



Canada: 2009

Oil & Gas Industry and Alberta's New Incentive Programs

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Summary

According to the Government of Alberta, the province is expecting to see a 27% slowdown in oil and gas activity due to falling oil prices and the state of the global economy. In order to prevent growing unemployment in the energy sector, the Alberta government has created incentives for oil and gas companies to continue production. While the purpose of this incentive is to keep Albertans in the oil and gas sector employed, benefits are still available for American based oil and gas companies operating, or planning on operating, in Alberta, and for companies serving the oil and gas sector. One job in the oil and gas sector is supported by two jobs in support industries, while one job in those support industries provides another 1.7 jobs in other industries.

Market Data

The first two sections of the new incentive program will target drilling and investment through royalty relief. Royalties are payments companies must make to the Alberta government in exchange for the rights to explore and develop any natural resources in the province. They are not considered to be a tax, but rather a user fee. For more information on the royalty process, please see www.albertaroyaltyreview.ca/more_info/background.pdf. The last section is aimed at environmental cleanup of abandoned oil wells and creates new opportunities for companies that specialize in this industry.

The Alberta Government's 3 Point Incentive Program:

1. A Drilling Royalty Credit for conventional oil and gas wells of \$200.00 per meter drilled. In order to qualify for this credit, a well must have a spud date and finish drill date between April 1, 2009 and March 31, 2010, be drilling for conventional oil or natural gas (no oil sands), and be drilled where the Alberta Crown owns the mineral rights. Oil sand wells, gas over bitumen wells, and wells for any purpose other than production do not qualify. The maximum credit is based off of the amount of production and is in place to help small and medium sized companies the most. This credit is available for all companies that have paid Royalties in 2008, but will not allow a companies' royalty rate to fall below 5%. The credit must be used up before March 31, 2011. This program should see royalty savings of around 466 million dollars.
2. A New Well Incentive Program will ensure a maximum royalty rate of 5% for new entrants. This incentive has the same requirements and dates as the Drilling Royalty Credit, but applies to companies that are beginning to invest in Alberta. This minimum is guaranteed up to a maximum production of 50,000 barrels of oil or 500 million cubic feet of natural gas. This program should see royalty savings of around 1.04 billion dollars.
3. An investment of 30 million dollars to the reclamation and abandonment of 600 "orphan" oil and gas wells. These are wells that existed prior to the current legislation on oil well abandonment and are not the responsibility of any oil and gas company. Not only will this investment help the environment, but it should also help maintain or create jobs.

Source: Alberta Energy "Province announces three-point incentive program for energy sector".
www.alberta.ca/ACN/200903/25402CDEF818-F1BC-5D66-DF309066E457F2A4.html

Market Opportunities

Because of the new government incentives, many small local oil and gas companies can begin drilling and exploration again even in the current economic recession. American companies that specialize in providing goods and services to the industry should be aware of the export potential that exists because of this new incentive program. As well, other opportunities can exist for U.S. companies through investment by partnering with a local drilling company or environmental cleanup company.

Trade Events

GO-EXPO: Gas and Oil Exposition, June 9-11, 2009, Calgary, Alberta, Canada
www.petroleumshow.com/GoExpo

Oil Sands Heavy Oil Technologies Conference & Exhibition, July 14 – 16, 2009, Calgary, Alberta, Canada
www.oilsandstechnologies.com/index.html

References & Resources

Alberta Energy “Talk about the energy incentive program.”
www.energy.alberta.ca/Org/pdfs/FS_incentive_pgm.pdf

Alberta Energy “Additional details on the three-point stimulus plan and drilling activity in Alberta.”
alberta.ca/ACN/200903/25402CDEFE818-F1BC-5D66-DF309066E457F2A4.html

Alberta Energy “Drilling Royalty Credit Frequently Asked Questions.”
www.energy.alberta.ca/About_Us/1558.asp

Royalties in Alberta “Background information.” www.albertaroyaltyreview.ca/more_info/background.pdf

For More Information

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