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A New Government in Alberta

What it means for businesses and investors

A new provincial government was elected in Alberta on April 16, 2019. The United Conservative Party (UCP) won a strong majority led by Jason Kenney, Alberta's new Premier. The new government has declared Alberta to be open for business. Here are the new government's most important policy initiatives for investors interested in doing business in Alberta.

Focus on the Energy Market

The new government plans to re-energize Alberta's oil and gas industry, with a sharp focus on the development of increased pipeline capacity to get resources to tidewater. The newly appointed Associate Minister for Natural Gas will support LNG developments and enhanced domestic processing, and may take steps to increase access to transportation capacity by providing credit support for long-term pipeline commitments. The government also proposes to lock in place royalties on oil and gas wells once a well has been drilled, exempting them from royalty reviews following completion. Abandonment processes are to be streamlined to reduce the number and liability of abandoned wells.



Carbon Tax Repeal Act

The \$1.4-billion carbon tax imposed by the former government is slated for repeal, to be replaced by the new Technology Innovation and Emissions Reductions (TIER) program for large industrial emitters. TIER is anticipated to incentivize greenhouse reductions by large emitters and help create efficiencies in the transition to lower carbon emissions. TIER takes effect January 1, 2020, reducing the initial cap by 10%, and 1% annually. The compliance price is to be reduced from \$30/tonne to \$20/tonne.

Red Tape Reduction Act

The incoming government will work to reduce costs for business, speed up approvals and lessen the regulatory burden faced by all industries in Alberta. New legislated timelines have been proposed. An Associate Minister for Red Tape Reduction has been appointed. Industry panels are to be formed to help identify unnecessary red tape.

Job Creation Tax Cut

The government proposes to lower the tax burden on employers from 12% to 8% over four years. This will make Alberta's general corporate tax rate well below the national average.

Continued Support for Petrochemical Industry

Alberta plans to continue expanding the incentives to growth in the petrochemical industry in the province. The former government earmarked \$2.6 billion in royalty credits through the Petrochemical Diversification Program and the Petrochemicals Feedstock Infrastructure Program. The province will look into establishing stronger municipal tax incentives to bring petrochemical business to the province.

Challenges and Next Steps

Alberta's new government will continue to promote increasing access to international energy markets. It will pursue this agenda by leveraging national partnerships to advance Alberta's energy interests with other provinces and the federal government. Some of these initiatives include:

- funding for Indigenous communities to participate in and benefit from energy developments;
- establishing measures to promote investor certainty and counter misleading special interest messaging adverse to oil and gas development; and
- challenging federal legislation that may hinder ongoing development of Alberta's world-class energy reserves.

Alberta has publicly pledged to work alongside other provinces to challenge two high-profile federal bills: Bill C-48 proposing to prohibit large tankers off British Columbia's north coast, and Bill C-69 proposing to change the federal environmental assessment process and to establish a new federal energy regulator. Premier Kenney, premiers from across the country and industry organizations are working to have these bills amended by the federal government, to better support energy projects in Canada.

These steps are intended to promote and foster new growth and investment in Alberta's oil and gas industry, recognizing the province's world-class production operations and energy and environmental regulations.

“Jason Kenney is experienced and will hit the ground running. He's a thoughtful and intelligent leader who will do what it takes to advance market and pro-free enterprise policies to boost economic growth and job creation.”

Hon. John Baird P.C., Senior Business Advisor at Bennett Jones and Former Minister of Foreign Affairs

“The UCP government will bring dramatically lower taxes, shrinking government, a lighter regulatory burden, investor certainty, and balanced budgets. Most important though, is the UCP's unapologetic recognition that oil and gas are what allow Canadians to enjoy one of the world's highest standards of living. The UCP will get Alberta's fundamentals right.”

The Honourable Christy Clark, Senior Advisor at Bennett Jones and former Premier of British Columbia

To discuss what these developments mean for your business, please contact:

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