



Mature Asset Strategy

RMA Response to Final Report

April 2025



Introduction

On April 3, 2025, the Government of Alberta (GOA) released the [final report of the Mature Asset Strategy](#) (MAS). According to the final report, the MAS

outlines a comprehensive approach to managing Alberta's aging oil and gas infrastructure while driving economic growth, protecting the environment, and ensuring long-term sustainability. Alberta faces significant challenges in balancing the retirement of mature assets with the need to foster continued investment in the province's energy sector. The MAS aims to address these challenges through innovative policy solutions, new financial instruments, and collaborative initiatives.

RMA was invited to participate in the engagement process for some components of the MAS process, including a working group focused on examining the role of municipal property taxes and surface leases in relation to mature asset viability. Beginning with the initial MAS introduction meeting, RMA has expressed concerns with the process itself, how organizers have defined "success," and unfounded assumptions related to the role of property taxes in impacting mature asset profitability. Issues and flaws in these areas have contributed to a final report that is both unclear and of questionable credibility. This response document will provide a detailed overview and analysis of RMA's perspective on all three of the above concerns. While it does not examine all 21 recommendations in the final report, it does provide an RMA response to some.

RMA supports the concept of the MAS; there is value for industry, rural municipalities, and all Albertans in a cohesive, broadly supported strategy for extending the productive life of assets and better managing end-of-life obligations. However, such a strategy must be based on input and buy-in from both industry and non-industry perspectives, which is where the MAS process falls short. While some or all the recommendations may benefit some or all of industry, how do those benefits balance with impacts on municipalities, landowners, the environment, and the broader public interest? A credible and effective strategy must answer this question and contextualize recommendations based on this balance of interests. Unfortunately, the MAS does neither.

MAS Process

The MAS engagement process was problematic in multiple ways. While the final report is now released, the flaws in the process directly contribute to the questionable credibility of the final report and therefore warrant discussion in this document.

Lack of Definition of “Mature Asset”

A fundamental first step of an effective engagement and solutions-development process is defining the scope of the problem, which then allows for a common understanding of the scope and impact of recommendations developed at the conclusion of the process. It goes without saying that legislative, regulatory, or other changes to industry accountability or other requirements, such as those recommended in the MAS, could have significant impacts on both industry and non-industry stakeholders; understanding the degree of those impacts is a crucial component of evaluating the balance between costs and benefits. Unfortunately, organizers were not prepared to define or provide an inventory of a “mature asset,” despite repeated requests from RMA. At various points throughout the process, organizers alluded to “mature” being based on an asset’s age, level of production, or geographic area.

Unfortunately, the attempt to define a mature asset in the final report is so vague that it is essentially useless. It is unclear whether this is due to a lack of available data or if it is an attempt to allow recommendations to benefit as much of industry as possible by defining virtually all assets as “mature.” Either explanation is problematic.

If a lack of data is driving an inability to define a mature asset, RMA would argue that step one of an effective strategy development would be to understand if and how such data could be gathered and used to make informed and properly scoped recommendations. The final report (p. 17) states that

a precise definition of mature assets is not straight forward. In reality, no two wells are the same, even in the same field. This includes construction, production, operating costs, and closure liability. Internally, producers most often calculate the economic performance of their assets on a pool or field basis, not on a single asset basis.

The report then proceeds to list the following mature asset characteristics:

- ◆ Declining production rates
- ◆ Increased unit operating costs
- ◆ Sensitivities to royalties, taxes, and levies
- ◆ Secondary and enhanced recovery methods
- ◆ Mature asset management challenges
- ◆ Potential for sustained production

Without a more detailed threshold or definition tied to each characteristic above, it could be argued that every oil and gas asset in the province could be considered “mature.” It would also stand to reason that policy solutions to keep in operation wells facing declining production rates may be very different from those relying on enhanced recovery methods (as an example). In other words, without understanding what level of decline,

extent of increased costs, etc. warrants an asset to be defined as “mature,” it is impossible to develop targeted recommendations.

To make matters more confusing, immediately after emphasizing the subjectivity, lack of data available, and multiple factors that may contribute to defining a well as mature, the report simply equates mature assets to those that are marginal, inactive, and decommissioned – all existing categories used by the Alberta Energy Regulator (AER). This oversimplification appears to ignore the nuanced factors outlined above. For example, how many of those marginal, inactive or decommissioned wells would be candidates for secondary or enhanced recovery methods? Knowing this would have allowed those involved in the engagement to determine whether recommendations to incentivize enhanced recovery were worthy of focus. Unfortunately, this level of analysis in determining the scope and characteristics of mature assets was absent, resulting in a somewhat random array of recommendations with little information on their impacts or effectiveness.

Stakeholder Involvement

RMA appreciated the opportunity to participate in the MAS engagement process. However, aside from RMA, involvement of non-industry stakeholders was extremely limited, and to RMA’s knowledge, many sectors that would be directly impacted by some or all the recommendations were not involved in any way. This includes the environmental sector, gas co-ops, the renewable energy industry, multiple arms-length government agencies, and organizations representing the broader public interest. This lack of diversity in terms of participants resulted in a heavy reliance on individual companies and industry associations to propose very specific ideas that would have a direct and specific benefit for them. While it is possible that some of the proposed ideas would enhance asset production and viability more broadly, such analysis was not typically part of the process, meaning the scope and extent of the impacts on industry are unknown. The lack of non-industry perspectives also meant that virtually no discussion took place in terms of possible environmental or other risks or unintended consequences associated with the use of new technologies or changes to the liability responsibilities. There was generally an assumption that if a recommendation enhanced production or presented a possibility of bringing non-producing assets back into service, there was no need to discuss other potential risks or impacts.

The exception to this industry-centric perspective was in the working group focused on municipal taxes and surface leases. This working group, often described by organizers as “the only negative working group,” was also the only one in which discussion was driven by non-industry stakeholders, as RMA and surface rights representatives regularly pushed back on concepts proposed by both organizers and industry representatives that would reduce industry costs but impact municipalities and landowners in the form of reduced taxes or surface leases. Unfortunately, a similar level of critical analysis was not featured in the other working groups (perhaps what made them seem more positive to organizers!), meaning the recommendations are largely untested in terms of industry benefits and broader risks or impacts.

Inconsistent Use of Data

The entire MAS process suffered from significant shortcomings in the presence and accuracy of data. While the exact nature of these shortcomings varied among working groups, based on RMA’s perspective, poor quality or completely lacking data was a common factor that organizers tended to brush off as a simple reality of the process, rather than a gap or weakness to be mitigated before developing recommendations. At the two non-municipal-focused working groups that RMA participated in (resource conservation and enhanced oil recovery and economic development) most included data was provided by individual companies proposing specific

“pitches” either for particular technologies or methods linked to that individual company, or for specific regulatory or policy changes that would directly benefit their business interests. While this is not necessarily problematic in isolation, as ideas benefiting a specific company may also have more transformational, industry-wide benefits, any consideration or analysis of the link between individual company benefits and level of impact on the broader intent of the MAS was lacking. From RMA’s perspective, this resulted in what was essentially a series of “sales pitches” in which companies would propose an idea, MAS organizers would typically react positively, and focus would then shift to the next presentation with very little discussion or analysis on how the specific idea connected to the broader MAS goals, challenges, or barriers to implementing, risks, or applicability to the broader industry.

Municipal Data

Not surprisingly, RMA was most focused on working group 1 (Municipal Taxes, Surface Leases, and Rising Operating Costs). The working group was based on an assumption from organizers that municipal taxes pose an unreasonable burden on companies operating mature assets, and that Alberta’s property tax system requires significant changes to better accommodate the fiscal challenges associated with operating low-producing or low-value wells. This is captured in the following statement from the terms of reference:

Working Group 1 is established to evaluate the impact of fixed costs on the commercial viability of mature producing assets and recommend modifications to the current fiscal regime and municipal tax system as it applies to producing assets on private land and host municipalities. Recognizing the unique challenges presented by the assessment of oil and gas assets, our purpose is to ensure a fair, sustainable, and equitable taxation and lease framework that reflects the declining value of these assets over their useful life and the economic realities of the industry.

In other words, rather than research if and how property taxes and mature asset viability are related, the terms of reference for working group 1 indicated that the MAS would rely on assumptions to recommend changes to the assessment and tax system which could result in a radical transformation of the entire municipal revenue model.

Based on the boldness of the statements in the terms of reference, RMA approached working group 1 with high expectations as to the level of data and evidence that organizers would have prepared to justify the need for transformational changes to the assessment and tax model. Instead, no data or evidence was provided by organizers, with their position reliant on a presentation from a single company with a large portfolio of mature assets that argued that their ratio of property taxes to revenues was too high. As this assumption-reliant process was proposing possible changes with massive impacts on municipal viability, RMA reached out to MAS organizers following the initial table 1 meeting with a request for data to support informed discussions. Specifically, RMA requested the following:

- ♦ A written definition of a “mature asset” for the purpose of the MAS.
- ♦ A comprehensive list of oil and gas properties (with an emphasis on “mature assets” based on the definition requested above), including their location, year of construction, and any available production/remaining reserves data.
- ♦ Historical and present assessment data for all wells and other applicable properties, including mature and comparable non-mature assets.

- ♦ Historical and present industry-wide data on operational expense levels for mature and comparable non-mature assets. This would include municipal property taxes, land leases, royalty charges, and other key categories (i.e. electricity, maintenance and repair, labour, etc.). RMA expects its members can supplement municipal tax data based on current data, though industry-wide data would be highly valuable.
- ♦ Historical and present industry-wide data on production and revenues for all, or at minimum, a meaningful cross-section of mature and comparable non-mature assets.
- ♦ Provincial data on the total reclamation liability associated with mature assets.
- ♦ Provincial data on historical transfers of mature assets and current ownership by company.

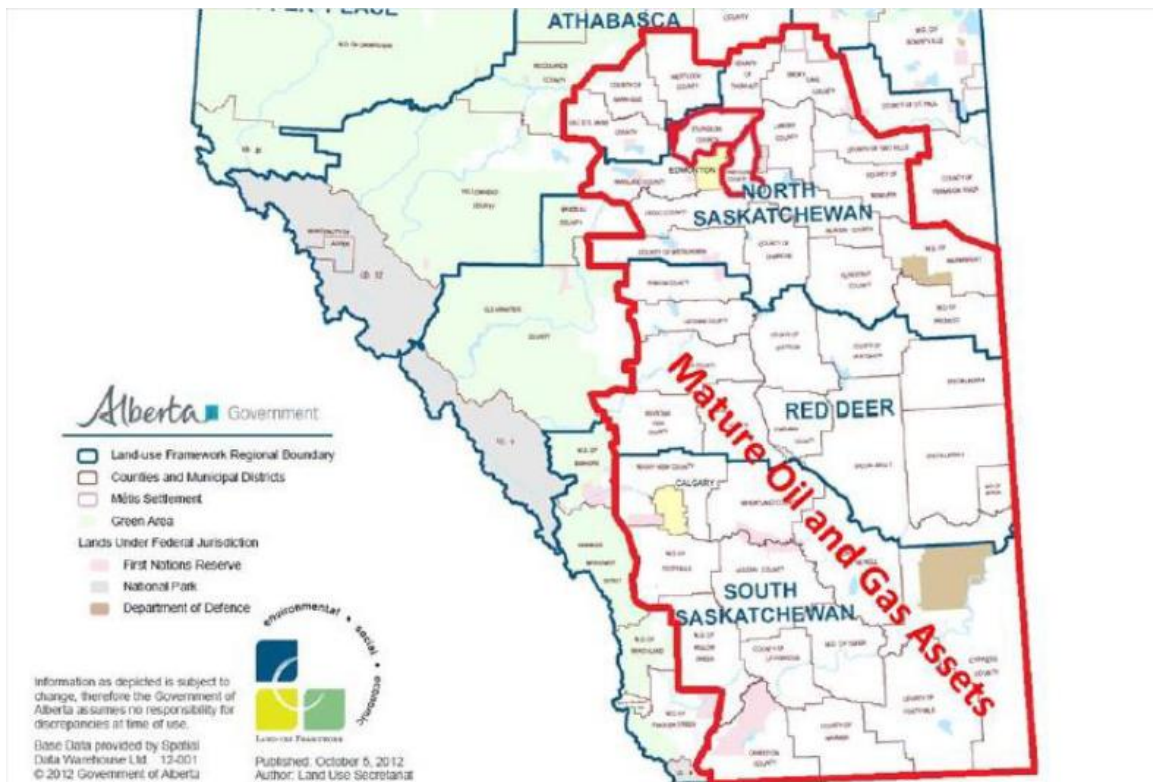
From RMA's perspective, a constructive process requires transparency and all participants to be on the same level in terms of access to information. If municipal taxes truly were an unreasonable burden to industry viability, then perhaps there was a need to revisit some aspects of assessment and taxation to achieve a better balance between industry and municipal needs.

Unfortunately, the response from organizers indicated they did not have the data above, and they instead demanded that RMA provide detailed data supporting our claims about the amounts of unpaid property taxes owed by the oil and gas industry; an issue that is not even referenced in the working group 1 terms of reference or other MAS guiding documents.

It did appear that RMA's data request triggered a realization among organizers that at least at working group 1, there would be an expectation that proposed changes and recommendations be justified. This resulted in some attempts to support positions with evidence, but unfortunately many were confusing and inconsistent. Two examples of this inconsistency are below.

Mature Asset Locations

As discussed above, the MAS process was undermined by a lack of definition of a "mature asset" or explanation of the scope or impact of proposed changes. In an attempt to provide some level of clarity, mid-way through the engagement process organizers provided the following map showing the location of mature assets:



As additional context, the GOA also stated that “mature assets...are in areas with a longer history of development that have reached a state of declining production or are otherwise reaching the end of their productive lives.” However, they also stated that “the municipalities in the mature boundary area may include reservoirs not considered mature.”

While this was far from a clear definition, threshold or inventory, it at least provided a general sense of where in the province the MAS recommendations would focus. However, the mature asset scope and definition provided in the final report are completely different from the above. While the list of characteristics of a mature asset was already discussed on page 3 of this document, the final report also includes a table showing which municipalities host significant amounts of mature assets (p. 19). This list in the final report includes at least 13 municipalities not included in the map provided to participants above, including six of the top ten most “mature asset-heavy” municipalities listed in the final report. The final list also excludes many of the municipalities contained in the mature asset zone in the map above.

This inconsistency is problematic for several reasons. While the exact scope and location may not matter to those whose intent is to develop recommendations that will benefit industry as a whole, RMA’s interest in the process was to understand how recommendations would balance benefit for mature asset viability with municipal and other non-industry impacts, as well as understand what municipalities may be most impacted by recommendations, especially those that may limit or restrict tax revenues. Unfortunately, this simply did not happen, as the map above indicates that organizers’ attempt to define a mature asset zone during the engagement process was most likely based on assumptions; once a decision was made (after the engagement process) to simply equate mature assets with those deemed marginal, inactive or decommissioned, the geographic pattern of mature assets changed significantly. However, as organizers appear to view their recommendations as universally applicable across industry, this seems not to matter.

Municipal Tax Impacts

One of the ongoing areas of tension between organizers and RMA was a lack of evidence on the extent to which property taxes impact operational viability on an individual asset or company basis. While this question was often dismissed by organizers as requiring confidential, proprietary data, RMA viewed this as a deflection and suggested that organizers could absolutely work with companies to compile a set of anonymized data in this area; in RMA's view, if companies want subsidies and other benefits from the MAS process, they should be expected to share information justifying the need. This view was not shared by organizers.

In response to RMA's request for data related to the impacts of property taxes on mature assets and the companies that operate them, organizers requested that Alberta Municipal Affairs present an overview of their view of the relationship between mature assets and property taxes during the second working group meeting in October 2024. In that presentation, Municipal Affairs provided an estimate that the average shallow gas well (which Municipal Affairs used as an equivalent to a mature asset) was charged just over \$1,000 per year in property taxes. This cost included both linear and M&E property. While this was a helpful baseline to provide a sense of the impacts of property taxes on a per-well basis, it seemed to be ignored by MAS organizers, who regularly referenced much higher amounts during the engagement process, with no supporting data or evidence. This is reflected in the MAS final report, which states that on producing mature wells, municipal taxes average **\$2,500**, a massive increase compared to the Municipal Affairs estimate.

Because the estimate provided by Municipal Affairs and the seemingly random amounts referenced by MAS organizers (and ultimately included in the final report) differed so significantly, RMA undertook their own research and analysis utilizing a combination of AER well data and actual tax and assessment information provided directly by RMA members. To conduct the analysis, RMA reached out to 34 member municipalities based on the original list of municipalities in the "mature asset zone" shared by MAS organizers at the October working group meeting. Twenty municipalities provided data. This analysis was based on the use of AER well/surface hole data and municipal assessment information on wells for the year 2023 provided by the 20 responding municipalities.

Municipal non-residential mill rates were collected from municipal bylaws, which were then divided by 1000 to be expressed as tax rates. Assessment values (taxable) were then multiplied by the calculated tax rates to determine property taxes for each oil and gas well asset in the dataset. Wells without assessment information or assessment values of 0 were removed from the analysis. Total municipal tax amounts were obtained from the provincial government's Open Data portal, compiled by Municipal Affairs. This work resulted in a dataset consisting of 89,832 wells across the 20 municipalities. The analysis produced the following high-level results:

- ♦ The average property tax on oil and gas wells across all sampled municipalities is \$676.22
- ♦ 76% of wells pay less than \$500 in property taxes

What this shows is that three different entities have produced three significantly different tax impacts on a per-well basis. RMA's methodology was rigorous and labour intensive, based on detailed well-specific data from the AER and individual municipalities. Municipal Affairs' methodology was less rigorous, relying on a sample wellsite and mill rate. Finally, MAS organizers appeared to have no data at all, or at least none provided to stakeholders. Not only is the lack of data and methodology concerning and reflective of the broader weakness of the MAS process, but the extremely high per-well tax amount significantly impacts the perceived impact of municipal taxes on mature asset operating expenses. Page 18 of the MAS final report includes the following table:

Fee/Levy	Total	% of industry total
Surface leases	\$686 million	83.8%
Municipal taxes	\$259 million	16.2%
AER fees	\$54 million	24.7%
OWA fees	\$68 million	50.7%
Total	\$1,066 million	

The document states that “municipal taxes average \$2,500 on producing wells, decline on suspended wells, and disappear once the asset is decommissioned. This does not include taxes on facilities and pipelines which will increase this figure significantly.” As mentioned, there appears to be no data supporting this amount or the comment that including facilities and pipelines will further increase the amount. This is especially confusing as Municipal Affairs’ estimate of roughly \$1,000 per well appeared to include both linear and M&E property. To understand the impacts of the \$2,500 assumption, the tables below recreate the original table using the Municipal Affairs and RMA figure, based on the assumption that \$259 million / \$2500 = 103,600 marginal, but producing wells. It should be noted that page 19 of the MAS lists 94,805 marginal wells in municipalities with over 2,000 total mature assets, and a note on that page indicates that this accounts for “84% of the marginal wells.” This would suggest that there are a total of 112,500 marginal wells in the province, which does not align with the implied amount based on the figures on page 18. However, the analysis below assumes a total marginal amount of 103,600 to be consistent with the table on page 18. Regardless of the exact correct amount, it is somewhat comparable to the 89,832 wells included in RMA’s survey of 20 municipalities.

Municipal Affairs Per Well Tax Amount (\$1,028.30)

Fee/Levy	Total	% of industry total
Surface leases	\$686 million	83.8%
Municipal taxes	\$107 million	6.7%
AER fees	\$54 million	24.7%
OWA fees	\$68 million	50.7%
Total	\$835 million	

RMA Per Well Tax Amount (\$676.22)

Fee/Levy	Total	% of industry total
Surface leases	\$686 million	83.8%
Municipal taxes	\$70 million	4.4%
AER fees	\$54 million	24.7%
OWA fees	\$68 million	50.7%
Total	\$798 million	

This comparison shows that the unsubstantiated claim of \$2,500 in taxes per well has multiple and significant impacts. It suggests that municipalities collect well over \$100 million per year in taxes from mature wells than the data developed by Municipal Affairs and RMA. In an engagement context in which municipal taxes were targeted as unreasonably high and a barrier to industry viability, this bloated estimate could have major consequences in driving future government policy decisions. It also overstates the portion of taxes paid by the industry as a whole that is shouldered by mature assets. This is very consequential in relation to references made later in the report related to the apparent need for tax rates to be harmonized, and the assessment of mature assets to be tied to their level of production. These are discussed further below but both would cause major challenges for municipalities and other taxpayers, and both are justified in part by the supposed disproportionate tax burden placed on mature assets, an assumption that is extremely reliant on this unsubstantiated \$2,500 per-well tax bill.

Defining Success

On a project as large and potentially impactful as the MAS, building a common understanding of intended outcomes and defining success through multiple lenses is crucial to developing recommendations that are effective in meeting outcomes and are well understood, even if not necessarily agreed upon, by all stakeholders.

Page 16 of the MAS final report includes a list of 11 goals that the report authors state will “maximize value, manage risk, and ensure the long-term viability of Alberta’s energy sector.” While many of the goals make sense and if achieved, would surely contribute to a stronger industry and more profitable mature asset base, there is little to no linkages between the goals and various recommendations made throughout the report. This lack of connection reflects a broader avoidance on the part of organizers in using the engagement process to define common markers of success, as the list in the final report, as well as an initial list provided to stakeholders prior to the final round of working group engagement sessions in November, were in no way based on focused discussion among stakeholders directly involved in the engagement, or any broader outreach to the public or non-involved groups, such as the environmental sector.

Likely as a result of the lack of discussion on defining success, most of the goals in the report are heavily focused on changes to broadly benefit industry, with no consideration of risks or impacts on other stakeholders. RMA and members have long championed the oil and gas industry, but defining success through such a narrow lens is bound to lead to unintended impacts.

Aside from the general lack of collective goal development, RMA is specifically disappointed that MAS organizers did not view a regulatory environment in which industry is ultimately held accountable for their regulatory and liability responsibilities as worthy of a standalone goal. Many of the goals reference processes to shift, reduce, or lessen these responsibilities. While in some cases there may be merit or logic to doing so, without an underlying goal that recognizes that asset owners are ultimately responsible for regulatory and liability responsibilities both during the project lifecycle and at end of life, many of the goals read simply as plans to reduce industry costs and accountability.

RMA is also disappointed by the final goal (“restore public confidence”). This should be absolutely crucial to the entire process and should be the standard of success against which all other goals and recommendations are measured. Instead, it is added as a final goal, with no detail aside from a reference to industry and the province “doing better.”

Property Taxes and Mature Assets

The MAS report does not recommend significant changes to how mature assets are assessed or taxed. From RMA’s perspective, this is a positive outcome and reflects the aggressive advocacy and education undertaken by RMA during the process, primarily directed at MAS organizers. Despite this, the final report includes several references to problematic elements of property assessment and taxation model, often framed as ideas to be considered in the future. This suggests that RMA’s efforts did not necessarily correct the assumptions of organizers, but rather a strategic decision was made to “plant the seed” for major changes in the future without including them as overt recommendations.

The table below provides RMA’s detailed rebuttal to inaccurate or unfounded statements made in the report related to property taxes:

Section and page number	Excerpt	RMA feedback
Message from Chair, p. 5	<p>“The trust has been broken” between the province, industry, landowners, and municipalities. For decades, the partnership in resource development between the public (as owners of most subsurface resources) and private landowners (providing surface access enforced by law) was underpinned by mutual benefit and respect. In the 21st century, however, resource wealth has been taken for granted, individual rights now rival or surpass the so-called “greater good,” and mature assets operated by underfunded licensees have made fixed costs like surface lease payments and property taxes material to sustaining operations. These shifts demand attention and solutions.</p>	<ul style="list-style-type: none"> Property taxes as “fixed costs” is incorrect. The fact that rural municipalities are owed over \$250 million in unpaid taxes shows that some companies treat payment of taxes as optional. The link between property taxes and operational sustainability was not substantiated in MAS process. It is still unclear as to what portion of total industry expenses are driven by property taxes, and what a “reasonable” portion would be. Property taxes are of course a cost for all residential and non-residential property owners, but it is still unclear how they are “material to sustaining operations.” The language used implies that it is landowners and municipalities that breached the relationship with industry as “resource wealth has been taken for granted.” This is unsubstantiated and reflects the larger industry-centric view of the entire MAS process.
4.3 Mature Asset Definition, p. 18	<p>The transition typically occurs as the easily extractable oil and gas are largely recovered, leaving behind more costly-to-extract resources. As production declines, commodity prices and operating costs become more significant drivers of economic viability.</p>	<ul style="list-style-type: none"> From an assessment and tax perspective, there are already mechanisms included in the assessment model (depreciation) and current government policy decisions (35% decrease in assessment on shallow gas wells) that reduce assessment in a way that is linked to production.
4.3 Mature Asset Definition, p. 18	<p>Municipal taxes average \$2,500 on producing wells, decline on suspended wells, and disappear once the asset is decommissioned. (footnote)</p>	<ul style="list-style-type: none"> As explained earlier in this document, \$2,500 was not substantiated during the engagement process and differs significantly from amount provided by Municipal Affairs and RMA. This estimate has huge impacts on the overall tax/fee/regulatory cost burden faced by industry,

		as well as the perception of revenue collected by municipalities.
4.3 Mature Asset Definition, p. 20	Despite this dramatic drop in revenue, fixed and variable costs, aside from limited provincial property tax relief, have remained largely unchanged.	<ul style="list-style-type: none"> • Contradicts other statements describing property taxes as “fixed.” • Unclear on what basis the relief is “limited.” • No explanation of description of the relief or how it impacted various regions or types of assets. • RMA assumes this refers to the current government policy that reduces assessment on shallow gas wells by 35%.
4.3 Mature Asset Definition, p. 23	While several hundred million dollars in unpaid municipal taxes over the past four years has made headlines, in 2022 alone the total municipal taxation levied on oil and gas assets in Alberta was \$1.6 billion.	<ul style="list-style-type: none"> • Reflects a lack of understanding of municipal budgeting and the importance of property taxes as a municipal revenue source. • Suggests that companies are justified in not meeting tax or other regulatory cost requirements as long as “most of them” are paid. • Consider this logic applied to income taxes, residential property taxes, or credit card bills. Partial payment is not an option, so why is it justified or excused for a single industry sector?
4.3 Mature Asset Definition, p. 23	Today, oil sands royalties help sustain provincial public services and keep taxes low, because, in part, of decades of financial incentives provided by both provincial and federal governments that supported sector development. Today, these same incentives are classified as “subsidies” by some critics.	<ul style="list-style-type: none"> • It is unclear how references to sector development incentives are relevant to mature assets which, by the report’s own description, are primarily marginal and experiencing decline. • RMA has repeatedly identified and criticized numerous government subsidies provided to the industry through reductions in municipal taxation. Examples exist both in relation to encouraging new drilling, and in keeping lower producing assets viable. • Examples including the elimination of the Well Drilling Equipment Tax, the 35% assessment reduction on shallow gas wells, the three-year assessment holiday on newly drilled wells, and years of government inaction on addressing non-payment of property taxes. • While not all of these are directly relevant to the MAS either, they are all examples of subsidies, which are commonly defined as “a benefit given to an individual, business, or institution, usually by the government.”

		<ul style="list-style-type: none"> RMA's Below the Drill campaign breaks down these subsidies and their impacts on municipalities in detail.
5.1 Working Group 1 – Municipal Taxes, Rising Costs, p. 36	Whether or not an asset is producing, roads must be maintained until the asset is fully reclaimed.	<ul style="list-style-type: none"> This statement misunderstands and oversimplifies the purpose of property taxes and municipal service delivery. Taxes paid on any property, whether industrial, commercial, or residential, are not linked to the direct infrastructure or service only benefitting that property. Property taxes contribute to public infrastructure and services broadly, including those directly used by a specific property owner and those used by other property owners or providing a greater public good. The concept that a road would no longer be maintained if an asset located on it is decommissioned is more reflective of a user fee. Aside from rare cases, municipalities do not close or abandon roads, as most are used by multiple entities. This is part of the municipal challenge in supporting a massive infrastructure network; even as the tax base shrinks, expectations to maintain the same level of service remain.
5.1 Working Group 1 – Municipal Taxes, Rising Costs, p. 26	<p>Addressing the impact of fixed costs</p> <p>Fixed costs, such as taxes, leases, and AER/OWA/mineral lease fees, are increasingly making marginal production uneconomic, particularly when commodity prices and production volumes are low. These fixed costs create significant financial pressures that impact a producer's ability to sustain operations, further exacerbated by rising operating costs like carbon taxes, minimum spend requirements, and escalating AER/OWA fees.</p>	<ul style="list-style-type: none"> The claim that costs such as taxes make marginal production uneconomic was completely unsubstantiated throughout the process. No verifiable information was provided showing how taxes and other regulatory costs compare to non-regulatory operating costs, or how they compare as a portion of costs for mature assets in comparison to the broader industry. This statement exemplifies the assumptions built into the MAS process.

<p>5.1 Working Group 1 – Municipal Taxes, Rising Costs, p. 27</p>	<p>Encouraging Consistent Tax Rates to Provide More Certainty</p> <p>Municipal taxation rates are not consistent across Alberta or within industries, with agricultural land exempt from assessment changes since 1994. This inconsistency creates disparities in tax burdens, which in turn affects the financial stability of municipalities and complicates the development, production and closure processes for producers operating in different regions with varying tax treatments.</p>	<ul style="list-style-type: none"> • This statement represents a complete misunderstanding of how municipalities function and would undermine municipal autonomy. • Municipal councils set tax rates annually based on the costs they incur to provide services combined with the total assessment base in the municipality, with consideration of the “assessment mix” among different property types. In this process, municipalities typically weigh the pros and cons of adjusting their tax rate with adjusting the level of service they provide. • The fact that tax rates vary across municipal boundaries reflects a combination of local autonomy in setting service levels and the reality that municipalities with lower assessment bases and/or unique challenges in delivering services may require a higher tax rate. • While consistent (and presumably low) tax rates may reduce industry costs, they would likely result in many municipalities either reducing service levels, being forced to shift more of the cost burden to other taxpayers through changes to residential tax rates, or in some cases, face viability risks. • The inclusion of this statement in the final report, after RMA aggressively and repeatedly advocated against it during the engagement process, shows that an appetite among some to alter the property tax system as an additional cost reduction for industry continues to exist, even if it was not included as a specific recommendation.
<p>5.1 Working Group 1 – Municipal Taxes, Rising Costs, p. 27</p>	<p>Addressing Non-Payment of Municipal Taxes</p> <ul style="list-style-type: none"> • Collaborate with the RMA and municipalities to establish a rapid and transparent process for addressing late or non-payment of municipal taxes. The process will involve: Municipalities notifying 	<ul style="list-style-type: none"> • While RMA appreciates recognition from MAS organizers that unpaid taxes should be addressed, this specific recommendation re-states the unpaid tax reporting process already in place. • The current challenge lies in a lack of action on the part of the AER in using unpaid tax data to drive regulatory action or even as a component of assessing a company’s risk.

	<p>Ministry of Municipal Affairs (MA) of non-payment cases.</p> <ul style="list-style-type: none"> • MA verifying the issue and notifying the AER. • The AER promptly contacting the non-paying licensee and informing them of potential enforcement measures should the situation remain unresolved. 	<ul style="list-style-type: none"> • RMA learned during the MAS process that the AER does not currently have a formalized or consistent process for how they utilize unpaid tax information provided to them, despite having the authority to use it to inform their regulatory and compliance duties through several AER directives. • With this in mind, a recommendation should have been developed focusing on the AER's specific role in addressing unpaid taxes.
5.1 Working Group 1 – Municipal Taxes, Rising Costs, p. 39	A proactive dialogue beyond the formal assessment review process to strengthen the historically beneficial relationship between landowners and the energy industry.	<ul style="list-style-type: none"> • The current assessment model review process is very specific to reviewing and updating the technical methodology used in the current cost-based regulated assessment model for oil and gas properties, as well as other industrial properties such as railways and telecommunications. • It is unclear how this is in any way related to a broader effort to strengthen the relationship between industry and municipalities.

Recommendation Analysis

The weaknesses of the MAS process call all the recommendations into question. Despite participating in three of the six MAS working groups, RMA does not have a good understanding of the expected impacts of any of the recommendations, either for industry, other sectors, or Albertans. It is also unclear how recommendations would be implemented or long-term indicators of effectiveness. While RMA does not see any of the MAS recommendations as serious or credible due to the problematic nature of the MAS process, some have direct municipal or rural impacts and warrant discussion and analysis. Note that even though some recommendations are not addressed below, RMA may have a current position on them or will develop a position in the future.

Recommendation 1: Addressing Non-Payment of Municipal Taxes

Collaborate with the Rural Municipalities of Alberta (RMA) and municipalities to establish a rapid and transparent process for addressing late or non-payment of municipal taxes.

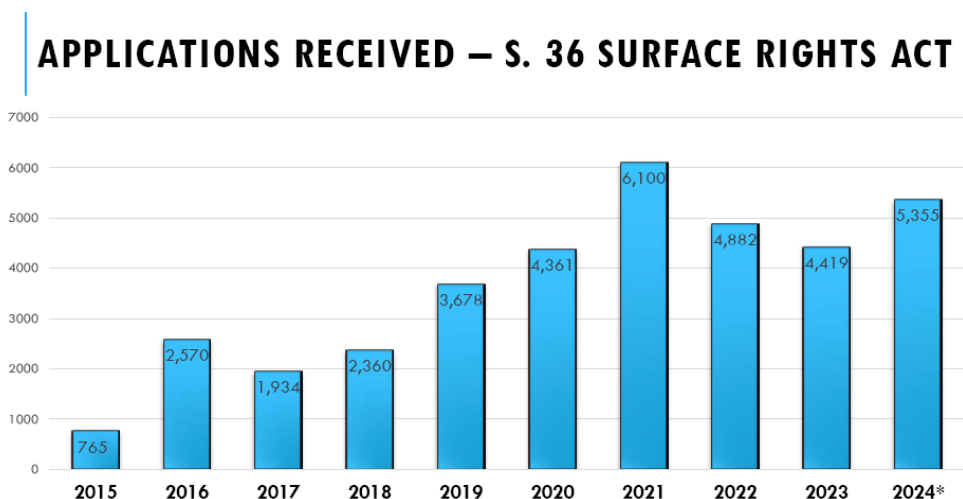
RMA response/analysis: While the sentiment of the recommendation is supported by RMA, other comments made in the report that minimize the impact of unpaid taxes and suggest that non-payment is not the fault of industry undermine the sincerity of recommendation 1. Additionally, the explanation of how recommendation 1 would be implemented simply references the process in place currently, which has not been effective due to inaction by the AER in using unpaid taxes to inform their monitoring and enforcement approaches.

Recommendation 2: Reconstituting the Surface Rights Board

Re-establish a quasi-judicial independent Surface Rights Board (SRB) within the Land and Property Rights Tribunal (LPRT) to address stakeholder concerns, enhance service delivery, educate landowners on their rights, simplify engagement processes, support weed control on oil and gas sites to protect agricultural lands, and maintain cost-efficiency by sharing administrative resources with the LPRT.

RMA response/analysis: During the working group 1 engagement process, the LPRT indicated that the number of landowner appeals of non-payment of surface leases by oil and gas companies had increased substantially in recent years. To demonstrate this, they shared the table below:

* As of November 2024



The purpose of providing this information was to demonstrate that industry practice had significantly shifted in terms of meeting their contractual obligations to pay surface leases, resulting in an increase in landowners seeking recourse through the LPRT.

While this increase in appeals is a source of significant capacity pressures for the LPRT, carving out a separate administrative body (Surface Rights Board) is completely unrelated to addressing the root cause of this increase in cases, which is an emerging strategy by some companies to intentionally pay only a portion of their contractually-obligated surface lease amounts and subsequently “dare” landowners to navigate the cost and time commitment required to seek recovery of the remainder of the lease amount owed to them through the LPRT process. In other words, companies know that many landowners lack the time, resources, or understanding of the system to navigate the LPRT process. Developing a separate Surface Rights Board appears to be, frankly, pointless as this will simply allow the same strategy to continue with the appeal venue shifting from the LPRT to an SRB sub-component.

An effective recommendation would be to amend the *Surface Rights Act* and associated legislation or regulations to prohibit companies from operating that are unable to unwilling to meet their contractual obligations to pay landowners leases for access to their land. These contracts are intended to provide landowners fair compensation for use of their land. They are not intended to be negotiable based on economic conditions or the financial state of a specific company. Shifting the administrative structure of the LPRT will do nothing to address this existing manipulation of surface lease contracts that has apparently become rampant in recent years.

Recommendation 3: Review AER License Transfer Mechanisms Regarding Closure Liability Funding

Ensure the AER has the legislative authority, effective systems, and oversight in place to actively manage or prevent the transfer of wells, pipelines, facilities, and other infrastructure to a new or existing licensee.

RMA response/analysis: While RMA supports an enhancement of AER powers or requirements to monitor and potentially restrict license transfers, the focus at the municipal tax working group was the complete lack of AER actions in using data provided to them on unpaid taxes and surface leases to conduct enforcement through the restriction of asset transfers and other means. For this reason, it is unclear why the recommendation itself focuses on closure liability specifically and not an expectation that the AER take a more active role in monitoring and enforcing company conduct related to other regulatory requirements.

Recommendation 4: Surface lease non-payment

Partner with landowner groups to establish a more transparent process for addressing late payment, non-payment, and recurring nonpayment of surface lease agreements.

RMA response/analysis: Similar to recommendation 1, RMA learned during the MAS that the process proposed in relation to surface lease non-payment in the final report is already in place, with the exception of the AER using the data they receive from the AER to take compliance or enforcement action. While there is absolutely a need to better address surface lease non-payment, the recommendation description does not reflect any action on the actual points of weakness in the current process.

Recommendation 10: Gas gathering and transmission repurposing working group

Form a working group comprised of the relevant government ministries and key stakeholders to review and scope the potential for repurposing central and southeastern Alberta’s gas transmission infrastructure.

RMA response/analysis: Recommendation 10 would form a working group to examine opportunities to repurpose gas gathering and transmission infrastructure, presumably to support new investment related to artificial intelligence as well as power generation. While this idea may have merit, RMA is concerned that this “repurposing” could have major impacts on the current regional gas market, including the role of rural gas co-ops. While gas co-ops are listed as potential participants in a future working group, it is notable that they were not involved in the MAS process despite several ideas and discussions (such as that in recommendation 10) that would have a direct impact on their existing franchise rights.

Recommendation 11: Regulatory framework for small-scale electricity generation

Establish a working group of gas stakeholders, the Ministries of Energy and Minerals and Affordability and Utilities, power generators, the Alberta Utilities Commission (AUC), and the Alberta Electric System Operator (AESO) to explore the optimal regulatory framework for encouraging small-scale electricity generation from diverse sources.

RMA response/analysis: While not referenced in the short summary above, the more detailed description of recommendation 11 on page 36 of the final report references the need to develop a standardized regulatory policy for small-scale electricity generation.

It is unclear how a standardized policy and regulatory framework can be developed for small-scale electricity generation given the significant differences between types of generation in terms of land-use and environmental impacts, reclamation requirements, and existing regulatory frameworks. RMA provided input during the process that the landowner impacts of using existing wells to support on-site solar microgeneration would be significant and would likely be opposed by many rural landowners. These risks and challenges are not captured in the final report and are reflected in a very oversimplified recommendation for a standardized regulatory framework.

Recommendation 14: Enable the expansion of HarvestCo entities

Enabling legislation should be passed to allow for the existence of a variety of HarvestCo type special purpose entities which can assume the tenure and license of wells and assets that would otherwise be surrendered to the OWA so that the economic value of these assets can be used for closure.

RMA response/analysis: RMA is concerned that the “HarvestCo” concept may lead to public funds being used to acquire and operate low-producing assets. While there is a clear preference from many in industry and government to avoid growth in the number of wells under control of the industry-funded Orphan Well Association, RMA is struggling to understand how a HarvestCo would not serve a similar role without the broader industry-funding component. The fact that the proposed working group to “explore the structure and opportunities for HarvestCo” would consist only of industry and government suggests that broader impacts on the public interest will not be adequately considered if this recommendation moves forward.

Recommendation 17: Examine the creation of a long-term liability indemnity fund for closed assets post reclamation certificate

Establish a dedicated, industry-funded capital pool to replace licensees as long-term guarantors of environmental liabilities, ensuring greater confidence and security for surface rights holders post-reclamation certificate.

RMA response/analysis: While the concept of creating an industry-wide, long-term liability funding pool may have merit, it is unclear if and how this will impact the accountability of the licensee at the time reclamation is required. Additionally, given the resistance from industry on shifting orphan assets into the industry-funded OWA, it is doubtful that an additional industry-funded liability management pool will be well-received by industry, which may lead to inadequate funding requirements.

Recommendation 20: Mandate regulator engagement with the joint industry closure initiative process

Concurrent with the research and recommendations of a joint industry closure initiative developed by industry with participation by key regulatory stakeholders including the AER and regulatory elements of the Minister of Environment and Protected Areas, (Recommendation 12), it is recommended that government mandate that regulatory stakeholders consider implementation of any Industry Recommended Practices (IRPs) developed by the initiative. This would include making any legislative or regulatory changes required to give effect to this engagement.

RMA response/analysis: It is disappointing that MAS organizers developed a recommendation to **mandate** the AER to accept joint industry closure initiatives, but resisted developing similarly strong regulations related to AER's use of unpaid tax or surface lease data to assess company risk or determine compliance and enforcement actions. While there may be benefits to joint industry closure approaches, this was not discussed in detail at any working groups in which RMA participated.

Conclusion and Next Steps

Despite RMA's frustration with the MAS process and lack of confidence in the final recommendations, a multi-stakeholder initiative to balance industry viability and responsible closure of assets with municipal, landowner, environmental, and public interest considerations is an idea with considerable merit. During the MAS process, RMA provided several recommendations to organizers, including the following:

- ♦ Re-start process with a focus on developing a common definition and list of mature assets
- ♦ Re-start the process with a set of foundational data that addresses all areas of mature asset operations, and a clear, properly supported engagement plan
- ♦ Refocus the MAS process on high-impact factors

Undertaking a new approach guided by these recommendations could result in very different outcomes and recommendations. RMA would be pleased to participate in a properly scoped, structured, and researched process with true collaboration between government, industry, municipalities, and other impacted sectors.