

INTERNATIONAL Herald Tribune

Canadian panel calls for major hike in Alberta's oil sands royalties

The Associated Press

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EDMONTON, Alberta: A government-appointed panel reviewing Alberta's energy royalties called Tuesday for the oil-rich Canadian province to increase its total take from the energy industry by 20 percent a year, or roughly \$2 billion Canadian (US \$1.97 billion; €1.42 billion).

The report by the provincial panel targets Alberta's oil sands projects in particular and says royalties have not kept pace with world energy markets.

Canada's western region is home to vast reserves of the oil sands, a tar-like bitumen that is extracted using mining techniques. Industry officials estimate the oil sands will yield as much as 175 billion barrels of oil, making Canada second only to Saudi Arabia in crude oil reserves.

Last year, Alberta collected \$10 billion (US \$9.9 billion; €7.14 billion) in energy royalties. Royalties have not been updated since the mid-1990s.

The report says all projects in the booming oil sands region should pay more because "Albertans do not receive their fair share from energy development."

Alberta is debt-free but has struggled to build the infrastructure that is needed for the booming industry. Companies have said the oil sands boom has raised the cost of labor sharply, and that increase has spilled over into other sectors like real estate as an influx of workers competes for housing in some key areas.

Alberta Premier Ed Stelmach said Tuesday his government will take about a month to decide whether to follow the panel's recommendation.

"The initial (royalty) policy has certainly spawned growth in the province of Alberta, and now we're going to be looking at the next 20, 30 even 40 years," Stelmach said.

The panel said high-production oil and natural gas wells also should pay higher royalties, although a larger number of low-production wells would pay less.

The net effect would be a 9 percent boost in revenue for the government from natural gas royalties and an 11 percent increase in revenue from conventional oil production, the panel said.

Energy industry leaders, including Mobil Exxon chairman Rex Tillerson, have said increasing in

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royalties could hinder investment in Alberta, but the panel disagreed.

Oil futures rose to a new trading high of US\$81.90 Tuesday on the New York Mercantile Exchange.

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