” (Calgary: CAPP, September 2005), 5. It’s important to note, given the current controversy about the importance of pipeline capacity to the price received for Alberta’s bitumen, that a significant discount has existed in years when pipeline capacity wasn’t an issue.

The base royalty was set to rise by 0.12308 percent for every dollar increase in the price of oil. At $120 per barrel the base royalty would be 9 percent.
For a much more extensive discussion of these factors see Ian Urquhart, Costly Fix: Power, Politics, and Nature in the Tar Sands, (Toronto: University of Toronto Press, 2018).


Environment Minister William Yurko outlined the Lougheed government’s vision of rapid oil sands development in “Development of the Alberta Oil Sands,” Address to the Engineering of Canada Conference, Edmonton, Alberta, April 17, 1974.


Alberta’s NDP: Leadership for What Matters, 6.


Alberta’s NDP: Leadership for What Matters, 24.


Sunshine lists promote transparency in government by shedding light on the remuneration/compensation/severance public officials receive.


In the 2015 provincial election only three parties spent more than $1 million. The Progressive Conservative party spent $4.3 million, the New Democratic Party spent $1.6 million, and the Wildrose Party spent $1.2 million. At the other end of the spending continuum, the Alberta Social Credit Party spent only $400, $570 less than the Communist Party of Alberta. See Elections Alberta, Financial Period – Campaign 2015 – Party, http://efpublic.elections.ab.ca/efEvent.cfm?MID=FE_C_2015_P&FID=31.

As of March 2018, nine other third party political advertisers have registered with Elections Alberta. See Elections Alberta, “Third Party Advertisers – Political,” http://efpublic.elections.ab.ca/efTPAs.cfm?MID=TPAS_TP&TPATYPE=P.

Canadian Institute for Health Information, National Health Expenditure Trends, 1975 to 2017, (Ottawa: Canadian Institute for Health Information, 2017), 21.

Statistics Canada. Table 0510001 Estimates of population, by age group and sex for July 1, Canada, provinces and territories, annual (persons unless otherwise noted), CANSIM.
Alberta, Fiscal Plan – Budget 2015 (March), 15. The Prentice budget also pointed out how much the government was paying Alberta teachers and how well-off those teachers were relative to their counterparts in other provinces: “The budget includes $89 million for the final year of the Teachers’ Framework Agreement. This will increase total teachers’ compensation to over $4 billion in 2015-16. Alberta teachers’ salaries are 9.8% above the Canadian average, based on five years of university education and the maximum level of experience.” Alberta, Fiscal Plan – Budget 2015 (March), 16.

Ibid., 14-15, 28. The health care contribution tax was expected to generate $396 million in the 2015/16 fiscal year. This tax revenue was projected to increase to $567 million in the 2019/20 fiscal year.


Environment and Climate Change Canada, National Inventory Report 1990-2015: Greenhouse Gas Sources and Sinks in Canada, Part 3, 85. This emissions total was down marginally from 275.7 MT in 2014, Alberta’s highest year of emissions.

In 1990, oil and gas contributed 69.1 MT of greenhouse gas emissions; in 2015 that total was at a record level of 132.3 MT. Ibid.

In 1990 Quebec’s GHG emissions were 89 megatonnes; in 2015 they were 80.1 MT. Ontario’s GHG emissions in 1990 were 181.3 megatonnes; in 2015 they had fallen to 166.2 MT.


Terry Boston, “Letter to The Honourable Rachel Notley,” September 30, 2016, http://www.alberta.ca/documents/Electricity-Terry-Boston-Letterto-Premier.pdf. About the essential elements Alberta needed to implement, Boston wrote: “Based on the input from 25 investment institutions and two of the largest independent power producers in North America, two essential elements are required for the level of investments for reliable capacity and renewable energy. First, is the provision of voluntary payments for the six coal plants with remaining life beyond 2030. Second, is continued confidence that Alberta’s power market design produces competitive results which are fair and efficient, while encouraging the future investments needed to maintain reliability during the transition to cleaner sources of generation.”

Budget 2017, 57.


Ibid., Section 7(4).


Dave Mowat would have received some economics training since his academic background was in business finance at the University of British Columbia.

Ibid.


Ibid., 186.


Ibid., 211.


European Commission, “2030 climate & energy framework,”


Ibid.

Alberta, Environment and Parks, *Climate Leadership: Discussion Document*, (Edmonton: Alberta Environment and Parks, 2015), 27. This document stated that electricity generation was responsible for 45 megatonnes of Alberta’s GHG emissions in 2013 and that coal-fired generation accounted for 85 percent of that sector’s emissions (38.25 MT).

Cogeneration refers to the production of electricity and heat from the same fuel source at the same time.

Using Premier Notley’s ballpark oil sands emissions figure of “about 70 megatons” Boothe calculated that the increase to 100 MT would be “a staggering 43 percent above current levels.” As noted in the text, the actual legislated increase is even more staggering – just over 60 percent. See Paul Boothe, “Alberta’s greenhouse gas plan: a glass half full or half empty?,” http://www.macleans.ca/economy/economicanalysis/albertas-greenhouse-gas-plan-a-glass-half-full-or-half-empty/.

An emissions intensity approach can produce real reductions in the total number of tons of greenhouse gases emitted. But, to do so the reductions in per barrel intensity must be greater than increases in aggregate production. Simultaneously increasing production by 20 percent and reducing emissions intensity by 12 percent produces more GHG emissions.


We should not conclude from this discussion of how both PC and NDP governments relied on business as usual scenarios that the Progressive Conservatives would have delivered more reductions in emissions by 2050 than the New Democrats propose by 2030. The New Democrats, through the coal phase-out and commitment to renewables, have real measures to address emissions; the Progressive Conservatives, by emphasizing carbon capture and storage, didn’t.


Photo Contest Winners

"After the Harvest", Kellie Nichiporik, PAg, Second Place Winner

"Boots in the Field", Robyn Gerrard, ATT, Third Place Winner