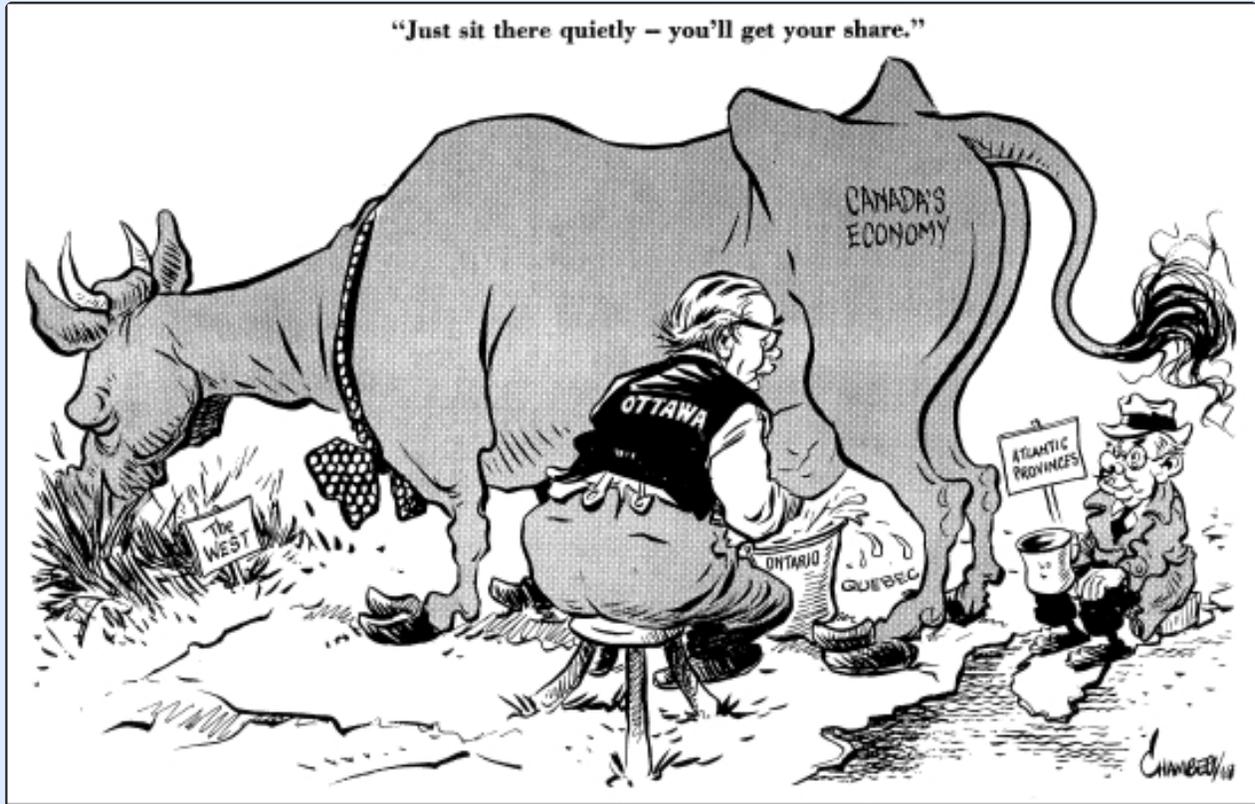


From: **Robert J. Iverach, Q.C.** info@actionalberta.ca
Subject: ActionAlberta #2 - Alberta's Energy & Equalization Crisis
Date: January 6, 2019 at 3:16 PM
To: Robert J. Iverach biverach@mac.com



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Bob Chambers, *The Halifax Herald*, 19 February 1968

ACTION ALBERTA

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<https://www.facebook.com/EnoughisEnoughCanadiansFightBackforOurEnergySector/>

HELLO All (The Group of 3,285+ and growing):

We are a group of deeply concerned, unpaid Alberta resident volunteers. Our work is intended to educate, inform and motivate Canadians to be visible and vocal regarding the unequal, unfair and discriminatory treatment of Alberta by our Federal Government

our Federal Government.

With the Christmas and New Year's holidays behind us, let's see where we stand in Alberta today. **OH, NOTHING HAS CHANGED!! We still have the same problems that we had before Christmas!!**

ALBERTA'S CONTINUING OIL PROBLEM!

At the time of writing this article, Alberta's Western Canadian Select oil ("WCS") was trading at **US\$30.81** per barrel, while West Texas Intermediate ("WTI") was at **US\$48.31** per barrel.

The Differential (or Discount) continued to be **US\$17.50**. This means that Canada is still selling its WSC, mainly to the US, for **63.8%** of the WTI price or a discount of **36.2%!!** Over the last month, the Differential has narrowed, but **ONLY** because the Alberta Government has mandated a temporary **9% reduction in oil production** commencing January 1, 2019. If we had more pipeline takeaway capacity, the Differential would be substantially lower and the government's interference in the market would not be necessary!

REVIVING ALBERTA'S STRUGGLING NATURAL GAS INDUSTRY

Many people forget that our oil and gas sector includes both **OIL and NATURAL GAS** and that **BOTH** are in economic distress! In this regard, the actions (or more appropriately, the non-actions) of our Federal government (and particularly the increased and ridiculous environmental regulations) have had incredibly negative impacts on **BOTH** sectors. Witness the abandonment of the proposed **CDN\$36 Billion Petronas** liquified natural gas project at Prince Rupert, B.C. in 2017. Indeed, the former B.C. government under then Premier Christie Clark had expectations for a **CDN\$100 Billion industry** at Kitimat and Prince Rupert, B.C, while the current BC government is much less friendly to energy infrastructure.

The following summary is from one of our readers: Doug Kay.

On December 10, 2018 the Government of Alberta accepted a report entitled "**2018 Roadmap to Recovery: Reviving Alberta's Natural Gas Industry**" (the "Report") prepared by an expert Natural Gas Advisory Panel comprised of industry veterans Hal Kvisle, Terrance Kutryk and Brenda Kenny. There are 48 specific recommendations included within 6 broad areas of focus. This is a

Specific recommendations included within the broad areas of focus. This is a timely report driven by the **CATASTROPHIC COLLAPSE** of the pricing mechanisms and the over regulation of our natural gas industry.

For example, it can take up to 3 - 4 years to complete an expansion of a bottlenecked natural gas pipeline in Alberta. Another example occurred in July 2017 when TransCanada Pipelines changed its historical nomination protocol for storage volumes during maintenance periods. This resulted in extreme volatility causing natural gas spot prices at the AECO-C hub (this is the main pricing point for Alberta natural gas) sometimes going to ZERO and even less than ZERO!

Alberta's natural gas industry is faced with unprecedented competitive pressures. Alberta's natural gas is being shut out of its traditional markets, as its largest customer (the USA), has now become our fiercest competitor. During the period 2005 – 2015, Alberta natural gas exports to the USA and eastern Canada were down 40% and the Alberta government's natural gas royalty collections are down 80%. Furthermore, Alberta's natural gas source of supply has largely shifted from eastern Alberta to the Deep Basin and the Montney in northwestern Alberta. As a result, there is an over-supply problem on portions of the Nova Gas Transmission Ltd. ("NGTL") system, which requires immediate expansion.

The #1 recommendation in the Report is to **"secure a second world-scale West Coast " liquified natural gas ("LNG") project that achieves its final investment decision by December 2020."** A team headed by industry experts Greg Stringham and John Carruthers has been empowered to meet one-on-one with industry leaders and advise the Alberta Government on steps to advance final investment decisions on LNG projects. If this timeline is not achieved, future Alberta and Canadian LNG projects may not again be required until the **2030's!**

The resource potential in the Montney, Deep Basin and the Duvernay offers the potential to rival Alberta's oil sands. It is estimated that the lack of timely NGTL expansions, system bottlenecks, interruptible storage volume nomination practices and interim excess supply results in a cost to producers of **US\$2.00/GJ** (Gigajoule=947.8 cubic feet of NG).

Assuming that this differential applies to 50% of Alberta's natural gas volumes priced at AECO-C, this could be an additional revenue loss of **CDN\$6 Billion per year**. Looking forward, if demand conditions including Alberta power generation, petrochemicals and export market expansion including LNG can

generation, petrochemicals and export market expansion including LNG can be achieved, there is another **CDN\$2-3 Billion per year** that can be captured.

A more efficient market also offers upside to lost value to attendant natural gas liquids production of **CDN\$2-3 Billion per year**. The Alberta Government and natural gas producers must respond urgently to this crisis. As quoted in the report “Our American competitors are doing it, why aren’t we?”

This is an excellent report that should be robustly championed by all Alberta political interests in a non-partisan way and maximization of Alberta’s natural gas interests supported with laser focus to save this important industry.

You can read the full Report at:

<https://open.alberta.ca/dataset/33cee3b8-f393-47c2-817f-6899a55e697b/resource/90906b33-443d-48f1-b8dc-9c42515fb0c2/download/00736-ngap-report-2018.pdf>

ALBERTA CONVOYS

Over the past few weeks, there are been numerous truck convoys held in various centers in Alberta and Saskatchewan in support of our energy sector and protesting the federal government’s inaction on pipelines. Are our federal politicians listening? **Likely but I doubt they are hearing!! Two convoys are now being planned to head to Ottawa in February. Now it is getting interesting!!**

<https://edmontonsun.com/opinion/columnists/gunter-protest-convoys-against-anti-energy-policies-a-proud-moment-for-alberta>

CANADA’S EQUALIZATION SYSTEM - A MASSIVE SCAM ON ALBERTA

Over the last ten years, Alberta has contributed \$240 Billion more into the “equalization” system than it has received! That is an average of **\$24 Billion per year** in net funds removed from Alberta by the federal government under this ridiculous system!

During the history of the equalization system, **Quebec has received a net amount of \$221 Billion, while Alberta has received just \$92 Million!** Yes, you read that correctly – just \$92 Million!

Early last month, the Federal Government advised that for the 2019-20

fiscal year, Quebec will now receive an additional \$1.4 Billion more, increasing its cut to \$13.1 Billion or 66% of the total equalization transfers. Alberta will receive ZERO. On top of all this, the Federal Government unilaterally extended the equalization formula for another five years to 2024! They did this with no consultation with the Provinces and totally ignored Saskatchewan's prior proposal for an amended formula .

Albertans are proud to share **SOME** of our wealth with other provinces when times are good here and bad elsewhere. But now the opposite is true. **Now Alberta is hurting and where are all the other Provinces who benefitted from our generosity?**

Quebec, for example, will receive 66% of next year's transfers at a time when the following is occurring:

- Alberta is expected to have a **\$7.5 – 8.0 Billion deficit** in fiscal 2019
- Quebec is expected to have a **\$3.1 Billion surplus** in fiscal 2019.
- Alberta's economy is contracting.
- Quebec's economy has been booming.
- Alberta's unemployment rate is substantially higher than Quebec's.
- Quebec refuses to allow pipelines carrying Alberta oil to pass through, while importing much of its oil from foreign countries.
- Quebec enjoys lower university tuitions AND lower daycare rates, which Alberta cannot afford.

Consider this: Quebecers consume 360,000 barrels of gasoline and diesel every day, much of it imported. They benefit massively from wealth generated by Alberta energy. But the Quebec Premier condemns that energy as "dirty," while saying he will block our effort to ship it to Eastern Canada and global markets. Is this how our generosity is repaid in our time of need?

CANADA'S SENATE - ANOTHER MAJOR INEQUITY FOR ALBERTA

The problems that Alberta faces as a **COLONY** of eastern (mainly Central) Canada do **NOT** end with the Federal government's "equalization" system. They are **MUCH** deeper than that! Consider the Canadian Senate, that federal body of "sober second thought", the members of which are **APPOINTED by the Prime Minister** in power at the time vacancies are filled.

The Senate is **NOT representative** of the citizens as an “elected” body would be. Instead, members of the Senate tend to reflect the political persuasion of the Prime Minister by whom they were appointed. For example, Alberta has tended to vote overwhelmingly conservative since its formation in 1905. However, the current Liberal Prime Minister recently filled two Alberta Senate vacancies with nominees **NOT elected** by the people of Alberta. They were his own nominees!

Formal suggestions for equality of seats between provinces occurred in 1981. Schemes to create an elected Senate did not gain widespread support until after 1980, when Parliament enacted the **National Energy Program** in the wake of the energy crises of the 1970s. Many Western Canadians then called for a “**Triple-E Senate**”, standing for **elect**ed, **equal** and **effect**ive. They believed that allowing equal representation of the provinces, regardless of population, would protect the interests of the smaller provinces and outlying regions.

Alberta passed the **Senatorial Selection Act of 1987**, which provided for the direct election of Alberta senators. The first of such elections was held in 1989. The results of these elections are non-binding, and only prime ministers Brian Mulroney and Stephen Harper appointed senators that had won these elections.

The **Meech Lake Accord** (1987), a series of constitutional amendments proposed by **Prime Minister Brian Mulroney**, would have required the federal government to choose a senator from a list of persons nominated by the provincial government. However, the accord failed to obtain the requisite unanimous consent of the provincial legislatures.

Under Canada’s constitution, each province is allocated a share of the **total of 105 Senate seats**. However, the number of seats allocated to each province **DOES NOT REPRESENT** the percentage of Canada’s population living in each province – **NOT EVEN CLOSE**.

For example, **P.E.I. has four (4) Senate seats (4%) but only 0.4% (154,750) of Canada’s population. On the other hand, Alberta has ONLY six (6) Senate seats (6%) but 11.6% (4,330,206) of Canada’s population!**

The following chart compares each province's population with its number of seats in the Senate, as well as their respective shares (if any) of the "equalization" payments. You will see that Alberta is at an extreme disadvantage in both Senate seats and "equalization" payments. In other words, the system is not working and it is structured to continue Alberta's extreme disadvantage!!

A COMPARISON BY PROVINCE

Province	Population	%	Senate Seats	%	2019-2020 Transfer Payments (Billions\$)	%
Ontario	14,411,424	38.7%	24	22.9%	\$0	0.0%
Quebec	8,421,698	22.6%	24	22.9%	\$13.1	66.2%
B.C.	5,016,322	13.5%	6	5.7%	\$0	0.0%
Alberta	4,330,206	11.6%	6	5.7%	\$0	0.0%
Manitoba	1,356,836	3.6%	6	5.7%	\$2.3	11.4%
Saskatchewan	1,165,903	3.1%	6	5.7%	\$0	0.0%
Nova Scotia	964,693	2.6%	10	9.5%	\$2.0	10.2%
New Brunswick	772,238	2.1%	10	9.5%	\$2.0	10.2%
Newfoundland & Labrador	525,073	1.4%	6	5.7%	\$0	0.0%
P.E.I.	154,750	0.4%	4	3.8%	\$0.4	2.1%
N.W.T.	44,445	0.1%	1	1.0%	\$0	0.0%
Nunavut	38,650	0.1%	1	1.0%	\$0	0.0%
Yukon	40,333	0.1%	1	1.0%	\$0	0.0%
Canada	37,242,571	100.0%	105	100.0%	\$19.8	100.0%

THE COLD LAKE MOVE

From John Feldsted in Winnipeg: "The decision to move military aircraft testing from Cold Lake, which has an abundance of surrounding territory with very low or no population, to a heavily populated urban area seems insane. It is hard to conclude this move is not politically motivated which is even more reprehensible as public safety is not a priority. If the Prime Minister wants to show us that he has no use for any province outside of central Canada, he is overdoing it. We have the message – loud and clear!"

<https://www.cbc.ca/news/canada/edmonton/cold-lake-military-aircraft-ottawa-alberta-1.4937024>

ALBERTA – IT IS TIME TO PUT "INDEPENDENCE" ON THE TABLE!!

As we have said in previous email, **Canada is not only broken - it is totally broken! In fact, Canada is in the ditch!**

Alberta **MUST** get the other provinces and the federal government to the negotiating table to rectify these egregious issues so that Alberta receives a fair deal in Canada.

It's time to stand up for ourselves and to stop overly accommodating others who don't appreciate our contribution AND it's time to stop apologizing for our successes.

To quote the recent words of the **rookie Tory premier of New Brunswick Blaine Higgs: “the Canadian federation is fractured** — with Ottawa and other provinces seemingly unconcerned about Alberta’s slump, and Quebec actively blocking economic development... Here’s a province that has fed many of our kids for years and we’ve all been happy to be recipients of that transfer payment. I’m not proud of that fact, and I would like to develop the very industry that they have.”

If elected, Jason Kenney (of the Alberta UCP) has proposed the calling of a referendum of Albertans to vote on the “equalization” system. If approved, all provinces and the federal government **MUST** then sit down and renegotiate the “equalization” system.

However, that is not enough. **When renegotiating the “equalization” system with Ottawa and the rest of Canada, Alberta must have the “independence” referendum option on the table.** We cannot continue to let our political leaders refuse to even raise the topic, as that leaves Alberta negotiating with both hands tied behind its back.

ADDITIONAL READING

In closing, here is additional information on the problems we are facing and the need for us to take remedial action immediately to right our sinking ship.

1. All those deficits and nothing to show (Toronto Sun)

<https://torontosun.com/opinion/editorials/editorial-all-those-deficits-and-nothing-to-show>

2. Joe Oliver: Carbon taxation needs public buy-in. Are you seeing much of that?

https://nationalpost.com/opinion/joe-oliver-carbon-taxation-needs-public-buy-in-are-you-seeing-much-of-that?fbclid=IwAR0iIHKT-gn_mIVxWwx9Bw8VV_cXxJki-5Yb89EAW4kwyDkcCZy42-paD5o

3. Canada's rig count plunges by more than half in two weeks

<https://www.jwnenergy.com/article/2019/1/canadas-rig-count-plunges-more-half-two-weeks/?fbclid=IwAR3P4Ng8Sde55mopl8WQoOKPg4BmAQyOZkU0qRBSwQdamD8sg hVS75z9EjA>

4. Bill C-48 (Oil Tanker Moratorium Act) and Eagle Spirit Energy

<https://globalnews.ca/video/4750767/indigenous-leader-concerned-about-bill-c-48-asks-is-this-what-reconciliation-is-supposed-to-represent-in-canada>

5. Bill C-69 is the antithesis of what the regulatory reform effort hopes to achieve - Martha Hall Findlay

<https://www.theglobeandmail.com/business/commentary/article-bill-c-69-is-the-antithesis-of-what-the-regulatory-reform-effort-hopes/>

Please **share** this email with your contacts so we can turn this unfair, inequitable, unjustifiable travesty around. If you would like to submit information or articles, please send them to me. **Thank you for ALL your support and interest!**

Bob

Robert J. Iverach, Q.C.

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If you wish to unsubscribe, please email info@actionalberta.ca stating "Please Remove". If you are an elected representative of any level of Government, your name will not be removed if requested. You have a fiduciary responsibility and a moral obligation to hear constituent voices about our Canadian energy and equalization/transfer payment crisis.

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