

February 16, 2007

Expert panel to examine Alberta's royalty regime

Calgary... The Government of Alberta has assembled an independent panel of experts to examine the province's royalty and tax regime to ensure Albertans are receiving a fair share from energy development through royalties, taxes and fees. The review will focus on all aspects of the royalty system, including oilsands, conventional oil and gas, and coalbed methane.

"Albertans made it clear to me that a thorough and objective review of the royalty regime is a priority," said Premier Ed Stelmach. "Albertans must be confident that the royalty structure will meet the needs of the province as we work together to build a stronger Alberta."

Chaired by Bill Hunter, former president of Al-Pac with more than 30 years experience in the natural resource sector, the six-member Royalty Review Panel also includes experts in resource taxation and the royalty system. The panel will collect input from Albertans and key stakeholders. Beginning in April, the panel will host a series of public meetings in Calgary, Edmonton, Fort McMurray and Grande Prairie.

A final report with recommendations will be presented to the Minister of Finance by August 31.

"The government's goal is to ensure the royalty framework strikes the right balance," said Dr. Lyle Oberg, Minister of Finance. "We need to be certain that the royalty regime is providing Albertans with a fair return on the province's natural resources while maintaining an internationally competitive system that allows the Alberta economy to continue to prosper."

More information about the royalty review process will be available online. The website, which will be established in the coming weeks, will provide details about registering to make formal presentations, will post submissions made to the panel, and will allow individual Albertans to make online submissions. Submissions can also be made by faxing (403) 297-5238, e-mailing royaltyreview@gov.ab.ca, or mailing to Royalty Review Secretariat, 1100, 715 - 5th Ave SW, Calgary, AB, T2P 2X6. All submissions will be considered public information.

This review is one of the key actions under the Stelmach government's plan to build a stronger Alberta. Other priorities for the government are to govern with integrity and transparency, manage growth pressures, improve Albertans' quality of life, and provide safe and secure communities.

- 30 -

Attachments:

Backgrounders - royalty review terms of reference, review panel membership

Media enquiries may be directed to:

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(780) 427-5364

To call toll-free within Alberta dial 310-0000.

This news release is available on the Alberta Finance homepage at: <http://www.finance.gov.ab.ca>

Background

February 16, 2007

Royalty Review Terms of Reference

An independent panel of experts will review all aspects of the oil and gas royalty system, including conventional and oilsands. The panel will also examine the tax regime faced by resource companies, including income tax and the freehold mineral rights tax levied on freehold mineral rights holders.

Terms of Reference

- The Premier has heard from Albertans and has given the Finance Minister the mandate to "conduct a public review to ensure Albertans are receiving a fair share from energy development through royalties, taxes and fees."
- The Finance Minister is appointing an independent expert panel to consult with Albertans and provide recommendations for the government's consideration. Some of the issues the Royalty Review Panel has been asked to consider:
 - How Alberta's royalty system compares to other oil and gas producing jurisdictions, taking into account investment economics and industry returns and risks in Alberta.
 - Whether Alberta's royalty system is sufficiently sensitive to market conditions.
 - Whether the current revenue minus cost system for oilsands royalties is optimal.
 - Which programs built into the existing royalty system should be retained or strengthened, and which should be adapted or eliminated.
 - How the tax treatment of the oil and gas sector compares to other sectors and jurisdictions.
 - The economic and fiscal impacts of any possible changes to the royalty and corporate tax structures.
- How existing resource development should be treated if changes are to be made to the fiscal regime.

The panel will submit a report to the Finance Minister by August 31, 2007.

Consultation Framework

- The Royalty Review Panel will receive input from individual Albertans and key stakeholders. The panel will conduct a series of public meetings and also receive written submissions through a website, e-mail, fax or mail.
- All submissions will be considered public information.

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Backgrounder

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Members of the Royalty Review Panel

Bill Hunter, chairman

Bill Hunter is president and owner of Northern Opportunities Facilitation Inc., a consulting service focused on northern economic development, bio-based economies, environmental enhancements, business planning and mentoring, and Aboriginal capacity building.

In 2004, he retired as president and COO of Alberta-Pacific Forest Industries Inc. (Al-Pac), after 13 years with the company. He has more than 30 years experience in the forestry industry in British Columbia, Alberta, Saskatchewan, and Ontario.

Hunter has been involved with several boards and committees including the Alberta Forestry Research Institute Board (Industry co-chair), the Alberta Science and Research Authority Board, the Alberta Life Sciences Institute, the Alberta Climate Change Central Board, and the Alberta Research Council Industry Advisory Committee. He is the former president of the Alberta Chamber of Resources.

Judith Dwarkin

Judith Dwarkin is chief economist for the Ross Smith Energy Group, a Calgary-based firm providing independent energy research.

Before joining Ross Smith, Dwarkin was senior vice-president, Global Energy, with the Canadian Energy Research Institute (CERI), where she managed the domestic and international research program pertaining to crude oil markets and prices, as well as CERI's conference and training divisions. Prior to joining CERI, she was a managing director with the Alberta Petroleum Marketing Commission, where she was responsible for oil and gas market analysis and energy regulatory interventions on behalf of the Government of Alberta. Earlier in her career, she was director, supply economics for the Alberta Department of Energy, where she was responsible for evaluating Alberta's oil and gas royalty and incentives system.

Dwarkin's expertise includes energy market operations and regulation, transportation issues, and energy policy.

André Plourde

André Plourde is professor and chair, Department of Economics, University of Alberta. He received his BA and MA from the University of New Brunswick, and a PhD from the University of British Columbia.

After serving as assistant professor and research associate at the University of Toronto from 1983 to 1987, he joined the Department of Economics at the University of Ottawa. In 1997, Plourde undertook a one-year assignment as director of economic studies and policy analysis with the federal Department of Finance. He joined the University of Alberta in 1998, where he helped launch the Natural Resources and Energy specialization within the School of Business's MBA program. In 2003-04, Plourde took a leave from the university and was appointed associate assistant deputy minister, Energy, at Natural Resources Canada.

He has served on numerous advisory committees and currently serves as president of the International Association for Energy Economics. Plourde is extensively published in his areas of interest: energy, economics, Canadian energy policy, and energy and the environment.

Kenneth J. McKenzie

Kenneth J. McKenzie is a professor in the Department of Economics, University of Calgary. He received his BComm from the University of Saskatchewan, his MA from the University of Calgary, and his PhD from Queen's University.

From 1984 to 1986, McKenzie was an economist in the Tax Policy Branch of the federal Department of Finance. His first academic appointment was at the University of Toronto in 1990 and he has been at the University of Calgary since 1992. His principal area of research is public economics, with an emphasis on taxation and political economy. McKenzie is also the EnCana Scholar at the C.D. Howe Institute and has been a visiting fellow at research institutes in both Germany and Australia.

He is on the Panel of Experts for the International Monetary Fund and the World Bank, and has provided analysis and advice on tax policy to several developing countries. At the provincial level, McKenzie sat on the Taxation and Finance Committee of the Alberta Economic Development Authority and was a member of the Alberta Business Tax Review Committee in 2000. He was also an expert advisor to Alberta's Financial Review Commission in 2002 and involved in the research for the federal government's Technical Committee on Business Taxation in 1997.

Sam Spanglet

Sam Spanglet is currently a member of the Board of Directors at Atco Power.

After earning a Chemical Engineering degree in 1973, he began his career working for Monsanto. In 1981, he joined Shell Canada as operations manager at the Styrene Plant at Scotford, progressing in 1989 to quality manager for Eastern Canada in Toronto. In 1991, he became manufacturing superintendent for the Sarnia Complex, then was promoted to general manager, manufacturing, for Ontario in 1994. He returned to the Scotford Refinery in 1996 as general manager of the Scotford Complex, taking on responsibility for managing Shell's manufacturing in Western Canada, as well as overseeing the successful integration of a newly constructed upgrader.

In the spring of 2003, Sam moved to the Shell head office as vice-president Operations Oil Sands and president, Albion Sands Energy Inc. There, he oversaw oilsands operations, including the Scotford Complex and Albion Sands. He retired from Shell Canada on May 1, 2006.

Evan Chrapko

Evan Chrapko is the founder and CEO of a number of technology companies and is currently the CEO of The Crystal Cougar Group of Companies. He received his BComm from the University of Alberta and a law degree from Columbia University. He holds a professional Chartered Accounting designation with a CA.IT specialty.

Chrapko is a board member of the Canadian Institute for Advanced Research and has been invited to serve as an Executive in Residence at the U of A Business School. He is the co-inventor of two software

programs.

- 30 -

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