

# ALBERTA'S RECOVERY PLAN AND ITS BEDROCK: THE ENERGY SECTOR

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On June 29, 2020, the Government of Alberta unveiled [Alberta's Recovery Plan](#) to spur economic recovery following the devastating and unprecedented economic effects of the COVID-19 pandemic. Facing a real effective unemployment rate of up to 25% in Alberta, this plan comes at an important time for Albertans.

Alberta's Recovery Plan was developed in consultation with Alberta's Economic Recovery Council, a think-tank chaired by economist, Dr. Jack Mintz, whose members include a number of prominent leaders and experts in business, labour and public service. Alberta's Recovery Plan is an ambitious long-term economic strategy to build and diversify business in the province and create jobs. An important component of this plan is the strengthening of Alberta's bedrock sector of its economy: the energy sector. [\[1\]](#)

As a backdrop, the energy sector has been significantly impacted by the ongoing effects of the COVID-19 pandemic, a global economic weakening and the collapse in oil prices. In March of this year, we witnessed negative oil prices for the first time in history. While prices have since rebounded, the West Texas Intermediate is still down 34% compared to the beginning of the year sitting at \$40 USD per barrel and down 72% compared to 2008 when it was trading at its highest at \$145 USD per barrel. Even with these pricing complexities, Alberta's energy sector remains very important to the world. Many legitimate and credible forecasts of future world energy consumption show oil and gas continuing to be a major part of the supply mix for the next few decades to come.

Implementation of Alberta's Recovery Plan will happen through a number of investments and policy reforms over time. It is in its early stages and although some details have been announced there will be more to come over the next coming weeks and months. What we do know is that strengthening and promoting Alberta's energy sector is a major component of Alberta's Recovery Plan.

## The Plan

Alberta's Recovery Plan relies on three main pillars to reinvigorate Alberta's economy:

- investment in infrastructure;

- job creation; and
- diversification

### **Implications for Alberta's Energy Sector**

Alberta's Recovery Plan recognizes that the oil and gas sector is a core industry in Alberta's economy while at the same time promoting diversification within the energy sector by supporting the development of new and innovative emerging areas.

The Government has announced the following actions as part of Alberta's Recovery Plan to help support and strengthen Alberta's energy sector:

- Introducing the *Job Creation Tax Cut* (Alberta Corporate Tax Amendment) Act which reduces the corporate tax rate from 12% to 8% effective July 1, 2020. Alberta is now the most tax-competitive business jurisdiction in North America. It has the lowest corporate tax rate in Canada and Alberta's combined federal-provincial tax rate is now lower than that of 44 U.S. states. This tax cut is estimated to increase investment in the province by \$4 billion per year by 2023 and add more than 55,000 jobs by 2022.
- Introducing the Innovation Employment Grant to encourage economic growth by supporting small and medium-sized businesses in the earlier stages of operation (when they may not yet be profitable) that invest in research and development with a grant worth up to 20% of qualifying expenditures. The program is currently under development and is expected to be rolled out in January 2021.
- Re-capitalizing the Alberta Enterprise Corporation with \$175 million to catalyse connections between investors and entrepreneurs within energy sector.  
Spending \$10 billion on infrastructure projects (the largest ever capital spend in Alberta), including the previously announced \$1.5 billion on the Keystone XL pipeline and \$600 million in a series of large-scale infrastructure projects starting summer 2020.
- Spending \$1 billion (funded by the federal government) in grants to Alberta's oilfield service contractors to perform well, pipeline and oil and gas site reclamation work in Alberta.
- Loaning the Orphan Well Association \$300 million to clean-up abandoned wells, facilities and pipelines in Alberta.
- Introducing \$476 million in stimulus funding for investments in technology and innovation to reduce emissions through the Technology Innovation and Emission Reduction fund to aid in positioning Alberta as a global leader in clean energy.
- Introducing the *Red Tape Reduction Act*, which reduces unnecessary administrative burdens, such as duplicative processes and rules that do not add protections, on the oil industry.
- Working with the federal government's liquidity programs, such as the Large Employer Emergency

Financing Facility for large companies and the Business Development Bank of Canada and Export Development Canada for small to medium companies, to ensure they address capital needs of the energy sector.

- Working on a new value-added natural gas strategy and petrochemical program focused on emerging opportunities to meet growing demand for vital life-enhancing consumer products.
- Positioning Alberta among the world's top suppliers of low-emission and affordable blue hydrogen, capitalizing on the province's abundant supply of natural gas, experience in hydrogen production and leadership in carbon capture and storage.
- Leveraging Alberta's natural geological advantages and furthering energy diversification by developing a new mineral strategy and increasing investment interest in new emerging areas such as geothermal energy.
- Advancing the goal of national energy and resource corridors by establishing a task force to work with industry and other orders of government.
- Ensuring Indigenous businesses and communities play a role in the new energy strategy and become partners.
- Advancing Alberta's position as a leader in environmental, social and governance to demonstrate the critical role the province's resources, technology and renewable opportunities will play in the transformation to a lower-carbon economy.
- Working with U.S. partners on a strategy to bolster energy security and independence.

Creating Invest Alberta Corporation ("IAC") to attract high-impact, job-creating investment to Alberta and to promote the province as a preferred investment destination to national and international investors (discussed further below).

While the oil and gas sector may never look the same as it did prior to COVID-19, it remains vital to Alberta's economic health and prosperity. With the projected recovery of the supply and demand imbalances and the forecasted increase in the WTI within the next 18 months, Alberta has an opportunity to hopefully position itself to succeed.

### **Invest Alberta Corporation Opportunity**

As mentioned above, one of the Government's actions items as part of Alberta's Recovery Plan was to create IAC, an arm's length crown corporation dedicated to bringing job-creating investment back to the province. IAC was created under the *Alberta Investment Attraction Act* (which came into effect on July 31, 2020). On July 30, 2020 the Government appointed seven highly qualified and diverse board members for a three-year term to lead the newly created corporation, including R. Scott Hutcheson as the chair and A. Anne McLellan and the vice-chair.

IAC will lead the province's investment attraction strategy in a new direction with proactive investment promotion that targets key sectors, including energy. IAC's board of directors and officers will work to communicate effectively with the world's largest capital markets like London, New York, Hong Kong, Singapore, Toronto and Houston, to redefine Alberta as an environmental, social and governance leader across the globe.

### **The Alberta Advantage**

The purpose behind Alberta's Recovery Plan is to ensure Alberta is an attractive destination for investment, including in the energy sector. Alberta's Recovery Plan, together with Alberta's young and highly educated population, abundant natural resources and world-recognized expertise in emission reduction initiatives and capital efficient extraction, will hopefully mean Alberta is well-situated to become a leader in a new diversified energy future.

McMillan is closely monitoring further announcements related to Alberta's Recovery Plan and will be providing future updates as information becomes available.

by Jody Wivcharuk and Danica Jorgenson Summer Student

[1] Please read our earlier article for a more general discussion of this plan [ps2id id='1' target='']

### **A Cautionary Note**

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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