

NEWS RELEASE

Saskatchewan's taxes on new oil and gas investment highest among North American energy producers

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For Immediate Release

VANCOUVER—Saskatchewan has the highest taxes on new oil and gas investment among all major energy-producing jurisdictions in North America, which is harming the province's competitiveness, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian policy think-tank.

"High rates of taxation can be a real deterrent to investment, and in the critical sectors of oil and natural gas, Saskatchewan's tax rates on new investments are uncompetitive with other energy producers in North America," said Jack Mintz, President's Fellow at the University of Calgary's School of Public Policy and co-author of *Effective Tax and Royalty Rates on New Investment in Oil and Gas after Canadian and American Tax Reform*.

In response to recent tax changes in the U.S., which eroded Canada's previous corporate and investment tax advantage over American states, the federal government last year introduced a series of temporary measures designed to incentivize new investment.

But despite Ottawa's tax changes, the study finds Saskatchewan still has the highest effective tax rate on new investments in both the conventional oil and natural gas sectors.

The study's calculations include everything from corporate income taxes to royalty payments to provincial sales taxes if they apply.

"This is a comprehensive assessment of the tax rate that applies to businesses wishing to invest in the oil or natural gas sectors," said Philip Bazel, associate at the University of Calgary's School of Public Policy and study co-author.

Crucially, Saskatchewan's tax rate on new oil investments in 2018 was 35.9 per cent, well above the Canadian average of 22.7 per cent and the U.S. average of 28.6 per cent. In fact, Saskatchewan's tax rate on new oil investments is more than 10 percentage points higher than Alberta's, which last year was 21.3 per cent for oil sands investments.

Moreover, Saskatchewan also has the highest tax rate on new investment in natural gas at 36.6 per cent, compared to 27 per cent for the Canadian average and 28.5 per cent for the U.S. average. Alberta's tax rate on new natural gas investment is 25.3 per cent.

"Saskatchewan is uncompetitive with other North American energy producers when it comes to taxing new investments in the oil and gas sector," Mintz said.

"Given the important role business investment plays in spurring economic growth and prosperity, policymakers should consider tax reforms to incentivize investment and make the province competitive."

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