**Royalty certainty for oil and gas investors**

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Introducing the *Royalty Guarantee Act* is an important step in restoring investor confidence by assuring investors that rules won’t change halfway through the game.

# Related information

Royalty Guarantee Act

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If passed, this legislation will increase investor confidence by providing certainty that the royalty structure in place when a well is drilled will remain in place for at least 10 years.

“Frequent royalty reviews have had a significant negative impact on the energy industry and our province’s ability to compete with other energy jurisdictions. Alberta has competitive royalty rates and investors need certainty when making long-term decisions that the rates will not change on a whim. This legislation would provide the guarantee that stability isn’t just something we talk about in Alberta, it is the law.”

*Sonya Savage, Minister of Energy*

The *Royalty Guarantee Act* would guarantee that no major changes will be made to the current oil and gas royalty structure for a period of at least 10 years. This timeframe is intended to provide sufficient time to recover most of the producible oil and gas from new and existing wells in Alberta.

“With an attractive investment environment, the Permian Basin in Texas has recovered far faster than Alberta since the downturn in 2014. Policies that increase investor certainty, like a royalty guarantee, will go a long way in helping Alberta compete again, and ultimately speed up recovery in the Western Canadian Sedimentary Basin.”

*Mark Scholz, President and CEO, Canadian Association of Oilwell Drilling Contractors*

Under the legislation, the current basic royalty structures would remain in place. It would preserve existing processes for required adjustments that are built into the current systems, such as setting monthly par prices and adjustments to administer Alberta’s royalty system effectively.

This approach ensures that the existing structure, rules and processes would continue to provide flexibility for industry and government to address significant market and technology changes. It would also signal to industry that Alberta’s oil and gas sector is a stable place to invest.

**Background**

If passed, the *Royalty Guarantee Act*—which proposes amendments to the *Mines and Minerals Act*—will guarantee that, for a period of at least 10 years:

* no major changes to the oil and gas royalty structure would occur
* when a well starts producing, it would be under the same royalty structure for that period of time
* the current royalty structure, rules and processes would remain in place to provide flexibility for government and industry to adjust to market changes and technology advancements, including the ability to:
	+ make regular required adjustments, such as setting monthly par prices
	+ provide incentives, when appropriate

This guarantee is intended to provide enough time to recover most of the producible oil and gas from new and existing wells. It would apply to current oil, oil sands and natural gas royalty frameworks, including crude oil, pentanes, methane, ethane, propane and butane. It would not apply to coal, minerals, and gases such as helium.