Analyzing Major Royalty Debates in Alberta's Oil Sands:

Corporate Power at Play in a Subnational Resource-Cursed Petrostate

by

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Author's Declaration

I hereby declare that I am the sole author of this thesis. This is a true copy of the thesis, including any required final revisions, as accepted by my examiners.

I understand that my thesis may be made electronically available to the public.

Abstract

Canada has the third largest proven oil reserves in the world and these are predominantly located in the province of Alberta in the form of oil sands. Despite having large oil resources and the ability to profit substantially from oil royalties, Alberta levies lower royalties on oil corporations than other comparable jurisdictions. Even when oil prices were extraordinarily high in the post-2000s, over the last decade, researchers argue Alberta was inefficient in maximizing revenues from the oil industry (Campbell, 2013; Shrivastava and Stefanick, 2015). This is a critical problem given that the natural resources sector, particularly the oil sands, is a primary stream of provincial government revenue. Focusing on ideational, interest-based, and institutional factors (the three "I"s) that influenced provincial policy under both successive Progressive Conservative (PC) (2007) and New Democratic Party (NDP) (2015) governments, this study examines the underlying reasons for Alberta's unwillingness to raise royalties and profit accordingly from oil exploitation during the two landmark royalty review processes of 2007 and 2015-16. This study also uses resource curse and petrostate theories to illuminate collections of "I"s specific to oil contexts and Doris Fuchs' corporate power framework to map the various ways the dominant interest-group, oil corporations, exerted influence on the royalty review process and ensuing policy. I find that oil sands royalty stasis in Alberta can be explained by constellations of intertwined institutional, interest-based, and ideational factors, both general and typical of oil contexts.

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Alors cette thèse?

FINIE!

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CHAPTER I

Introduction: Situating Alberta's Oil Sands Royalties

1.1. Introduction

Canada has the third largest proven oil reserves in the world and these are predominantly located in the province of Alberta in the form of oil sands. Oil (or tar) sands, a mixture of clay, sands, and water in the texture of asphalt, are expensive to extract and refine. They are also difficult and risky to transport, even when they are in "dilbit" form.[1] Given the unconventional nature of these reserves, they have only been accounted for in the global tally since 2004, when the U.S.' Energy Information Agency and the *Oil and Gas Journal* officially recognized Alberta's oil sands, thus sparking American interest in Alberta's potential (Woynillowicz et al. 2005). Further, rising demand for oil between 1995 and 2007 drove its price to four times the average in the previous decade, making exploitation highly profitable. Combined with technological advancements in extraction, transportation, and refining that boosted oil sands activity, the high price of oil propelled Canada to the top of the world's oil producers—behind Venezuela and Saudi Arabia only. This process was also driven by the increasing involvement of oil corporations. With favourable exploration terms, national and international corporations quickly settled in Alberta's attractive business environment.

The Constitutional Act of 1867 and its subsequent 1982 amendments explicitly recognize that the Canadian provinces have constitutional rights to manage their own non-renewable resources,

[1] According to the Bitumen Valuation Methodology (Ministerial) Regulation, "dilbit," or diluted bitumen, is "a blend of heavy crude oil or cleaned crude bitumen mixed with diluent in order to meet pipeline viscosity and density specifications..." (BVM Regulation, 2008, p.3)

including the power to levy taxes and royalties. Governments collect revenues from the natural resource sector in a variety of ways, including corporate taxes, concession and transit fees, signing bonuses, in-kind payments, and royalties (Ross, 2015). Royalties, however, are often the lion's share of oil revenues collected by governments. According to Anielski (2015), a royalty is a "compensation, consideration, or fee paid for a license or privilege to use…a natural resource (…), computed usually as a percentage of gross revenue or profit realized from the use" (p. 3). In other words, a royalty is a fee paid by the developer (the licensee) of the resource to the owner of the resource (the licensor). Today, Alberta has a generic system with two tiers of royalties: pre-payout (royalty paid by the developers on gross revenues) and post-payout (royalty paid on net revenue). In the pre-payout phase, the royalty rate is set between 1% - 9%; in the post-payout phase, the royalty is the greater of 25% to 40% of net revenue, in addition to the pre-payout rate (Government of Alberta, 2021). However, the generic system is a relatively recent addition to the royalty framework, which has undergone multiple transformations in the past five decades.

Despite having large oil resources and the ability to profit substantially from oil royalties, Alberta levies lower royalties on oil corporations than other comparable jurisdictions. Even when oil prices were extraordinarily high in the post-2000s, researchers argue Alberta was inefficient in maximizing revenues from the oil industry (Campbell, 2013; Shrivastava and Stefanick, 2015). This is a critical problem given that the natural resources sector, particularly the oil sands, is a primary stream of provincial government revenue.

Focusing on ideational, interest-based, and institutional factors (the "3Is") that influenced provincial policy under both successive Progressive Conservative (PC) (2007) and New Democratic Party (NDP) (2015) governments, this study examines the underlying reasons for Alberta's unwillingness to raise royalties and profit accordingly from oil exploitation during the two landmark royalty review processes of 2007 and 2015-16.

1.2. Problem and Research Question

The royalty reviews of 2007 and 2015-16 marked critical moments in Alberta's political-economic history. In 2007, global oil prices were high and the oil sands sector was booming in Alberta. To ensure that the provincial government—and therefore Albertans—would profit from this boom, the 2007 PC-led provincial government launched a royalty review Panel, the first of its kind. The Panel suggested middling changes in oil sand royalties, including an increase on net profits, and faced wide-ranging criticism for not recommending more dramatic royalty increases. In response to the Panel's recommendations, the PC government made some palatable changes to the royalty framework, but nowhere near the extent the Panel had recommended.

In 2015-16, in the context of falling oil prices since the end of 2014, there was a remarkable political shift in provincial electoral politics: the NDP was elected with a majority after more than four decades of PC rule. The NDP campaigned in part on reviewing royalties and implementing a more progressive royalty framework, committing, as the PCs had in 2007, to regain more public benefit from Alberta's oil sands. Specifically, the NDP had plans to review the royalty framework and to increase corporate taxes by 2% (from 10% to 12%). However, post-review, the 2015-16 Panel recommendations were unambitious: in particular, the Panel recommended no changes to oil sands royalties. Following suit, the NDP government's new royalty framework proposed no more than the status quo for oil sands royalties.

This study asks why both PC and NDP governments were unwilling to increase royalties in 2007 and 2015-16 in any significant way. In both cases, the leading political party was ostensibly committed to capturing more royalties for all resources (including conventional oil, natural gas, and the oil sands), there was public support for it, and arguably, the industry was able to bear it. Yet at both times, the Panels either opposed or recommended only middling changes: the 2007 Panel recommended moderate changes whereas the 2015-16 Panel recommended none. In response to the unambitious recommendations, neither the 2007 PC nor the 2015 NDP government made significant changes to the royalty framework.

What explains the decision of the Alberta government not to significantly increase oil sands royalties in province-wide reviews in 2007 and 2015-16? Answering this question contributes to our understanding of the reason why low royalties in Alberta have endured, despite political power shifts and historic oil price and production booms. Based on insights drawn from growing scholarship that examines corporate power in the oil sands (Nikiforuk, 2010; Le Billon and Carter, 2012; Adkin, 2016; Carroll, 2017), this study notes the key role of oil industry actors (firms and associations) influencing policy outcomes, but also the influence of institutional structures that define policy possibilities, and the impact of ideas in shaping discourses and beliefs around royalty policy.

1.3. Literatures, Analytical Framework, and Argument Summary

This thesis argues that the Alberta government chose not to significantly increase oil sands royalties in 2007 and 2015-16 because of a combination of institutional, interest-based, and ideational factors in both instances. Institutional factors set the stage for a dominant type of interests—corporate interests—to successfully influence policy-making via means of framing royalty policy in ways that resonated with shared myths and ideas that some Albertans have about themselves. Because this study investigates a piece of policy directly connected to oil—a unique resource that brings a unique set of challenges—it also draws from the foundational resource

curse and petrostate theories to illuminate clues about the types of institutional, interest-based, and ideational factors that influenced royalty policy. Lastly, diving into interest-groups in particular, this study uses Fuchs' typology of the three forms of corporate power in global governance to understand how one group of interests came to dominate the conversation on royalty policy-making.

To track, classify, and analyze the factors that explain royalty stasis in Alberta, I identify specific institutional, ideational, and interest-based factors relevant to explaining the government of Alberta's royalty policy. In terms of institutional factors, the outcomes were partly a product of: 1) the fall in global oil prices at the time of launching the reviews declining world oil prices; 2) the institutionalization of corporate influence in government decision-making (e.g. revolving doors, their engagement in royalty panels, the funding of political parties); 3) the institutional weakness of the Albertan government (e.g. economic dependency on oil); and 4) issues around oil sands costs calculations. For each review specifically, the 2007 review faced institutional challenges, especially the lack of support from universities and the media. Both played a central role in encouraging oil activity and creating a framework for supporting anti-royalty-increase discourses. There was also a debate on the rules and regulations around oil sands costs to determine royalties, given that the main argument in favour of protecting the oil sands revolved around the prohibitive costs of extraction. The 2015 review faced challenges due to 1) the shale revolution, which affected oil sands' market share by changing the behaviour of Canada's largest buyer, the U.S.; 2) the NDP's weaker institutional capacity because of its lack of experience, the surprise nature of its electoral victory, and the lack of institutional memory transfer from the PC to the NDP governments; 3) the greater hostility of the media and civil service in 2015-16; and 4) the limitation of the four-year electoral cycle given that the NDP government had never been elected before. These institutional factors impacted the possibilities open to the PC government in 2007 and the NDP government in 2015-16.

Regarding interest-based factors, oil industry interests opposed royalty changes in both 2007 and 2015-16 and exerted influence through a variety of means. Yet, it is important to note that corporate interests were not a homogenous group: this study accounts for differences between large multinationals and small local producers. In the same vein, other interests proved significant too: the general public by demanding a royalty review; the government by virtue of its policy-making responsibility to its constituents; and other clusters, such as rural interests and civil society actors. Nevertheless, corporate interests remained the best organized interest-group, especially in 2015-16 because of their experience in 2007. They also had more direct channels of influence on the 2015-16 Panel given the connections between Panel members and the oil industry.

In terms of ideational factors, the outcomes were also partly a product of the industry's framing of the issue in ways that resonated with broader "shared myths" that some Albertans have about themselves (specifically, the "frontier" identity and popularity of free market economics) and their perception of what ownership entailed. Other ideational factors include some Albertans' dedication to extracting "ethical oil" as well as ideological divisions amongst NDP.

Finally, it is important to note that while the 3Is are used here to explain the final outcome—namely, oil sands royalty stasis—they sometimes worked to promote larger change than what actually happened. In other words, some institutional, interest-based, and ideational factors discouraged change, while others encouraged change. Pressure to raise royalties and challenge the status quo was triggered by the institutional factor of rising oil prices, combined with the popular idea of "thinking like an owner to get our fair share," which itself was built upon the deeper idea that Albertans are the owners of the resource.[2] The 2007 Panel appointed by then Premier Ed Stelmach was independent, open-ended, and received the support of the government as Stelmach was determined to review all royalties (not only oil sands'). The election of the NDP in 2015 also contributed to strengthening the chances of royalties being increased given that the Party had long campaigned on raising royalties.

On the other hand, ideational factors such as the popularity of free market economics, the "frontier" identity, the narrative of "ethical oil," and the ideological schism inside NDP ranks all promoted the status quo for royalties. In addition, institutional limitations around the oil sands costs debate, industry's capture of important institutions (e.g. the 2015-16 Panel, universities, and the media), the fall in global oil prices at the time of launching the reviews, the limited political capital afforded to the NDP within the four-year electoral cycle and the intrinsic challenges it faced equally participated in discouraging royalty change. Finally, rural interests' economic dependency on the oil sector, the anti-royalty raise front presented by heterogeneous corporate interests, their subsequent strategies, and the power they exercised contributed to ensuring that royalties would remain low.

In addition to the role of these specific interest-based, ideational, and institutional explanations, the outcomes in 2007 and 2015-16 were also a product of the fact that Alberta was a "petro-state" suffering from "resource curse," both of which point to specific constellations (or "collections") of institutional, interest-based, and ideational factors in Alberta. Resource curse and petrostate theories also help situate and frame Alberta's context by highlighting the atypical structures, dynamics, processes, and actors that exist in the province because of the presence of and dependency on oil activity.

[2] Albertans are indeed the owners of the resource; "idea" here refers to their interpretation of what ownership entails.

Resource curse theory gives us clues to understand institutional weaknesses at the provincial level, while petrostate theory explains why oil interests were so powerful in this context. Indeed, Alberta's status as a petrostate allowed international circumstances to affect royalty possibilities in the province. In addition, Alberta exhibits many petrostate characteristics, which can be categorized by the 3Is. For example, Alberta's institutional economic dependency on oil prevented it from escaping industry's influence; its petro-elite had highly concentrated political and economic interests (notably compared to government); and Alberta's political culture is built on an ideational landscape that favours oil. The analysis presented in this study shows that Alberta is a resource-cursed petrostate with institutions susceptible to corporate influence, a government who lacks administrative capacity, and a less robust democracy overall.

Finally, building on the field of global governance which accounts for the political role of non-state actors, this study suggests that corporations—a specific kind of interests—played a major role in influencing royalty policy outcomes. More specifically, it draws from global governance scholar Doris Fuchs' three dimensions of power (i.e. instrumental, structural, and discursive) to conceptualize and frame corporate influence over royalty policy in Alberta and highlight how these actors derived power from specific ideational and institutional factors (Fuchs, 2005, 2007; Fuchs and Lederer, 2017). For example, corporations exerted their power through mechanisms such as revolving door practices, financial contributions, lobbying, judicial courts, and framing. They exerted structural power both through threats of capital strike (Przeworski and Wallerstein, 1988; Young et al., 2018) by instilling fear and uncertainty about their oil activity not only to government, but also by playing on some Albertans' dependency on the oil sector, and through threats of capital "exit" (Pastor Jr, 1990; McKenzie and Dwight, 1991; Crystal, 1994; Petersen, 2004; Epstein, 2005) by threatening to leave Alberta and move their oil activity elsewhere. They also proved particularly in their use of discursive power, which links to ideational explanations of royalty policy outcomes and materialized at several levels, including influencing policymakers directly, opinion-leaders in universities, and the media that might, in turn, influence policymakers and/or the public. Indirectly, they could influence policymakers by shaping broader public opinion and developing arguments that resonated with longstanding ideational currents in Alberta elite circles and the general public (i.e. the frontier identity and free market economics).

1.4. Methodology and Positionality

1.4.1. Case Selection and Methods

I chose to focus on Alberta for multiple reasons. First, Alberta's oil sector is globally significant because the province is, and will long continue to be, the epicentre of Canadian oil extraction. Alberta's bitumen reserves vaulted Canada into a lead position in global proven oil reserves.

Moreover, the province has embodied the global shift from conventional to unconventional oil, with its attendant environmental consequences (Carter, 2020) and become a premier example of a "petrostate" (Karl, 1999; Adkin, 2016). The scope of the study also allowed for a wide range of actors to be analyzed (especially corporate actors), but also accounted for the structures and institutions in place that defined the playfield, and for the ideas that determined and rooted interest groups' beliefs about royalty policy. Given Alberta's attractive business environment, the province hosts many kinds of corporations: international oil companies (IOCs), Canadian oil companies, and powerful lobby and industry associations who represent oil interests.[3] Alberta also presented an intriguing policy puzzle: in two very different political contexts (i.e. PC vs. NDP), the government of Alberta attempted to increase its royalty capture with little success. This failure was in part due to the influence of corporate power on the state, but also to the institutions and ideas at play. In this way, Alberta provided a context to observe the inner workings of the 3Is in a resource cursed petrostate on two distinct, yet similar in outcomes, policy processes.

This study uses qualitative methods, using process tracing and fieldwork-based interviews to understand the 2007 and 2015-16 royalty reviews. Process tracing sheds light on the chronology of change of oil sands royalty frameworks and royalty review Panels' recommendations reports. Fieldwork provides new insights to explain policy outcomes and royalty review stasis. The case study approach is particularly useful to generate "an in-depth, multi-faceted understanding of a complex issue in its real-life context" (Crowe et al., 2011). This study follows an intrinsic case study model to learn about the uniqueness of the phenomenon of royalty stasis in Alberta—the Alberta case was selected "on its own merit" (Crowe et al., 2011)—yet, it also aims to obtain a broader appreciation of governments' opportunities (or lack thereof) to extract value from their resources as they are impacted by the dynamics of a plethora of stakeholders, thus hinting at an instrumental case study approach (Stake, 1995). Each royalty review is described and analyzed in each detailed case study chapter, including the circumstances and context when each review was launched, the actors involved, and the reception of the Panel reports. By comparing both reviews, I use process tracing's key focus on describing processes "over time" (Collier, 2011, 824). This descriptive work is the foundation for insights gathered through fieldwork and interviews in Alberta. Most of the content there is based on the review of documents relevant to the cases such as the two royalty review Panel final reports from 2007 and 2015-16, ensuing government royalty framework reports, and general media coverage in the province.

[3] In the thesis, oil corporations and oil producers are used interchangeably to refer to oil companies who produce oil; the oil industry refers to private oil actors in general, including oil corporations, associations, lobbies and other oil groups.

Prior to commencing fieldwork, this study obtained research ethics clearance which involved multiple reviews of interview questions, information letter and letters of invitation, consent forms, recruitment emails, feedback letters, and other ethics material. A list of potential interviewees was created through the literature and media review, and through the network of researchers and scholars I had from my time in Alberta. Guided by the 3Is, this study is built on four sets of semi-structured interviews with various groups involved in the reviews and ensuing policy processes. These groups include: a) royalty review Panel members (3); (b) formerly elected government officials, members of opposition parties, and long-standing civil servants (5); (c) industry actors, particularly corporate executives of major companies involved specifically in the oil sands and industry associations (e.g. CAPP) (2); and (d) civil society actors, university academics, researchers at institutes, and journalists (6). The latter set includes researchers at the Parkland Institute at the University of Alberta, the Pembina Institute in Calgary, academics at the University of Calgary, and journalists with the *Edmonton Journal.*[4]

In December 2018, I went to Alberta to conduct fieldwork, travelling between Edmonton and Calgary on the "Calgary Trail," a portion of Alberta's Highway 2. When I could not meet in person, I conducted interviews over the phone. The interviews were all conducted during fieldwork in Alberta (except one on the phone a year later due to availability constraints both from the interviewee and myself) and scheduled at a mutually agreed upon time with participants. The information collected provided contextual knowledge and an insider perspective on the conduct of Alberta and industry before, during, and after the reviews.

I chose to conduct semi-structured interviews because they allowed me to "reconstitute specific processes of decision-making by understanding the perspectives and strategies of key actors…to determine why particular decisions were made at specific moments" (Smith, 2010, 102). In addition, semi-structured interviews were particularly well-suited to elite interviews, a necessity in my case given my interest in interviewing royalty review Panel members, government officials, and industry executives (Leech, 2002). All interviewees were based on a common interview schedule,[5] though some questions were tailored to different stakeholders to allow me to ask what was relevant to different groups. These interviews provided an understanding of each interviewee's role in and perception of the royalty reviews, as well as their thoughts on the impact or influence of the 3Is. The incredible value of fieldwork is evident in that these interviews also enriched my understanding of royalties by suggesting "I"s I had not anticipated.

The nature of and policy around Alberta oil made the case of royalty policy controversial, thereby improving my chances of obtaining more nuanced discursive information and a wider array of

[4] For more information on the interview sets, see Appendix.
[5] See Appendix.

opinions. For example, opposition parties provided a critical perspective on government policy in 2007 and 2015-16, whereas industry representatives provided a more general picture of the government from the industry's standpoint. In the same vein, the last set of interviewees (civil society actors, university academics, researchers at institutes, and journalists) were crucial not only in providing empirical data, but also in helping cross-check information provided by government officials and corporate executives. Further, interviews were conducted with a confidentiality clause that removed the name and other direct identifiers to allow for more honest takes (Morse, 1998; Lancaster, 2017).

To immerse myself in the history of oil, I also visited the Canadian Energy Museum, home to Leduc No.1, the first oil rig to strike oil in 1947 in Leduc, Alberta. There, I consulted archives that had been donated by various oil groups, a miscellany of reports, accounting books, permits, and historical accounts of oil activities in the province—an overwhelming experience that echoes that of 2007 Panel members', which I describe in the later chapters of this thesis.

Through the case study approach, this study collected data from multiple sources, including peer-reviewed articles and books, reports, news media, and press releases, as well as interviews with multiple actors. Conducting interviews on the ground with key actors is the centrepiece of this research project and its most significant contribution, given that some of the actors interviewed intervened in one or both royalty review processes and many had not yet shared their assessments and reflections on those reviews. Given that the some interviews were about events that happened more than a decade ago, some scholars have designed new ways of addressing issues around memory and recollection, including the use of pre-interview activities in the week prior to the interviews (Ellis et al., 2011). Given the "elite" character my interviews (interviews were difficult to secure and interviewees could offer me very little time), I instead designed the information letter sent to potential participants prior to the interview not only to highlight the research study, but also to provide general facts about the review to help contextualize the interview and assist in recollection.

The interviews helped accomplish two tasks. First, they allowed for the collection of information on the various institutional, interest-based, and ideational factors at play and compare them to insights drawn from the literature. This comparison helped bridge the gap between theoretical assumptions and practices in the public and private sector. Second, the interviews were previous primary data as they tapped into interviewees' institutional memory—whether they be government, industry, Panel, etc.—with regards to the events of 2007 and 2015-16. As for interview content, because there is a degree of secrecy and reluctance to reveal some of the practices held behind doors, the questions asked were mostly on general appraisals of satisfaction and disappointment with the royalty review process and the royalty frameworks of 2007 and 2015-16 between parties.

Despite my long preparation, I faced obstacles in the interview process. I could not secure nineteen of my interviews I had hoped to conduct: some actors were still active in royalty policy at the time of fieldwork and were simply too busy to meet and share insights (2); others felt they might not be well-placed to share insights (5); others did not express interest in participating in the study (4); finally, some did not reply to interview requests (8). Also, some interviewees who had had central roles in the royalty review process at the time of the reviews had changed position entirely and were now bound by a duty of confidentiality or were reluctant to disclose information. Those nineteen interviews included industry, government, Panel members, and civil society groups. Nevertheless, the interviews I conducted still covered all the groups I had sought to interview and each was in-depth enough that I did not require follow-up interviews.

The sixteen interviews conducted proved extremely informative and laid the ground for the analysis presented here. Interviews were of varying length (ranging from 31 to 150 minutes), generating a large quantity of data. Together, the interviews provided 23+ hours of recording, which I transcribed. During the transcription process, I kept a separate file to track essential quotes and insights that might later be central to my analysis.

I then analyzed the interview data to identify factors that contributed to creating oil sands royalty stasis in Alberta. While I explored using qualitative data analysis (QDA) softwares (e.g. NVivo), the number of interviews allowed me to code, sort, and analyze the data manually (Glasner and Strauss, 1967; Denzin and Lincoln, 1994). I used different color codes to track the following: institutional, interest-based, ideational factors, and intersections; facts and contexts for each review; pre-2007 royalty review historical events (chronology); background information on royalties, royalty structure, and calculations; and perspectives/interpretations/opinions from government, political parties, industry, civil society, and Panels. The analysis of interview data combined with insights and theoretical guidance from the various literatures reviewed provided me with a close-to-the-ground, fine-grained perspective on the institutional, interest-based, and ideational factors that influenced royalties in 2007 and 2015-16.

1.4.2. Positionality: Distant Yet Connected

Fieldwork involved important personal challenges, especially related to how I positioned myself in the research. Studying contexts of deep political polarization like the royalty review controversy certainly brings expected challenges, such as interview access, defensive attitudes, and so forth. However, as mentioned previously, the controversy also improved my chances of obtaining nuanced information and diverse opinions. For example, in Alberta, there is a very clear divide between pro-oil sands and anti-oil sands groups, which often translates into divisions on royalty policy. To negotiate access to interviewees on both sides, I had to tread carefully to

ensure both that I would have access to representatives of each group highlighted above and that I would maintain the highest standards of ethics and confidentiality—all the while ensuring that my interview requests would be met positively.

While I was requesting interviews, my interviewees often requested, implicitly or explicitly, to know my position as a researcher to the subject matter despite my sending exhaustive letters of information well in advance. These requests took multiple forms, from asking explicitly what my "take" was on royalties before starting the interview, to more implicit questioning of why I was interested in this work, given my position as an out-of-province, Waterloo-based researcher. During these times, I was posed with the ethical debate of positioning myself as honestly as possible while still being able to continue with the interview.

To answer the question of my "take" on royalties, I approached each interview—whether with industry, government, Panel members, or civil society actors—with a growth and learning mindset, putting all my assumptions aside to concentrate openly on the stories and experiences of my interviewees. My only assumption was that each story was as valid as another—here, following in the path of the 3Is that ideas "tell interests what to mean" (Heclo, 1994, 383) and "what actors believe may be just as important as what they want" (Campbell, 2002). The beliefs of industry, government, Panel members, and civil society actors were various and translated differently into their respective interests—whether those interests were personal or not. As a researcher, I focused on giving my interviewees the space to share their ideas and interests freely. I knew my attempt to understand the reviews would not be complete without including all factors presented by the myriad of actors involved.

As an Ontario-based researcher, I also needed to explain my interest in Alberta-centric questions and research aims, especially given the complex history between Alberta and Ontario (i.e. longstanding federal-provincial tensions). My Ontario affiliation was complicated by the fact that my native language is French, and therefore, I anticipated that some of my interviewees would assume I was French-Canadian, from Québec or Ontario, and would have difficulty "placing" me. Foreseeing these challenges, I started each of my interviews with a short description of my background, which included many aspects that resonated with Albertans' experiences: I explained that I moved to Canada as an immigrant from Europe; I highlighted that I was a University of Alberta alumnus who had become fascinated with the oil sands during my master's degree there; and that I hoped to learn more through doctoral research from the perspective of an institution outside Alberta. Ultimately, I sought to place myself as a researcher with connections to and experience in Alberta, but with enough distance and autonomy from the province and its inhabitants to explore my subject freely and from multiple perspectives.

1.5. Contributions

This study contributes to the literature in several ways. Empirically, it provides in-depth comparative case studies of oil sands royalty policy and review processes in 2007 and 2015-16 in Alberta. These case studies contribute to understandings of how royalty policy is decided and its reviews conducted. Furthermore, this is the first comprehensive study comparing the two royalty review processes of 2007 and 2015-16, both of which are unique in Alberta's history.[6] By doing this comparative work, this study tracks similarities and differences between the two reviews and analyzes how some of the differences impacted the review outcomes. In addition, the dissertation's main empirical contribution comes from fieldwork, which provided new insights to explain royalty policy and stasis. Indeed, as mentioned previously, conducting interviews on the ground with key actors is the centrepiece of this research project and its most significant contribution, given that many of the interviewed actors who intervened in one or both royalty review processes had not yet shared their assessments and reflections on those reviews.

The study also provides analytical contributions. First, it presents an understanding of how the 3Is can be applied in the Alberta oil sands policy context to recognize, map, and categorize institutional, interest-based, and ideational factors at play in influencing royalty policy. In testing the value and usefulness of the 3Is, my conclusion is that all 3Is played an important role in influencing royalty policy and many were intertwined. Second, it confirms that resource curse and petrostate theories can be applied to a subnational entity, as opposed to the more common applications on national states. Both resource curse and petrostate theories prove useful to explain the royalty situation in Alberta. Third and last, it applies Fuchs' theory of corporate power to frame the significant power and influence of one specific interest group, oil corporations, on royalty policy. This application shows that corporations promoted their legitimacy as important actors in oil governance by drawing upon instrumental, structural, and discursive power.

Finally, this study also makes two theoretical contributions. The first is to provide a framework for using the 3Is in combination with specific oil theories, namely the resource curse and petrostate theories, to illuminate specific constellations (or "collections") of institutional, interest-based and ideational factors to be found in analyses of energy policy development. The second is to combine the 3Is with Fuchs' corporate power framework to understand the tools available to corporations exerting influence and transforming into governance actors.

[6] There have been smaller royalty reviews, but nowhere near the extent of the ones in 2007 and 2015-16.

1.6. Thesis Structure

The dissertation is structured as follows. Chapter 2 presents literatures relevant to analyzing the cases of Alberta's 2007 and 2015-16 royalty reviews in light of the province's oil's dependency, including: the institutions, interests, and ideas framework (the "3Is"); resource curse and petrostate theories; and the influence of corporate power over policy-making. Each of these literatures provides tools and concepts that help make sense of Alberta's royalty policy in light of the 2007 and 2015-16 reviews. The 3Is framework allows for recognizing, mapping, and categorizing various factors at play in influencing royalty policy-making. The foundational resource curse and petrostate theories illuminate clues about the types of institutional, interest-based, and ideational factors that influence royalty policy (i.e. patterns) and lay out the context in which these 3Is operate. Lastly, Fuchs' typology of the three forms of corporate power in global governance help us understand how one group of interests came to dominate the conversation on royalty policy-making.

Chapter 3 provides a detailed historical review of the government of Alberta's royalty trajectory, from the discovery of oil in Leduc, Alberta in 1947 until 2015. It tracks the evolution and growth of provincial government policy in relation to the industry throughout the Conservative dynasty from 1971 until 2015, with a special focus on the leadership of premiers Peter Lougheed, Ralph Klein, Ed Stelmach, and Rachel Notley. I also review national oil policy and the involvement of the federal government in matters related to oil governance, specifically those conducted in partnership with Alberta's—or to its detriment. In addition, the chapter pinpoints key global events that affected oil realities in Alberta and shed light on its vulnerability. Finally, the chapter provides a detailed description of the royalty review processes of 2007 and 2015-16, including the recommendations made by both Panels.

Chapter 4 focuses on the 2007 royalty review case and retraces ideational, interest-based, and institutional factors that played a role in influencing the review and following policy. It identifies central institutional factors such as fluctuating global oil prices, the capture of institutions (universities, media), and oil sands costs; ideational factors such as the popular phrases "thinking like an owner," "getting our fair share," pioneer/frontier identity-based perceptions, and the narrative of ethical oil; and interest-based factors such as corporations' use of instrumental, structural, and discursive power to adopt strategies designed to prevent royalty increase and the role of rural interests.

Chapter 5 examines the 2015-16 royalty review along ideational, interest-based, and institutional lines. It first highlights the impact of falling oil prices upon the launch of the review along with other institutional challenges such as the Panel membership and structure, as well as Alberta Energy's conflicting mandate. Then, it sheds light on the oil industry's better organization for

this second review and the many ways it exercised its power, including a focus on discursive power. The chapter also reviews how civil society actors challenged industry, before turning to the Panel's recommendations and policy reception. It also identifies how the vacuum left by decades of Conservative rule in part led to challenges for NDP, including the limitation of the four-year electoral cycle given that the NDP government had never been elected before, ideological challenges within the Party, and the backlashed it faced due to falling oil prices. The chapter concludes with a comparative summary of both royalty reviews.

The dissertation concludes with Chapter 6, which answers this study's main research question by weaving together empirical findings that consider institutional, interest-based, and ideational factors to explain royalty stasis in Alberta. It includes a summary of individual "I" factors, then collections of "I"s highlighted through the resource curse and petrostate theories, and then sheds lights on 3Is factors that interacted. It also highlights the contributions of this study, including empirical, analytical, and theoretical contributions and limitations—many of which can point us in the direction of future research. Finally, it proposes policy alternatives to improve royalties in Alberta and provide concluding thoughts.

CHAPTER II

Framing Institutions, Interests, and Ideas in Alberta with Oil Theories & Corporate Power

2.1. Introduction

While oil was first discovered in 1947, Alberta only started to become dependent on oil in the 1960s. As the oil industry grew, the province's economy became increasingly dependent on oil revenue and thus, its oil sector as a whole, including its largest players in the private sphere. Eventually, Alberta settled for a royalty-based framework which changed a few times over the years. This chapter presents literatures relevant to analyzing the cases of Alberta's 2007 and 2015-16 royalty reviews in light of the province's oil dependency, including the institutions, interests, and ideas framework (the "3Is"); resource curse and petrostate theories; and the influence of corporate power over policy-making. Each of these literatures provides tools and concepts that help make sense of Alberta's royalty policy in light of the 2007 and 2015-16 reviews.

To understand the decision of the Alberta government not to significantly increase oil sands royalties in the two province-wide reviews of 2007 and 2015-16, this study first employs the 3Is framework because it allows for recognizing, mapping, and categorizing various factors at play in influencing royalty policy-making. Next, because this study investigates a piece of policy directly connected to oil, it draws from the foundational resource curse and petrostate theories to illuminate clues about the types of institutional, interest-based, and ideational factors that influence royalty policy. Specifically, resource curse and petrostate theories help recognize

patterns—with the expectation that certain institutions, interests, and ideas will appear—and lay out the context in which these 3Is operate. For example, this study examines the institutional foundations that structure policy, the various interest-groups operating in this context, and the underlying ideas that constitute normative belief systems. Lastly, diving into interest-groups in particular, this study uses Fuchs' typology of the three forms of corporate power in global governance to understand how one group of interests came to dominate the conversation on royalty policy-making.

2.2. The 3Is in Comparative Politics & International Political Economy

Within the comparative politics literature, structuralism, rationalism, and culturalism are three important theoretical approaches that differ with regards to their basis. As described succinctly by Lichbach and Zuckerman (1997), a structural approach is based on conditions (i.e. "political institutions and processes that shape collective mobilization"); a rational approach is based on means ("mobilizing structures supporting collective action"); and a cultural approach is based on norms ("framing processes around which collective action is conceived and acted out") (p. 144).

In the political economy literature, the 3Is echo—to an extent—with the comparative politics literature. An institutional approach involves analyzing "enduring rules, procedures, and organizations that tend to structure individual conduct" (Heclo, 1994, 375). Examples of institutions include judicial courts and government regulating agencies, but can also consider institutions in the broader sense of structures that frame, shape, and limit actions and actors (e.g. fluctuating oil prices) and non-governmental institutions (e.g. the media and universities). Second, an interest-based approach involves attuning to "self-interested and purposive pursuit of material goals" (Heclo, 1994, 375). For example, interests include oil corporations, the government, rural communities, and Albertans in general. Third, an ideational approach foregrounds "mental constructions" (Heclo, 1994, 375). Examples of ideas include the belief that the oil sands can be a "clean" industry, or the perception that Canada ought to assume a global leadership role in energy matters.

However, this study follows in the paths of scholars who have highlighted how institutions, ideas, and interests are fundamentally intertwined. Interestingly, the same parallel can be made with structuralism, rationalism, and culturalism. Indeed, structuralism connects to culturalism the same way institutions "tell ideas how to survive" (Heclo, 1994, 383); in the words of Lichbach and Zuckerman "individual action aggregates into and also responds to collective action" (1997, 262). In the same vein, culturalism connects to rationalism the same way ideas "tell interests what to mean" (Heclo, 1994, 383); indeed, "individual beliefs correspond to and ultimately influence material conditions" (Lichbach and Zuckerman, 1997, 262). Finally, rationalism

connects back to structuralism the same way that interests "tell institutions what to do" (Heclo, 1994, 383); Lichbach and Zukerman find that "individual desires reflect and produce social norms" (1997, 262).

This study also builds on the work of two scholars, Hall (1997) and Majone (1998), who capture the evolution of the 3Is, with Hall focusing on political economy and Majone emphasizing the transformation of public-policy making. Hall argues that one of the foci of political economy is power, especially issues that examine whose interests are served by a set of economic arrangements and how the latter distributes power and resources across social groups. This approach is relevant here given the power of Alberta's petro-elite to influence economic arrangements to serve its interests and is studied in depth through Fuchs' work. Majone's work complements Hall's and provides excellent insights into public policy by using the 3Is as a framework to contextualize policy-making and outcomes. In particular, Majone explains how decision-makers increasingly need to be efficient, to be credible, and to maintain their reputation, thus making use of ideational and institutional approaches complementary to the interest-based approach.

2.2.1. Institutions

In general, institutions refer to the formal institutions of the state, including how business-state relationships become formalized and normalized through state institutions (Purdon, 2015). In the comparative politics literature, structuralism explains policy outcomes from causal factors in the organizational structures of the political economy (Lichbach and Zuckerman, 1997). Indeed, an institutional theory of social change comes from the study of the "historical dynamics of [organizational] structures" (Lichbach and Zuckerman, 265). This study uses a broader institutional approach to explain policy by examining structures that frame the behaviour and interactions of stakeholders and groups. Electoral systems, campaign or party financing arrangements, the division of jurisdictional authority, and taxes and spending are all of interest in this approach. As mentioned previously, it also covers the political organization of the state, especially with regards to the relationship between the state and businesses. In an oil context, these state-business dynamics can reveal that certain institutional arrangements are more vulnerable to influence from the oil sector (Lockwood et al. 2016); they can also be opened or closed to oil interests (Hoberg and Philips, 2011). In the Alberta context, the institutional approach is used to identify central institutional factors such as fluctuating global oil prices and the capture of institutions (e.g. universities, media), but it also accounts for factors such as the four-year electoral cycle, which limited the NDP's policy window.

While institutional approaches' unit of analysis is often the state, it can sometimes be a sector, a region, or a system. One of the main assumptions of the institutional approach is that actors are rationally influenced by institutions, or in Purdon's words, "institutions produce a distinctive combination of sanctions and incentives that shape patterns of political influence and organization, and lead political and economic actors toward some kinds of behavior and away from others" (Purdon, 2015, 10-11). For example, institution-based analysts might argue that Alberta's dependency on oil allows oil corporations to dominate and even direct public policy.

The institutional approach has several strengths relevant to this study. First, the approach acknowledges that economies can vary and thus, that there are different patterns of policy and performance. Second, the approach emphasizes the sanctions and incentives of institutions as a major causal factor in determining policy outcomes (Lichbach and Zuckerman, 1997). Institutions shape the interests of key actors: indeed, interest-groups use windows of opportunities opened by institutions to change policy outcomes (Lichbach and Zuckerman, 1997, 153). For example, a window of opportunity could be coming from a tendency in North America to delegate significant regulatory powers to independent agencies, boards, or commissions. These agencies, by virtue of being independent, are separate from the government, and therefore not directly accountable to citizens like an elected government would be (Majone, 1998). They are often discreet, relegated to the background, and difficult to trace. They thus open windows of opportunities for interests to penetrate policy-making, creating a perfect ground for corporations hoping to "regulate" their own industry. In terms of limitations, the institutional approach misses what interest- and idea-based approaches focus on: for example, it is silent on the different resources that interest groups need in order to access these institutions and does not capture the influence of ideas in the very creation of these institutions.

2.2.2. Interests

In this approach, interests are usually defined as "real, material interests" (Hall, 1997, 176). Interests are often derived from "variation in costs and benefits of various policy actions across actors, tensions between political and economic objectives, trade-offs between short- and long-term effects, and geographical variation in who wins and who loses" (Purdon, 2015, 12). In this approach, social change comes from "how individuals react to the unintended and unwanted social consequences of rational action and construct new institutions–which are, of course, subject to dysfunctions and hence institutional change" (Lichbach and Zuckerman, 1997, 265).

The interest-based approach focuses in part on interactions between actors who often compete for material interests and the strategies they use to profit or defend themselves (Dabrowski, 2017; Harrison, 2015). It also considers how other collective actors contest each other's interests

(Gough, 2016; Steves and Teytelboym, 2013). Within the interest approach, Hall (1997) presents two bodies of literature, one focused on producer group coalitions, and another emphasizing the electoral approach. For this study, the former is of particular relevance because its contributors explain variation over time in patterns of economic policy, including how different economic policies can affect material interests of actors (Hall, 1997). The central actors are producer groups whose material interests drive policy, themselves influenced by international conditions (e.g. low oil prices), "allowing politicians […] to put together new coalitions behind particular mixture of policy" (Hall, 2002, 177). The producer group coalition has multiple strengths. First, it shows how policies are maintained by groups whose interests are advanced by it. Second, it shows how policies advantage some groups and disadvantage others, acknowledging that politics is ultimately a struggle for scarce resources. For example, interest-based analysts would argue that oil price fluctuations threaten corporations' interests leading the latter to demand the status quo in the royalty framework. The interest approach is linked to the structuralist and culturalist approaches because it accounts for different forms of mobilization and accounts for collective action as sometimes embedded in cultural communities (Lichbach and Zuckerman, 1997).

Still, the producer group coalition approach has limitations. In the context of this study, there are two relevant limitations: the approach gives little attention first, to the ways collective action problems are overcome and second, to how the producer group actually gains influence (Lichbach and Zuckerman, 1997). More generally, a challenge for the interest approach is to identify interests when actors have a multitude of interests, sometimes conflicting and open to interpretation (Hall, 1997). Other criticisms include ideational scholars who would argue that the interest approach does not account for interests being subject to interpretation, or for the fact that actors may have difficulty knowing their interests and understanding economic realities to act upon their interests (Lichbach and Zuckerman, 1997).

2.2.3. Ideas

An ideational approach is focused on ideas, meanings, and interpretations. Ideas have a causal role in determining how we think, or the "mental constructions" we build, to use Heclo's language (1994, 375). Beland and Cox (2010, 3) define ideas as "causal beliefs": they are "mental constructs, cognitive belief maps about phenomena and interpretations of the world around us." Multiple concepts are embedded in the ideational approach, including science, development, legitimacy, and culture (Purdon, 2015).

Hall (1997) argues that scholars who use an ideational approach are divided in three groups. The first considers ideas as important but give pre-eminence to other variables; in other words, ideas are only brought in once other factors (e.g. interests) cannot explain a problem (Goldstein and

Keohane, 1993). The second gives ideas causal priority because governments or firm actors are influenced by ideas they wish to translate into policy. The third gives ideas causal primacy because ideas are "constitutive of the most basic meaning systems that make individual or collective action possible" (Hall, 1997, 185).

This study uses the second approach, namely, that ideas have causal priority in influencing our understanding interests and perception of institutions. Indeed, once institutionalized, ideas are difficult to modify (i.e. path dependent). Within that understanding of ideas, one can chose to emphasize either "the bearer of ideas and how they secure power" or "the way in which the ideas themselves have an impact on economic action" (Hall, 1997, 185). This study focuses on the latter. For example, an idea-based analyst would suggest that the government of Alberta was persuaded by corporations that we are in a post-peak oil phase and, therefore, that energy security and oil investments should be protected.

In the comparative politics literature, comparativists differentiate between culture as instrumental, non-instrumental, and both (Lichbach and Zuckerman, 1997). First, culture can be seen as instrumental and considered a strategic resource, for example when leaders expand a movement's appeal through framing. Second, culture can be seen as non-instrumental and considered as carried by (as opposed to "used for") social movements, for example. Third and last, culture can be seen as being both instrumental and non-instrumental, thus carrying meaning and constructing it at the same time.

The ideas-based approach has multiple strengths, especially that it emphasizes that much of politics is a struggle over interpretations. Actors' interpretations of what constitute their best interests makes interests themselves "objects of contention" (Lichbach and Zuckerman, 1997, 197) because they can be given multiple meanings and are malleable to interpretation. Still, the ideas-approach has limitations. For example, as it is difficult to define culture, it can also be challenging to sort out cultural variables from other ones. Other limitations include the absence of consideration for how ideas might be institutionalized and how old and new ideas might interact (Lichbach and Zuckerman, 1997).

2.2.4. 3Is Interactions

If fruitfully blended together, the 3Is can help provide a better understanding of the political outcomes that interest us. As Hall noted two decades ago, important conceptual developments take place "at the margins of each approach, where it interfaces with the others" (1997, 189). For example, an interest-based approach can integrate ideas by acknowledging that: (1) cultural understandings are often mobilized by strategic agents choosing cultural frames; (2) costs and benefits are perceived and interpreted; (3) the type of contention depends on the cultural context;

and (4) collective interests depend on communities, which are culturally informed (Lichbach and Zuckerman, 1997, 154-156). In the same vein, an institutional approach can integrate ideas by accepting that (1) the opportunities allowing change in an institutional framework must first be perceived and considered useful to be acted upon; (2) culture is diffused through structure; (3) and therefore that creating cultural understandings often happens through structural networks, themselves created by institutions (Lichbach and Zuckerman, 1997). Idea-based approaches also lend themselves well to being combined with other approaches. As Bradford (1999, p.20) explains, ideas can progress if they "'work' on interests to realign the policy goals of collective actors," and "'work through' organizations to transform policy-making routines and state capacities."

2.3. Resource Curse & Petrostate Literatures

Alberta is a good example of a province plagued by the resource curse because it is highly reliant on oil revenue, which restricts its ability to invest both in other sectors and in social benefits for Albertans, and thus the province remains vulnerable to fluctuations in global oil prices. In the same vein, it embodies petrostate characteristics similar to the resource curse, including the negative political and economic outcomes, as well as the rentier mentality.

While resource curse literature is usually applied to the level of the state, the work of Ross (2015) and Carter (2016) demonstrating the value of applying resource curse and petrostate theories below the level of the nation-state and subnational level, respectively, are foundational because they allowed these theories to guide research done in oil-producing provinces like Alberta. More importantly, resource curse and petrostate theories provide clues to the type of institutional, interest-based, and ideational factors that impact oil policy.

Literature on the resource curse posits that states with abundant natural resources tend to have slower economic growth, weaker democracy, and worse social development outcomes than states with fewer natural resources (Jenson and Wantchekon, 2004; Karl, 1997; Leite and Weidmann, 1999; Ross, 2001; Collier, 2007; and Dunn, 2017). In the case of Alberta, resource curse is particularly relevant because it frames the unexpected negative economic and political impacts of oil dependency.

For example, negative economic outcomes include the state's inability to invest in other sectors of the economy because of its dependency on oil revenues. The state's revenues are thus left at the mercy of fluctuating oil prices, following booms and busts cycles—institutional structures over which the province has no control. Karl (1997, 15) has called this phenomenon institutional "inertia" because the state is stuck in a vicious cycle of natural resource investments reinforced through oil rents. Further, this inertia also favours a petro-elite who benefits from the status quo

and resists attempts to harness resource surpluses into more sustainable economies (Collier, 2007, 67). Interest groups who can influence, even dominate, oil policy.

In addition, negative political outcomes, for example, include oil wealth's tendency to provoke incumbency among elected officials (Ross, 2001; Goldberg et al. 2008), discouraging democratic engagement. Oil wealth can also affect democracy through the "rentier effect." A "rentier mentality" can set in when government extracts wealth from oil exploitation rather than from its citizenry (Beblawi and Luciani, 1987, 88). For Shaxson, oil wealth creates "misplaced lines of accountability" (2007, 1129). This is echoed by Karl (1997) who suggests that oil-rich societies have shifted to an "oil-based social contract" (1997, 57) whereby "government institutions become more accountable to private developers than to citizens." In practice, the rentier effect encourages government to decrease taxes and increase patronage and public goods, allowing it to mitigate dissent through bribery, among other means (Mahdavy, 1970; Crystal, 1990; Ross 2001; 2015). In Collier's words (2007, 42), "resource rents make democracy malfunction."

The petrostate embodies many aspects of the resource curse, including the negative political and economic outcomes, as well as the rentier mentality. A petrostate has two central characteristics. First, it has the oil sector at the centre of its economic accumulation. It is heavily dependent on petroleum and derives "extraordinary rents" (Karl, 1997, p. 58) from its exploitation. Second, as the petrostate becomes fiscally dependent on petroleum rents, its jurisdiction widens while its authority decreases. Thus, the petrostate has every reason to engage in rent-seeking behavior, which combined with the weakening of state institutions, leads to inadequate taxation and a rentier mentality. Rentier state theory tells us that relying on corporations, royalties, or any form of taxation from one sector—instead of relying on citizens'—can turn the state's responsibility away from its citizens, creating an imbalance in its duty, a model neither sustainable, nor desirable for citizens and for building a healthy economy (Carter and Zalik, 2016). Change to the system becomes increasingly difficult as both public and private interests benefit from their addiction to petro-dollars.

The resource curse and petrostate literatures are particularly useful to frame issues related to the oil sector because they provide clues to the type of factors that plague an oil-producing jurisdiction and highlight structures, actors, and discourses that might influence policy-making. Therefore, while the 3Is allow for the systematic mapping and classification of factors impacting royalties, the resource curse and petrostate theories lead the researcher to expect certain institutions, interests, and ideas to be influential. In short, merging both literatures allow both for the 3Is' actor/strategy/organizational insights and for the resource curse and petrostate's sector-specific insights.

2.4. Global Governance and the Role of Corporations

As described above, Alberta's royalty policy is best explained with reference to the 3Is in a general sense, as they provide tools to identify institutional, interest-based, and ideational factors relevant to the 2007 and 2015-16 reviews. This study also uses the resource curse and petrostate theories to identify specific "I"s: these theories are especially useful to describe a number of specific constellations (or "collections") of institutional, interest-based, and ideational factors that are present in the cases studied here.

Going further, insights from the field of global governance lead me to pay close attention to the role of corporations—a specific kind of interest—as they played a major role in influencing royalty policy outcomes, starting with a general discussion on corporations as policy actors, followed by an overview of the strategies they use. Finally, I draw from the work of global governance scholar Doris Fuchs who proposed a three-dimensional typology of corporate power in order to frame corporate power's influence on royalty policy in Alberta.

2.4.1. On Corporations as Policy Actors

Global governance, which gained traction in the 1990s, has multiple varying dimensions that differentiate it from international relations. In particular, global governance accounts for globalizing processes that shift structural forms of governance from traditional hierarchical structures (e.g. states) to more horizontal ones (e.g. networks). Most importantly, global governance accounts for and recognizes the important role of non-state actors in exerting influence on policy-making processes that are traditionally controlled by governmental actors (Avant et al., 2010; Hettne, 2005; Koppell, 2010; Lake, 2010; Moloney and Stone, 2019; Scholte, 2005). For example, global governance recognizes the role of corporations (Avant et al., 2010; Lake, 2010; Ruggie, 2004; Strange, 1996), non-governmental organizations (Cooley and Ron, 2002; Keck et al., 1998; Lake, 2010; K. Lee, 2010; McKeon, 2016; Price, 2003), and networks, such as transnational advocacy networks (Gilson, 2011, 2011; Hudson, 2001; Keck et al., 1998; Price, 2003), epistemic communities (Haas, 1992), and transgovernmental networks (Slaughter, 2004) amongst others. By broadening the spectrum of actors with influence on the policy scene, global governance can pay close attention to the role of corporations and multinational enterprises in influencing policy, actors who often have assets greater than some states' GDP.

The influence of corporations over public policy has also long been identified outside global governance, in the critical political economy literature for example. This body of research typically discusses corporate influence over political parties (Myers, 1914); the dynamics and influence of the business elite in Canada (Porter, 1965; Newman, 1975); the alliance of corporations and banks to promote economic dependence on U.S. capital (Park and Park, 1973);

and the business elite's control of the media (Clement, 1975). Today, critical political economy scholars suggest that there has been a worldwide shift in power towards corporations in the post-2000s, especially international corporations. Drache (2001, 6) astutely points out that globalization has allowed these powerful actors to increasingly shape governance at multiple levels and simultaneously become "agent, architect, villain, and major beneficiary" of the new world order. Political sociologists have called this shift in power "corporate power in transition" (Carroll, 2004, 8).

The role of corporations in policy is important because their goals have evolved from the limited objective of increasing shareholders' profits (Friedman, 1978), to seeking influence over policy and regulations, both of which used to be in the traditional realm of the state. As corporations acquire political roles, they also gain rule-setting powers (Fuchs, 2005; Pearson and Seyfang, 2001; Ruggie, 2004). As Cutler puts it, "firms are basically functioning like governments" (2002, p.32). Increasingly, taxpayers and corporations questioned the need for state regulation because it used taxpayers dollars to regulate industry—thus increasing public spending—and discouraged companies from investing, leaving "greater governance responsibility (…) on companies themselves" (Detomasi, 2007, p. 323). In consequence, there was a push for voluntary self-regulation (Pearson and Seyfang, 2001) although as companies' main fiduciary responsibility and priority remained with their shareholders, they had no imperative to improve their behaviours and practices (Ollila, 2003).

Corporations support certain kinds of state policy and oppose others. They usually focus on strong regulations that favour their interests (in the case of Alberta, the generous pre-/post-pay out royalty system) and strongly oppose regulations that do not (e.g. higher oil sands royalties) (Rundall and Brady, 2011). Corporations are thus still driven by their fiduciary responsibility—their end goal being to increase profits—but their means to do so have broadened to include a political role they leverage through various strategies.

2.4.2. Corporate Strategies

Corporations, especially oil corporations, exercise power to influence public policy using a number of strategies, primarily, revolving door practices, financial contributions, lobbying, judicial courts, and framing.

Corporations often consult with ex-government employees who can provide insights on the functioning of governmental institutions. But pushing this further, the "revolving door" (Blanes I Vidal, Draca, and Fons-Rosen, 2012; Cayley-Daoust and Girard, 2012), or "businessman[sic]-politician" strategy entails the "migration of capitalists into government as an expression of their market interests" (Clancy, 2014, 198). But the migration can go both ways: government officials

also move to industry, sitting on corporations' board of governors, advocating in favour of the corporation by use of connections, and seeking financial contributions. In Alberta, multiple former public servants transitioned to careers in industry and vice versa. One of the most infamous examples is Gary Mar, CEO of the Petroleum Services Association of Canada, who was previously cabinet minister in five different ministries under Ralph Klein (Nikiforuk, 2019). He was leading Alberta's lobbying efforts for oil sands projects in Washington and even tried to run for Premier (Dembicki, 2012).

Corporations also influence public policy through financial contributions to political parties (Verba, Schlozman, and Brady, 1995; Kumar, 1999; Portugal and Bugarin, 2007; Mcmenamin, 2012). Regular donations from industry to political parties assure pro-business initiatives and minimal governmental involvements in industry affairs (Clancy 2014). Despite corporate contributions to political parties being constrained in Canada since 2004 (Jensen, Thomas, and Young, 2012), there are multiple other ways corporations can exert influence on political parties. For example, indirect financial contributions, invitations to social events, and membership to private clubs have often proven effective strategies to increase networking and collaboration. To shield itself from changing parties in power, industry often ensures that all major parties receive campaign donations (Mcmenamin, 2012).

The literature on the strategies used by corporations to influence oil policy has long pointed at lobbying as one of the most common strategies to sway decision-makers. Early studies like Sampson's *Seven Sisters* (1975) demonstrate in detail the ways lobbying favoured the growth of oil corporations, allowing them to influence a palette of domestic policy goals (e.g. controlling supply like the prorationing system of the 1930s). More recent studies like Coll's *Private Empire: ExxonMobil and American Power* (2012) traces the evolution of giant ExxonMobil and demonstrate how it exercised influence to sway American domestic—and even foreign—policy. For example, 2009 marked a record year in the U.S. for oil and gas lobbying, with at least US$154 million spent on lobbying by oil and gas companies in the U.S; by comparison, environmental organizations spent US$21.3 million (Mulkern, 2010). In the Canadian context, Cayley-Daoust and Girard (2012) exposed high level bureaucrats and elected officials' accessibility to oil corporations by pointing out that the high frequency of meetings and communication between industry and the Canadian government. To lobby more effectively, corporations often formed group associations and alliances. Since the 1980s, trade associations have evolved to include maintaining close relationships between their members and government, keeping the former informed of legislations and the latter onboard with the association's interests (Litvak, 1982). Coalitions of industry players, especially corporate players, also allow for alliances to be created and operate as strategic "command centres as they work to pool resources and coordinate activities" (Downie, 2017, 586). Alliances are an efficient way for industry to

organize because they bring corporations together to speak with a unified voice and have political influence (Carroll, 2004; Clancy, 2014; Carroll and Sapinski, 2018). An open capitalist economy is ostensibly based on a competitive environment, yet cooperation does happen among enterprises, who sometimes need to show a common front against policies that they perceive as detrimental. Industry follows almost to the letter Mancur Olson's (1965) logic of collective action of concentrated benefits versus diffuse costs, wherein a minority group succeeds in "free riding" on the efforts of others to ensure that its concentrated interests dominate. Therefore, while governments have the authority to enact policy as they see fit—notwithstanding public support—they had to learn rapidly that non- or anti- business initiatives could bring about the sudden wrath of the industry (Hoberg and Phillips, 2011; Gunster and Saurette, 2014). As Clancy (2014, 191) puts it, industry actors can—and do—"'vote' with their wallets." In Alberta, industry players organize both in associations and alliances, the most famous of those being the Canadian Association of Petroleum Producers (CAPP) comprised primarily of large producers. Other active groups include Canada's Oil Sands Innovation Alliance (COSIA) and the Oil Sands Community Alliance (OSCA), formerly known as the Oil Sands Developers Group (OSDG) (OSCA, n.d.). These actors and their respective interests, organized into coalitions, pulled their resources together, and presented a united front (1) to ensure their voice is heard; (2) to share resources and information with each other; and (3) to present a common front, giving them both credibility (amongst civil society, for example) and influence (when they lobby).

As an additional recourse to forward and protect their interests, corporations use the judiciary. Clancy (2014, 206-7) calls "strategic litigation" a "political weapon", which has a variety of functions: it can be used at the beginning of a policy process to set limits on further elaborations, it can re-order a government's agenda in favour of industry, or it can go as far as contesting implementation of perceived anti-business policies by taking the case to court.

Finally, recent scholarship on corporate strategies to influence oil policy has documented the use of framing (Downie, 2017). Corporations frame issues and solutions and make use of strategic dissemination of information to rally key interest groups to their cause. Such strategy takes roots in ideational influences, tapping into various actors' perception of a given issue. In addition, corporations also often position themselves as the bearer of solutions, therefore increasing their credibility and controlling the problem solving process.

Overall, revolving door practices, financial contributions, lobbying, judicial courts, and framing are all strategies oriented to influence institutional decision-making bodies; they are made possible thanks to the oil sector's huge financial revenues (Downie, 2017). Extreme profits, and oil corporations' concentrated interests allowed oil corporations to create powerful coalitions

and influence the policy process (Carroll, 2017). And corporations' ability to extend their influence into government institutions via the strategies aforementioned comes from their power.

2.4.3. Corporate Power at Play

Global governance and critical political economy both pay close attention to the role of corporations, a specific kind of interest, in policy-making. As described above, corporations can use various strategies to exert influence over policy; these strategies are manifestations of the power held by corporations. Bringing the conversation back to global governance, this study zooms on power and draws from the foundational work of global governance scholar Doris Fuchs who proposed a three-dimensional typology of corporate power. Her typology is particularly useful to analyze how oil corporations influenced royalty policy in Alberta.

2.4.3.1. On Power

Dahl's definition of power is a relation between two actors where actor A has power over actor B (1957). Dahl's perspective focuses on the direct influence of A over B, including the sources, means, and scope of the power exerted, but does not account for more indirect exercises of power such as when an actor constrains another from participating in a given activity (Bachrach and Baratz (1970).

In addition, while power is widely conceived as a relationship, there is a large literature that conceptualizes power into varying dimensions, placing Dahl (1957) in the one-dimensional view, Bachrach and Baratz (1970) in the two-dimensional view, Lukes (2004) and Fuchs (2007) in the three-dimensional view, and finally, Barnett and Duvall (2005) in the four-dimensional view (Hay, C. 2002, p.180). Bachrach and Baratz (1970) is two-dimensional because they include not only Dahl's traditional decision-making power over the issues that arise on the agenda, but also pay close attention to the issues that do not. Lukes (1974; 2004) adds to Bachrach and Baratz's taxonomy with his third "face" of power, namely, ideological power, which shapes "perceptions, cognitions, and preferences" (1970; p. 24). Fuchs nuanced these power dimensions further by distinguishing between three dimensions of powers: instrumental, structural, and discursive power, all of which can overlap and reinforce one another (Clapp and Fuchs, 2009b; Fuchs, 2005, 2007; Levy and Egan, 2000). Finally, Barnett and Duvall proposed four dimensions of power that account for compulsory, institutional, structural, and productive power (2005). This study uses global governance scholar Fuchs' three dimensional taxonomy to conceptualize corporations' instrumental, structural, and discursive power over policy-making in Alberta.

2.4.3.2. Instrumental Power

Instrumental power refers to the direct exercise of influence over another actor. In the case of corporate influence over policy-makers, instrumental power often includes the use of strategies such as lobbying and campaign financing (Fuchs, 2007). Critical state theorists also expand the use of corporate strategies with regards to instrumental power to "revolving doors" and social networks, all of which enable further business control, including more targeted lobbying and campaign financing (Miliband 1969; Poulantzas 1978). The instrumentalist approach is particularly powerful because it provides "a framework for an assessment of the direct influence of interests on political output based on an actors' resources" (Fuchs, 2007, p.57). Given that instrumental power is dependent on the "financial, organisational, or human resources, as well as access to decision-makers" (Fuchs, 2005, p. 775), in the case of Alberta, the instrumentalist approach predicts a strong influence of oil corporations on policy-making. However, the instrumentalist view of power does not account for structural power, which predetermine the options available to actors (Fuchs, 2005).

2.4.3.3. Structural Power

While instrumental power is usually on a one-on-one relationship, structural power is more diffuse in nature (Barnett and Duval, 2005). The structuralist approach emphasizes "the input side of policy and politics and the predetermination of the behavioural options of political decisionmakers" (Fuchs, 2005, p. 58). The structuralist approach stems from Bachrach and Baratz's second face of power (1962) which recognizes that some issues arise on the political agenda and some do not. Sometimes referred to as "agenda-setting power," this approach received a lot of attention in international political economy given the "structural dependence of state elites on private sector profitability" (Fuchs, 2005, 58). The approach also highlights corporations' bargaining power when promising economy activity to host governments (Cox, 1987; Frank, 1978; Wallerstein, 1979). Structural power accounts for the influence of institutions and organizational structures in positioning policy-makers into decision-making hotspots, thus replacing "those holding formal decisionmaking power" with "actors in control of pivotal networks and resources [who] have the capacity to adopt, implement, and enforce rules" (Fuchs, 2005, p. 59). We usually see structural power at play when state and corporations try to influence formal institutions, such as state regulations or international standards (Falkner, 2008). In Alberta, where the economy is highly dependent on oil activity, the structuralist approach predicts a strong influence of corporate interests in the oil sector over policymakers. Yet, structural power lacks the ability to account for less apparent exercises of power such as discursive power.

2.4.3.4. Discursive power

Discursive power is the power derived from the ability of actors to shape norms, ideas, and beliefs. Fuchs argues that "discursive contests over the frames of policies" and "linking problems to specific fundamental normal and values" increasingly play a role in impacting policy-making (Fuchs, 2005, p. 777). Actors hoping to influence the policy process can thus ensure their interests and objectives are safeguarded by framing debates accordingly (Rein and Schön, 1996; Snow and Benford, 1992). The strategy of framing mentioned previously is often a direct way of exercising discursive power: corporations can shape the way issues and stakeholders are conceptualized and decide the policy responses that are possible and appropriate as well as those that are unlikely or excluded (Barnett & Duvall, 2005). Similar to structural power, discursive power can be used to frame the terminology of an issue, eventually impacting whether it arises on the agenda (Hawkins and Holden, 2013). Yet, in Fuchs' words, discursive power "relies on persuasion, the perception of legitimacy, and voluntary compliance rather than coercion and hierarchies of legally assigned responsibility" (Fuchs, 2005, p. 780). Of the three dimensions of power, it is the most difficult to recognize.

2.4.3.5. Three types of power in Alberta

In Alberta, we see all three dimensions of power at play. Oil corporations exercise instrumental power through their lobbying, political donations, and relationships with political actors. While there was a cap of C$4,000 set on political donations (contributions) to political parties, constituency associations, candidates, nomination contestants, and leadership contestants, there is no limit for election and Senate third party advertisers (Elections Alberta, n.d.(a)). This means oil corporations in Alberta can pay the advertising of a candidate to promote, oppose, or take a position on a given issue or policy (Elections Alberta, n.d.(b)). Structurally, the threat of a "capital strike" (i.e. refusing to invest or shutting down operations in ways that affect employment) was common during the royalty reviews. This form of strike allows corporate actors to wield structural power by virtue of their control over private investment decisions (Przeworski and Wallerstein, 1988); further, this control can "translate into leverage over government when it is selectively applied and accompanied by demands for specific policies (Young et al., 2018, p. 5-6). In Alberta, this control appeared in the form of industry representatives instilling fear and uncertainty about their oil activity not only to government, but also by playing on some Albertans' dependency on the oil sector.

In the same vein, the threat of an "exit" by corporations threatening to leave Alberta also plays an important role here. It is a form of structural power of capital in an age of globalization well-studied in the global governance literature—often called "capital flight." Many scholars focus on

the interdependency between state and capital, including the consequences on state behaviour, consequent economic performance, and wider implications for state power (Crystal, 1994); the domestic consequences on growth costs, the eroding of the tax base (including taxation on capital income and businesses), and worsening of income distribution (Pastor Jr, 1990; Petersen, 2004); or the importance of better governance—rather than better institutions—in alleviating the impacts of capital flight (Epstein, 2005). McKenzie and Dwight (1991, p. xi, 12) conclude that governments "have lost the vestiges of unchecked economic sovereignty" and "must concede to the implied threats" of this new mobile capital. Although it is more relevant to internationally-mobile than to domestically-oriented capital (given that the latter has no real option to move elsewhere), the threat of "exit" was conflated by the oil industry.

Finally, corporations' use of discursive power links to ideational explanations of royalty policy outcomes and materialized at several levels. One involved the direct influence of policymakers in elite policy discussions. Another involved influencing opinion-leaders in universities and the media that might, in turn, influence policymakers and/or the public. Still another was associated with the shaping of broader public opinion in ways that could influence policymakers indirectly by developing arguments that resonated with longstanding ideational currents in Alberta elite circles and the general public (i.e. the frontier identity and free market economics).

2.5. Analytical Framework and Context

Combining the rigor of the 3Is with the resource curse and petrostate theories necessary to understand Alberta's unique oil context, and Fuchs' focused global governance typology of corporate power provides a comprehensive conceptualization to explain the government of Alberta's royalty policies following the 2007 and 2015-16 review processes.

2.5.1. Theorizing the 3Is, Resource Curse & Petrostate Theories, and Corporate Power in Alberta

Taking an institutional approach helps identify central factors that impacted royalty possibilities such as fluctuating global oil prices, the capture of institutions (e.g. universities and the media), or oil sands costs. This approach also covers the time limitations faced by provincial governments given that their mandate is based on a four-year cycle. In the case of the NDP who had never led the province before, the party operated not only within a limited policy window, but also without prior experience in office.

Weaving institutions and interests together, this study also examines how corporate interests have become part of the institutional establishment in Alberta, including the normalization and formalization of close business-state relationships through state institutions such as the organization of political party financing or the integration of business representatives into state

institutions (e.g. the 2015-16 royalty review Panel). Further, taking an interest-based approach helps map and organize the various policy actors who exerted influence on royalty policy-making in 2007 and 2015-16, including rural interests, civil society actors, and especially a dominant policy actor, corporations. Finally, the interest approach also helps assess how corporate interests are organized and what specific resources and strategies they use to intervene in policy making.

Taking an ideational approach directs me to study how the identities of Albertans as a whole—and therefore, their policy choices—are shaped by "shared myths" such as free market ideologies, and pioneer/frontier identities. Other ideational factors include some Albertans' dedication to extracting "ethical oil" (in 2007) as well as ideological divisions amongst NDP (in 2015-16). Indeed, differences around the need—or not—to compromise with the oil industry led to a schism inside the party, further eroding its ability to garner support for potential royalty changes. These ideas inform the policy choices both of individuals and groups and therefore participate in positioning key actors on the map. Behind every interest-group, every institution, there is a set of beliefs and ideologies that shape the structures of the playfield.

Taking the 3Is further attunes me to drawing from the resource curse and petrostate literatures, both of which point to specific collections of "I"s in this unique oil context. Structural economic dependency, the power of oil lobbies, and a political culture emphasizing the public benefits of oil extraction are all "I" factors hypothesized from the resource curse and petrostate literatures. Going further, while using these literatures certainly sheds light on oil-related institutions, interest-based, and ideational factors, the analysis goes beyond the limitations of examining each approach individually and instead, integrates these approaches to reveal insights from interconnected "I"s. For example, corporate actors are also important cultural actors who actively seek to re-frame public understandings and debates to favour their economic interests. Finally, this study's integrative approach draws from Fuchs' typology of corporate power in global governance to understand how a dominant policy actor, oil corporations, successfully opened windows of opportunity (i.e. weak links) to exercise influence on policy (Fuchs, 2005, 2007; Fuchs and Lederer, 2017). In addition to being both actor and player in royalty policy, corporations have more resources at their disposal than any other interest-group in the province. Fuchs' typology allows for mapping the consequences of this disparity, particularly the strategies corporations can use to exercise instrumental, structural, and discursive power.

2.5.2. International and Provincial Institutions in Alberta

2.5.2.1. The Impact of Global Oil Prices

International circumstances certainly played a role in Alberta's royalty reviews because they opened and closed windows of opportunities and defined royalty possibilities in many ways.

First, Alberta is more vulnerable to price fluctuations than other oil-producing jurisdictions due to the presence of a price differential: Alberta oil sells under Western Canada Select (WCS) at a discounted price from the global standard set by the West Texas Intermediate (WTI). In 2007, WCS traded between US$15.14 and US$41.72 below WTI; in 2015, WCS traded between US$7.41 and US$18.98 below WTI (Government of Alberta, n.d. (a)). The WCS discount reflects a difference in oil quality (WCS is for heavier, unconventional oils whereas WTI is known for light sweet oil), marketability, and transportation costs (Oil Sands Magazine, 2018). Combined with the facts that Alberta is landlocked, has little to no refineries, and produces unconventional oil, the price differential affects circumstances in the province, rendering it more vulnerable to global price fluctuations. By trading at a lower price than the WTI, oil traded at WCS yields smaller profits. The price differential, under which Alberta oil sells, adds a layer of complexity.

The price differential combined with global oil price fluctuations affected royalty review possibilities, both in pre- and post-review times. Pre-review, rising oil prices created an opportunity for Albertans to demand a province-wide royalty review, particularly for oil sands royalties, both in 2007 and 2015. The reviews were triggered because Albertans had witnessed for years the steady growth of oil sands and had seen oil sands reserves transform from unknown to internationally known resources. The recognition by the U.S. Energy Agency of oil sands as part of a country's official reserves bumped Canada into third place for the world's largest oil reserves. However, the fall in global oil prices at the time of launching the reviews and during the time of the review led to anti-government sentiment, both in 2007 and 2015-16. For Stelmach (2007), falling oil prices put Alberta in a difficult economic position and provoked the end of the Conservative dynasty: Stelmach was blamed for Alberta's financial hardships. In the same vein, falling oil prices upon Notley's election (2015)—along with the newly elected party's fragile foundation and its absence of ties to the oil industry—eventually led to the implementation of an unambitious royalty policy.

These episodes echo former Prime Minister Pierre Trudeau's attempt at establishing a National Energy Program (NEP) in the 1980s. Like Stelmach, Trudeau wanted to assert control and manage oil resources—in his case, nationally. But the collapse of oil prices at the time transformed mild NEP opposition into an uproar from the Western provinces. The perceived "failure" of the NEP was a factor in Trudeau's downfall and many blamed him for the ensuing economic disaster of the 1980s. Blaming Trudeau's NEP was easy, despite the North American oil sector being affected as a whole: oil-producing Oklahoma, Colorado, and Texas collapsed simultaneously.

In contrast, when former Albertan Premier Peter Lougheed (in office from 1971 to 1985) announced profound transformations to the royalty regime in 1971, oil prices had been consistently rising and continued to do so as he redesigned the royalty framework. Despite expected industry criticism, his leadership and initiative were generally accepted, even admired (Bell, 1993; Steward, 2017). These various experiences demonstrate that reviewing royalties at a time when global oil prices fluctuate strongly impacts domestic political circumstances. When prices rise, they open windows of opportunities for citizens to demand change from their government and for government to follow suit relatively safely; in contrast when prices fall, they bring about political misfortune to Albertan Premiers, who succumb to industry pressure and can no longer give their constituents their fair share of royalties.

2.5.2.2. Buried in Shale

Similar to the 2007 royalty review which was hampered by falling global oil prices at launching, the U.S. shale revolution, which started in 2011, shook Alberta to the core: it transformed Canada's relationship with its largest buyer, the U.S.. The shale revolution threatened the very existence and necessity of Alberta's oil sands and brought unexpected challenges to the newly elected NDP and its 2015-16 royalty review.

Since the 2007 royalty review, the world had changed by 2015. Global oil prices had been fluctuating and the shale revolution changed the rules of the global oil game. While the 2015-16 royalty review had started similarly to the 2007 review—both driven by a desire to increase government and Albertans' revenues—the shale revolution shifted the 2015-16 discourse from maximizing revenues to "modernizing the framework," a change that would prove crucial in the unfolding of the review (Mowat et al., 2016). Part of Alberta's oil sands success had happened because the oil sands were considered one of the last profitable jurisdictions on earth opened for new business and private investment. But the advent of hydraulic fracturing for shale-trapped resources, or "fracking," in 2011, severely affected oil sands, especially as the two competed for refining capacity and market share.

First, fracking for shale affected industry's ability to send oil sands to refineries, despite shale resources being different from oil sands. The oil sands industry knew that a newfound resource does not necessarily compete with others; in this case, the oil sands did not compete directly with the light oil derived from shale gas (Interviewee 7). However, light oil does compete with the oil sands in refinery capacity share. Refineries are particularly important for the oil sands because the latter's by-product, heavy oil, cannot be used unless it is refined. Before the shale revolution, refineries expected light crude oil to decline as most major light oil resources had already been exploited. To stay in business, many refineries developed crude flexibility to process various

types of oil, from light to heavy oils (Interviewee 7). This created a demand for oil sands' heavy oil, thus enabling it to reach markets. Unfortunately for the oil sands, the shale revolution enticed many refineries to revert back to prioritizing light crude oil instead of heavy oil.

Second and more importantly, the shale revolution affected oil sands' market share by changing the behaviour of Canada's largest buyer, the U.S.. The U.S. tapped into its shale reserves and its relationship with Canada weakened, as the U.S. no longer relied on its neighbour. In the words of a Canadian industry representative, "our biggest market is now our biggest competitor." (Interviewee 9) This change forced Alberta's oil sands producers to suddenly compete for a market share they had owned for decades (Yedlin, 2015). With Alberta being landlocked, the oil sands industry feverishly started looking at alternative pipeline routes, both to strengthen existing market shares in the U.S. and to reach potential new markets to compensate for the loss of American revenues. Together, the TransMountain expansion pipeline proposal by Kinder Morgan and the Energy East pipeline in 2013, Enbridge's Northern Gateway pipeline project approved by the federal government[7] in 2014, and TransCanada Energy's Keystone XL pipeline proposal in 2014-2015, all illustrated the Albertan industry's desire to expand their oil sands' market outreach to counter the shale revolution.

2.5.2.3. Institutions Susceptible to Corporate Influence: Decentralization of Powers and the Civil Service

If industry could capture governments on opposite ends of the political spectrum, then elected political party ideology alone cannot explain the government's inability to increase royalties. Indeed, fundamental flaws in the governance of oil institutions in Alberta in part prevented Albertans from getting their fair share. Institutional circumstances such as the decentralization of powers and the influence of the civil service created a context unfavourable to increasing royalties.

Indeed, Alberta's policy system is quite decentralized. Various agencies lack minimum oversight and are at arm's length from public scrutiny (e.g. non-elected members); yet, they directly enforce and regulate broad economic activities. The Alberta Energy Regulator (AER) is a perfect illustration of how decentralized regulatory powers left unchecked can go wrong. The AER was created under the *Responsible Energy Development Act* in 2012 with a mandate to ensure "the safe, efficient, orderly, and environmentally responsible development of oil, oil sands, natural gas, and coal resources over their entire life cycle" (Alberta Energy Regulator, n.d.). As the centralized authority for regulatory approvals of oil projects, it combines the duties of the Energy

[7] Subject to 2009 conditions.

Resources Conservation Board (ECRB) with responsibility of Alberta Environment and Sustainable Resource Development—both of which were absorbed by the AER. However, the AER's mandate was contradictory (Hunter, 2007; Rodgers, 2015). When she was the NDP's environment critic, Notley had accurately noted the AER's "conflicting mandate, both [as] a promoter of energy and the primary vehicle of environmental protection in Alberta" (quoted in Henton, 2015). She recommended splitting the AER to differentiate between these mutually exclusive mandates; yet, by the time she became Premier, Notley did not even make changes at the senior level of the AER and she concluded that the AER was "working well. Industry like[d] it" (Cotter, 2015). [8]

Operating far from the public eye, the AER has full control over the approval process for oil projects. In fact, the provincial cabinet is responsible for appointing hearing commissioners, who, "contrary to the principle of administrative independence (…) serve at the pleasure of the politicians who appoint them" (Urquhart, 2018, 222). The AER rarely used its power to deny approval; worse, the Regulator has complete control over the holding of public hearings for new petroleum projects (Urquhart, 2018), limiting public involvement and exacerbating opacity further. In the words of a former civil servant now academic, the AER "has been totally asleep" (Interviewee 11). This trend was exacerbated in 2013, when CAPP's founding president and energy executive Gerry Protti was appointed first chair of the AER board (Carter, 2020). Under his leadership and beyond, the AER almost never stopped a project from happening.

The decentralization of regulatory powers leaves a gap for industry influence and can also be seen in Alberta and other Western provinces' relationship with the federal government. Constitutional arrangements give Alberta (and all Canadian provinces) control over the management of its resources and thus, prevent federal involvement. In particular, resource-rich British Columbia, Alberta, and Saskatchewan all operate in silos, making it difficult for any kind of "coordinated, public-minded resource policy" to occur (Interviewee 10). This coordinated policy might have arguably helped provincial governments gain regulatory capacity. Therefore, despite giving provinces rights over their resources, these constitutional arrangements also give provinces responsibilities, no matter how discretionary.

Federally, Alberta had leverage and could have gained the upper hand in the face of the oil industry by joining forces with Ottawa. Alberta's oil sands have a clear advantage: they are accessible to all investors, unlike most major world resources that are operating under the umbrella of NOCs. By using these strengths, they might have perhaps controlled the oil industry

[8] After its creation, the AER's mandate to protect people was also removed and together with other environmental violations, led to Ernst v Alberta Energy Regulator's decision in 2017 by the Supreme Court of Canada regarding damages by Canadian oil company EnCanada.

locally and strengthened their position on royalty policies. Yet, Alberta's history with Ottawa combined with its resource-cursed petrostate status left the provincial government unable to collect significantly more royalties. Ultimately, government institutions—including the civil service—were often under industry influence (Interviewee 6; Stefanick, 2015).

Often overlooked, the civil service, unlike elected government officials, provides continuity transcending electoral circumstances. However, with more than forty years under a pro-oil industry Conservative government, the civil service was anything but neutral (Interviewee 6; Simons, 2007; Stefanick, 2015). The civil service is both a key institution for government and for industry. It is a corps that remains relatively constant over time, regardless of election outcomes, and is responsible for the immense task of supplying information, research, and support to elected officials with decision-making power. As a former politician points out, while the Premier is elected by the people, the civil service can leverage industry contacts to frame decisionmaking in government. In his words, the Premier's desk "would be stacked with binders from the civil service (…) What's in those binders is determined by the civil service. So if industry can take control of the civil service, their [sic] message is delivered for them" (Interviewee 6).

For example, the civil service's influence came particularly apparent prior to the launch of the 2015-16 review. As Political Scientist Ian Urquhart indicates in his book *Costly Fix: Power, Politics, and Nature in the Tar Sands*, the appointment of the only economist of the 2015-16 Panel—Peter Tertzakian—had been "vetted" by Alberta Energy's "old guard" (2018, p. 275). The "old guard" referred to the most senior civil servants of Alberta Energy (i.e. assistant deputy minister and deputy minister) who served their entire career under successive Conservative governments. As Notley did not make any changes in the ranks of these same seniors, they heavily participated in advising her; in Urquhart's words, they "helped their new bosses decide if a royalty review should take place, when a royalty review should take place, and finally, who should be appointed to the review panel" (2018, p. 288). Thus, the civil service proved to be an important actor that can exert influence on policy processes and thus, outcomes—both positive and negative.

High-level civil servants often hold the keys to the complexity of policy design and implementation, making them a perfect target for powerful actors like industry. And while civil servants have job security, benefits, and often find meaning in serving the public good, many have been tempted by the oil industry's higher salary and prestige. Industry captured the civil service in subtle ways, the most apparent of which was under Klein's leadership (more in the following chapter). Klein's legacy was carried forward and his practices and policies redefined

the very structure of Alberta's civil service influencing it from the bottom up to the highest level. Industry was not only after converting civil servants to its cause; it also needed their expertise.

2.5.2.4. Lacking Administrative Oversight: The Costs Debate

Yet, one of the government of Alberta's most pressing issues is not the quality of its civil servants, but their administrative capacity. Indeed, the government lacks the administrative power to oversee and monitor the activities of the oil industry. The vacuum in the province's governance's structure also facilitated industry's influence as illustrated by the costs debate.

Alberta is plagued with an administrative and compliance problem wherein under-funded enforcement efforts in policing and auditing are allowing industry to behave with impunity. Multiple interviewees referred to the government as being overwhelmed and unable to track the money it was owed, particularly royalty money—despite attempts to rectify this deficiency. For example, in 2015-16, government considered measures to assess oil wells' profitability instead of relying on companies' data; however, these measures were abandoned because they proved too administratively onerous.

Alberta's captured institutions and lack of government capacity translated into a vacuum in the province's governance structure. It is important to focus not only on the actions of government itself, but also on the space it left empty for industry to occupy; fieldwork reveals that industry was skilled at filling these gaps. In the words of a former civil servant, "with government perhaps having to take a hand off, it leaves a lot of space for industry interests to dominate" (Interviewee 10). Institutions can constrain, but also favour powerful interests; in Alberta, the costs debate illustrates how industry's presence facilitated a dominance of its interests at the core of public institutions.

Appropriate policy requires solid data. How can a government make sound royalty policy and give Albertans a "fair share" when there is no agreement on incurred costs of oil sands extraction? While this might seem like a straightforward question, it was hotly debated amongst government officials, members of industry, academics, and energy consultants, as revealed in interviews conducted for this study. For the question: "Had oil sands extraction costs gone up or down over the 2007—2015-16 period?" I received mixed responses at best. For some, the costs of extracting oil sands had gone up because as time passed—and barring technological breakthroughs—most of the easily accessible resources had already been mined, leaving harder resources only (cited in Interviewee 3 & 4). On the other hand, for others, costs had gone down thanks to advances in extraction technologies such as steam-assisted gravity drainage (SAGD)—which came out of R&D funded in part by the government and public institutions like universities (Interviewee 2 &

5). Indeed, SAGD allowed not only for more targeted and efficient extraction, but also for addressing concerns that oil sands extraction by proposing a "less environmentally threatening" method of extraction than surface mining (McCurdy, 2018, p. 43). There was strong uncertainty around costs (Interviewee 4), some also arguing that some costs had gone up, and other had gone down (Interviewee 7).

Looking at the profitability of the whole sector—as opposed to costs as a stand-alone measure—profitability may have gone down because there was less demand for oil sands. Indeed, over the course of the royalty reviews, the circumstances regarding resource competition in 2007 and 2015-16 changed. In 2007, Alberta was the only new major source of oil in U.S. markets that seemed inexhaustible in terms of supply (Smith, 2015). After the shale revolution, in 2015-16, Alberta was instead competing with the U.S.—its main customer—for market share, in addition to other world competitors. Alberta had to start looking for new markets because the U.S. was not going to absorb all of the oil sands production as they previously had. With decreased demand, oil sands costs were proportionally higher relative to revenues.

Yet, because of the Revenue minus Costs (R-C) system, the difference between revenues and costs was smaller, and thus, royalties were charged on a smaller amount. In this system, companies first deduct allowable costs from their revenues, and then are charged a royalty on the remaining amount. As such, the higher the value of costs, the smaller the amount on which royalties are collected—and therefore, the smaller the royalty payment. Therefore, industry's argument that they should be paying less royalties when oil sands are more expensive to extract is problematic. In the R-C system, costs are already accounted for in the royalty calculation (Government of Alberta, 2021). Therefore, when oil sands are more expensive to extract, industry is actually paying a lower royalty than if costs were low. On the other hand, the argument that industry should be paying less royalties when oil sands costs are low is also problematic. If costs have gone down, according to the R-C system, industry is making a higher profit overall, and should thus pass down the profits to Albertans, who are owners, in the form of increased royalties.

Yet, industry consistently demanded tax or royalty breaks for driving costs down. In other words, industry wished to be rewarded for conducting its activities in the most efficient manner, reaping both the benefits of efficiency for its books and the rewards from government. For example, while some wanted royalty rates fluctuating with global oil prices, others advocated for a flat royalty rate to be reviewed regularly. But industry argued that a flat royalty rate would shut production, deter investment, and eventually kill the sector. However, insights from a Texas oiler show a completely different picture (Texas has a flat rate of 25%): while he was aware of industry's economic argument above, the oiler highlighted that a flat rate forces industry to be

cost conscious and innovative: “The benefits we get from cost consciousness and innovation is well worth the conceptual negative from stopping production. Because that innovation leads to even more production, not ultimately in shut-in production” (Interviewee 10). Thus, a flat royalty rate like Texas would have forced industry to optimize its activity while giving Albertans their “fair share.”

To conclude, one may ask: what could a relatively vulnerable government with institutions susceptible to industry influence and limited administrative oversight do? When factoring in external circumstances, a strategic government with foresight could have adapted its royalty share to global oil price fluctuations, taking smaller royalties in a low price environment, and higher royalties in a high price environment—regardless of costs. This strategy was actually prescribed by the 2007 royalty review Panel. But industry coalitions eliminated it. Another strategy would have been to calculate extraction costs early on to provide a reference point for future calculations. This would have established a benchmark instead of lowering the rate marginally and arbitrarily. In fact, industry regularly mentioned costs as *rates* part of the calculations and not as clear-cut *numbers* for that exact reason: it did not want to declare costs.

2.5.3. The Importance of the Oil Industry’s Interests

2.5.3.1. The Oil Industry’s Economic Influence

As expected in a petrostate, the oil industry (a petro-elite) in Alberta has highly concentrated political and economic influence. The oil industry yielded its power in various ways that are described by Fuchs’ corporate power theory.

Unlike other interests during the royalty review, the oil industry had the necessary resources and funding to reinforce Alberta’s and Albertans’ dependency on oil. It could hire talent, create powerful narratives, and overwhelm government with data it does not have the resources to examine. For example, in terms of instrumental power, it is cheaper for industry groups to fund an aggressive anti-royalty media campaign and make political contributions than to pay for higher royalties. The financial scale at which industry operates is greater than government’s.

In addition, industry is incredibly agile: it has the ability to shift strategy and woo whoever is most favourable to its interests, while maintaining close ties to decision-making actors at the highest level. It can also adapt to changes in the political paradigm and continue to thrive in a new environment as demonstrated by its success under both Conservative and New Democrat leaderships. For example, in terms of structural power, industry consistently positioned itself as a provider of economic activity, jobs, and wealth. With Alberta’s economic dependency, industry

paid too well a salary for job seekers to work outside the oil sector, ultimately preventing diversification. From the beginning of the Alberta oil boom, Fort McMurray and other oil towns successfully attracted low skilled labour with the promises of high salaries. During the boom, it was common for workers with little to no formal education to make yearly six-figures salaries.

In terms of discursive power, industry “generated [its] own narrative” (Interviewee 9), often ensuring that the public would be on its side by associating the future of the oil sector with that of the province (CAPP, 2015). In the words of Dave Mowat, chair of the 2015-16 royalty review Panel, “Success for Albertans only comes when the industry is successful” (quoted in Bakx, 2016). Industry crafted a message oriented toward using its expertise for the public good and maintained that it had always been acting for the wellbeing of Albertans and the province (Interviewee 9).When the first significant wave of negative publicity hit the oil sands in 2008—including the death of 500 ducks on a toxic tailing pond at a Syncrude mine—various companies attempted to counter the negative publicity by launching their own public relations strategy (Vidal, 2008). Shell, for example, launched “Canada’s Oil Sands: A Different Conversation,” a website encouraging discussions with the public; these efforts were mirrored by other large oil sands producers, including Canadian Natural Resources Ltd. (CNRL), Petro-Canada, Suncor, Syncrude, Imperial, EnCanada, and ConocoPhillips (Marriott, Stockman, and Kronick, 2008). To secure public support, Shell also took journalists on tours of its operation across the province, a strategy it had successfully adopted for its operations in the Niger Delta in the late 1990s (Rowell, Marriott, and Stockman, 2005).

In the golden years, it is true that the enormous oil sands wealth trickled down to Albertans in the form of provincial debt absorption, low unemployment rates, and overall high salaries (despite inflation). However, the benefits of the boom could have been more long-term and sustainable, had Alberta considered extracting more value from the oil industry. Support for industry was rooted in the economic advantage (e.g. jobs) given by oil companies despite the fact that like all private sector enterprises, industry’s fundamental goal is to give returns to its shareholders. Indeed, industry is driven by national and international finance, not the wellbeing of Albertans. Overall, “a combination of poor fiscal stewardship on the part of the province, i.e. not sticking with the savings plans, poor management of spending in general, as well as the industry not wanting to pay because it hurts their economics” all illustrate that “companies are not paying their share” (Interviewee 11).

2.5.3.2. The Oil Industry's Political Influence

Industry's economic influence translated into political influence through electoral politics (instrumental power), narratives to influence Albertans (discursive power), and via threats of exit (structural power).

Amongst industry players, small producers proved surprisingly influential at the level of electoral ridings, yielding instrumental power. Interviews reveal that many rural voters consider Alberta's oil industry to be a pillar of Canada's economy. Small oil producers thus represent voters in large rural ridings despite being scattered throughout the province. In turn, these ridings often feel a responsibility, to themselves and to Canada, to keep extraction going—which they perceived was only possible if royalties were kept low. They supported more extensive and rapid oil sands expansion.

In terms of discursive power, industry still needed more support than the votes of a few rural communities highly dependent on oil. It had to tap into the minds and hearts of all Albertans broadly. To rally Albertans, industry created powerful narratives that associate the future of the sector with that of the province at large. Given the province's political economic history and reliance on oil, it proved relatively easy for industry to spread the idea that Albertans' fate was positively correlated with industry's. This practice normalized a discourse of "us vs. them" by creating a pro-industry pro-Albertan vs. anti-industry anti-Albertan groups (Stevens and McCurdy, 2019, p. 20); in Alberta, being against the oil sector meant being against Albertans and Alberta. This made it extremely difficult for opposing voices to be heard without their "patriotism"[9] questioned. Communication scholar Imre Szeman speaks of the concept of "deepening" to highlight how political, economic, and social practices are ingrained in oil and explains why it is especially difficult to break away from this petroculture (2016; 2017; Wilson et al., 2017). Indeed, the perception of industry's fate as tied to Albertans was a public relations strategy designed to influence public opinion in favour of industry. And when this public relations strategy did not work, industry capitalized on Albertans' fears and threatened to leave the province if its interests were not protected, that is, if royalties were increased. To examine the veracity of these threats, one needs to compare the power available to international and domestic interests.

While major international players such as Shell, Chevron, and Exxon were able to exercise structural power and move their capital at will following global trends, most domestic players could not. Major international oil companies are more experienced in dealing with royalty

[9] Here, a form of patriotism that does not refer to the whole nation, but rather the province.

reviews as they operate in multiple jurisdictions globally; they also have experience facing instability, resource nationalization, and sometimes war. As a result of oil prices tanking in 2014, some majors started to leave Alberta, selling their assets to Canadian companies, who were more vulnerable to royalty changes because they operated exclusively in Alberta. This had three main consequences. First, these companies were more vocal in the face of policy changes because they were more exposed. Second, because they are Canadian—and often Albertan—they benefited from the unique support of the population—unlike international majors with headquarters elsewhere. Narratives blaming government for Albertan companies' unfortunate circumstances spread easily because there was a strong impetus to protect Albertan and Canadian businesses. Third, with the majors gone and the smaller Albertan/Canadian companies dominating Alberta's oil sector, they did not have anywhere else to go. Some companies did threaten to move across provincial borders: according to industry, producers and investors moved drilling rights to British Columbia and Saskatchewan in response to the 2007 review. However, the royalty rates post-2007 review in Alberta were more attractive than those in British Columbia and Saskatchewan. As a result, industry's threats to leave proved empty.

Finally, industry's instrumental, discursive, and structural powers were not only apparent in industry's ability to influence rural politics, present narratives favourable to oil extraction, and exert fear; industry was also extremely agile in shifting its discourse at will. Being unaccountable to citizens, it could freely use a narrative and discard it once it had served its purpose. For example, industry supported free markets and no government involvement until it needed the government to bail it out. Most recently, in 2018, the oil industry asked the provincial government to implement production cuts—thus directly meddling with the market—to prevent the consequences of rising production, overrun pipeline capacity, and a glut of bitumen storage (Gordon, 2018). This agility escaped civil society actors and government, while industry managed to shift its usually pro-free markets stand to yearn financial profits.

2.5.4. The Ideational Landscape

2.5.4.1. What Is an Owner?

In Alberta, unlike in the U.S., oil sands are owned collectively, not individually. Albertans own the oil sands. But what does ownership entail? In the Alberta context, ownership is neither equity in a physical property (e.g. a house), nor something one can cash in given they fulfill specific requirements like in Norway, where every citizen is entitled to a "real" share of the resource by virtue of citizenship. In Alberta, ownership is a vague concept, a right in a gray area not clearly defined.

Throughout history and across political lines, all of Alberta's Premiers— from Lougheed and Klein, to Stelmach and Notley—agreed that Albertans own the resource. Owners have as much rights as they have responsibilities and one of these rights is to develop the resource in the most lucrative manner to benefit the owners, Albertans. However, the fluidity of what being "Albertan" entails, makes it difficult for government—in practice—to implement long term policy. For example, from an Albertan's standpoint today, it might be more beneficial to align with the oil industry and derive as many benefits as possible now, than to allow the government to decrease industry dominance to build a better future, in which one may or may not be "Albertan." This example reflects a preference for short term gains over long term benefits.

In a petrostate environment, resource ownership is often synonymous with short-term gains—despite regular attempts in history to plan long-term. While Lougheed pioneered the idea of establishing an oil fund to collect and invest oil revenue, the Fund dwindled after his leadership, culminating with the total halt of transfers of natural resource royalty revenues from 1987 to 1997 (Alberta, n.d. (d)). In the early 2000s, the Fund was 'rebooted.' Despite the Fund's mixed success, Norway learned from Alberta and the model was successfully replicated by various countries around the world (Onifade, 2017; Jordison and Hojjati, 2021). In the same vein, Alberta could have decided to restrain resource extraction and keep some for future generations. Indeed, oil sands resources are unique because they are finite, non-renewable. Groups like the Alberta Federation of Labour (AFL) believed that "thinking like an owner" required more processing domestically to take advantage of low discounted prices without compromising resources of the future. Alternatively, Albertans could have extracted as much oil sands as possible now, collected high revenues while the sector was booming to invest in the fund for future generations and live off interest the fund generated. But Alberta chose none of these paths; instead, it preferred extracting oil sands, letting industry drive the process, contenting itself by giving away tax credits and sending cheques to people (see the "Klein bucks" in the following chapter). Alberta chose to offer its unique, non-renewable, profitable resources to the few instead of the many.

Ironically, oil developers have become so confident in their ability to manage and extract value from the oil sands that their interests have superseded oil owners'. While I examined what "ownership" meant for Albertans, the term was also used by industry, who used it cleverly. For example, although Albertans were stuck demanding a larger share of the pie (i.e. a larger oil sands royalty share), industry kept their demands in check while growing the pie itself (i.e. increasing oil sands profits). Financiers and oil developers treated the oil sands as their property, despite the resource ultimately belonging to Albertans. Industry's "ownership" or control of the resource illustrates the confluence of ideas and institutions: the perception of ownership vs. the institutional reality of ownership. In this case, the reality of ownership remained a de jure

provision, while the perception of ownership became the de facto position. In the same vein, industry often presented its relationship with Albertans as a "hands-off," passive partnership of sorts. In this partnership, industry manages and extracts the resource, oversees day-to-day operations, and gives a small share of its profit to the owners, as a token of appreciation. Albertans remain a distant party.

2.5.4.2. Albertans' Shared Myths

Many Albertans struggle to free themselves from a number of ideas that discourage them from challenging the petrostate and petro-elite. At the societal level, Albertans share a number of mythologies, some more true than others. In addition, there are key psychological and cultural impacts on citizens that have allowed industry interests to maintain their dominance, including the perceived "weakness" of the government, which not only indicates an acquiescence to industry's power, but also an unwillingness to remedy to it.

Perhaps more than anywhere in the world, Alberta is a place where oil-related myths and facts are inextricable. First of all, many Albertans consider themselves and the province to be socially, politically, and economically conservative (Takach, 2010). This perception is rooted mainly—and understandably—in the four decades of Conservative government in power and the history of the province. In the words of an Alberta-based academic, "we think of ourselves as much more conservative than we actually are" (Interviewee 13). A pioneer/frontier identity Alberta has nurtured and transformed with neoliberal ideals is clashing with the progressive nature of Alberta's civil society. Alberta's political culture is rich with progressive leaders and avant-garde endeavours. In contrast to the province's "redneck" reputation, Alberta is home to many progressive endeavours, from the Famous Five, to the Co-operative Commonwealth Federation (which morphed into the NDP in 1961), to various ethnic minority leaders being elected as MLAs, mayors, or appointed in Senate (Collins, 2015). Yet, many Albertans do not all seem aware of this paradox. These perceptions matter because they impact how Albertans see themselves and their opportunities for policy change.

This perception of themselves as socially, politically, and economically conservative translates into a deeply-rooted pro-free markets belief, defending a "market knows best" approach. Many Albertans pride themselves for being enduring business entrepreneurs. In believing strongly in free markets, they resist government involvement in private sector regulation, best captured by Ralph Klein's motto: "the government should be getting out of the business of being in business" (quoted in Young, 2013). This tendency allowed the oil industry to place itself on equal footing with Albertans, despite only being a developer of the resource: the oil industry became as powerful—if not more—as the owners.

Supported by oil industry narratives (such as the expertise of industry), some Albertans' belief in their social, political, and economic conservatism combined with their defense of free markets leads to a belief that industry is an independent actor who does not rely on government. However, here again, they are victims of a false mythology. As an Alberta-based researcher points out, "businesses in the province, far from being independent actors, (…) actually receive a lot of government support" (Interviewee 5). As will be seen in the following chapters, the government of Alberta has been and continues to be provider, supporter, and protector of the oil industry. Whether through subsidies, tax breaks, or positive messaging to attract investment, the government of Alberta has effectively been working for and building Alberta's oil industry from scratch—and this was a government strategy from the beginning, as exemplified by the National Task Force on Oil Sands Strategy examined in the following chapter.

Taken together, these mythologies lead some Albertans to believe they are more reliant on companies than government, particularly, that they need industry and economic activity more than government. Ironically, they are reluctant to let their trustee, government, manage their best interests by the powers given by the Constitution. Nevertheless, they do not mind letting "partners," companies, do it (Interviewee 16). In a petrostate, this leads to petro-citizens being captured easily by industry narratives.

2.5.4.3. Oil Sands Pride and Prejudice

Paradoxically, these mythologies make many Albertans simultaneously pride themselves in the oil sands, and undervalue them. Royalties in Alberta are an emotional topic for two main reasons. First, as mentioned above, they are so deeply embedded in Alberta's dependency on the oil sector that an attack on one, means an attack on the other. Second, royalties are connected to the oil sands, which are a matter of Albertans' pride. It is interesting to note here that this pride spreads to other areas of life in Alberta, notably, the absence of a sales taxes which merged with Albertans' cultural ethos: as a former civil servant with Alberta Energy states, "We don't have a sales tax. We don't need it, we are Albertans" (Interviewee 4).

Due to the incredibly high carbon footprint and energy intensity of oil sands extraction, Alberta's environmental record, both nationally and internationally, was stained. Alberta is infamous for the oil sands, and many celebrities and leaders criticized it, from Leonardo DiCaprio to Desmond Tutu, James Cameron, and Jane Fonda (Wilt, 2015; McCornell, 2017; McCurdy 2017). As Communication scholar Patrick McCurdy explains, the "logic of celebrity" operates "whenever established celebrities, such as actors and musicians, are recruited to boost the visibility of a social cause and in the cultivation of 'celebrity activists'" (2017, p. 133-134; 2013). In the case of Alberta, some celebrities even visited the sands, using their public platform and large follower

base to propel oil sands issues: Canadian actress Neve Campbell, followed by Canadian film-director James Cameron, Canadian musician Neil Young, and American actor Leonardo DiCaprio all visited the oil sands to orient public support away from oil extraction in Alberta (McCurdy, 2017).

In addition to individual celebrities' activism, Anti-Alberta oil coalitions also sprang up both in Canada and internationally: for example in 2007, European banks decided to apply pressure on the oil sands by not investing in Alberta and were quickly followed by American anti-oil sands organizations who lobbied against extraction. These actions underlined the negative sides of oil sands extraction while bringing to light the minimal royalties collected in compensation for environmental destruction.

These criticisms have been very poorly received by many in Alberta. They stained Alberta's reputation as the wealthiest province in Canada and the first debt-free province in the country—thus, hurting Albertans' pride. When celebrities who had never even been to Alberta criticized it from afar, many Albertans were enraged. The Canadian federal government, having no control over the management of provincial resources due to constitutional arrangements, was left with the options of being supportive, neutral, or critical of the oil sands. It chose to be critical despite having "benefited" from equalization payments for decades, which worsened the conflictual history between Albertans and Ottawa. These factors have transformed oil sands royalties into a deeply emotional and sensitive issue.

However, while some Albertans pride themselves in the oil sands and take any attack against the latter as an attack against all, Albertans ironically undervalue their provincial treasure. In Chapter 4 and 5, the studies of the 2007 and 2015-16 royalty reviews consistently show that Albertans undervalued their product to keep industry and economic activity in Alberta. In the words of a Panel member, "We have a very stable product, large reserves, very little exploration risks, massive markets attached by pipelines, a stable government, we pay for healthcare and education, there is no sales tax…there is no better jurisdiction on the planet. So why are we charging as if we need to incent companies to come here, if we are such capitalists and free markets people?" (Interviewee 12). The mentality around the birth of oil sands activity in a climate of investment uncertainty forty years ago may not have yet faded as many Albertans fail to appreciate their resources' true value today.

Despite priding themselves as entrepreneurial capitalists, many Albertans undervalue their most profitable resource, the oil sands, and refuse to consider long term benefits over short-term gains. Despite all the reasons highlighted above, many Albertans remain loyal to the petro-elite because of the short-term gains of economic activity and wealth. Pioneer/frontier identity and loyalty to

companies—both of which will be studied in details in the case studies—fit right into these companies' PR branding. Ultimately, it is all about jobs. Can people keep their jobs? Will unemployment decrease? Those are Albertans' most important economic realities. And in this economic environment, free markets rule all, including salaries for employees; but with this rise, comes economic dependency and social issues. For example, some Albertans were becoming so used to high wages that their dependency to their job increased (Interviewee 15). In the same vein, hiring low skilled labour at high salary rates made this type of labour force incredibly dependent on the oil sector (Köhler, 2009). It proved difficult for these workers to be re-hired in other sectors when they were laid off from the oil industry during price busts (Interviewee 15; AFL, 2009). McLean's reported in 2008 that the rate of high school drop-outs spiked during the oil boom years in Alberta (Taylor-Vaisey, 2008); these dropouts who were laid off also often proved too old to be admitted back into high school at no costs. As a high level government official mentioned: "Society paid the price" (Interviewee 15). Yet, the lay-offs challenged neither people's perceived dependency on the oil industry, nor their loyalty to it. If anything, it was government policy—royalty increases in this case—that were blamed.

CHAPTER III

Alberta's Oil Sands & Royalty Trajectories, 1947-2015

3.1. Introduction

Alberta's political economic history is marked by its dependency on oil. Government revenue and economic activity are both tied to the province's long-standing reliance on the oil sector. One important policy that the government of Alberta controls in theory is the royalties it collects from oil producers. Therefore, the contentions around royalties are crucial: they are the heart of Alberta's political economy. In the same vein, the royalty review Panels are important because they became the only way the public could learn about and participate in the management of its non-renewable resources.

This chapter provides a detailed historical review of the government of Alberta's royalty trajectory, from the discovery of oil in Leduc, Alberta in 1947 until 2015. It tracks the evolution and growth of provincial government policy in parallel to industry throughout the Conservative dynasty from 1971 until 2015, with a special focus on the leadership of premiers Peter Lougheed, Ralph Klein, Ed Stelmach, and Rachel Notley. I also review national oil policy and the involvement of the federal government in matters related to oil governance, specifically those conducted in partnership with Alberta's—or to its detriment. In addition, the chapter pinpoints key global events that affected oil realities in Alberta and shed light on its vulnerability. Finally, the chapter provides a detailed description of the royalty review processes of 2007 and 2015-16, including the recommendations made by both Panels.

3.2. The Origins of Alberta's Oil Sands Industry

The history of royalties in Alberta is long and complex. The year 1947 is often regarded as the beginning of the oil industry in Alberta, as Imperial Oil, ExxonMobil's Canadian subsidiary, struck oil at Leduc, Alberta, on February 13 of that year. This discovery marked a shift in Alberta's economy from agriculture to oil (Mansell and Schlenker, 2006). In 1948, the royalty rate was capped at 16.67% but was then transformed in 1951 to a sliding scale system depending on the stage of development. By then, the oil sands had been recognized as having potentially high profitability.

The first bituminous sands mine opened in 1967 and growing development spread to Alberta's neighboring provinces, British Columbia and Saskatchewan. The oil wealth was slowly but steadily shifting from East to West. Economist and political scientist John Richards and Larry Pratt's groundbreaking book *Prairie Capitalism* (1979) was the first to recognize the central role played by Alberta and Saskatchewan to make extractive capitalism the basis of their economy. The development of the oil sector—and parallel to it, the development of royalties—was very much driven by provincial state action. Incentives (such as tax reduction) and efforts in research and development on oil sands activity were part of a conscious effort to re-design the economy of Alberta. Richards and Pratt also demonstrated that these developments laid the ground for the creation of a local Canadian capitalist class central to the 'New West.' Having both national and international ramifications through oil development across the country and the globe, the capitalist class became increasingly powerful in the subsequent decades, extending through 2015.

3.3. Royalties under Peter Lougheed's Leadership (1971 – 1985)

3.3.1. Lougheed's Vision: Oil for Albertans

One of the first things Lougheed did upon being elected in 1971 was to increase royalties significantly. He raised Albertans' share from 17% of all non-renewable revenue to 40%, boosting government revenue by C$10 billion a year; as a result, the oil industry nicknamed him a "red Tory" (Nikiforuk, 2012).

Lougheed's focus was on managing the resources' development through public funding (Wilt, 2017). His vision was to reinforce "Alberta's position in Canada, shift economic power westward, build a lasting economic infrastructure, and create strong citizen attachments to Alberta and its government." (Tupper, 2004, p.220) Lougheed was fundamentally an advocate of government involvement and he took the role of government as proxy to Albertans for oil sands management seriously. He considered oil sands a source of wealth that would support the

continuous development of the province and benefit future generations. Under his leadership, the province used oil revenues to finance various public infrastructure projects (roads, bridges, etc.) as well as schools and community centres. Despite industry's attempts to pressure the Lougheed government by threatening to move drilling rigs and cancelling proposed projects, Lougheed's interventionist approach had the support of many Albertans and he was re-elected three times in a row, winning four elections as Premier of Alberta (Steward, 2017).

Lougheed was also the first to coin the phrase "think like an owner" (Nikiforuk, 2010; Nielsen, 2012). For him, it was primordial that oil sands develop act as a public good for Albertans and Canadians, and not be developed based on foreign energy demand (Conservation and Utilization Committee, 1972, p. 6). The fact that the reserves did not "require highly speculative investment to find and prove" meant they could remain in the hands of Albertans rather than contribute to the increasing trend toward foreign control of Canadian non-renewable resources (Conservation and Utilization Committee, 1972, p.16). Lougheed was determined to diversify Alberta's economy and "reduce the dependency for our [Albertans'] continued quality of life on governments, institutions, or corporations directed from outside the province." (Richards and Pratt, 1979, p. 233) To put his idea into action, Lougheed created the Alberta Heritage Savings Trust Fund in 1976 to fund economic diversification (Carter, 2020; Jordison, 2021), contributing 30% of all non-renewable resource revenue to the fund (Nikiforuk, 2012).

Further, Lougheed created the Alberta Energy Company (AEC), with split equity between the province (49%) and individual Albertans who wished to support AEC's investments in oil and gas, pipelines, forestry, petrochemicals, coal, and steel (Steward, 2017). He further developed the oil sands by creating the Alberta Oil Sands Technology and Research Authority (AOSTRA) designed to advance and support the technology required to extract and develop the oil sands—and AOSTRA was successful. In less than two decades, AOSTRA became one of the largest research and development programs ever launched in Canada with C$448 million spent on public-private projects and research (Hester and Lawrence, 2010, in Steward). Further, Lougheed also collaborated with the federal government in creating the Alberta Oil Sands Environmental Research Program (AOSERP) to understand, analyze, and prevent the impacts of oil sands on the environment.

3.3.2. The Involvement of the Federal Government

As scholars like Foster (1979), Brownsey (2007), and Urquhart (2018) have demonstrated, the history of oil sands was marked by fluctuating oil prices, international geopolitical events, and federal involvement. First, the OPEC oil embargo of 1973 and the subsequent fourfold rise of oil prices (from US$3 to US$12/barrel) that year, made corporations—especially international

corporations—panic, as Middle East supplies were interrupted (Foster, 1979). Looking west, they saw Alberta's slowly but steadily growing oil sands and moved their operations there. In Brownsey's words, "multinationals flocked back to Alberta's oil patch" (2007, 98).

However, the federal government had also been observing oil sands' growth. First, the federal government implemented the National Oil Policy (1961- 1973). This policy allowed those east of the Ottawa Valley to continue to use cheaper imported oil, while those west of the line (most of Ontario) were required to use more expensive Alberta oil (prices 33% to 50% higher) (Foster, 1979; Thrift, 2016; Urquhart, 2018). In addition, wishing to get its share of the economic returns, the federal government invested directly in the oil sands, buying a 15% stake in Syncrude in 1975 in order to save the dwindling project (Pratt, 1976; Foster, 1979). The Alberta government bought a 10% stake in Syncrude and the Ontario government bought 5%. It is also noteworthy that the Ontario government owned 25% of Suncor between 1981 and 1993 (Wilt, 2018).

But perhaps the federal government's most remembered participation came in the creation of Petro-Canada in 1974, the first national oil company in the country (Foster, 1979; Thrift, 2016). Reactions were mixed. On the one hand, the federal government would benefit from profits from oil extraction and decrease dependency on corporate actors (national and international) thanks to Petro-Canada (Fossum, 1997). On the other hand, Albertans, the provincial government, and industry all saw the federal involvement in oil and gas as intrusive. For Albertans and Alberta, it was indeed intruding on their legal right as the Canadian Constitution clearly delineates natural resources ownership, management, and control under provincial jurisdiction (Brownsey, 2007).

3.3.3. Global Crises Land in Alberta

In 1979, the Iranian Revolution sent shock waves to Canada's oil industry and again drove global oil prices to unprecedented heights. After the overthrow of the Shah of Iran and the following economic sanctions, oil prices doubled from US$20 to US$40 (Thrift, 2016). In response, the federal government implemented the National Energy Program (NEP) whose objectives were threefold: first, to secure Alberta's supplies for domestic use and thus reduce Canada's dependency on foreign oil and price fluctuations; second, to share and redistribute Alberta's oil wealth to the rest of the country; third, to gain better control and ownership over the oil industry (Pratt, 1982; Fossum, 1997; Urquhart, 2018). But the NEP was short-lived: in 1984, Canadians elected a PC government at the federal level. Led by Brian Mulroney, the PCs eliminated the NEP in 1985 with the signing of the Western Accord. Oil wealth was to remain concentrated in the hands of a few.

The 1980s were thus a time of uncertainty for the oil sand industry which saw continuous involvement of provincial and federal governments in the oil sands. As Lougheed concluded his

term as Premier, his successor, Don Getty (1985-1992), provided C$250 million in incentives and royalty cuts during his government, including a nine-month cut in royalties from 12% to 1% to Suncor in 1986. Yet, as oil prices fluctuated, the commercial viability of projects proposals was often questioned, especially in the late 1980s when global prices fell and investment came to a halt (Helliwell et al. 1989). At that point, there was no set royalty framework: companies had to negotiate individually with the government—which meant that rates were "unknown and unknowable" to other companies (Plourde, 2009, 115; Urquhart, 2018). This left little room for alliances among corporations, and thus challenged corporations' ability to exercise influence on royalty policy.

The signing of the North American Free Trade Agreement (NAFTA) in 1993 under the federal Liberal government further undermined both provincial and federal governments' ability to control pricing and secure domestic supply (Urquhart, 2018). By integrating Alberta's oil industry in the North American markets, the province would be increasingly dependent on global oil prices. The "boom-and-bust cycle" favouring Alberta during high oil prices and harming it during low oil prices would become Alberta's new reality (Brownsey, 2007, 100).

3.4. Accelerating the Oil Sands: The Klein Years (1992-2006)

On December 14, 1992, Ralph Klein was elected Premier under the Conservative banner. He would be the most ardent defender of the oil industry in Alberta and under his leadership, the nascent oil sands industry grew to become one of the most powerful industries in the country.

In the early Klein years, there was an upheaval within the ranks of government policymakers as Klein sought to bring his own colleagues to build a team that aligned with his interests. Klein's primary focus with respect to the oil sector was on "not killing the goose that lays golden eggs," and on "not putting our foot on the break." Those ideas were anti-regulation and anti-government involvement and resonated with many Albertans' belief and trust in free markets, combined with their frontier/pioneer identity and fear of losing their jobs. Unfortunately, Albertans did not realize that they were not getting "golden eggs" as such (i.e. long term, passive income from interests).

Regarding royalties, the government set rates for separate projects in different Crown agreements, or contracts until 1997 (Urquhart, 2018). This produced an ad hoc approach to fiscal system design and application and it was manageable only because of the relatively small number of oil sands projects at the time. However, it was a time consuming process, and did not provide certainty about the royalty treatment for future projects.

With the industry struggling to take off in the 1990s, Alberta and Canada jointly implemented tax incentives to attract investment in the oil sands (Plourde, 2009). In 1995, the National Task Force on Oil Sands Strategies (NTFOSS) published a report titled "The Oil Sands: A New Energy Vision for Canada." The NTFOSS was largely a body created by the oil industry for the oil industry, and its policies were implemented without any public consultation or input (Steward, 2017; Urquhart, 2018). The report advocated for a generic royalty regime with a smaller royalty share at the beginning of a project and a larger royalty share after developers recover their costs. Dobson (2015) highlighted that the philosophy behind the pre-payout/post-payout system was based on recognizing the role of the government as a partner with corporations to oil sand ventures. Indeed, recognizing the need for large upfront investments, the government would receive its share later to alleviate the risks undertaken by corporations.

This dual-based generic framework came into effect on July 1, 1997, under the *Oil Sands Royalty Regulation*, 1997, for all new oil sands projects and included the same taxation for both surface mining and in situ projects (Plourde, 2009). It was clearly designed to encourage investment. At the same time, the federal government extended its Accelerated Capital Cost Allowance (ACCA) to oil sands projects to encourage their development (Plourde, 2009). This incentive allowed companies to reduce their tax liability in the short term: by allowing for an increasing capital cost allowance, a higher expense could be deducted from revenues, thus lowering the company's taxable income. The 1997 royalty framework, considered alongside the federal ACCA, was designed to favour the industry and stimulate investment (Panel, 2007).

Several scholars argue that investment in Alberta spurred in May 2001 onwards when U.S. President George W. Bush announced the National Energy Policy, underlining the U.S.' need for secure and stable oil supply, most of which would come from Alberta's sands (Salameh, 2003; Brownsey, 2007). In the context of NAFTA,[10] this meant that Alberta's sands were tied to American demand of oil, and therefore, that any change in the royalty framework, and thus in their profitability, would have trickle down effects for industry and governments both nationally and internationally (Clarke, 2009; Le Billon and Carter, 2012).

With growing oil development, Alberta's debt was eliminated during the Klein years—a distinctive political legacy from the Klein government that marked Albertans. In truth, this was not a surprising endeavour given the amount of oil money pouring in Alberta. The Klein years were defined as "opportunism" (Taft, 2017) as Alberta opened up to the world under Klein's leadership. At the time, Alberta could offer "plentiful undeveloped petroleum resources, political

[10] NAFTA's proportionality concept limits the Canadian government's ability to restrict exports. Article 605 especially prevents the Canadian government from reducing U.S. access to certain Canadian resources without a corresponding reduction in Canadian access to these products.

stability, a skilled and educated workforce, and…no requirements for the private sector to partner with state corporations (Urquhart, 2018, p. 176). In the words of a former civil servant, “What more could you ask for?” (Interviewee 4).

Further, awash in oil money, Klein issued the “Prosperity Bonus,” (Mulvale and Vanderborght, 2012) whereby the government of Alberta sent C$400 cheques to each Albertan, nicknamed “Ralph bucks.” Given the economic prosperity, Klein was not keen on making any changes to royalties. His refusal to increase royalties was supported by many who believed climate change was a hoax and therefore not a reason good enough to touch royalties. This perspective connected the environment and royalties; royalties were usually associated mainly with economics, money, and jobs. At the time, increasing royalties could have helped address the mounting ecological impacts of oil extraction and ensure a price for oil sands that reflected their value.

But the Klein story did not end well. A senior civil servant interviewed indicated that at the time Klein was still in power, a more senior colleague had confided in him his concern regarding the Klein administration and said: “they have been lucky for so long, they are starting to think they are smart” (Interviewee 4). Klein’s demise was tainted by multiple scandals, including the plagiarism scandal in 2004 over an essay he wrote for an online course at Athabasca University wherein he was accused of having copied online material without proper attribution. To make things worse, then Minister of Education Lyle Oberg (the same who later became Minister of Finance under Premier Stelmach and received the first royalty review Report) called on the Presidents of various universities in Alberta to express their support for Klein, including Athabasca University, the University of Lethbridge, the University of Calgary, and the University of Alberta. The next day, University of Calgary and University of Alberta Presidents published letters in newspapers praising Klein’s “commitment to lifelong learning” (CBC News, 2004). This led to an immediate outcry from academics and politicians, accusing Klein’s government of “bullying” the universities to express their support for the government and quell public criticism of Klein (Macdonald, 2004; Henton, 2013).

As for royalties, with global oil prices surging at the beginning of the new millennium, the oil industry made enormous profits, while the provincial government captured proportionally much smaller economic rent. Under the generic royalty regime established under Klein, “between 1997 and 2010, oil sands producers paid less than $20 billion in royalties and land sales for the rights to more than $205 billion worth of bitumen” (Boychuk, 2010, cited in Steward, 2017, p.28). Groups like the Pembina Institute and Parkland Institute raised the issue of royalties and the need to increase them. The issue resonated with some Albertans who denounced the royalty framework established in 1997 as too favourable to the industry at the detriment of Albertans (Taylor and Reynolds, 2006; Hoberg and Philips, 2011). They started asking the Klein

government whether they were receiving a fair share from their resources. Klein responded "We do get our pound of flesh" and that he did not give "a tinker's dam" about royalty reviews or Albertans' fair share (cited in Finch, 2008; Nikiforuk, 2007; and Urquhart, 2018). That irritated some Albertans who argued: "We should know, we are the owners of the resource" (Interviewee 8). As companies got richer and in-situ technology changed the game, people criticized Klein, accusing him of "having given the farm away." Klein's former popularity could not save him from Albertans' growing frustration. In 2006, Klein resigned.

3.5. Ed Stelmach Launches the 2007 Royalty Review (2006 – 2011)

The royalties issue became central during the 2006 Progressive Conservative leadership race. Institutionally, global oil prices kept increasing while royalties in Alberta remained low. Many Albertans were demanding increased royalties based on the idea that, as owners, they had the right to get a fair share of oil sands resources. Other groups, such as Indigenous people, as well as environmental groups, had been consistently contesting the oil sands (McCurdy, 2017). During the electoral campaign, provincial leadership candidate Ed Stelmach promised that he would review royalty rates if he became Premier. Stelmach observed that "the policy of lower royalties to maintain a minimum level of investment is no longer needed to attract investment to Alberta" (cited in Anielski, 2015, 7). He had recognized widespread dissatisfaction with royalties among citizens in the province (Plourde, 2009).

The government appointed a royalty review Panel to revise Alberta's royalty framework in 2007. The royalty review was a process designed by the government of Alberta to examine the royalties (and their associated programs) collected by the government, as proxy to the owners, on producers. The reviews' ultimate objective was to provide government with enough information and analysis of the royalties to support the creation of a new royalty framework (i.e. policy). Institutionally, the Panel's mandate was to assess the royalty framework for all non-renewable resources, including oil sands, conventional oil, and natural gas. The Panel's report, "Our Fair Share," was released on September 18, 2007 and argued that Albertans had not been receiving their fair share from energy development, especially from the oil sands. The Panel recognized that industry resisted royalty increases, unlike municipalities, non-industry groups, and the public (p. 8), and emphasized that the resources belong to Albertans, and therefore, that their interests had priority.

In particular, the Panel made two clear recommendations regarding oil sand royalties (summarized in table 1). First, the Panel argued that, in the post-payout period, the net royalty rate should go from 25% to a flat 33% rate, regardless of global oil prices. Second, while the Panel found that the 1% pre-payout base royalty already in place was appropriate, it

recommended the 1% to be paid in addition to the net royalty in the post-payout period. At the time, the framework prescribed industry to pay only the greater of the base royalty or the net royalty in post-payout—which in practice, meant paying only the net royalty (Panel, 2007). Finally, the Panel recommended the creation of an Oil Sands Severance Tax (OSST) payable upon commencement of production which would increase based on oil prices to a maximum of 9%.

	Current Sharing		Recommended Sharing	
	Albertans' share	Developers' share	Albertans' share	Developers' share
Oil Sands	47%	53%	64%	36%
Conventional Oil	44%	56%	49%	51%
Natural Gas	58%	42%	63%	37%

Table 1: Panel Recommendations for Overall Energy Share in 2007
(Source: Royalty Review Panel Report "Our Fair Share," 2007, 7)

After the public release of the Panel's recommendations, there was strong discontent amongst industry players (Interviewee 9). Indeed, while the recommendations were relatively timid, they were leaning toward increasing royalties, recognizing the rights of Albertans as owners and of government as their proxy, as well as advocating for oil sands producers to refrain from intervening as governance actors. Instead of following all of the Panel's recommendations, government held numerous meetings with industry behind closed doors before releasing the new royalty framework in October 2007. Moreover, to give the industry time to prepare for it, the new royalty regime did not come into effect until January 1, 2009.

In the new framework, government decided that the new royalty framework would have gradual base and net royalty rates. In "Alberta's New Royalty Framework," the policy established a base rate (in pre-payout) starting at 1% and increasing for every dollar oil was priced above $55/barrel to a maximum of 9% when oil was priced at US$120 or higher (Government of Alberta, 2007). Similarly, in the post-payout period, the net royalty rate would start at 25% and increase for every dollar oil was priced above US$55/barrel to a maximum of 40% when oil was priced at US$120 or higher. In contrast to the Panel's recommendation, the system of paying the greater

of the base or the net royalty rate was kept, making changes to the base royalty effectively useless. Finally, the government rejected the creation of the Oil Sands Severance Tax because "rather than impose a new tax, the government will increase base and net royalty rates to achieve similar results" (Royalty Framework, 2007, 9).

The report and following royalty policy received mixed reviews among scholars and pundits. On the one hand, oil sand supporters applauded the report and praised the Panel's attempt at "increasing the size of the pie" rather than "haggling over how a small pie gets divided" (Shaffer, 2007). On the other hand, scholars underlined that the Panel's recommendations and government's policy were still not providing Albertans with their due share of revenue (Gibson, 2007; Plourde, 2009; Nikiforuk, 2010; Hoberg and Philipps, 2011; Campbell, 2013). In Gibson's words, "as owners, they [Albertans] are entitled to the maximum revenue possible from those resources while still encouraging the appropriate level of investment" (2007, 1).

However, there was a total reversal on royalties that came with the 2007-08 financial crisis. As a result of the crisis, Alberta entered a recession and Stelmach—and by extension the PC—was blamed for it (Interviewee 9). During the recession, the government also provided a number of royalty incentives for conventional oil and gas (mostly for deep-wells). For example, one of Stelmach's programs was to cut royalties on new conventional oil and gas wells to 5% from an average royalty rate of 15% to 25% depending on the project. A second program provided smaller producers a drilling royalty credit. Together, these two programs were "expected to cost the province C$1.5 billion in for-gone royalties" (Cattaneo, 2009). Those incentives were kept once the new royalty regime came into force in 2009, and eventually made permanent. Many Albertans blamed Stelmach and the PCs both for the recession and their inability to substantially increase royalties. They needed a new party to turn to, one not too left-leaning—politically, the province leaned conservative. Unbeknownst to Albertans, the oil industry provided an alternative: the Wildrose party.

3.6. The Blooming (and Withering) of the Wildrose Party

Alberta is a highly partisan province and the rise and fall of the Wildrose Party is perhaps the best illustration of how even a pro-oil Conservative party can quickly fall out of favour in Alberta. Two main factors led to the rise of the Wildrose: first, there were growing internal divergences inside the Progressive Conservative Party as part of the membership supported raising royalties to assuage industry to pay a fair share to Albertans whereas the other advocated for minimal royalties to continue encouraging the oil sector to grow. Second, Ed Stelmach's determination to ensure Albertans' well-being and to "do the right thing," meant he would not be swayed by industry—and both he and his party would pay a high price for it.

The Wildrose Party was created in great part by a schism inside the PC party (Interviewee 9). Following Stelmach's new royalty framework, discontent grew inside Conservative ranks. Some Conservatives sided with Stelmach and approved of increasing royalties. They believed, like Lougheed four decades prior, that industry was a partner in the oil sands venture, but that the government of Alberta remained in control on behalf of Albertans. On the other hand, a growing number of Conservatives advocated for minimal royalties and deplored government involvement in the sector. Staunch defenders of the oil industry, they argued it should not pay additional royalties as this would halt investment and affect the province's economy. Their interests aligned with those of the newly founded Wildrose party (Interviewee 9) which heavily criticized Stelmach's review and framework.

In addition, industry was dissatisfied with Stelmach's leadership and his commitment to review all royalties (not only oil sands')—and it was determined to make that dissatisfaction known (Interviewee 8). Indeed, from 2004 to 2010, the oil industry was the largest contributor to political parties in Alberta: the largest donors across all parties were the Encana Corporation, TransCanada Pipelines Ltd., Suncor Energy Inc., Enbridge Pipelines Inc. and Nexen Inc. (Timmons, 2012). On the Conservative side toward the end of Stelmach's mandate, the Party kept trying to buy industry back—to no avail. Similarly, industry put pressure on the Liberal caucus to stop calling for increased royalties through various means (e.g. frequent meetings with politicians). Pointing to flaws in the 2007 report, many corporate actors decreased their political contributions to the Liberals and Conservatives, and re-directed donations to the newly founded, industry-backed Wildrose Party which advocated for socio-political conservatism and liberal, pro-oil economics (Interviewee 2, 6, 8). Political donations to the newly founded Wildrose Party from individuals and corporations in the oil and gas sector grew exponentially over 2008-2011 period: from C$233,000 in 2008, they rose to C$2.7 million in 2011 (Calgary Herald, 2012). The Wildrose became the oil industry's new champion.

But both Wildrose and PC fell out of favour in 2014, following Danielle Smith's crossing the floor to the PC caucus, together with eight other Wildrose members. Prentice then decided to call an early election and rally forces with Smith's Wildrose Party. He was attempting to unify the PC party after it had been split. However, due to the Westminster's model which separates a majority/minority government from the official opposition, this move was seen as shocking by most Albertans. Suddenly, the opposition, whose primary role is to counter-balance government, was allying with it. In the words of an interviewee, this triggered in many Albertans the feeling that "something was wrong" (Interviewee 12). The Smith/Prentice episode is a clear example of how institutions lost the trust of people when two political parties in opposing positions rejoined. This episode eventually led to the demise of the Wildrose Party and a deepened mistrust of the PC government. Due to disenchantment with PC rule and disappointment with the Wildrose

Party, Albertans flocked to polling stations in spring 2015; the 2015 election marked the highest voter turnout since the 1993 elections (Elections Alberta, n.d. (c)). A few days later, the NDP assumed office for the first time in the province's history.

3.7. Rachel Notley Launches the 2015 Royalty Review (2015 – 2019)

The majority-elected NDP government ended more than four decades of PC rule in Alberta. This landmark victory came, in part, from a growing disenchantment with the PC's pro-corporate stance at the detriment of Albertans. Indeed, PC leader Jim Prentice ran a campaign platform with no increase in corporate taxes, whereas NDP candidate Rachel Notley promised a 2% increase on corporate taxes (from 10% to 12%) and a review of the royalty framework to "implement competitive, realistic royalty rates as prices rise, to ensure full and fair value for Albertans as the owners of the resources" (Maki, 2015; NDP, 2015; CBC News, 2015). Albertans used their votes to provoke an institutional change and elect a party whose campaign promises echoed with some Albertans' ideas to increase royalties.

Once in power, the NDP government followed through on its campaign promise and commissioned a royalty review Panel in August 2015. Its report, "Alberta at a Crossroads," was released on January 29, 2016. The report sent a mixed message: it accounted for Albertans' right to receive a good share of their resources, and simultaneously emphasized the crucial need for Alberta to remain competitive—and therefore maintain a favourable environment for the industry. Overall, the 2015-16 Panel considered Albertans were receiving a fair share and made no recommendation to change oil sand royalties; instead, the Panel suggested increasing the transparency of allowable costs (Panel, 2016, 12). For drillers, it recommended the creation of a program where the most efficient drillers would be rewarded with various incentives. It also encouraged the development of Alberta's markets for the use of natural gas (Bakx, 2016).

In response, the NDP government enacted its "Modernized Royalty Framework." Unlike Stelmach government who had only selected some of the 2007 Panel recommendations, the Notley government accepted all of the 2015-16 recommendations—which were not much. Notley's new framework left oil sands royalties untouched. Price sensitivity was maintained, but the new policy rejected the idea of increasing price sensitivity at higher prices; in other words, it rejected the possibility that producers would pay higher royalties at high prices, which was the rationale at the heart of the price sensitivity initiative.

Unsurprisingly, the report and framework received mixed reviews. Pro-industry critics were initially against the need to review royalties, because they argued investments suffer when "governments inject uncertainty into markets" (Green, 2015, 7). Alarmist claims about the fragile state of the oil sand industry were made in an attempt to frame royalties increase as a final

blow to the sector (Dobson, 2015). However, after the publication of the Panel report and government framework, industry supporters praised the new framework; indeed, oil sands were largely left untouched by this review (Crisan and Mintz, 2016).

On the other hand, many royalty-increase advocates expressed their disappointment with the modernized framework (Diamanti, 2016; Rodgers, 2016). In Nikiforuk's words (2016a), the new framework is "an economic disaster and represents a capitulation to Big Oil and its financial backers." Indeed, pundits have pointed out the irony of having a NDP-commissioned review process that essentially declares itself satisfied with a PC-led royalty framework in an issue as controversial as the oil sands (Acuña, 2016). Commentators argued that additional profits derived from high oil prices should instead belong to Albertans (Acuña, 2016). To explain the complete 'U-turn' of the NDP government regarding royalty policy, Gil McGowan, President of the Alberta Federation of Labour concluded: "what happened can best be described as the government being captured by industry" (quoted in Bell, 2016). Despite progress towards improving transparency in oil sand projects, the new framework thus fell short of expectations because it maintained low royalties during high oil prices, effectively preventing Albertans from benefiting from an increase in the value of their resources.

3.8. Conclusion

While oil was first discovered in Alberta in 1947, the first bituminous sands mine only opened twenty years later. Knowing that the province was sitting on large oil sands reserves, the Lougheed government made it its priority to develop the resource for Albertans. Lougheed's vision was to support the development of the oil industry in Alberta, while ensuring that the resources remained under the control of the government. Lougheed increased royalties and undertook several projects designed to ensure that Albertans would strongly benefit from extraction and receive a fair share of the resources they owned. The federal government quickly got involved as well. The federal government's implementation of the National Oil Sands Strategy, creation of Petro-Canada, and investment in various oil sands producers sent a clear message to Albertans: the federal government wanted in. This partnership was not well perceived by many Albertans. Soon after, the Iranian Revolution sent shockwaves to the oil industry by sending global oil prices sky-high. Together with the signing of NAFTA in 1993, it became evident that Alberta's oil sands were now tied to global oil markets—for better or for worse.

Former Premier Ralph Klein would prove to be the most ardent defender of the oil industry in Alberta. Under his leadership, the nascent oil sands industry grew to become one of the most powerful industries in the country—often at the detriment of Albertans. In power for fourteen years, Klein transformed the government-industry relationship to one where industry dominated.

Charmed then frustrated with Klein, Albertans witnessed consistently high global oil prices from 2000s onward and demanded a fair share of the resources they owned. They elected Ed Stelmach in 2006 in part for his promise to review the royalties. Following through, Stelmach launched the 2007 royalty review, the first of its kind in the province's history. The 2007 Panel recommended some changes to the royalty framework, but Stelmach only selected a few palatable recommendations in his new framework. The moderate changes Stelmach made proved disastrous for his political career as he was criticized on both sides: first, by many Albertans who felt he had not gone far enough on increasing royalties and second, by industry who felt he had indeed. Stelmach's policy reinforced the cleavage inside Conservative ranks between pro-royalty increase and anti-royalty increase members. This divide on appropriate royalty policy led in part to the creation of the Wildrose Party, a pro-oil, conservative party, who despite its early success, made the mistake of joining forces with the opposition. Discontented with more than four decades of Conservative power, Albertans flocked to the polls and elected the New Democrats in 2015 for the first time in the province's history. The NDP had always criticized royalties, arguing for increasing Albertans' share. However, when Rachel Notley became Premier, she compromised with corporate interests by appointing a Panel with strong ties to industry. Not surprisingly, the Panel recommended no changes to oil sands royalties, and the NDP followed suit in its new policy framework.

To conclude, at both times, it seemed the royalty reviews were implemented due to public pressure, but ended in disappointment. The reviews had taken place because with surging global oil prices and long-standing government incentives, Albertans had realized they were not getting their fair share of the resources and pressured their government to act. The Panels came in response to public pressure exerted on elected officials and in an election period where politicians had to campaign on the royalty issues. The Panels were expected to report back to government, for it to decide what and how it would implement a new framework. In 2007, the government's response was to select a handful of the 2007 Panel's recommendations to appear compromising at minimum; in 2016, the government's response was to follow the 2015-16 Panel recommendations, an easy task given the general lack of change.

The 2007 and 2015-16 royalty review Panels were the only ones of this kind in the province's history. The following chapters examine the 2007 and 2015-16 episodes in detail, and elaborate on and explain their differences. They also map the institutional, interest-based, and ideational factors explaining royalty possibilities and stasis in Alberta, ultimately uncovering the inner working of the state.

CHAPTER IV

The 2007 Royalty Review: Albertans' (Un)Fair Share

4.1. Introduction

On September 18, 2007, the royalty review Panel handed its report to the Honourable Dr. Lyle Oberg, Alberta's Minister of Finance. Titled "Our Fair Share, Report of the Alberta Royalty Review Panel," the 100-page report argued that Albertans were not receiving their fair share from energy development and had not been "for quite some time" (Hunter et al., 2007). The Panel recommended that the government increase royalties to re-allocate profits extracted from energy resources to the owners, Albertans, and ensure that future royalty rates would reflect extracted resource value, provide owners with rightful revenue generation, and maintain Alberta's competitive edge in energy investments. A month later, in October 2007, the Alberta government released its 23-page response titled "The New Royalty Framework," which only incorporated a small selection of the Panel's recommendations. It left in place practices, subsidies, and other initiatives that had continuously favoured the energy industry in previous decades. What explains the Conservative government's reluctance to embrace the recommendations of the Panel it appointed for the specific task of reviewing royalties and advising on future rates? Ideational, interest-based, and institutional factors all played a role in explaining royalty stasis in Alberta.

In the chapter that follows, I outline the ways in which global oil prices, an institutional factor, opened a window for Albertans to review oil sands royalties for the first time since the boom of the 2000s period. Indeed, with oil being traded on international markets, price fluctuations can affect domestic provincial policy. Yet, if global price fluctuations set the stage for a royalty review to happen, it is Albertans' ideas and narratives such as "thinking like an owner" and

"getting our fair share" that catalyzed it. These ideas proved essential to rallying most Albertans behind the royalty review because ownership and management of resources are rights entrenched in the Constitution and shared by all Albertans. Albertans' demands to review royalty rates led to the launch of the 2007 royalty review. The challenges faced by the Panel during the review included industry barriers to accessing quality data, conceptual challenges due to subjective understandings of fairness, and the limited capacity and usefulness of public consultations. With special attention to the backlash against the Panel post-report, the chapter surveys Premier Stelmach's policy and reactions at the time, focusing on key interests, including industry, the public, and government.

Due to its political history and identity (Palmer, 1982), Alberta proved a fertile ground for citizen-level narratives such as a strong belief in free markets (e.g. opposition to government involvement) and a loose interpretation of frontier/pioneer identity inherited from early settler-times (Bercuson, 1980). This set of beliefs made it possible for oil industry-lobbyists to construct an industry-level narrative with direct policy implications: the "ethical oil" narrative. But these ideas operate within a public institutions framework, which had to be captured for industry's interests to materialize. Turning to these public institutions, I focus on universities and the media as central public spaces of education and information that serve as channels through which industry could exert influence. Further, I confront some of industry's claims on oil sands costs, discussing both the impacts associated with this institutional "reality" and government challenges in accessing data to monitor industry. Finally, I detail how the oil industry exerted instrumental, structural, and discursive power via specific strategies designed to influence policy, including lobbying and verbal threats, astro-turphing, group associations and alliances, and framing. I conclude with a case study on industry's discursive power, particularly its ability to play expert or victim depending on the circumstances and highlight that industry's agenda in part manifested through rural interests (e.g. voting power) by successfully aligning the interests of rural communities with its own.

4.2. Opportunity in a Global Oil Price Rise

After many years of relative stability in global energy markets, oil prices began to rise in 2004, sparking a spur in financial investments in oil. While WCS prices had been averaging C$30 per barrel in the early 2000s, increasing demand from China and other emerging economies led oil prices to increase (Government of Canada, n.d.), generating extraordinary profits for global oil companies and governments (through National Oil Companies) from oil extraction. In 2000, on average, WTI traded at C$45.60 per barrel, while WCS traded at C$36.75 per barrel. By 2005, WTI traded at C$69.35 and WCS at C$50.71 (Natural Resource Canada, 2000; 2005).

For a subnational jurisdiction like Alberta, oil price increases boosted provincial revenues, strengthening the province's dependency on its oil sector. But unlike other jurisdictions (e.g. Norway), Alberta spent oil money locally, driving up inflation. Fortunately, Albertans tempered the impacts of inflation because they had wealth, almost no unemployment, and no provincial debt. In 2006, Alberta had an unemployment rate of less than 4% (Government of Alberta, n.d. (b); Statistics Canada, 2018) and had eliminated both its net and accumulated debt (Government of Alberta, 2006).[11]

The newfound oil wealth was striking. Real estate prices shot up, sports cars worth hundreds of thousands of dollars tore through the streets of Calgary, and high school dropouts were suddenly paid a Financial Manager's salary to drive a mega truck[12] in Fort McMurray's oil sands (Oil Sands Magazine, n.d.). Nurses and teachers were leaving the busy cities and flocking in thousands to the more lucrative Athabasca sands. Even Canadians across the country—the "fly in, fly out" workers—relocated to Fort McMurray for temporary assignments in search of work and hopes of fast cash. They were led by the "promise of plentiful work in the energy economy and of the ability to translate it into the 'good life'" (Dorow, 2015, p. 284); in Dorow's words, "Fort McMurray = good jobs" (2013, p. 132). All the while, oil companies were riding on top of this influx of wealth.

When Albertans realized that oil companies had been the primary beneficiaries of high oil prices due to Alberta's attractive royalty rates, widespread discontent swiped through the province like wildfire: Many Albertans denounced their royalty framework (established in 1997) as too favourable to industry at the detriment of Albertans —that framework had been designed from an investment stimulus perspective (Urquhart, 2018)—and demanded a royalty review (Taylor and Reynolds, 2006; Hoberg and Philips, 2011). While it is the spike in oil prices that awakened Alberta to the harsh reality of low royalties for their most important resource, reviewing royalties would also dissipate the cloud of complexity that coated the royalty framework. The pre-2007 framework was "complicated by design," which many attributed to decades of industry lobbying (Interviewee 10); in the words of that former civil servant, "people started to distrust [the royalty framework] (…) It was so opaque, people didn't trust it" (Interviewee 10; Nikiforuk, 2016b).

4.3. Ideas: Thinking Like an Owner to Get Our Fair Share

Global oil prices fluctuations opened a window of opportunity for a royalty review, but Albertans' catalyzed it domestically by rallying behind narratives that encouraged ownership

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[11] Though Alberta's "debt-free" status was debated because pundits argued the province had not actually eliminated its debt, but rather had more assets than debt from 1999 until 2016. See McRae and Hussey (2017).

[12] Their real name is a haul truck, or "heavy hauler."

control. In November 2006, the Pembina Institute, a leading think tank, published a report titled "Thinking Like an Owner: Overhauling the Royalty and Tax Treatment of Alberta's Oil Sands." First coined in Alberta by former Premier Peter Lougheed, the phrase "think like an owner" became a crucial rallying call for Albertans to regain control of their resources and derived profits (Nikiforuk, 2010; Nielsen, 2012). Lougheed had been a staunch defender of Albertans' right to ownership as entrenched in the Constitution and he valued Albertans' ability and responsibility to decide how to manage their oil resources. Lougheed envisioned ways through which the oil industry could support Albertans—not the other way around.

In the same vein as "thinking like an owner," Albertans demanded their "fair share" of oil sands profits. As owners of the resource, Albertans are entitled to a fair market share of profit for the wealth below ground. Very quickly, oil sands royalties became a central issue in the 2006 provincial election, with most candidates promising a royalty review of the lucrative oil sands if elected. As the political parties' internal leadership races unfolded, Ed Stelmach won the Conservative leadership by endorsement from the fourth, fifth, and sixth place candidates despite having initially placed third on the first ballot. Competing with other provincial party leaders, he won the provincial election and was sworn in as Premier on December 14, 2006.

Following his promise to review royalties and recognizing that "the policy of lower royalties to maintain a minimum level of investment is no longer needed to attract investment to Alberta" (cited in Anielski, 2015, 7), the Stelmach government launched a formal review process by appointing the royalty review Panel to the task (Plourde, 2009). Led by William M. Hunter, former executive with Alberta-Pacific Forest Industries, the six-person Panel was composed of Evan Chrapko, a chartered accountant and software entrepreneur, Judith Dwarkin, an economist with an energy consulting firm, Ken McKenzie, an Economics professor at the University of Calgary, André Plourde, an Economics professor at the University of Alberta, and Sam Spanglet, a former Shell Canada executive. Together, they had been assigned the enormous mandate to recommend a fiscal program that would provide Albertans with their "fair share."

While a royalty review was predictable, Stelmach surprised many when he announced that the review would encompass all resources: oil sands certainly, but also conventional oil and natural gas. At the time, these resources were considered attractive, but paled in comparison to the enormously lucrative and almost infinite oil sands reserves. Asked why he had decided to review all royalties, Stelmach simply responded that he felt it was the right thing to do.

4.4. The 2007 Royalty Review Panel

Born on a farm near Lamont, Alberta, Edward Michael Stelmach was a third generation Albertan, a descendant of Ukrainian immigrants. Now at the head of the province, he made the royalty

review a top item on his agenda. While the Panel's mandate was simple in theory, the Panel faced various challenges, including industry barriers to accessing quality data, challenges due to subjective understandings of fairness, and the limited capacity and usefulness of public consultations (Interviewee 3 & 12).

To constitute the Panel, Stelmach consulted with Alberta's top natural resources industries, including oil, gas, and lumber, as well as advocacy groups and cabinet, ultimately appointing Hunter, Chrapko, Dwarkin, McKenzie, Plourde, and Spanglet—as mentioned previously. Interestingly, the Panel reported to the Finance Minister—not the Energy Minister—and had its own Secretariat and budget. However, despite consulting with the oil industry, Stelmach ensured that there would be no external interference in Panel discussions. This was confirmed by Panel members who emphasized that the process was open-ended: there was no set agenda, or pre-dated mandate to publish particular findings and/or policy. In the words of a Panel member, "there was never ever, not even once, a directive or a hint, no brown paper envelops shoved down under our door suggesting what we should do" (Interviewee 12). Further, the Panel would be advised by a recognized expert on global petroleum fiscal systems, Dr. Pedro van Meurs, who would prepare a comparative study of fiscal systems to advise the Panel (Urquhart, 2018). Yet, by announcing he was reviewing all royalties, Stelmach knew he would soon face push back from the oil industry. As such, he surrounded himself with allies including Rick George, Kim Carter, and Harley Hotchkiss, all respected civil servants.

The Panel was instructed to deliver the report on August 31, 2007. As for the process, it would be centred on public consultations and submissions. Both the Stelmach government and the Panel prioritized transparency by creating a space for all Albertans to express their opinion. Over the course of the review, the Panel traveled throughout the province in Grande Prairie, Edmonton, Calgary, Fort McMurray, and Medicine Hat, and organized open consultations; all transcripts from the consultations would be published online, along with submissions to the Panel (Urquhart, 2018). Citizens, industry, environmental groups, Indigenous people, and others were invited to present their opinions. Similarly, they were invited to submit their thoughts in written form. Speaking to industry's resources to hire consultants, researchers, and writers to produce high quality submissions, a Panel member recalls the sophistication of industry's submissions. In the Panel member's words, "We got more human beings saying 'raise it' [royalty] but we got more material and sophistication saying 'don't you dare touch it'" (Interviewee 12). The Panel read hundreds of submissions and together with data extracted from the public consultations, they formed a basis to survey Albertans' perceptions of a "fair royalty."

Not surprisingly, the Panel grappled with the concept of "fair share." Most agreed that in the context of the royalty debates, it meant that Albertans were not getting enough revenues from oil exploitation; but how does one achieve "fairness"? The Panel approached "fairness" from a

comparison standpoint, by looking at other jurisdictions and assessing how Alberta ranked in comparison. The Panel concluded Alberta could collect more revenues.

In addition to the concept of "fairness," the Panel also faced difficulties in accessing quality data. While government implemented a process through which all departments collaborated with the Panel, the Panel complained it had issues receiving information from the Department of Energy: "Many straightforward questions put to the Department of Energy by the Panel were not met with answers" (2007 Panel Report, p. 94). However, the issue may not have been Alberta Energy's unwillingness to share data, but rather, its lack of capacity: the Department was caught "flat-footed" by enquiries (p. 95).

In the same vein, the Panel faced difficulties with industry actors who were not as collaborative as government. Like government, Panel members had limited access to high quality information from industry (Hunter, 2007; Yager, 2008). The 2007 Panel report asked the government to "implement means to gather and assess the workings of all aspects of revenue policy and collection associated with energy resources in the province. This must be done on behalf of the citizens of Alberta, and its findings must be made public and have the highest degree of credibility" (Hunter, 2007, p. 5, 93, 96–100). This echoed with a report by Alberta's Auditor General the same year who indicated:

> None of the presentations or documents flowing from [the Department of Energy's internal reviews of royalties] have gone to the public except through [freedom of information] requests. Nor can owners determine how the Department analyzes its royalty regimes. The Department does not disclose its approach to or results from analyzing its royalty regimes. The principles of transparency and accountability dictate that the Department should demonstrate its stewardship of Alberta's royalty regimes and provide analysis to support that statement. This has not happened (Annual Report of the Auditor General of Alberta: 2006-2007, 2007, p. 127, cited in Boychuk, 2010).

During the 2007 royalty review, a Panel member disappointed with the information provided by government, recalls asking industry for data and being led to a warehouse full of boxes from floor to ceiling and told "have at her" (Interviewee 12). According to this Panel member, the extreme surplus of information was "a cover up" (Interviewee 12), a way to prevent Panel members from doing the required analysis. The Panel member added: "in some settings, that would be criminal, it would be verging on not honouring your fiduciary duties to your shareholders, or in this case, citizens" (Interviewee 12). This reflects industry's consistent unwillingness to be transparent and its ability to overwhelm public servants with large amounts of information. The lack of data accessibility made it difficult for the Panel to defend its ideas. In the aftermath of the Panel report's publication, some critics argued recommendations were based on faulty data according to a Panel member (Interviewee 3).

As for the data provided, the Panel ironically faced both issues of disinformation and information overload. While public consultations provided the Panel with primary, empirical data, managing and sorting information proved difficult: ideas, opinions, narratives, personal and common interests all blended together. The Panel was not equipped to investigate every single claim, yet it had to extract accurate information, detangling and analyzing all submissions.

The Panel's task was arduous due to the complexity of the subject at hand. The complex nature of royalties in Alberta reflect the various types of resources in the province and royalty policy is seldom accessible to the average citizen, making it difficult to evaluate future policy needs. With two academic members on board, the Panel was cognisant of upholding academic principles of doing research exactly as mandated, rather than providing policy advice that anticipated industry's response to increase royalties and adjusting recommendations accordingly. The focus was to "do the best report we can, be proud of it, and hand it off" (Interviewee 12). With a few months delay due to solving final disagreements and after in-depth deliberation, the royalty review Panel handed its report to Alberta's Finance department on September 18, 2007. Then, in the words of a Panel member, "it basically caused a shit storm" (Interviewee 3).

4.5. Panel Report Reception in Alberta

Various interest groups greeted the long-awaited royalty review Panel Report differently: industry was displeased, the public relatively appeased, and government exposed.

The report caught industry off guard. A Panel member confirmed that industry anticipated only minor recommendations to the existing royalty framework and recalled that the relative absence of industry involvement in the process stemmed from "pure brute force arrogance and self-confidence that the royalty rate had never been publicly reviewed before in the province" (Interviewee 12). As a powerful interest-group, industry might not have felt it necessary to get involved, trusting that its wishes were known by a government that relied on the oil sector. Indeed, then CAPP Vice-President Greg Stringham mentioned he saw the review as "a good opportunity to talk about how the royalty system works to the public" (cited in Fekete and D'Aliesio, 2006) and then CAPP President Pierre Alvarez told Panel members that he saw "great value in getting all the current information out to Albertans" (Alberta Royalty Review Panel Meeting Transcripts, 2007, p. 9 cited in Urquhart, 2018, p. 179). Clearly, industry entrusted the Panel to 'educate' Albertans in favour of keeping royalties low (Interviewee 7).

Although industry was not involved during the review, it roused after the report came out (McQuaig, 2019). In the words of an Alberta-based researcher, "the oil industry went berserk" (Interviewee 14). This change is logical from a procedural perspective since the report was kept private prior to the official release as per government guidelines. For example, industry criticized

the sliding scale (i.e. adapting royalties to the price of oil), calling it “a little disproportionate” (Interviewee 7). On the other hand, others report that oil sands companies were not too concerned by the recommendations, as long as they could keep declaring their costs: the R-C formula ensured that their profits would still be significant. Overall, however, industry was disappointed with the recommendations (Calgary Herald, 2008) and later linked decrease in investment to the impact of the review (Yager, 2008; Thomson, 2008).

In contrast, the report was generally well-received by the public. Many praised the openness of the review process and the fact that it drew on consultations with and submissions from the public, rather than cabinet deciding on royalties behind closed doors (Interviewee 8; Interviewee 15). Involving the public to such an extent was a first in the province's royalty-reviews. Albertans had demanded a fair share of their resource, and the Panel had indeed proposed some increase in royalties. The report also delivered on providing recommendations to simplify and clarify royalties, making them more accessible to the average Albertan. These clarifications along with the recommended increase generally appeased the public.

On the government side, Stelmach had decided early on that the Panel’s report would be released immediately after being handed to government: he wanted to ensure the utmost transparency in the process and give Albertans the chance to see the report in its original form. However, government was taken aback by the Panel recommendations. Individuals in government criticized the Panel for lack of regular update and expressed discontent with the Panel just “dropping” the report. Yet, for many, this confidentiality spoke to the Panel’s transparent process: it ensured no-to-minimal interference from government by decreasing opportunities to interact and prioritizing an objective report that drew exclusively on members’ expertise, research, and public consultations (Interviewee 15).

The government was also confounded by the report’s suggestion that members of the civil service may have been captured by industry (Hunter, 2007). Certain civil servants were indeed under pressure during Panel deliberations, but this statement reportedly made many civil servants feel as though the Panel was being “sensational,” ignoring the pressure they were subjected to, and creating cleavages between trustees and owners. Nevertheless, interviews reveal that “a tradition” of revolving doors did exist between government (both elected officials and civil servants) and the oil industry. As history shows, this practice was not new for the civil service: in the many decades since oil was discovered in Alberta, some civil servants had started up their own oil companies (Taft, 2017).

In spite of certain civil servants joining forces with the oil industry and/or serving its interests, many others still served Albertans. Unfortunately, opposing the oil industry to serve Albertans proved difficult, and some civil servants who tried were silenced. As a former civil servant

recalls, when trying to point out that pro-industry statements made no economic sense, the Deputy repeatedly said "I don't get what you are saying"; in the interviewee's words, "I remember (…) thinking 'he [the Deputy] does not get it because he knows he cannot get it, he is not allowed to get it" (Interviewee 10). This situation led to intrinsic tensions and difficulties within the civil service and government officials. In addition, the interviewee recalls seeing accusations of incompetence and letters to the Premier from industry (Interviewee 10). There were clearly strong ties to the oil industry at the highest level of governance. However, it remained government's right—and some would argue, its duty towards Albertans—to do a review. Dedicated civil servants admitted during interviews that since the government was elected by the people, the civil service's prerogative was to support government and trust it, come what may (except in exceptional circumstances) (Interviewee 10).

Anti-royalty-increase critics also deplored the Panel's attempt at comparing Alberta's resources to those of other jurisdictions (Yager, 2008), based on the work of scholars who differentiated Alberta's resources with conventional oil and called Canada an "outlier" (Reynolds, 2005, 64). These critics repetitively insisted that different types of oil around the world could not be compared to Alberta's unique circumstances, especially when arguing that Alberta's royalties were lower than others' (cited in Interviewee 12). In particular, industry representatives called comparisons with Norway and Venezuela "superficial" given their "obvious and inherent differences" (MacNichol, 2007). But Panel members were not duped; as one member responded, Alberta's oil sands and other global oil resources "might be apples and oranges, but they are all fruits" (Interviewee 3). In other words, the "uniqueness" of Alberta's resources did not preclude it from being compared to those of other jurisdictions.

As for the Panel, it was disbanded immediately upon handing in its report. The Secretariat was dissolved, and in the words of a Panel member, it kept its head low as its "political masters were under siege" (Interviewee 12). Upon disbanding, some Panel members felt "abandoned" (Interviewee 10, 11, 12)—similar to civil servants highlighted above—because Panel members were given no chance to respond to criticisms. As an institution appointed by government, the Panel had no power beyond the boundaries set by said government. It had to follow procedures throughout the review process, yet lacked the opportunity to defend its work upon completion.

Critics also turned on government, who, ironically, turned to the (disbanded) Panel for help. A Panel member recalls the panic that swept through government, which started transferring all incoming royalty review-related calls to the member's personal cellphone. The Panel member then generously decided to explain to each and every caller the rationale behind the recommendations. Inside the Panel, the Panel's President—and former President of the Alberta Chamber of Resources, the same people who spearheaded the infamous National Task Force on Oil Sands Strategies—defended the report passionately, getting other members involved too

(Interviewee 4). Unfortunately, his response backfired. Looking back, a Panel member disclosed that the 2007 report could have withstood the test of time if only the Panel had been allowed to defend and explain it.

On October 25, 2007, in response to the Panel's report, the Stelmach government issued its policy on royalties in a report titled "The New Alberta Royalty Framework." Unfortunately, just as the framework came out, global oil prices collapsed during the 2007-2008 financial crisis. This unprecedented economic crisis greatly affected Alberta and precipitated a recession. In the same way that global oil prices had opened a window of opportunity for Albertans to get their "fair share" from royalties, they put a stop to Alberta's continuing expansion, evidence of the international political economy at play in a subnational jurisdiction that traded a global commodity. By an unfortunate twist of fate, Stelmach was blamed: he had "killed the goose that laid the golden eggs."

The timing of the review and new policy—or that of the financial crisis—could not have been worse. The crisis that threatened many Albertans' financial security and plunged them into despair provided fertile ground for the oil industry to foment public outrage against the increased royalties. Industry blamed the Panel and Stelmach for the catastrophic state of Alberta's economy. In truth, industry had taken a hit because of a global financial crisis and crumbling oil prices, both of which were entirely outside of Stelmach's control. Moreover, royalties set domestically obviously do not impact global oil prices. Stelmach also tried to explain that oil price sensitivity was built into the model, thus accounting for the fluctuation of the oil market, but to no avail. In the eyes of industry—and Albertans—he was responsible for Alberta's fall.

The Panel recommendations were more progressive than Stelmach's new framework (Anielski, 2015). The government considered the Panel's recommendations more as input and less as recommendations. Stelmach caved in part to proponents of the status quo in royalty policy due to a variety of institutional, interest-based, and ideational factors that will be examined in depth in below.

4.6. Pro-Development Ideas: Free Markets, Pioneer/Frontier Identity, and Ethical Oil

4.6.1. Albertans' Historical Belief in Free Markets & Pioneer/Frontier Identity

In a healthy democracy, voting is a central mechanism that ensures collectivities of people can make decisions and express opinions. In the Alberta context, the end of Ralph Klein, the call for a royalty review, and the election of Ed Stelmach were all expressions of Albertans desire to regain control and maximize the benefits from their resources. And while the means to achieving control changed—from trusting Klein to do it for them, to wanting to hold the reins again with

Stelmach and the review—the spirit behind their decisions was the same: it was a desire rooted in neoliberal thought and trust in free markets that advocated for an increased share of the resource pie, not for industry this time, but for citizens.

Due to its political history and identity (Bercuson, 1980; Palmer, 1982), Alberta proved a fertile ground for citizen-level narratives such as a strong belief in free markets that advocated "government should get out of the business of being in business" (quoted in Young, 2013) and "the market knows best" ideas. For many Albertans, the market knows best how to adapt, and more importantly, how to regulate itself. In Alberta, free market ideology has deep roots in the history of European colonization of North America. The first European pioneers[13]—settlers—to reach modern day Alberta were those who had not only crossed the Atlantic in search of a better future, but had also pushed further inland, looking for gold, land, fame, or social status (Takach, 2010). They were often "not Canadian": rather they were from Europe and the United States (Bercuson, 1982). They are remembered as being, in the absence of any form of government or governance structure, self-reliant and often self-governing, taking, controlling, ruling, and defending "their" "new" land with a desperation that matched their determination (Takach, 2010), ultimately leading to contemporary forms of white settler colonialism embedded in oil extraction (Preston, 2013). These cultural conceptions have persisted today in modern Alberta, where they happily merged with neoliberal market principles of "markets rule all" and "minimum government involvement" to create a distinct political culture in the Prairies (Richards and Pratt, 1979).

Indeed, many inhabitants of Alberta and Saskatchewan seem to place their trust in free markets rather than governments for historical reasons (Richards and Pratt, 1979). Interestingly, some have argued that this distrust of government might be rooted in the demographical bed of the region (Takach, 2010). The influx of large Ukrainian immigrants who fled their government to settle in Alberta and Saskatchewan may have played a role in the flourishing of government mistrust. From the newly arrived population came a desire to start anew, including the belief in private enterprise as a way to become successfully self-reliant. In the words of a former civil servant, this is an "ideological fundamental bedrock, a belief that the market is the best way to allocate resources" (Interviewee 11). From there, it is not difficult to imagine why there might be government distrust, namely that the spirit of entrepreneurship and maverick has clashed repetitively with Canadian financial institutions. In the minds of many Albertans, the

[13] This term is used to refer to the "pioneer identity," a romanticized concept that glorifies the hardships of poor whites who left Europe in search of a better future. It is used here cautiously because I do not adhere to the term's implications that colons settled on *terra nullius*.

entrepreneurial spirit makes one take risks, but reaps the rewards—for Albertan entrepreneur and companies alike.

Combined with Albertans' pioneer/frontier identity and free market beliefs, the Klein era had encouraged the motto "to get government out of the business of being in business" (quoted in Young, 2013). Coming from the former Premier of the province himself, this demonstrates how the desire to let business run its course is deeply rooted in the province, even at the highest level of governance. By emphasizing "economic opportunity, individual determination and dominance over the landscape," oil supporters echoed "ideals housed in the oil industry" (Stevens and McCurdy, 2019, p. 13). Pioneer identity and belief in free market created a conducive environment for industry to take its rightful place as a provider for people and enabler of social ladder climbers to achieve economic success.

Together with pioneer/frontier identity, many Albertans' cultural ethos is very much oriented towards self-reliance; Albertans pride themselves in differentiating themselves from other provinces. As mentioned previously, a former civil servant indicated "We don't have a sales tax. We don't need it, we are Albertans" (Interviewee 4) as a common motto in Alberta. Albertans, who are often compared to Americans, sometimes see the government "as the enemy, incompetent, and it gets in the way…" (Interviewee 4). Albertans' political culture has an impact on royalties because it pre-determines who has the legitimacy of changing the royalty framework and who does not. For many Albertans, their beliefs in free markets and pioneer/frontier identity explains their reluctance for government to review royalties without approval from the oil industry.

4.6.2. The Question of Ethical Oil

Similar to some Albertans's beliefs in free markets and pioneer/frontier identity, the ethical oil narrative encourages more oil development, an argument often associated with the oil industry. In fact, it is this set of beliefs that made it possible for the oil industry to construct the ethical oil narrative with direct policy implications: in Stevens and McCurdy's words, "the ethical oil storyline is crucial to protecting and justifying Canada's petrostate" (2019, p. 19). Some Albertans thus connected with their southern neighbour over more than celebrating anti-government sentiment: with increased global competition, the Canadian oil industry would need to keep its large but unconventional reserves competitive beyond Canadian borders (Szeman, 2013). To do so, it needed to convince its largest buyer, the U.S., to favour Canadian oil.

The "ethical oil" argument is the idea that Canadian oil is more ethical than other oil in the world (e.g. Middle Eastern oil) (Levant, 2010). This is based on the logic that Canadian oil is extracted in a jurisdiction under the rule of law in a stable liberal democracy, unlike other less stable

jurisdictions that may be authoritarian in nature and using oil revenue to pursue their activity despite a poor human rights record and much worse environmental regulation and records. And industry took advantage of it, asserting the need, the duty, to extract Canadian oil for its ethical value.

In 2007, industry's plan was to strengthen and amplify oil flow from Alberta to the U.S., Canada's largest buyer of oil. Because Alberta is landlocked, market access had always been an issue and going south made the most sense, although Alberta would be exclusively reliant on U.S.' markets. The discourse of ethical oil was thus targeted at U.S.' markets and consumers as an excellent way to have both security of supply and peace of mind (Interviewee 4). However, the notion of ethical oil raises uncomfortable truths. First, the complex nature of landownership and land claims in Alberta between the Crown and Indigenous peoples is anything but "ethical." A number of Indigenous-led organizations criticized the oil sands in relation to land, including Tar Sands Watch, the Indigenous Environmental Network (IEN), and West Coast Environmental Law (WCEL). Indeed, the belief that Canadian oil is more ethical because the Canadian state and the province of Alberta have authorized extraction despite non-consultation with Indigenous groups (and potential violation of Indigenous treaty law) does not qualify oil sands as ethical (IEN, 2021). In addition, the oil sands have one of the highest environmental footprint in the world, significantly higher than oil-producing Middle Eastern states that may be used in comparison. Thus, the oil sands are ethical neither from a political, nor from an environmental standpoint. While the ethical oil argument focuses on political stability and human rights records—the latter being controversial at best—it disregards the ethics of Indigenous people's lands and the systematic destruction of Alberta's ecosystems. Finally, using "ethical oil" as an argument also has important consequences for the pace of development. For industry, if Canadian oil is more ethical, it needs to be taking a larger market share today, not tomorrow.

Interestingly, interviews with industry reveal that it perceives Canada and Alberta as one of the most transparent jurisdictions in the world for releasing information on oil sands development—part of an ethical superiority. They also highlighted that being transparent has made industry a target. In other words, releasing information, numbers and data on oil sands production had 'exposed' industry's high profits and therefore provoked a royalty review. This is a clear example of industry's ability to position itself as a victim (more on this later): industry voluntarily chose to be transparent and was penalized for it.

Fortunately for the Canadian oil industry, the U.S. needed little convincing. Canada is more stable and reliable than oil-rich Middle Eastern countries, and Indigenous and environmental concerns are often secondary to the two countries' economic interests. Still, it remained that the challenges in Canada were around the intensity and high costs of extraction and the transportation of the corrosive diluted bitumen ("dilbit"). This is where the evolution of technology thanks to

aggressive R&D funding placed Alberta's oil sands, and by definition, Canada's resources onto the world stage. And who better to produce high quality research than universities?

4.7. Captured Institutions: Universities, the Media, and the Issue of Oil Sands Costs

These ideas and interests operate within a public institution framework, which similar to rural communities, had to be captured for industry interests to materialize. As central spaces of education and information, universities and the media could support oil corporations from the development of oil sands technology to providing a platform through which corporations could spread their anti-royalty increase ideas.

4.7.1. Universities

As spaces of research and innovation in a province where the oil sector relies on constant technological innovation, universities provided prime ground for scholars and students to innovate and solve issues faced by industry for industry. Similar to rural communities' dependency on the oil industry for jobs, universities began to rely on the oil industry for funding. With large scale, multi-year, and often inter-university research projects, Alberta's universities needed only funding to put brilliant minds to work—and industry had money. With their funding dependent on the well-being of the oil industry, many academics and researchers became advocates for industry, and thus, advocates of the status quo for royalties.

As the largest university of the province—and ranked in Maclean's 2020 top five universities (Brown, 2019)—the University of Alberta boasts a national and international reputation. Unsurprisingly, its Faculty of Engineering has a robust engineering department famous worldwide for its specialization in oil sands extraction. The Faculty's hosts the Institute for Oil Sands Innovation (IOSI), a $50 million, multidisciplinary research centre focused on developing the oil sands. Three hours south of Edmonton, the School of Public Policy at the University of Calgary, "Canada's leading policy school," has half of its research agenda connected directly or indirectly to the oil sands, including The Energy and Environmental Policy Stream and the Fiscal and Economic Policy Stream. Substreams include the "Canadian Network for Energy Policy Research and Analysis" funded by the Energy Council of Canada and the "Energy for Life" initiative. The School also offers an "Extractive Resource Governance Program" (ERGP) whose goal is to "educate international officials who are developing resource sectors" (University of Calgary). These ground breaking research centers and institutes function as the oil industry's arm-length R&D department.

For the oil sands, technological innovations drove a nascent industry to international fame and extraordinary profits. The oil sands were first mined with giant bucket wheels, which are not

selective and limited geographically. Then, industry switched to truck and shovel, a technique more selective, covered wider distances, and ensured consistent oil body quality. Next, it went to hydro-transport, which shipped further, was less costly, and sped up the extraction process because dilbit was already mixed with some water. Finally, in-situ and steam-assisted gravity drainage (SAGD) methods became possible as reserves were easily identified and measurable. As mentioned by an Alberta-based researcher, "Much of the research that allowed the tar sands to become profitable was developed at the University of Alberta, with public funding and support" (Interviewee, 5). These technological innovations were born in university laboratories.

All things considered, it is understandable that publicly funded research at post-secondary institutions could benefit industry. Indeed, public funding channeled through Alberta's universities led finding solutions to real problems faced by an industry who is the backbone of Alberta's financial health. However, how can one envision an alternative to economic dependency if all funds are allocated to research that perpetrate it? Funding for academic, non-partisan research can be problematic if a higher percentage of those funds than average is re-directed to fund industry's needs, if there a direct interference from industry into the university ("setting" of the research agenda by industry), and/or if research topics that propose alternatives to the oil economy are not being funded.

In addition to direct research funding, there are subtle ways through which industry participates in the academic realm: university-industry research partnerships, including Industrial Research Chairs (IRCs) (e.g. Goldcorp Chair) or even donations to universities. In recent years, a few dominant examples come to mind, including the Deans of Business and Engineering at the University of Alberta who prevented David Suzuki's address upon him receiving an honorary degree from the University; or a province over in Saskatchewan, Dr. Emily Eaton's lawsuit against the University of Regina, which refused to disclose funding donors and project assignment despite Eaton's repeated requests to examining if and how the oil industry was involved in public education and research funding (CBC News, 2019).

By funding academic research, industry ensured it would maintain grassroots support in the province's universities. In other words, researchers' dependency on private funds secured industry's agenda on royalties.

4.7.2. The Media

As a central space of public information, the media plays an important role in informing, but also shaping, public discourse. As McCurdy points out, "media (…) function as key arenas, resources and sites of information in the ongoing battle for the public's imagination" (2017, p. 132; Castells, 2009); in other words, media can be viewed as "representational arenas where actors

with competing ideas and resources actively engage in symbolic contests" (Gamson & Wolfsfled, 1993, cited in McCurdy, 2018, p.35). In the case of royalties, there was a strong polarization on the future of royalties in Alberta, which turned the media into a "site of struggle" (McCurdy, 2018, p. 34): mainstream mass media—often supported by corporate oil actors—advocated mainly for the status quo or a small royalty increase, whereas alternative media supported significant royalty increase.

In particular, a most concerning trend emerged in Alberta's media world: the centralization of media ownership structures. At the time of the 2007 review, two of Alberta's most influential newspapers, the *Calgary Herald* and the *Edmonton Journal* were both owned by the same media conglomerate, Canwest Global Communications, now known as the Postmedia Network (Gunster and Saurette, 2014; Stevens and McCurdy, 2019). The centralization of ownership increased industry's ability to spread narratives top-down, from the media to the public, because instead of capturing multiple media chains, it only needed to capture the head, Canwest Global Communications. This centralization of media ownership structure decreased the media's ability to resist industry influence and provide nuanced accounts of royalty affairs by limiting opportunities to disagree with industry narratives.

Another significant aspect of industry influence in the media is the one exerted from the bottom-up, *through* the media, instead of *by* the media (though both are mutually reinforcing). In many cases, citizens employed in the oil sector were encouraged by industry to use the media to influence the public. The royalties were such a polarizing issue that letters to the editors from oil employees criticizing government abounded in the media, creating the appearance of strong and widespread anti-government and/or anti-royalty raise sentiment.

On the flip side, people who advocated for a royalty raise were not published, their submissions rejected, their voices silenced. As channels used to inform the public, the media could decide which story would run, whose opinion was worthy and whose was not. As one former civil servant recalls, when trying to publish some pieces, the newspapers media repetitively refused because of previously published pieces in favour of increasing royalties. In the interviewee's words, "they had heard from me and didn't want to hear anymore" (Interviewee 10). Worse, the few pieces successfully published triggered a backlash: for example, the interviewee received comments stating he should be "deported" (Interviewee 10). While backlash is not unheard of for opinion pieces, the fierce opposition he faced speaks to the presence of strong pro-industry groups in the province. In a restrictive environment owned by one conglomerate in a province with a dominant industry, there is a real risk in diverging from the dominant narrative.

The media thus have power in choosing *which* stories get coverage—or not (e.g. pro-royalty increase opinion pieces)—but also *how* they get covered, as seen in the example below. In the

media world, headlines and newspapers articles sometimes compromise on nuances to attract the public's attention and sell news. In the words of an *Edmonton Journal* journalist, "we try to make things more interesting" (Interviewee 8). The oil-drilling auctions—a frequent, business-as-usual practice—illustrate accurately industry's collusion with the media in determining which story is covered and how, compromising nuances to sell news. Companies depicted these auctions in the media as proof that industry was struggling. Companies would sell large, impressive rig machines, invite the media, and roll the cameras for maximum visual effects (Interviewee 8). In the same vein, the media would reinforce these graphic events by presenting a narrative whereby industry was suffering so much that it was selling all its equipment. Their goal was to play on citizens' perceptions to portray a struggling, fragile industry, barely afloat, ultimately incapable of surviving a royalty increase.

While companies marketed powerful images in the media to reach the public's emotion, the media took advantage of companies to sell news. However, the media can attract attention and present nuance through other mechanisms than simplified headlines and graphic drill auctions. The media can create a space for dialogue by exposing frictions, debating issues, and presenting opposing opinions to inform the public. These strategies can be an excellent way to attract the attention of the readership while presenting both sides of a story (e.g. pro- versus anti-royalty raise). Thus, while a concentrated ownership structure impacts the direction of a journal, it cannot completely suffocate all opposing voices. Certain journalists retained their integrity by steering away from controversial topics or exposing safer parts of the story.

Nevertheless, due to the media's concentrated ownership structure deciding the direction of a newspaper, divergent opinions were often silenced, strongly discouraged, and often attacked. Examples abound of pro-oil opinion pieces in the *Edmonton Journal* and the *Calgary Herald.* The overwhelming quantity of pro-industry pieces may have played a role in capturing swing citizens (i.e. citizens who did not clearly stand for or against a royalty increase) and reinforcing the mentality of pro-industry individuals as they gained strength from their group membership and symbols (Callahan, 2012). This gave the impression that the majority of Albertans *were* in favour of low royalties.

4.7.3. The Issue of Oil Sands Costs

Is investment in the oil sands as fragile as industry portrays it? The main argument in favour of protecting the oil sands revolved around the prohibitive costs of extraction. In Alberta, costs are important for a myriad of reasons, other than the obvious necessity of determining a project's profitability and feasibility. To prevent a royalty increase, industry used an economic argument:

oil sands are so expensive to refine that increasing royalties would destroy this fragile and nascent industry.

But digging deeper, one may ask: What is meant by "oil sands are expensive"? Why are costs central to royalty calculations? As an unconventional resource, oil sands cost more to extract than any other hydrocarbons in Alberta. From the complex nature of bituminous sand to the monstrous scale of equipment and material required, the longevity of projects over multiple decades, and the extensive extraction and refining process, oil sands are an expensive enterprise. Thus, it is not surprising that there are many arguments against a royalty increase for it would not be fair to collect increased royalties from an industry that incurs such high costs. "Fairness" was turned in corporations' favour.

In addition to claiming that oil sands are expensive, corporations often highlighted that oil sands are a financially risky enterprise. The remote location of points of extraction, the use of expensive technology, and the increasing costs of refining all participated in creating an image of oil sands as high risks, high rewards projects. However, when looking at the numbers, the profit per dollar of risk investment in the oil sands is very high. Oil sands reserves are well-known, well-established, well-mapped, and the risk of spills—while being high due to dilbit's corrosive nature—is controlled and more manageable than in conventional oil extraction.

The oil sands operated under the R-C system, which more than compensated the associated risks of extraction. As mentioned previously, in this system, costs are central to R-C because under this model, companies first deduct allowable costs from their revenues, and then are charged a royalty on the remaining amount. As such, the higher the value of costs, the smaller the amount on which royalties are collected—and therefore, the smaller the royalty payment.

However, there are two main issues associated with the R-C system: first, there is no clear definition of eligible allowable costs; second, government lacks the administrative capacity to monitor companies. According to provincial guidelines, eligible allowable costs for royalty deductions include various costs such as fundamental costs (e.g. to recover, obtain, process or transport oil sands and derived products) and discretionary costs, but exceptions and exemptions blur the costs companies declare.[14] Companies can thus include various costs in the equation, effectively obtaining a credit on their spending. As R-C accounts for exploitation costs and includes them as deductible, allowable expenses, the higher cost of exploiting oil sands is actually absorbed by government.

[14] For more details, see Alberta Regulation 231/2008 in the Mines and Minerals Act, Province of Alberta. The 110-page document includes various exceptions and exemptions.

Secondly, government lacks the administrative capacity to monitor companies. R-C only applies to oil sands projects (and not to other types of oil). During the review process, when industry complained higher royalties would negatively impact it, it was actually referring to conventional oil, not the oil sands. Some Panel members wanted to see R-C applied consistently to all oil types to streamline the system; others argued that it would be difficult to implement for regular wells, due to their sheer number. In the same vein, the Panel looked at a legal way to count barrels and therefore calculate royalties transparently without depending on companies' data; but that legal loophole was quickly shut down and the standardization of R-C across all oil types had to be abandoned. In other words, the benefits of applying R-C to all resources to ensure maximum royalty revenues were traded off against the administrative and monitoring costs associated with it.

In the words of an Alberta-based researcher, "oil sands are actually free" (Interviewee 2) as royalties were only charged once a company had recovered its capital investment (the post-payout factor). Given R-C, the post-payout factor, and the fluidity of what qualified as allowable costs, companies had at least three ways to save before paying royalties to government: "they were not only getting their capital back, but a return on capital too" (Interviewee 12). The R-C system made sense as an incentive at first, since the sector was just beginning and needed huge investment. It was an excellent temporary tool to provide attractive investment incentives into a new sector, but in the height of the oil sands boom in 2007, it should have been replaced—or at least, seconded with a clear definition of allowable costs. This would have helped boost efficiency and prevent miscalculations against the system—and Albertans. The oil sands had already been thriving for decades, and while there was still room for research and innovation, new technologies only helped improve a system already well-oiled. In addition, the federal government "sweetened the deal with a tax break allowing oil sands companies to write off 100% of their capital investments in the form of an accelerated capital cost allowance (ACCA) – this is four times higher than the 25% writeoff allowed for conventional oil and gas projects" (Pembina, n.d.). Oil sands cost producers nothing.

Nevertheless, during and following the 2007 review, and despite the advantageous terms highlighted above, industry made multiple cost-related demands, especially that the few remaining restrictions on allowable costs be removed. Industry argued the costs of proactively establishing a consortium to share information and funding and maximize efficiency should be eligible as a deduction in R-C. It defended that working in consortium was entirely "voluntary" and served the greater good by having industry players join forces and learn from one another. The "greater good" here, meant companies' interests, given that the consortium's chief objective would be to allow new, more efficient technologies to decrease costs and maximize profits. In other words, industry asked for a discount to run a more efficient and profitable business model.

At the time, there were concerns at Alberta Energy that companies used the flexible definition of allowable costs to inflate their costs and decrease the amount on which royalties were collected (Interviewee 3). Despite being responsible for monitoring and ensuring companies act by the book, Alberta Energy was plagued with a classic issue: the asymmetrical information between a regulatory body (e.g. Alberta Energy) and the regulated body (e.g. companies). Indeed, while revenues are easy to measure, costs are not. Companies know their costs for obvious reasons; but civil servants do not. In a capitalist neo-liberalist economy, multiple factors can affect a company's costs (e.g. transfer pricing) and remain 'buried' under massive amounts of data. Companies are gatekeepers of information while civil servants are expected to manage and control an industry of whom they know little. This contrasts sharply with industry stating that it is one of the most transparent jurisdictions in the world (Interviewee 7).

Due to a lack of resources and personnel, the government was effectively unable to verify costs declared, leaving industry to auto-regulate. Industry was aware government was under-funded and could not enforce its own legislation, let alone police and audit as appropriate. The main challenge thus remained administrative: the government could neither use numbers (instead of a ratio), nor could it absorb all R-C calculations for individual wells (there are thousands of them). Prohibitive administrative costs prevented better monitoring.

Still, in 2007, the New Alberta Royalty Framework changed the costs calculations slightly. There was also a consideration that the 'C' in the R-C system would potentially become a carbon tax deducted from R-C formula, but there was no final agreement in the matter. The Panel did however introduce price sensitivity in their recommendations, even though it was a proxy for profitability, similarly to other sensitivities (e.g. productivity sensitivity, vintage sensitivity, and so forth). The Panel also operated under the assumption that pipelines were going to be built. Following the announcement that royalties would be increased for companies who lowered their costs (since they made more money in an R-C system[15]), the media headline was that the government was taking more money *overall*. Industry panicked and Panel members were name-called, harassed, and threatened. There was thus more impetus to remain below standard than to abide by the highest standard (e.g. carbon tax). This was particularly distressing since while it may have negative consequences for Alberta, repercussions could be felt across the entire country: if the federal government were to implement a carbon tax, they might just look at the Alberta model—an opaque system—and potentially copy it, building more opacity across the board.

[15] Example at 10% royalty rate: $1000 (R) – 300 (C) = $700. Royalty = $70 & Company profit = $630
Example at 20% royalty rate: $1000 (R) – 100 (C) = $900. Royalty = $180 & Company profit = $720. It is thus more interesting to decrease costs and risk getting charged a 20% royalty rate than otherwise.

4.8. The Influence of Industry's Interests: Strategies & Power

As principal actors—interests with strong economic power—and unlike other interest groups in Alberta—be it civil society, ENGOs, government, or Indigenous people—industry has large resources to ensure that its agenda prevails. Given its substantial resources and entrenched stakes in the oil sands, industry took measures and adopted various strategies to ensure its interest would be protected. Generally, it exercised instrumental power through astro-turfing, verbal threats and lobbying, and discursive power through framing, including associating industry's fate with Albertans, threats to leave, and a case study on industry's dual discourse of expert vs. victim. Finally, it illuminates an inter-interest influence, namely, the influence of the oil industry on rural communities (instrumental power).

4.8.1. Astro-Turfing, Verbal Threats, and Lobbying

Industry first made use of astro-turfing to rally public support to its cause. Astro-turfing is a practice through which companies attempt to imitate a grassroots campaign by initiating a protest—unlike genuine grassroots campaigns whereby people self-organize. In 2007, PR giant Hill and Knowlton launched an Astroturf group called GetItRightAlberta.ca who advertised itself as a coalition of "concerned Albertans, including private citizens, small oil and gas companies and members of the investment community" to feign grassroots public support for keeping royalties from increasing (Littlemore, 2007). Dave Cournoyer, award-winning writer and podcaster, investigated and denounced the astroturfing group as a fraud (Cournoyer, 2007).

Second, some Panel members reported an aggressive response from industry after the release of the report. A Panel member revealed being cornered in an elevator by an angry oil sands executive. Another recounted being demeaned for being part of the Panel and asked to leave an event by a frustrated executive. On the other hand, another recalls that when industry wanted to connect with the Panel, it was mostly done through the "financial people around them, their surrogates" (Interviewee 12).

To government, industry exerted its influence through political party donations and the usual lobbyism to elected officials. The Polaris Institute published a report about oil corporations visiting cabinet ministers fifty-three times, versus a one-time visit by an environmental organization (Cayley-Daoust, 2012). In the words of an interviewee, "If ExxonMobil's Rex Tillerson had showed up here, some of the public may have thought 'that's too much.' But the private jet and the limos beat a path to the backdoor of the Legislature" (Interviewee 12).

In addition, industry capitalized on its organizational strength. Alberta has various associations, coalitions, and lobbies centered on oil; the most famous is the Canadian Association of Petroleum

Producers (CAPP) comprised primarily of large producers. Other active groups include Canada's Oil Sands Innovation Alliance (COSIA) and the Oil Sands Community Alliance (OSCA), formerly known as the Oil Sands Developers Group (OSDG). These actors and their respective interests, organized into coalitions, pulled resources together and presented a united front to 1) ensure their voice is heard; 2) share resources and information with each other; 3) present a common front, giving them both credibility (amongst civil society, for example) and influence (when they lobby) (Interviewee 7). Industry associations, both large and small, came together and submitted a list of consensus items they had agreed to, making certain demands to the government and requiring attention to their concerns. Industry groups were organized and well-prepared; they unified around common concerns, shared by large and small producers.

Industry presented a homogenous picture of its interests by ignoring the differences amongst its members to focus on its common goal: preventing a royalty increase. The oil sector is a heterogeneous group with various—and sometimes opposite—interests (Stoddart et al., 2020[16]). There are key differences, for example, between large and small producers. The former has both domestic and international players, while the latter is mostly comprised of domestic players. Major, larger companies are usually not so opportunistic and more consistent in their ideology; they are more risk-averse and focus on large scale, long-term projects. They are usually involved in multiple jurisdictions around the world, which provides them with an exit route if domestic circumstances worsen. Small producers, on the other hand, are usually small enterprises who are much more vocal, confrontational, and are willing to take more drastic actions to ensure their voice is heard and their interests respected. Usually located in more rural parts of the province, their well-being is tied with the oil sector's, which explains why they are adamant to protect it. Occupying a strong place in Alberta's public space, their position is highly volatile and fragile.

As expected, the difference in size and scale between large and small producers also affect these players' interests. The disparity of opinions within industry was known by high level officials in government. A high-level government official mentioned that CAPP could never come to an agreement because the big producers had different interests than the small producers (Interviewee 15).

Still, due to prohibitive costs and scale, oil sands are certainly a major producer's affair. This begs the question: why look at small producers? Small producers are particularly important to the royalty story because they were used by major producers to support certain narratives. Major producers are usually very efficient with their costs and enterprises; they are part of a well-oiled machine that has successfully rode the waves of global price fluctuations for multiple decades,

[16] This heterogeneity echoes with Stoddart et al.'s most recent study on the different energy futures envisioned by the oil industry, unlike the homogeneity assumed by previous research on oil and climate change.

sometimes half a century. Small producers, on the other hand, are more vulnerable and exposed than their distant cousins. More importantly, they often run with higher costs than major players, and employ people throughout the province. When oil prices fall, they hurt immediately.

This divergence of interests between small and major producers afforded the latter with the ultimate advantage: by presenting a united front, they could associate themselves with the hardships and predicaments of small producers, all the while benefiting from their large-scale operations. When small producers are interviewed because they have to lay off half their staff, many of whom are paying their mortgage or raising families, it touches Albertans more than a larger enterprise who suffers losses in their third quarter. Whether they need to borrow money from the government (racking up their debt), sell equipment in graphic auctions (which are in reality quite common), or worse, close shop (especially when they represent a major source of employment in remote rural areas of Alberta), argue against bailing them out in the form of reduced royalties is difficult. Large industry players successfully tied their fate to that of hardworking, small producing Albertan companies.

4.8.2. Framing

As companies report to their shareholders, and not to Albertans, they have more reason to protect their shareholders by pushing back against attempts at increasing royalties than to defend Albertans' interests. Indeed, the relationship between Albertans and the oil industry is not one of equal parties. As one long-time representative of a leading independent research institute summarized: "There is really a constant drum-beat of the industry as benefactor, or that we are at the industry's bosom and we should be grateful" (Interviewee 12). Alberta's general dependency on the oil sector as felt by the public were translated, through industry's strategic use of fear tactics and threats, into fears about royalties, which were perceived as threatening the sector. Fear tactics were particularly successful in instilling and reinforcing the feeling that Albertans' fate was directly tied to industry's. Seeping fear into Albertans was simple: after having been conditioned for decades to be reliant on a sector that would provide jobs and money while feeding both their individual and collective pride, Albertans associated their fate with industry's. A threat to one would be a threat to the other. Albertans' loyalty to companies became a by-product of their dependency, pushing short-term gains such as jobs and economic activity to the forefront (Stevens and McCurdy, 2019). Still, although some Albertans fell for those narratives subconsciously, others knew they were "making a deal with the devil" (Interviewee 6).

A dominant narrative in the oil industry's quest to ensure that royalties remained low was industry's consistent threat of capital strike. In particular, industry used this threat countless times

to the public, politicians, and in the media to rally public support, creating an omnipresent climate of fear throughout the review. In 2008, Petro-Canada announced it would delay approval of a $21-billion project and then Statoil Hydro Canada then President Geir Jossang stated "In line with several other players in the Canadian oil sands industry, Statoil Hydro has decided to discontinue the upgrader project at this time" (cited in AFL, 2009). Royalties were part of discussions on work sites, where executives would raise the issue to threaten employees and encourage them to become vocal against a royalty raise. An interview indicated executives would send letters to their employees telling them "half of you will be fired, call your MLAs, this is what you should say" (Interviewee 12). In the same vein, the Panel heard countless stories of regular working people in the oil sector explaining how their family members would lose their jobs if royalties were raised. Unfortunately, when the issue is emotional and close to people's hearts, "it was all about fear, there was no room for dialogue to start talking about facts, international comparisons, lost opportunities" (Interviewee 12). Similarly to the graphic auctions of small producers common in the sector highlighted previously, threats of unemployment in Fort McMurray, empty towers downtown Calgary, or falling real estate prices seeped fear into the public.

4.8.3. Discursive Power: Expert or Victim?

Industry often positioned itself as an expert—a well-deserved title given the complexity of oil sands affairs. But whenever it felt threatened, it positioned itself as a victim. This is perhaps one of the most influential discourses industry created—and it was only possible due to its incredible agility and adaptability to various price environments and political moments.

In royalty debates occurring during moments of high oil prices, industry positioned itself as an expert who should not be disturbed by government's untimely attempts to extract more value from the resource. However, industry needed investment, so it could simultaneously demand R&D funding from government for the development of Alberta's resources and advocate for the status quo in royalties to prevent disruption to a complex system. To establish itself as an expert working for the common good, industry highlighted the positive impacts it had in the province: how it turned an unknown, uncertain resource into a multi-billion dollar enterprise, how it contributed to an environmental fund, how it invested in land rehabilitation while competing with other oil-producing jurisdictions (Noga and Wolbring, 2014). Industry underlined how good corporate social responsibility led to the development of Fort McMurray, from a sleepy town in Alberta's north to a renowned global oil capital, a "boomtown" (Stevens and McCurdy, 2019, p. 4). On the other hand, at times of low prices, industry presented itself as a victim of government's constant involvement—"beaten down"—despite industry's efforts at creating economic certainty and continuous cash flow. Industry threatened government and accused it of ignorantly

provoking the entire collapse of Alberta's economy with a royalty increase. Industry also complained it received so little recognition and support for the work it performed in Alberta.

Among industry players, oil sands producers were particularly adept at using the complexity of industry actors and their myriad of interests to their benefit. As mentioned previously, industry as a whole could maintain an image of victim while reaping extraordinary profits by pointing to smaller producers who are frequently struggling. Following increasing taxes and costs, potential stricter climate change regulations, and labour shortages in 2008, Brian Maynard, then CAPP Vice-President, pleaded, "About a dozen of the smaller oil-sands players are coming to me saying we can't make this work" (cited in Chazan, 2008). Similar strategies happened at regular intervals: images depicting employee layoffs, large-scale equipment auctions, and pathos-loaded narratives of keeping Alberta barely afloat had a powerful effect on many Albertans' imagination. They were brought home to rural communities, towns, regions, and family members scattered throughout the province. And while this may have instilled in some a desire to help industry, for the many, it instilled a sense of duty to ensure industry would not be further "attacked." Interviewees recall their motto was: "don't kick industry while it's down" (Interviewee 2; Interviewee 11).

But while the dual expert vs. victim discourse speaks to industry's incredible agility and adaptability to different price circumstances and political moments, it eluded public scrutiny due to an institutional reality: the complexity of the royalty framework which rendered it quasi impossible for the average Albertan to grasp entirely. This played to industry's hand who could repetitively argue that meddling with a complex system could have far-reaching and unpredictable—read unintended—consequences for Alberta's resources. By positioning itself as the sole holder of the key to oil sands, industry convinced Albertans it was a crucial ally in need of protection.

4.8.4. Inter-Interest Influences: The Oil Industry's Exploitation of Rural Interests

That this manoeuvre was so convincing and powerful is due to Alberta's rural context. Despite having two large cities—in 2006, Calgary had almost 1 million inhabitants and Edmonton more than 700,000—Alberta is a rural province, both in terms of population and in economic reliance on agriculture and natural resources. Therefore, unlike other provinces in Canada (e.g. Ontario) and due to the electoral map, the rural reality of Alberta provides the perfect stage for a culture built on a settler narrative of free "men"[17] struggling to make their fortunes in a harsh, desolate

[17] This narrative is often laid out along gender lines. For a deeper analysis of the manifestation of gender norms in Alberta's sands, see Dorow, S. (2015). "Gendering Energy Extraction in Fort McMurray" in *Alberta Oil and the Decline of Democracy in Canada*, edited by Stefanick et al.

land, which lends itself to public deference to and admiration for leaders in resource industries to emerge. This culture is reflected both politically (with the rise and fall of Premiers) and economically (with companies exercising unrestricted, unchecked power onto local farmers and towns).

As such, the rural caucus is very strong in Alberta. If an Albertan politician wishes to remain in their seat, they must ensure that the caucus is satisfied—or at the very least, feeling heard. As one interviewee describes it, "it is not macro, policy-, or data-driven; it is all about whether they know someone in Grand Prairie who might be hurt by a given policy" (Interviewee 12). And the rural caucus can be very influential: "they are going to be vocal, they will be tearing their head out and scratch the eyeballs of their MLAs, while the others don't care as much, proportionally. It is the tyranny of the minority" (Interviewee 12). Industry can maintain a climate of uncertainty to keep people on their toes with the use of fear tactics; these are particularly effective on rural communities dependent on oil activity. Because industry has the advantage of employing people from rural areas—and all the way to city centres—it constantly argues that it provides employment in a vacuum. Industry's strong presence in rural Alberta provides it with allies in the rural caucus as soon as its interests are threatened—as was the case with the royalty review and ensuing policy. As a former civil servant recalls, industry representatives would instill fear and play on people's dependency by making statements such as: "We don't know if we will drill this year because of government policy" (Interviewee 10), shifting the blame from the province—and people's—unsustainable dependency on oil to the government.

While rural vulnerabilities are often exploited by companies and lobbies to control politicians in power and ensure that oil interests remain protected, it would be unfair and inexact to consider all rural communities as homogenous. Indeed, some farmers famously protested the oil industry infiltration into rural communities. Former Premier Stelmach himself came from a rural community of farmers who were not particularly keen on industry's push for permission to drill and abandoned wells. As one high level government official mentioned, regardless of the argument for employing people in remote communities, "all needs to go back to the owners" (Interviewee 10). In other words, employment was not a proxy for revenues.

Nevertheless, industry successfully aligned dependent rural communities with its interests. Looking at the demographics of Alberta, there is a clear nexus between rural realities and oil-related jobs. Industry's power was too strong relative to farmers and the communities' dependency on the oil sector (e.g. for local economic activity, jobs). The presence of the "Suncor Community Leisure Centre" and the "Syncrude Aquatic Centre" with its "Shell Place" in Fort McMurray are only a few examples that illustrates the community's dependency on—and embrace of—industry (Dorow, 2013, p. 126). In this sense, industry's interests become the

community's and industry's agenda manifested through the expression of rural political interests. While industry cannot vote, rural citizens can.

4.9. Conclusion

The royalty reviews did not significantly increase Albertans' share of the pie; rather, it was a public exercise designed to make Albertans feel included, but which resulted in the government selecting only the Panel's palatable recommendations. The 2007 royalty review started very promisingly: rising oil prices open a window of opportunity for the review to happen, the review had a stellar Panel, and the government and public were both supportive. Albertans were determined to "think like owners" and "get their fair share" out of an oil industry who had free-ridden for too long. However, the Panel's report received mixed reviews: industry was displeased, the public relatively appeased, and government exposed. The report caught industry off guard because it did not expect the Panel—a government-mandated group—to make any significant recommendations; industry had been used to having an accommodating, pro-oil Conservative government. In contrast, the public received the Panel report generally well. The recommendations including royalty increases and many Albertans appreciated both the Panel's expertise and the transparency of the review process which encouraged public participation from Albertans. On the other hand, anti-royalty-increase critics deplored the Panel's attempt at comparing Alberta's royalties to those of other jurisdictions. They argued that Alberta's resources were too "unique" to be compared. On the government side, Stelmach was taken aback by some of the Panel's recommendations, especially when the Panel blamed some civil servants for being captured by industry. Many in government felt that passing judgement on members of the civil service was outside the Panel's mandate to review royalties. As for the Panel, it was disbanded immediately upon submitting its report to government; it was not given the chance to defend the report, nor explain the rationale behind its recommendations.

When the Stelmach government released "The New Alberta Royalty Framework," many of the Panel's recommendations had been left out. This discrepancy—and the moderate Panel recommendations—can be explained by various institutional, interest-based, and ideational factors. Some institutions such as universities and the media played a central role in encouraging oil activity and creating a framework for supporting anti-royalty-increase discourses. As platforms of education and information, universities and the media are at the centre of public dialogue between industry, government, and Albertans. Zooming in oil sands costs in particular, the debate on whether oil sands costs had gone up or down impacted perceptions around whether royalties should be increased or not. Yet, oil sands producers were allowed to write off 100% of their capital investment in the form of an accelerated capital cost allowance, which effectively rendered the oil sands "free." In terms of ideas, many Albertans endorsed ideas of free markets

and embraced pioneer/frontier identity particularly hostile to government involvement in private sector regulation—including royalty collection. Some Albertans also subscribed to the ethical oil narrative which encouraged further oil sands production for ethical reasons and ensured the oil sector would be protected. Finally, the oil industry exercised its instrumental, structural, and discursive power and engaged in various strategies to ensure its interests would be protected, including lobbying and verbal threats, astro-turphing, group associations and alliances, and framing. Throughout the review, oil corporations continuously used their discursive power to present themselves as either expert or victim—depending on the circumstances. They also ensured that other interests, notably rural interests, would side with and support them.

Some of the 2007 review outputs withstood the test of time; the spirit behind the 2007 recommendations is still lingering in the framework. The government of Alberta advertised the changes encapsulated in the new royalty framework as "historic" (Stelmach, 2007) but in Urquhart's words, "Historic it was, but only in the sense of confirming the historic relationship between the state and tar sands producers in Alberta" (2018, p. 193). Indeed, oil sands producers under the new royalty framework would actually be in a more advantageous position than under the 1997 framework (Urquhart, 2018). The power of the oil industry combined with Albertans' ideas and falling oil prices all limited Stelmach's political capital and the few Panel recommendations implemented were slowly dismantled in the years following the review. A decade later, these strategies and tensions resurfaced in 2015—albeit in a new political and price context.

CHAPTER V

The 2015-16 Royalty Review: Alberta Stuck at a Crossroads

5.1. Introduction

In the decade following the 2007 review, the royalty landscape was not left unchanged. The governments of Alberta and Canada officially expressed their commitment to continuing extraction by releasing “Canada’s Fossil Energy Future: The Way Forward on Carbon Capture and Storage”, a report with recommendations on government-industry partnerships to develop the technology and framework necessary for carbon capture and storage. In March 2008, former Auditor General Peter Valentine submitted a report to the government of Alberta titled “Building Confidence: Improving Accountability and Transparency in Alberta’s Royalty System.” The report was a response to the royalty review Panel and then-auditor general Fred Dunn, both of whom had criticized the royalty framework for not keeping pace with price increases and not collecting enough for Albertans (Reuters, 2008). Valentine’s report analyzed three areas: oversight of the royalty system; a review and assessment of the government’s business processes and controls; and performance measurement and reporting (Valentine, 2008). Despite proposing 13 recommendations—including the need for government to provide more transparency and concise information for Albertans to understand the complex royalty system—Valentine praised the Department of Energy for its “appropriate business processes and controls to support the goal of optimizing Alberta’s share of the resource revenue.” (Valentine, 2008, p.5).

As for industry, it was anything but idle. Over the 2007-2015 period, it became more united around the goal of preventing a royalty increase and notably pushed the government to halt the little progress it had made with the new royalty framework. In the words of an Alberta-based

researcher, the oil industry was "so infuriated that they had an independent review and they dared challenge this. The pressure they brought to bear is what led to royalty cut, after royalty cut, after royalty cut" (Interviewee 14). Indeed, barely a year the framework was implemented in 2009, industry started jointly organized sessions with the government to "discuss" resource revenues, especially royalties. "Energizing Investment Industry Royalty" sessions were organized and "Joint industry/Alberta Energy Crown royalty information exchange" events took place yearly from October 2010 until October 2012 included. These sessions were facilitated by Rhonda Wehrhahn, then Assistant Deputy Minister, Resource Revenue & Operations in partnership with executive members[18] of the Canadian Association of Petroleum Production Accountants (CAPPA). Further, over the course of 2010, the Bitumen Royalty-in-Kind (BRIK) agreement entered in negotiation and was ultimately approved in 2011. The initiative offered oil sands producers with the same choice offered to conventional oil producers: to pay their royalties in kind instead of in cash. This would supposedly allow Alberta to "use its share of bitumen strategically to supply potential upgraders and refineries in Alberta" (Government of Alberta, n.d. (c)). In reality, Alberta having little refineries and oil sands producers having vast quantities of second grade oil trading at the discounted Western Canada Select (WCS) index, the BRIK effectively favoured oil sands producers by letting them keep their cash and dispose of their product.

This chapter starts by looking at the surprise electoral victory of the NDP, which sent shockwaves across Alberta that had been under Progressive Conservative Party rule for more than forty years. With respect to royalties, the vacuum left by decades of Conservative rule and the NDP scramble to build bench strength affected the structure of the royalty review and composition of the Panel before its inception. Next, the chapter turns to examine the 2015-16 royalty review, especially institutional factors that discouraged royalty increases: the price context, the membership of the Panel, and Alberta Energy's conflicting mandate. In terms of interest-based factors, due to its particularly evident role in the review, I pay special attention to the oil industry interests and their influence on the review process, especially how the industry exercised discursive power to rally many Albertans to its cause—similar to the strategies it had successfully implemented in 2007—and to a small extent, responses from civil society despite its limited resources. Having examined Panel recommendations and policy reception—including institutional factors (e.g. flawed processes), ideational factors (e.g. some Albertans' distrust in government), and interest-based factors (e.g. industry's praising reaction to Panel recommendations)—I turn to the challenges faced by the NDP, especially governing challenges (e.g. the time constraint of the four-year

[18] In 2010, former CAPPA President Michelle Coleman; in 2011, then CAPPA President Sean Nicholson; and in 2012, CAPPA Chairman Gavin Schaefer.

electoral cycle), intrinsic challenges (e.g. an ideational schism), and royalty challenges (e.g. the fall of oil prices curtailed government's policy options).

5.2. The Surprise NDP Victory

On May 5, 2015, after more than four decades of Conservative rule, the New Democratic Party (NDP) won the provincial election with a strong majority of 54 out of 87 seats. NDP Leader Rachel Notley was sworn in as Premier on May 24, 2015, almost a decade after the first royalty review. During her electoral campaign, Notley had vowed to increase corporate taxes and review royalties. She was determined to help Albertans obtain as much value as possible from their oil. Many Albertans interpreted her promise to review royalties as a promise to increase royalties. However, reviewing royalties alone proved harder than expected.

Back in 2007, the government only implemented a selection of the Panel's moderate recommendations. Aggressive industry lobbying weakened many of these initiatives. With the memory of the previous 2007 review still fresh in their minds, Albertans saw oil prices increase exponentially to almost US$130/barrel, yet the province did not reap any additional benefits. From 2009 to 2014, global oil prices had steadily increased, remaining above US$80/barrel and even exceeding US$120/barrel in April 2011 (Macrotrends, n.d.). In this context, many Albertans became frustrated that the royalties were still "unfair" and perceived the NDP as an alternative, a fresh start, and a party that would finally help Albertans obtain their fair share.

Indeed, many New Democrats had consistently criticized PC governments for their favoring the oil industry at the expense of Albertans and the environment. In 2007, then NDP leader Brian Mason had lamented that Stelmach's framework meant Alberta would collect "less royalties than almost every other country in the world" (quoted in Urquhart, 2018, p. 272); Notley herself had denounced Stelmach's "trivial royalty increase" in 2008 (Alberta Legislative Assembly, 2008) and consistently advocated for increased royalties in the following years. At the beginning of her political campaign, Notley had even proposed the creation of a Resource Owner's Rights Commission (ROR Commission) to make recommendations on royalties within six months of the NDP accessing to power (Urquhart, 2018).

However, despite the NDP's promising initiatives, Alberta had been Conservative since 1971 and had never had an NDP government. Even in the previous government, under the 28th Alberta Legislature, the NDP had only 4 seats out of 87. As such, when Notley's NDP went from 4 to 54 seats, it was an immense surprise. For many Albertans, the NDP platform was attractive because it promised banning corporate and union donations to political parties, more accountability for corporations, and an increase in corporate taxes (NDP, 2015). The NDP had also promised a royalty review for Alberta's non-renewable resources. As no one expected an NDP victory—

until an internal polling a few days before the election—the party suddenly found itself in need of forming a government. It had to expand its search for cabinet members and high-level officials (outside of the civil service[19]) by looking into civil society's most dedicated left-wing NGOs and labour union groups. People from the Parkland Institute, the Alberta Federation of Labour, Friends of Medicare, and Public Interest Alberta among others were invited and appointed to join NDP ranks. In the days following the election, the NDP quickly appointed people from Alberta's progressive institutions and organizations to take on key positions within the new government.

The NDP faced difficulties filling its government positions. Firstly, because the Conservatives had been in power for more than four decades (many of whom were "career" politicians), few NDP candidates had any long-standing government and/or cabinet experience. Secondly, the same year, the federal election was underway; this led many NDP-affiliated individuals to focus their attention and efforts on the national level. As for the royalty review, Notley had difficulties garnering participation from Alberta's left since many were either already in the provincial government or had joined the federal government. Further complicating matters, Notley launched the climate change review prior to the royalty review, which recruited some of the last environmental resource experts of the province.

5.3. Institutional Challenges during the 2015-16 Royalty Review

5.3.1. The Price Context

As the NDP was settling in and preparing for the launch of the royalty review, the international context changed drastically. Starting in the second half of 2014 and leading up to the NDP election, global oil prices fell consistently, affecting both WTI and WCS. From $105.15 per barrel in June 2014 at WTI, the price fell to US$59.83 in June 2015; in the same vein, the price of WCS fell from US$86.56 per barrel in June 2014 to US$51.29 the following year. Toward the end of the review process in February 2016, the prices had fallen to an all-time low of US$30.62 and US$16.30 for WTI and WCS respectively (Urquhart, 2018). Therefore, while Notley had responded to Albertans' demand for a royalty review prior to her election in the midst of increasing oil prices—very much like the circumstances of 2007—by the time the NDP was elected and the royalty review process launched in 2015, oil prices had fallen.

The fall of oil prices combined with the NDP's struggle to fill its ranks affected the structure of the royalty review and composition of the Panel before its inception. Faced by crumbling oil prices and lacking the bench strength necessary to ensure a balanced representation of interests

[19] The civil service, while "neutral" in theory, had been ruled by Conservative leaders for more than four decade.

on the Panel, the NDP had narrower options when it came to appointing Panel members. Industry quickly and gleefully filled this vacuum.

5.3.2. Panel Membership & Structure

Unlike the 2007 royalty review, which consisted of a six-member Panel, the 2015-16 royalty review differed both in membership and structure. Headed by Dave Mowat, President and CEO of ATB Financial, the four-people Panel was composed of Peter Tertzakian, a Calgary-based Chief Energy Economist and Managing Director of ARC Financial Corp, Annette Trimbee, President and Vice-Chancellor of the University of Winnipeg, and Leona Hanson, Mayor of Beaverlodge, a town northwest of Grand Prairie.

The membership mattered for multiple reasons. In particular, Panel members' connections to the oil industry led to perceived conflicts of interest (Wood, 2015; Nikiforuk, 2016b). Starting with Dave Mowat, ATB Financial is government-owned and had assets of more than C$43 billion, at least 10% of which were loans to energy companies (Interviewee 2). ATB's loan structure was most exposed to royalty changes: in its 2015 Annual Report, ATB disclosed that the Corporate Financial Services group (CFS), which ranked second among banks for number of energy deals, generated 23% of ATB's revenues (ATB Financial, 2015; Urquhart, 2018). ATB had also been loaning to small Canadian companies that were at risk of defaulting if oil prices decreased or royalties increased. Finally, because ATB is government-owned, the government itself would be vulnerable to royalty changes, which strengthened the possibility of government interests aligning with corporate oil interests.

Peter Tertzakian had an extensive career with Chevron Corporation and later moved to the financial sector, directing ARC's economic research, especially focusing on energy issues. Well-known in Calgary, he brought large amounts of data and expertise to the Panel, most of it derived from his own work at ARC. In the words of an Alberta-based academic, his charisma and "superstardom" status led him to write the report almost entirely (Interviewee 13). Leona Hanson, Mayor of Beaverlodge from 2007 until 2017, brought her business development experience and her leadership at the head of Beaverlodge, a 2500-people town heavily reliant on the oil industry. She knew firsthand the advantages and disadvantages of "oil towns." Annette Trimbee was the only one with no connections to the oil industry. She did however have strong connections to the Alberta government, where she served as Deputy Minister under several Progressive-Conservative ministers, including Finance and Treasury Board, Service Alberta, and Advanced Education and Technology before returning to her hometown and leading the University of Winnipeg as President and Vice-Chancellor.

The Panel was also different in format. Unlike the 2007 review, the 2015-16 review was conducted "behind closed doors" (Interviewee 4, 12). The government created "expert groups," committees that were formed with panels of experts on various oil sources and who supported the Panel's work with information, opinions, and deliberations. Comparatively, the 2015-16 Panel had more resources than the 2007 Panel. According to industry, the 2015-16 Panel also pushed hard to ensure that they could communicate "with the average Albertan" and hear what everyone had to say (Interviewee 9).

5.3.3. Alberta Energy's Conflicting Mandate

In 2015, the bitumen market had not changed much (unlike the light oil and natural gas). The 2007 review had done most of the heavy lifting, with bitumen-based royalties, a standardized framework, and the cessation of special arrangements such as grandfathering for Suncor and Syncrude. However, oil sands royalties were still relatively low. But what proved problematic was the contradictory responsibilities of Alberta Energy whose role was both to promote energy investments and collect royalties. Therefore, Alberta Energy was responsible for encouraging the oil industry's growth while simultaneously regulating it and collecting royalties. The 2007 Panel had highlighted the paradoxical responsibilities of Alberta Energy and recommended a separation of the powers of promotion and regulation: Alberta Energy would continue to promote energy investments and support the oil industry, while Treasury Board and Finance would deal with royalty collection. In 2015-16, this issue surfaced again, complicated by the opposing interests of Alberta Energy and Alberta Finance (instability of resource revenue, corporate income tax, and so forth.). Despite these circumstances, when the 2015-16 royalty review Panel handed its report, there were no changes to the oil sands royalty regime. What explains the Panel's recommendations regarding oil sands royalties—or rather, lack thereof?

5.4. When Industry Interests Exercise Discursive Power

5.4.1. Industry Interests

The political influence of industry, materialized through its organized interests, had a huge impact on defining possibilities in royalty policy. The oil industry always favoured low royalties. But by 2015-16, oil industry representatives had learned from the 2007 review and were more united than ever to ensure their interests would prevail. To prevent any surprises in 2015-16, industry prepared itself well and doubled-down on the 2015-16 review. Unlike the 2007 Panel where none of the panel members came from industry, the 2015-16 review had multiple Panel members who were connected—albeit indirectly—to the oil industry. Industry penetrated the 2015-16 Panel as a direct response to its absence on the 2007 Panel.

Industry had perceived the 2015 NDP election as a potential threat to its expansion plan. With the announcement of a royalty review, industry found itself once again under the spotlight. In the words of an industry representative, “everyone was terrified because you never had an NDP government in Alberta” (Interviewee 9). This time around, industry knew it would need to build a partnership with the newly elected government, starting with the royalty review. Fortunately for industry, negotiating with the NDP proved easier than expected: in the words of an industry representative, the NDP was “willing to learn” because “their political state hung in the balance” (Interviewee 9). In other words, the power of the oil industry was so prominent that the NDP’s survival and chance at another election depended on establishing a trusting relationship with the oil industry.

5.4.2. Industry’s Discursive Power

While industry did not favour the NDP election, it exercised discursive power at home by using global circumstances to craft a convincing narrative in its favour. Oil prices tanked in the second half of 2015 and with the advent of shale oil/gas, industry was determined to keep royalties low. This context impacted the ideas and narratives that spread at the time, particularly enabling industry to sway the Panel members, work collaboratively with Wood Mackenzie (the consulting firm hired to provide data to the Panel), and influence public discourse by following the 2007 strategy of emphasizing the vulnerability of the oil and gas sector. In 2007, the oil sector argued that industry had suffered because of the financial crisis, the drop in oil prices, and Stelmach’s Royalty Framework—all of which affected industry’s most strategic goals, including shareholder profits and the capacity to influence policy.

5.4.2.1. Countering Misinformation

From industry’s perspective, one of the most important initiatives it took was to counter perceived misinformation. As the voice of the oil and gas (upstream) industry in Alberta, CAPP provides updates on the state of the oil and gas industry in Alberta, writes pieces in major newspapers, and works actively to “counter misinformation” (Interviewee 9). This strategy was commonplace, as reflected by CAPP’s efforts a few years alter to counter misinformation on shale gas (Rusnell, 2011; Patterson, 2012). During the review, there was a war of information. CAPP focused on countering information to discredit opposing voices: for example, a CAPP representative mentioned that the Parkland Institute had published incorrect numbers and thus, that it was CAPP’s duty to correct those numbers to frame the narrative (Interviewee 9).

Misinformation was both a domestic and international issue. Internationally, HIS Cambridge Energy Research Associates (HIS CERA) reported that GHG emissions in the oil sands were not

as big as previously thought. They defended the "decoupling GHG emissions growth from oil sands production growth," (HIS CERA, 2010) which effectively gave the green light to further oil sands exploitation. Provincially, industry appealed to people's concerns about their finances and connected them to the well-being of the oil industry. This echoes strongly with the 2007 review example of joining industry's fate with that of Albertans. For example, an interviewee remarked that industry often argued that "60% or 75% of the population have their pension in entities that are doing this work so it is ultimately good for the community or old age people" (Interviewee 12). However, the interviewee corrected, "if you are invested in companies based in Hong Kong and London, those are not moms and pops, they are the multibillion stack" (Interviewee 12). Indeed, the oil sector is not invested in local pensions but rather traded globally in the world's largest financial hubs.

5.4.2.2. Expert or Victim?

Like in 2007, industry alternated between playing the victim and the expert. During the phase when industry was not satisfied with royalty rates, it insisted on playing victim and using fear tactics; but as soon as the Panel gave its report—one favourable to industry—it shifted its position and praised the recommended framework; as an industry representative highlighted, "for royalties, we are probably world-class" (Interviewee 9). For example, industry constantly shifted its discourse on projected growth scenarios, while ensuring that both positions would favour immediate increasing exploitation. When in need of additional investments, industry often displayed scenarios until 2050, all indicative of growth (Noga and Wolbring, 2014). However, when others argued that growth would be short-lived and might end by 2050, industry responded that exploitation must be increased immediately while it is still profitable. Industry thus had arguments both for projected 2050 scenarios and for a short-lived industry: it agreed that regardless of the future, investment must continue.

To rally sympathetic feelings to its cause, industry demonstrated its fragility and used pathos-based strategies. Whenever oil critics implied industry was benefiting from subsidies from government, industry defended itself by pointing to Canadian/North American enterprises such as Bombardier or GM, highlighting that the oil industry was not receiving anywhere near equivalent subsidies to the aviation or automotive sectors. Industry only asked "for a level playing field to compete," (Interviewee 9) not for an *advantage*—the oil industry only wished to have the right to participate equally. In addition, regardless of how favourable the Panel recommendations were, industry presented itself as a victim. It saw any attempt at reviewing royalties as a threat, a step closer to increasing royalties, and thus, decreasing its revenues. An oil representative lamented that with all the royalty reviews, "we have shown we are indecisive in terms of what the future of oil and gas is" (Interviewee 9). This statement illustrates a sentiment

of regret that Alberta had to go through the process of reviewing royalties. Ideas of "fairness" resurfaced, but with a different focus than in 2007. In 2007, Albertans demanded their fair share to increase their share of royalties as owners of the resource; they saw growing national and international capital flow to the province and demanded a fair royalty share. In 2015-16, the fairness narrative was deployed to encourage investment; in an industry executive's words, "we have to be fair to continue to draw investment to the region." (Interviewee 9) Industry had been hit by low global oil prices and a shale revolution; the main goal was protection, not further affliction. Using this idea to its advantage, industry morphed and adapted its message to circumstances, tapping into many Albertans' mythologies, economic opportunities, and labour realities.

5.4.2.5. "Keep Albertans Working"

Industry attempted to rally the NDP to its cause by taking advantage of one of the NDP's foundational values, that of protecting the labour force. The "keep Albertans working" narrative compelled the NDP to compromise with industry, as the latter argued it was a crucial provider of economic activity, jobs, and livelihoods in the province. The oil/ job nexus argument also tapped into the commitments of Rachel Notley's party as well as her personal background (as daughter of a former provincial NDP MLS, Leader of the Opposition and married to a lawyer with close labour ties) and reflected increasing unemployment rates in Alberta rate. Concerns about investment and labour in the region following the oil price crisis rendered the "keep Albertans working" at all costs narrative and its implications ever more present. Like in 2007, the belief in free markets was powerful in 2015-16, and despite industry's complaints and the decrease in oil sands' attractiveness (they were not the planet's last marginal resources anymore), oil sands remained profitable. The NDP understood that the only way it could maximize popular support would be to ensure that no job would be lost as part of the royalty review and ensuing policy. Indeed, jobs in the oil sector, whether directly or indirectly, would only remain if companies were attracted to staying in Alberta.

In addition, the NDP was also cognisant of being viewed as having an anti-oil agenda. The party focused on crafting an image where it would be seen as "helping all people," including supporting industry. But the oil/job nexus proved difficult to manage for the NDP: since the oil industry was a major source of income, both directly for workers and indirectly for the economy, the NDP could not simply stop supporting the oil industry—despite the party's historic criticism of industry. For these reasons, Notley was reluctant to raise royalties. Her priorities were first to protect the labour force and second to shield industry in a low oil price environment.

5.4.3. Civil Society Challenges Industry Narratives

However, while industry would have Albertans believe that most jobs in the province are tied to the oil industry, certain civil society actors challenged the oil-dependency narratives. Leading research institutes such as the Pembina Institute and the Parkland Institute garnered public attention by leading the pro-royalty increase movement, and many Albertans weighted in. Unfortunately, they faced limitations related to scarce resources and timing: it was easier to spread a narrative than to counter one.

Both members of the Pembina Institute and the Parkland Institute participated in the review's consultation process, even trying to join the committee formed to review unconventional sources in particular—but without success. Their experience was mostly disappointing: the Institutes' representatives faced strong opposition and "couldn't even force" themselves on any issue (Interviewee 14) In addition, Pembina and others lacked capacity as a part of their budget and resources were allocated to cover and intervene in the climate change review Panel initiated by the provincial NDP. They felt their participation was limited.

Strategically, timing was crucial: pro-industry voices had spread their ideas early, and these ideas had taken root easily, making it difficult for ensuing ideas to become entrenched. An interviewee remembers having realized the importance of timing to get people on board. He had endeavoured to guide entrepreneurs to write letters of support and provide data to complement the picture painted by government-mandated consultancies, which strengthened the facts put forth for rapid decision-making.

Following the economic downturn in 2015, many Albertans felt the government was more supportive of private oil companies than struggling individuals and families. A former civil servant mentioned that the downturn revealed how much the provincial government was willing to "butt out for the average Joe" but not for a powerful corporation (Interviewee 10). However, government's support to corporate oil was often hidden. Corporations' dominant narrative was still to "get government out of the business of being in business," but with the province's economy remained reliant on oil, the government stayed discreet to continue supporting the sector without challenging its dominant narrative.

At the same time, the province had continued to encourage risky financial decisions by helping banks provide loans to industry and maintaining minimum regulatory oversight—all of which fastened the pace of development. One interviewee compared it to the moral hazard argument of the 2008 financial crisis: does helping people who defaulted on their mortgage encourages risky behaviour? (Interviewee 10) In the case of Alberta, would it not be encouraging that same risky behaviour to support banks and invest in the oil sands? As a province with a large rural

community, an interviewee recalls "good old common sense" from a rural couple who participated in a public consultation and asked: "Why are we developing so fast that we need to bring people in?" (Interviewee 10) The community of Fort McMurray—dubbed "Fort McMoney"—stands at the centre of this debate. Faced with difficulties in population, housing, infrastructure management, and even childcare, Fort McMurray is a "boomtown on steroids, of a place experiencing adolescent phase, and/or of a lack of time to catch up to the pace of development" (Dorow, 2013, p. 127; Dorow, 2015). Some Albertans were thus reluctant to "buy into" the oil rush in light of the economic downturn and the province's difficulty to face the consequences of its investment in oil and gas infrastructure, to the point of provincial labour shortages.

5.5. 2015-16 Royalty Review: Recommendations and Policy Reception

The 2015-16 report was received with mixed reviews as there were many exemptions given to the oil industry and Notley, unlike Stelmach before her, stuck to Panel recommendations. The report's goal to "reach the average Albertan" and potentially ease royalties' complexity had not been reached: industry-led public relations clouded both the review and the report. According to an interviewee, the review often felt confusing for the general public and "it left a bad taste in people's minds," leading to more distrust of the system (Interviewee 10). As for actual recommendations, none of the changes concerned the oil sands; the remaining changes were complicated and very few could explain them (in particular the changes made to oil wells). The changes government thought would be popular were too difficult to understand. Interviews reveal that government even approached journalists to task them with explaining the changes proposed, increase media coverage, and obtain popular support—unsuccessfully.

On the industry side, some dared complain that the oil sands royalties had not changed. They rejected the "status quo" and argued that policy-makers had truly "missed an opportunity to modernize" (Interviewee 7), i.e. to make royalties more amenable to industry. Others, especially from the oil sands sector, which saw no changes, praised the review. For example, CAPP welcomed the report as a "a balanced report that sets the stage for more work between industry and government to ensure Alberta's oil and gas sector is competitive in North America" (Oil & Gas Journal, 2016).

For the NDP, the 2015-16 review was a relief. While many credit Notley for accepting Panel recommendations without trying to influence it, interviews reveal that she actively tried to protect the Panel—sometimes beyond her mandate. Knowing it was very critical of the Panel's recommendations, Notley asked the Alberta Federation of Labour (AFL) to give its submission to the Panel *after* the Panel report came out, even if it meant that the document would thus not

be taken into consideration in the decisions. It was an attempt from Notley to manage AFL's dissatisfaction with the state of royalties and prevent AFL's demands to be rendered public and discussed widely in the press (Interviewee 2). The AFL responded to Notley's call and held back its submission, effectively bypassing its opportunity to intervene in that process. Nevertheless, upon Notley's announcement of the new framework, then AFL President Gil McGowan, one of Notley's long-time supporter, condemned Notley's framework: "To say that we are disappointed…would be an understatement. Virtually none of the evidence that the NDP itself has relied upon over the years was considered by the panel" (quoted in Ibrahim, 2016). Unfortunately, McGowan was not the only one disappointed.

Many Albertans felt their prospects as resource owners had not improved and the review had not been conducted well. Instead, industry had yet again gained the upper hand. In the words of a former civil servant, "2015 was a very flawed Panel and very flawed process" (Interviewee 4). For example, some wondered about review members and participants. An Alberta-based researcher revealed that it was a University of Calgary PhD student, Blake Shaffer, who was tasked with "double-checking all of Peter Tertzakian's work" (Interviewee 2) that served as the basis for Panel deliberations. In his words, "It wasn't the Department of Energy, it wasn't the regulator, it was as Dave called him, "Blake, the certifier" (…) who is a former energy trader in New York and in Canada" (Interviewee 2).

The timing of the 2015-16 review was also problematic because Notley had multiple items on her agenda that could impact the review, particularly the climate change advisory panel review that happened prior to the royalty review. In 2015-16, the timing meant that not only were resources split between the two reviews, but the precedence of the climate change advisory panel would affect the work and reception of the royalty review. Notley had enough political capital only for one panel to be progressive. Critics also pointed to the irony of the two reviews, given that one was designed to evaluate climate change impacts and an environmental transition, while the other reviewed royalties on high emitting hydrocarbons. As for industry, it considered the NDP government to be less pragmatic on the climate side—confirming that the work done on the climate Panel was more progressive, ambitious and transformational than the royalty review. Finally, by preceding the royalty review, the climate change review forced royalties to adapt to new climate policies rather than vice versa. This made it harder for Panel members and policy-makers alike as they worked through institutional uncertainty.

Overall, for Notley, the report and policy were received with mixed reactions. Industry viewed them positively as Notley had reassured the oil industry she was not going to confront it. In the words of a former civil servant, Notley "has been captured too", "it was a good thing, politically for Notley that the 2015-16 Panel didn't do very much" (Interviewee 4). The review foregrounded various industry representatives and financiers—whose work depended on the

presence of a thriving oil industry. Yet others were disappointed with Notley: they had counted on her leadership and the NDP's commitment to end the reign of the oil industry in Alberta—or at minimum, rebalance power and revenues for Albertans—and were left disillusioned.

5.6. The Challenges of the NDP

There were strong institutional, interest-based, and ideational limitations that prevented the NDP from conducting and implementing an ambitious royalty review and policy. Given the NDP's limited bench strength, surprise election, fierce opponents, and captured institutions and review members, it is not surprising that the recommendations lacked ambition. The NDP encountered multiple challenges. First, with regards to governing, the Party faced a structural institutional limitation, the four-year electoral cycle, and an interest-based limitation, the governing of a powerful sector, the oil industry. Put simply, the NDP had to compromise with industry if it wanted to stand a chance at being re-elected for another four years. Second, the NDP faced intrinsic challenges within the Party: ideational divergences led to a schism. Third, the NDP faced a strong backlash with the royalty review and was blamed for destabilizing the economy—similarly to the Conservatives being blamed in 2007—even though global oil prices tanked during that time. Alberta's modest "New Royalty Framework" policy illustrates the review's loss at giving Albertans their fair share. Taken together, these factors gave the NDP little room to revise royalties in 2015-16.

5.6.1. NDP Challenges Governing the Province

Four years is a short time for implementing an ambitious political agenda while preparing for the next election, especially when a party's ambitions are to obtain more royalties from the province's dominant industry. Strategically, one of the NDP's main goals was to remain in power—like any political party—but in this case, this was rendered more urgent as the NDP won a historic and unique victory. The drastic change of power represented by the NDP victory also meant that traditional state and non-state institutions—like the civil service or the media—were not always supportive of the NDP from the outset. The Party faced difficulties in managing both the effort to ensure its re-election and implement ground-breaking policies, particularly on the economic front.

Unfortunately, due to Notley's limited political capital—i.e. the 'currency' she had available as the leader of a first-ever elected left-leaning party in a historically Conservative province dominated by oil interests—she had to prioritize certain policies. Inside the four-year cycle, in terms of direct outputs, the NDP first started with large policy changes to establish its hold and

demonstrate its ambition: Notley's key priorities were to introduce a carbon levy, launch a climate policy review, and raise corporate taxes. Only then could she focus on the royalty review.

In parallel to implementing these agenda items, the NDP had to start preparing for the next election right away to keep the party in power. And while change cannot happen overnight, the NDP must have quickly realized that its path was dependent on the way Conservatives had set the political-economic agenda for four decades. The NDP thus had to stand in the face of various opponents: a hostile bureaucracy (dominated by Conservatives in its senior ranks), a hostile media (captured by industry), and a hostile industry (caught by surprise in the election).

Indeed, the Conservatives certainly left a strong print on public institutions. Regarding taxes for example, a former civil servant with Alberta Energy highlights that Notley "inherited an unsustainable tax structure" (Interviewee 4); in other words, it was very difficult for Notley to implement innovative policies. Still, Notley decided to implement a carbon levy despite facing opposition. The reach of conservative-oriented interests is apparent in media representations of the carbon levy: while Notley framed it consistently as a "carbon levy," (Caron et al., 2015) the conservative media was largely critical of it as the "carbon tax" (Epperson, forthcoming). Notley also raised personal taxes and corporate income taxes—both of which impacted her popularity. Many Albertans had developed a sense of entitlement and convincing them to suddenly pay more taxes was difficult. As for industry, it was hostile from the beginning. When Notley had suggested creating the ROR Commission at the beginning of her electoral campaign, she had faced sharp criticism from industry. For example, Cenovus CEO Brian Ferguson had indicated royalties could not be increased or else, Alberta would become uncompetitive and investment would suffer (Urquhart, 2018). Industry's constant rebuttal of increasing royalties eventually led Notley to pledge to work closely with industry, leading her at the launch of the 2015-16 review to state "We can't predetermine the outcome of that review—it may or may not determine an increase is necessary" (Wood, 2015). Notley had shifted her position entirely.

Still, while the NDP compromised heavily with industry throughout its mandate, it achieved a significant victory towards the end of its mandate. The NDP had to deal with the thorny issue of well clean up as it threatened the NDP government with massive bankruptcies in the private sector (Orphan Well Association, OWA). Oil companies had left thousands of leaking, opened wells in Alberta and through various ownership mechanisms (including complicated selling schemes), refused to spend the funds necessary to close the leaking wells. Industry threatened the NDP multiple times with leaving and abandoning these wells, forcing the NDP to compromise with industry interests. Fortunately, a recent Supreme Court decision, the "Redwater" case, placed fiduciary responsibility to clean up the wells on the company, and not on the government (Riley, 2019). This helped prevent a catastrophic situation wherein industry

and banks would have had no responsibility for clean-up and the government would have been bankrupt in trying to close the wells.

5.6.2. Intrinsic Challenges Within the NDP

Driven by a desire to establish a foothold in Alberta politics within the limited time afforded by the electoral cycle, Notley needed to gain credibility as a Premier, particularly for the province's most powerful group, the oil industry; she did not want to be seen as its "enemy." But she also had to follow through on her campaign promise to review royalties—it was her "fiduciary responsibility" in Stelmach's words—and had certain inescapable items on her agenda.

This compromising behaviour with industry created a schism inside the NDP. Like the Conservative party during the previous royalty review, parts of the party wanted to progress away from oil, while others wanted to create alliances with the oil industry to strengthen the NDP's hold onto power in Alberta and ultimately influence change for the longer term. The former lamented the fact that the party had shifted after the election and many NDP supporters felt the NDP was selling them out. Notley's base eroded as she was simultaneously accused of being too soft with industry and not strong enough to stand for her principles. Many saw the royalty review simply as a public relations exercise designed to appease Albertans, follow through on a promise, and satisfy industry (Interviewee 2, 3, 12).The NDP had to consider both its short-term and long-term goals and their associated trade-offs, even if it meant divisions within.

From the outside, it might be surprising to see an ostensibly left-wing party such as the NDP try to accommodate a sector like the oil industry. However, there are striking ideological differences between provincial NDP parties in the prairies and in the rest of the country. Both analysis and interviews show that the NDP in Western Canada is socially progressive, but conservative fiscally and economically. In Alberta, the NDP may have developed that way to increase their chances of being elected in an attempt to avoid being seen as too radical compared to the traditional Conservatism that ruled in those provinces.

5.6.3. Royalty-Related Challenges

The NDP also faced royalty-related challenges. In particular, similar to that of Stelmach before her, Notley's review was blamed for the economic downturn—although it was outside of her control—and her efforts at juggling both a progressive agenda and an attempt at appeasing the oil industry proved mildly successful.

First, industry and some Albertans were upset at the carbon levy. Fieldwork revealed that many felt sorry for the NDP as it was being accused of "having killed the economy" with the carbon levy, while in fact, it was collapsing global oil prices that did it; the 2015-16 review, like that of

2007, occurred as oil prices plummeted. Nevertheless, the Notley government still believed it could get a larger royalty share for the province—and if the barrel had stayed at US$100, it might have worked. But while 2008 was a short collapse, 2014 was severe and oil prices never fully recovered. Unfortunately for Notley, collapsing oil prices outside her control strongly impacted her government domestically. In the words of a former civil servant, "Government are benefactors or victims of economic circumstances" (Interviewee 4).

The NDP also had to consider potential impacts for other actors in the Alberta economy, given that its central providers were threatened. For example, for groups like ATB Financial who are at arm-in-arm with government, there was growing concerns that ATB had stopped reporting its sectoral loan exposure. More specifically, there was no way of knowing how much of ATB's debt was connected to the oil industry. That meant if royalties increased and the oil industry crashed, the government—via ATB—could be severely exposed.

Overall, multiple challenges prevented the NDP from implementing the progressive agenda it had promised. This seems to be the curse of Alberta politics when it comes to royalty reviews: both Stelmach and Notley had to back down in the face of their opponents and price context. The NDP had to make strategic decisions to favour its short-term interests although they impacted its ideology. For the NDP's strongest critics, in the words of a former politician, "the New Democrats immediately—literally starting election night—became a party of the oil industry" (Interviewee 6). The Party faced incredible pressure due to systemic and institutional constraints, leaving very little room for meaningful and long-lasting change to take place. This type of change would require a radical institutional shift of the entire economy, a reshuffling of the province's key interests, and an ideational transformation to protect Albertans' interests separately from those of the oil industry. Meaningful change would require the dismantlement of oil's deep state in the province.

5.7. Two Royalty Reviews Compared

The 2007 and 2015-16 reviews had important differences, but they had a similar outcome: little to no long-lasting change in oil sands royalty policy. In both cases, with global oil prices spiking, Albertans demanded a royalty review and elected the leaders they believed would more adequately deliver on this promise. In hindsight, the royalty reviews of 2007 and 2015-16 were laudable attempts at helping Albertans get their fair share of provincial oil resources. However, the challenges they faced prevented Albertans from getting their fair share of royalties.

The 2007 review was the first of its kind and could have laid the foundations for the type of change Lougheed had envisioned: it could have given Albertans their fair share and placed the management of the resources back into the hands of its owners. The review had an outstanding

Panel, strong popular support throughout the province, and being the first of its kind, it was free of determinism. The transcripts from the fourteen days of public consultations were all published (Urquhart, 2018) and the public consultation process in both rural towns and urban centres won the 2007 Panel the trust of Albertans. It brought an opportunity to start anew and had the potential to lay the ground for a solid, fair, sustainable, and long-term oriented royalty framework.

	2007	2015-16
Panel Structure	6-person Panel	4-person Panel
Panel Members	William M. Hunter (Chair) Evan Chrapko Judith Dwarkin Ken McKenzie André Plourde Sam Spanglet	Dave Mowat (Chair) Annette Trimbee Peter Tertzakian Leona Hanson
Consultancy	Pedro Van Meurs	Wood Mackenzie Ltd.
Process	Public consultation with the public	Public engagement process + working groups with selected stakeholders only
Transcripts	Published online	Not published

Table 2: Comparing the Two Royalty Review Panels

Yet, while the 2007 process of public consultation was certainly appreciated by the public, it proved difficult and relatively less effective than anticipated. As some Panel members reflected, public consultations were not always useful because participants self-selected, disproportionally highlighting the voices of people with strong opinions and/or self-entrenched interests. In addition, consultations were sometimes more emotional than informative: the Panel heard multiple "sob" stories from Albertans who believed increased royalties would have adverse effects on their economic well-being (Interviewee 3). Looking back, conducting public consultations may have been a political decision to appease the public, and it had mixed results.

In 2015-16, the review process was entirely different: there were no public consultations—at least not in the same way as in 2007—and no transcripts were published from the meetings (Urquhart, 2018). The Panel's work was supported by working groups, each specializing in one of Alberta's key natural resources (conventional oil, natural gas, oil sands, and so forth), and by a consulting firm, Wood Mackenzie, hired to provide data and analysis to the Panel. However, the 2015-16 royalty review had stronger ties to the oil industry than in 2007, both directly and

indirectly: Wood Mackenzie was working hand in hand with CAPP and the working groups were mostly composed of industry experts, who certainly had vested interests in keeping oil sands royalties low.

The 2007 Panel single-handedly handled all data regarding royalties, while simultaneously conducting public consultations and brainstorming on the royalty question. Interviews reveal that some 2007 Panel members would have liked more institutional support, whether structurally, or post-report, as some 2007 Panel members reported feeling overworked (Interviewee 3). For example, if the 2007 Panel had had working groups—like the 2015-16 Panel—it might have been easier to delegate some of the tasks assigned. In the same vein, the 2007 needed resources to defend the report after its publication; yet, the Panel was disbanded and lost the legitimacy it needed to explain the recommendations in the face of criticisms.

Focusing in on the composition of the Panels, the 2015-16 Panel lacked the arm's length expertise of the 2007 Panel. While the 2007 Panel had experts with knowledge from different facets of the royalty question, including academic economists, an entrepreneur, and an engineer, the 2015-16 Panel had members with strong ties to the oil industry, including only one economist who built his career in the oil sector and a banker president of a financial institution responsible for loaning funds to oil sands companies. These differences in Panel membership influenced the tone of the 2015-16 recommendations and signalled they would not be increasing royalties (Urquhart, 2018).

Both Panels were expected to untangle the complexity of the royalty framework to make it accessible to the average citizen, in addition to ensuring Albertans were receiving their fair share of the resources. To do so, the 2007 Panel suggested an easier, more accessible formula to calculating royalties, and a general increase in royalties. The 2015-16 Panel on the other hand, kept the structure in place, and only recommended changes to non-oil sands royalty rates, excluding Alberta's most profitable resources. Interviewed industry players mentioned there were small changes in oil sands royalties in 2015-16—but none are evident in the 2015-16 report. The changes proposed to oil sands royalties under a Conservative government were moderate, yet had a more lasting impact than the lack of changes under a New Democratic government.

However, reflecting back, some 2007 Panelists regret not just ranking Alberta's royalty rates in comparison to other jurisdictions on a graph and used it to show Alberta's low royalties. Doing so might have simplified royalty recommendations and minimized criticism. As a former Panel member explains, "The marketing effort, the messaging would have been very simple if we had just demonstrated the 187 countries or jurisdictions that have a royalty mechanism, and ranked them all things considered…Alberta is in the bottom 10%, or 25% for sure. We should have said nothing else" (Interviewee 12). This approach might have shifted public opinion in favour of recommendations and government policy. In other words, focusing on a basic, accessible, and

understandable comparison may have been a more effective strategy of convincing the public to support the recommendations.

But the complexity of the royalty framework persisted, enabling misinterpretations and misconceptions. For example, the 2015-16 Panel introduced various sensitivities: price sensitivity, productivity sensitivity, different vintage sensitivity, and so forth. These various sensitivities were complex for the average citizen to grasp. As a result, it proved easy for industry-led narratives praising the lack of changes recommended to take hold. In addition, there were so many exemptions in the 2015-16 review report that the average reader could not understand the recommendations (Interviewee 10). As a Panel member notes, "people don't like change; there is always going to be winners and losers and in this case, I don't think they understood who they were in some cases" (Interviewee 3). Ironically, the changes in 2015-16 were so confusing, even some oil companies did not fully understand them despite the fact that the royalty framework worked in their favour.

Some of the 2007 Panel members indicated in interviews that they regretted that there had been a Panel in the first place because the royalty review encouraged industry to prepare strategies to ensure its interests would prevail. A former Panel member mentioned: "In hindsight, I would say we were worse off after that review than we were before. Because it opened up the 'permission' for industry to push back hard in terms of this being egregious and uncalled for" (Interviewee 12). As for politicians, the Panel member added: "when myself and the Panel members are talking about it, just lamenting because we were complicit in it, jokingly, we feel complicit. That review caused the politicians so much angst that they just caved… They became terrified for their political lives. That was the institutions that got to work there" (Interviewee 12). Indeed, despite the Panel's and Stelmach's best efforts, the challenges highlighted in Chapter 4 led to middle ground recommendations. These recommendations were not fully integrated in government policy and later dismantled by aggressive industry lobbying. The policy changes enacted by the Conservatives fell short of many Albertans' expectations, leading to a disenchantment with Conservative leadership. When given the opportunity, Albertans chose the alternative.

Choosing the alternative brought an indisputable victory to the newly elected NDP with high expectations on the part of Albertans that this time around, royalties would increase and industry power would be kept in check. Unfortunately, the 2015-16 Panel was bound to be more conservative than 2007, as industry was better prepared to exert its influence. While the 2007 Panel attempted to improve the royalty framework, for industry, it served as a testing ground for opposing royalty increases, a practice industry honed in the second review in 2015-16. As for the 2015 government, it had limited political capital to counteract industry's influence. Notley's connections to labour—both political and intimate—led her to prioritize labour's well-being. For

the royalties, she compromised long term change for short term capacity to maximize her newly elected party's chances to remain in power.

Looking back, the changes proposed by the 2007 Panel were ambitious relative to the ones proposed in 2015-16. In the words of a journalist from the *Edmonton Journal* who covered both reviews, "2015 was a disappointment. 2007 seemed more like an even-handed, opened breath of fresh air document. 2015 was more of a closed-door, stale, let's not-touch-anything. 2007 was idealistic and aspirational; 2015 was more pragmatic and very much don't rock the boat, status quo. 2007 was bold, 2015 was fearful" (Interviewee 8). Both of Alberta's attempts at reviewing royalties faced challenges—many of which posed by industry—and ultimately prevented Albertans from obtaining their fair share.

5.8. Conclusion

After more than four decades of Progressive-Conservative governments, pro-conservative interests were well-entrenched in the province at the time of the NDP surprise election. Yet, the election showed promise for many Albertans whose hopes with regards to royalties laid in increasing corporate accountability and public revenues. However, the vacuum left by decades of Conservative rule and the NDP's scramble to build bench strength affected the structure of the royalty review and composition of the Panel before its inception. In this second royalty review, industry implemented strategies that proved successful in 2007 to ensure that the outcome of the review aligned with its interests, notably influencing the review process by arguing against a race to the bottom, countering "misinformation," equivocating the victim vs. expert narrative, and twisting the "keep Albertans working" narrative to its advantage.

Although industry would have Albertans believe that most jobs in the province are tied to the oil sector, many are not, and certain civil society actors challenged these narratives. According to data from the Government of Alberta Economic Multipliers and compiled by the Parkland Institute, the sectors of oil and gas extraction and their support activities for mining employ less than twelve person-years employment per dollar million invested[20] and the oil and natural gas industry "produces the fewest jobs per dollar invested of any sector of the provincial economy" (Boychuk, 2010). Leading research institutes such as the Pembina Institute and the Parkland Institute garnered public attention by leading a pro-royalty increase movement. However, they faced limitations in terms of resources and timing—it is easier to spread a powerful narrative that resonates with the public than to counteract one after it has been deployed. Similarly, there are institutional and interest-based limitations that prevented the NDP from driving an ambitious

[20] As a comparison, the Educational Services sector employs more than thirty person-years employment per dollar million invested (Government of Alberta Economic Multipliers, data presented in Boychuk, 2010).

royalty review and ensuing policy, particularly the bounds of time created by the four-year electoral cycle. Given the NDP's limited bench strengths, surprise election, fierce opponents, captured institutions and royalty review members,[21] it is not surprising that the Panel recommendations lacked ambition.

Whether it was institutional factors like flawed processes, ideational factors like Albertans' distrust in their government, or interest-based factors like industry's praising of Panel recommendations, Alberta's modest "New Royalty Framework" policy illustrates the review's inability to give Albertans their fair share. The NDP had intrinsic challenges of its own, especially institutional decisions such as having the climate change review take place before the royalty review and ideational divergences that led to a "schism" inside the Party. Taken together, these factors demonstrate that the NDP's battle was decided before it begun—its range of policy possibilities were truncated. Once again, a failed royalty review had contributed to toppling a government. Seen from an international perspective, the government of Alberta could have adapted its royalty share to world oil price fluctuations, taking smaller royalties in low price environments, and higher royalties in high price environments. Yet, industry's organized interests in the province did not allow it.

Indeed, during and after the 2015-16 review process, there were mounting concerns that democracy in Alberta was not healthy (Smith, 2015; Shrivastava, 2015; Adkin, 2016; Taft, 2017). Yet, this is neither new, nor unique to the Alberta case. Institutionally, this is one of the roots of the problem, and it runs deep in Alberta's democratic institutions. One only needs to look at the NDP's recent process to propose changes to the Alberta education curriculum on climate change to see how deep the oil industry has penetrated various ministries—not only Energy and Environment—and is shaping future generations. Then Education Minister David Eggen and then Energy Minister Margaret McCuaig-Boyd consulted with representatives of energy companies and environmental groups to "get input on the government's C$64-million review" of the education curriculum (McClure, 2018). Upon this consultation, Eggen added that the curriculum "will also ensure students (…) understand the merits of energy megaprojects…" (McClure, 2018). Oil interests permeated even the institutions that educate the new generations of Albertans.

Taken together, these two reviews demonstrate that there is never a "good" time to review royalties. When oil prices rise and industry profits exponentially from oil sands production, one expects a royalty review to allow government—and Albertans—to increase their share of these profits. However, rising prices allowed industry to play the expert arguing that government involvement might topple Alberta's good fortunes. On the other hand, falling oil prices and

[21] Here, I refer both to Panel members and members of the "working groups" as well.

negative publicity allowed industry to play the victim, defending that it took all the risks, and invested all its capital and efforts for the wellbeing of Albertans and their economy. These narratives provide industry with the ability to convince government not to further increase its anguish, leaving government with very little possibilities to increase royalties.

CHAPTER VI

Explaining Alberta's Ineffective Royalty Reviews, and Ways Forward

6.1. Introduction

By 2016, Alberta had been through two major royalty reviews and neither had significantly increased oil sands royalties to give Albertans a fairer share of the value of oil extracted from their province. The 2007 review suggested changes, but they were only partially implemented by the government and subsequently dismantled by aggressive industry lobbying. The 2015-16 review suggested no change to oil sands royalties and industry celebrated the review. What explains the decisions of the Alberta government not to significantly increase oil sands royalties in these province-wide reviews in 2007 and 2015-16?

This chapter answers the main research question by weaving together empirical findings that consider institutional, interest-based, and ideational factors from the 2007 and 2015-16 case studies to explain royalty review stasis in Alberta. It includes a summary of individual "I" factors, then collections of "I"s highlighted through the resource curse and petrostate theories, and then sheds light on 3Is factors that interacted. Next, I turn to the contributions of this study, including empirical, analytical, and theoretical contributions. Like all research, this study had certain limitations, which can point us in the direction of future research. Finally, I end with policy alternatives to improve royalties in Alberta and provide concluding thoughts.

6.2. Explaining Royalty Review Stasis: 3Is Trends & Interrelationship across Cases

As highlighted in chapters 4 and 5, there are distinctive and direct institutional, interest-based, and ideational factors across the 2007 and 2015-16 cases that explain royalty review stasis.

However, at the outset of this research, and based on the literature, I expected to find that corporate interests were the main reason behind oil sands royalties' stasis in Alberta. Specifically, corporate power literature led me to expect that oil corporations were preventing royalties from being raised by exerting traditional political pressure mechanisms (e.g. lobbying) on government. However, after completing fieldwork and interviewing actors, I found that a variety of factors played a role in pushing for or against royalty increase, leading to stasis. In particular, I found that institutional circumstances (e.g. fluctuating oil prices) both opened and closed opportunities to review royalties in a province where the government seemed to have no real interest in increasing Albertans' share. I also discovered that many Albertans resist royalty changes in part due to their understanding of resource "ownership" and the shared myths they have about themselves. These ideational factors formed the bedrock of a political culture built on oil dependency. As a result, Alberta's general political culture left little place for the profound, radical systematic change necessary for Albertans to truly obtain their share of oil sands development. These factors are summarized below, followed by specific collections of "I"s uncovered using the resource curse and petrostate theories, and interconnected institutional, interest-based, and ideational factors in direct relation to royalty stasis.

6.2.1. Institutions, Interests, and Ideas

For institutions, the first factor that defined royalty possibilities in oil-dependent Alberta was the drop in oil prices both in 2007 and 2015-16. At both times, the promise of launching a review was made during high oil prices. At the time, Albertans saw increasing wealth flowing into the province, primarily benefiting oil corporations. However, when the Conservative and New Democratic governments were elected in 2007 and 2015-16 respectively, global oil prices fell, impacting corporate profits in Alberta. This price bust triggered corporations to argue in favour of the status quo in royalty policy, despite Albertans demanding change. The fall of oil prices notably allowed corporate interests to galvanize parts of public opinion and government in their favour. Second, the institutionalization of corporate influence in government decision-making also played an important role in defining royalty possibilities. Corporations' use of revolving doors, their engagement in royalty review panels, and the funding of political parties are all examples of the general acceptance of corporate influence in Alberta's institutions. Third, Alberta's economic dependency left it vulnerable to the power of these same corporations; with most of its economy dependent on oil, it proved ill-equipped to face the constant demands of the oil industry. Fourth, rules and regulations around oil sands costs, which were debated during both reviews, but particularly in 2007, left little room for increasing royalties given the debate around extraction costs, allowable costs, and the industry's general capacity for absorbing increased royalty rates. During the 2007 review, there were also institutional challenges, especially the lack

of support from universities and the media. Both of them played a central role in encouraging oil activity and creating a framework for supporting anti-royalty-increase discourses. On the other hand, the 2015 review faced various institutional challenges, including the shale revolution, which affected oil sands' market share by changing the behaviour of Canada's largest buyer, the U.S.; the NDP's weaker institutional capacity because of its lack of experience, the surprise nature of its electoral victory, and the lack of institutional memory transfer from the PC to the NDP governments; the greater hostility of the media and civil service in 2015-16; and the limitation of the four-year electoral cycle given that the NDP government had never been elected before. Indeed, for example, the four-year electoral cycle limited the NDP's political capital given that the Party had been elected for the first time in the province's history. Unlike the Conservatives who had been in power for more than four decades, the NDP had to make a fresh start and begin implementing its campaign promises. However, industry was on its guard from the NDP election victory and the campaign promise of reviewing royalties. Therefore, to ensure that, at minimum, it would have a chance of being re-elected at the end of its mandate, the NDP decided not to provoke the oil industry further, and appointed a Panel with obvious ties to the sector. Had the NDP been in power before, or had it had more time in its mandate, it might have considered its promises to Albertans above its need for survival.

For interest-based factors, it is important to understand the impact of specific interest groups on royalty policy, namely, corporate oil actors, rural communities, and civil society actors. First, industry successfully showed a united front both in 2007 and 2015-16. Oil corporations had various needs, interests, and demands depending on their sector of activity (upstream, mid-stream, downstream), size (small producers vs large producers), and scale of operations (domestic vs. international). Yet, through various strategies and alliances, the oil industry organized to ensure it would send one message, namely: reviewing royalties was dangerous and undesirable for all. Whether through CAPP or other alliances, this heterogeneous group of corporate oil actors successfully battled against an increase in royalties. Second, rural communities—especially in 2007—proved staunch defenders of the oil industry. Their advocacy work was rooted in their dependency on oil activity and the absence of an alternative economy in remote areas. Alberta's rural caucus is famous for making or breaking political careers, especially those of leaders who might suggest oil policies unfavourable to the oil industry. Last, certain civil society actors challenged the oil industry: research institutes such as the Pembina Institute and the Parkland Institute garnered public attention by leading the pro-royalty increase movement, and many Albertans weighted in. Unfortunately, they faced limitations related to scarce resources and timing, in part due to the NDP's taking experts from Alberta's left-leaning institutions, which weakened these organizations and their ability to run successful public campaigns to support the newly elected government (Interviewee 6, 11).

Finally, for ideas, Albertans' political culture and political ideologies influenced royalty possibilities both in 2007 and 2015-16. Royalty outcomes were partly a product of the industry's framing of the issue in ways that resonated with broader "shared myths" that some Albertans have about themselves (specifically, the "frontier" identity and popularity of free market economics) and their perception of what ownership entailed. For example, these myths, built on self-reliance, rejected government involvement both in 2007 and 2015-16 often led pro-oil Albertans, owners, to demand government align its policy with the oil industry's demands. They saw royalty policy as the oil industry's prerogative and believed that increasing royalties could cause the industry harm. Other ideational factors include some Albertans' dedication to extracting "ethical oil" (in 2007) as well as ideological divisions amongst NDP (in 2015-16). Indeed, differences around the need—or not—to compromise with the oil industry led to a schism inside the party, further eroding its ability to garner support for potential royalty changes. These ideas informed the policy choices both of individuals and groups and therefore participated in influencing royalty outcomes.

6.2.2. Resource Curse and Petrostate Collections of Institutions, Interests, and Ideas

Let us turn to examine the ways the 3Is function in relation to resource curse and petrostate theories. Alberta's scramble to find new markets and its vulnerability to international events such as global oil price fluctuations and the shale revolution all illustrate the province's economic dependency on the oil sector. This dependency weakens Alberta's institutions and prevents the province from breaking away from the power of industry interests. Resource curse and petrostate theories also highlight specific ways corporations exercised power in 2007 and 2015-16.

One dominant characteristic of resource cursed jurisdictions is their tendency towards rentier behaviour (Mahdavy, 1970; Beblawi and Luciani, 1987). The absence of a sales tax in the province means that government relies directly on oil and gas royalties, and thus, on industry, which ensures that the few taxes that exist will not be raised (e.g. through the Canadian Tax Payers Federation's aggressive lobbying). Rentier state theory tells us this model is unsustainable and undesirable when building a healthy economy. In a healthy economy, governments rely on citizens' taxes, and thus remain accountable to them—not to corporations (Carter and Zalik, 2016). With more tax payers' funds at its disposal, Alberta could have easily invested in a trust fund like Norway's to benefit tax payers. In addition, the gap left by the absence of a sales tax strengthens the province's dependency on its successful sectors, especially oil, agriculture, and banking.

In addition, during oil booms, Alberta consistently drove inflation locally by reinjecting large flows of capital straight back into its economy. If Alberta had exported its financial surpluses

during the oil booms, it could have avoided large inflation. Alberta is caught in a boom and bust cycle: when money comes in, there is no impetus to change; when money does not come in, there are no funds to change. Regardless of whether the oil sands are extraordinarily profitable, they cannot be touched.

Worse, the power of lobbies ensured that Alberta's economy is dependent on a unique buyer. The influence of lobbies runs deep. As one interviewee pointed out, despite the shale revolution, the province's longstanding reliance on the U.S. illustrates the influence of American interests in Calgary in general and Big Oil and the U.S.' Energy Department in particular. These American influences ensure that Albertan oil continues to flow to the U.S.. This reliance on one product—oil—and one market—the U.S.—puts Alberta at a disadvantage when oil prices tank or technological breakthroughs like the shale revolution threaten Canada's relationship with its largest buyer. This influence infiltrated Alberta Department of Energy: in the words of a former senior civil servant now academic, when selecting a new Minister of Energy, the Premier needs to ensure they appoint someone "acceptable to industry" (Interviewee 11). In short, "Energy Ministers are cheerleaders for the energy industry" (Interviewee 11) who reinforce the province's dependency instead of prioritizing diversification to be more resilient. In a resource-cursed petrostate, the oil industry has disproportionately more power than other actors intervening in the policy-making process.

Resource curse and petrostate theories bring to light various ways corporations exercised their power. In 2007, corporations deployed instrumental power by maintaining a climate of uncertainty in rural communities highly dependent on oil activity and generously funded institutions like universities and the media to gain their favour and support. It exercised discursive power by spreading ethical oil narratives that encouraged bigger and faster oil sands exploitation and by shifting its expert vs. victim discourse, putting pressure on the review Panel and government, and making use of critical political moments. Finally, it exercised structural power by threatening to hamper Alberta's economy by leaving the province and/or stop investing, and in the aftermath of 2007.

However, industry changed its strategy in 2015-16. As the analysis of the 2015-16 case study has made clear, corporate power manifested directly in the review and was illustrated by the absence of recommendations pertaining to the oil sands. Industry exercised instrumental power by continuously lobbying against royalty increase. It exercised structural power by ensuring that key actors in the review process would be favourable to its interests, from the working groups and consulting firm, to the Panel members. Pro-industry voices had the advantage of being well-prepared and well-resourced. It exercised discursive power, spreading its ideas early, making it difficult for ensuing ideas to become entrenched. It also framed royalty issues discussed on the public scene. For example, industry transformed the NDP's discourse of "keeping Albertans

working" to its favour—positioning itself as a provider of jobs and wealth—and equivocating the dual victim vs. expert narrative. The oil industry found creative ways to pressure governing actors to keep royalties low.

In Alberta, the economic players became political players. Based on observations and analyses of the various strategies used, the oil industry exhibited many characteristics typical of a political player: it had funding and resources to lobby government; conduct and fund research; analyze data; organize protests; fund initiatives at the local level (e.g. scholarships, renovations, and so forth); send opinion pieces in the media; and spread narratives to galvanize voters. In a petrostate plagued by the resource curse, ideational landscapes were mostly pro-oil, institutions tipped in favour of the oil sector, and interest group interactions were terribly uneven. In particular, economic players (e.g. the oil industry) influenced political players (e.g. government, citizens). During the 2007 and 2015-16 royalty reviews, oil industry lobbies exerted their influence both on governed (i.e. citizens) and governing (i.e. government) to ensure that royalties would remain low.

6.2.3. Interactions

Beyond looking at the 3Is as siloed causal factors in light of resource curse and petrostate theories, I suggest that various institutional, interest-based, and ideational factors were intertwined and interrelated, often reinforcing one another. Lichbach and Zuckerman (1997, 154-156) remind us that an interest-based approach can integrate ideas by acknowledging that: (1) cultural understandings are often mobilized by strategic agents choosing cultural frames; (2) costs and benefits are perceived and interpreted; (3) the type of contention depends on the cultural context; and (4) collective interests depend on communities, which are culturally informed.

In the case of Alberta, oil corporations were strategic agents who chose specific cultural frames in favour of the oil industry to ensure that stakeholders would refuse a royalty increase and favour the status quo. In the same vein, the NDP had to decide on royalty policy based on its perceived and interpreted costs and benefits analysis. While the NDP had an ambitious strategic plan at the beginning of its mandate, it quickly realized the costs of continuing on its long-standing crusade against the oil industry. One of the fundamental values the NDP needed to protect was the labour force; after all, the NDP was created by labour for labour, to ensure that labour interests were appropriately translated into government policy. Unfortunately, with the oil industry offering numerous jobs in the province, both directly and indirectly, and paying its labour force higher wages than any other industry, the NDP faced a backlash from labour interests. Ideally, the NDP would have been able to offer oil workers alternative jobs in renewables or wells cleanup. This would have created more jobs, less dependency on the oil industry, and made Alberta more

resilient domestically. But the NDP had limited political capital and it had to choose wisely how to spend it. The ideological schism within the NDP illustrates Lichbach and Zuckerman's third interest-idea integration and demonstrates the importance of the cultural context on the type of contentions that happened inside the Party. These contentions—especially the divergences between staunch anti-oil supporters and realistic middle-grounders who saw NDP compromises to the oil industry as inevitable—stem from the heated cultural context around Alberta's oil royalties and its dependency on the oil economy. Finally, the formation of a pro-oil rural caucus is a good example of how collective interests (e.g. the need for economic activity and jobs) depend on communities (e.g. rural communities) who are culturally informed (e.g. in this case, often influenced by oil corporations' framings around these communities' needs).

In the same vein, Lichbach and Zuckerman (1997) also argue that an institutional approach can integrate ideas by accepting that (1) the opportunities allowing change in an institutional framework must first be perceived and considered useful to be acted upon; (2) culture is diffused through structure; (3) and therefore that creating cultural understandings often happens through structural networks, themselves created by institutions. In the case of Alberta, the drop in oil prices triggered Albertans to imagine an opportunity to change an institution—the royalty framework—and in the case of 2015-16, successfully elect a government that campaigned on promising that change. Similarly, the province's civil service and conservative legacy are good examples of how culture—in this case, political culture—can be diffused through structure. The civil service, despite being supposedly neutral, is necessarily influenced by the conservative culture under which it developed; at the time of the 2015-16 reviews, many civil servants had only served under a Conservative government. Therefore, in addition to remaining constant, the civil service has evident influence on the functioning of the highest institution in the province, the government. Finally, cultural understandings of what was considered an appropriate policy recommendation on oil sands royalties proved very different in 2007 and 2015-16. The understanding that oil sands royalties did not need to be changed in 2015-16 stemmed from a structural network of individuals, i.e. Panel members, who had close ties to the oil industry and were appointed by government, an institution with structural dependency on the oil sector.

The oil industry's successful association in the battle against increased royalties illustrates Lichbach and Zuckerman's (1997) conclusion that idea-based approaches also lend themselves well to being combined with other approaches. It also validates Bradford's hypothesis (1999, cited in Purdon, 2015, 15) that ideas can progress if they "'work' on interests to realign the policy goals of collective actors," and "'work through' organizations to transform policy-making routines and state capacities." By successfully corralling multiple corporate players, the oil industry capitalized on shared understandings and fears of increased royalties to realign these players' goals across sectors, sizes, and scales. In the same vein, Albertans demanding their fair

share as owners of the resource and expressing their preference via electoral voting is a good example of working "through" institutions to transform policy-making routines and state capacities, in this case, the election of a government and the launch of a province-wide royalty review.

The connections between the 3Is that the Alberta case has revealed make it clear that other combinations exist, beyond those identified by Lichbach and Zuckerman (1997). Combining institutional and interest-based approaches reveals causal explanations for royalty review stasis. For example, while both the Conservative and New Democratic governments initiated the royalty review as promised during their electoral campaigns, the NDP had limited political capital at its disposal; this limitation made it particularly vulnerable to be influenced by Alberta's structural and economic dependency on oil when it appointed a Panel with ties to the oil industry. In the same vein, certain institutional limitations bounded the Conservative and New Democratic governments' influence and favoured corporate actors. Indeed, despite being united in the goal to review royalties, the Conservatives of 2007 and the New Democrats of 2015-16 were two distinct governments representing Albertans at two different points in time. Because they stood on opposite ends of the political spectrum, there was little overlap between the two governments. This institutional limitation played to industry's advantage. Unlike the provincial government that had no learning curve or institutional memory to tap into, industry could present a united front both in 2007 and 2015-16, sharing in the experience of its conglomerate of companies under the CAPP banner. Finally, the obligation to pursue the multiple policy initiatives announced during the NDP's campaign divided the Party's attention: it had to decide how to split its political capital between the carbon levy, the climate change review, and the royalty review. After its surprise electoral victory, the NDP started with the carbon levy, which was one of Notley's top agenda items, quickly followed by the climate change review. However, by launching the climate change review before the royalty review, the NDP lacked time to prepare to reform Alberta's royalty structure in its entirety. The party also faced backlash from some Albertans who had not fully accepted that the oil industry had experienced irreparable damage. With the carbon levy and the climate change review taking up the majority of the party's resources, combined with industry pressure to keep royalties unchanged, the NDP could not meet the expectations of Albertans who had hoped for increased royalties with the party's rise to power.

Finally, combining institutions, interests, and ideas also contributes to explaining royalty stasis. Albertans' demands for a fair share failed in part because they were influenced by powerful corporate actors who ensured Alberta's royalty framework would remain in their favour. Albertans tried to get their fair share of their resources, both vocally by demanding a royalty review and politically, by electing leaders they believed would be game-changers. They asked for a royalty raise: the goal of the royalty review was to ensure Albertans received fair and

adequate compensation for the extraction and exploitation of their provincial treasure. The revenue from the royalties was to flow through government and provide social benefits to society as a whole. However, consistently low royalties across two reviews and governments show that both Albertans and government were captured by industry's influence; for example, they were convinced to favour short-terms gains over long-term benefits. The reviews were supposed to ensure that Albertans maximize their revenues; instead, industry maximized its revenue—two opposite goals. In the words of a Panel member, "what is civic, what is governance or government, what is capitalism and free enterprise" in all three of these cases, it "sure as hell isn't corporate welfare" (Interviewee 12). Digging further, this policy failure might also in part be explained by individuals who benefited personally from keeping royalties low and industry happy. The same Panel member lamented that revolving door practices were "nakedly or simplistically short term, on something that is so dramatically large and long–term in its implications" (Interviewee 12). Whether individuals benefited through revolving doors, personal investment and banking, or social perks, the few might have robbed the many—a key characteristic of a petrostate where an oligarchic minority, in this case, a petro-elite built upon corporate interests, benefits from oil revenue and resists change.

Despite their self-perceived pioneer/frontier identity and free market beliefs, many Albertans accepted low oil sands royalties, undervaluing their most profitable resource. This led to a historical trade-off which many Albertans have only begun to realize: they traded growing sustainable funding for immediate economic activity. In the words of a Panel member, "We gave up the possibility of a trillion dollar renewable growing financially resource that could meet our expenses forever, to have activity in the meantime… We gave up the long term in favour of the activity, because the activity gets politicians elected. They are feeling better because neighbors and relatives have jobs" (Interviewee 12). As a whole, Albertans demanded a royalty increase; individually, the powerful, organized few (the oil sector) profited from the status quo and shaped the institutions that govern Alberta's resources.

6.2.4. Concluding Thoughts on Alberta's Royalty Stasis

The three "I"s analysis, both as individual and intertwined factors, combined with the petrostate and resource curse theories, provide an on-the-ground explanation of oil sands royalty stasis in Alberta. We saw that ideas are wielded by powerful interest groups who have preferential access to policy making through institutional structures that develop over time. This analysis provides a micro-level view of a resource-cursed petrostate: unpacking and seeing more clearly the nuanced workings and dynamics at play in an oil-dependent province reveal that we require more than corporate interests to explain royalty stasis. Ideas and institutions are equally important. When combined with the petrostate and resource curse theories, the three "I"s are yet another

way of thinking about institutional and political resource curses. Taken together, these theories combined with the empirical findings presented here, allow for macro-level conclusions regarding the significance of all three Is in the case. The 2007 and 2015-16 royalty reviews confirm that in a petrostate plagued by the resource curse, the oil industry, as a hybrid economic and governance player, can control policy. However, throughout the study, I make the argument that both international circumstances (e.g. fluctuations in global oil prices, the shale revolution), together with domestic ideas Albertans embrace (e.g. pioneer/frontier identity, free market beliefs) defined policy possibilities at home. Performing this analysis at the provincial level shows that a multitude of institutional, interest-based, and ideational factors—operating sometimes in silo, sometimes in connection with others—participate in explaining stasis.

Surprisingly, although one might expect Conservative governments to favour low royalties, oil sands royalties were actually increased more significantly in 2007 than in 2015-16. The long-standing Conservative presence in Alberta might explain why the Conservative government and the 2007 royalty review fared better than the NDP government and 2015-16 Panel. Conservative interests were well-entrenched in the province and with oil prices skyrocketing, many expected a review. In particular, industry "trusted" the Conservatives to constrain opportunities to increase royalties because the Conservatives had historically been favouring industry. In addition, the Panel appointed by the Conservative government was well-balanced with various expertise on energy and tax structures. In contrast to 2007, industry was better prepared in 2015-16. The NDP's surprise election left it scrambling to put together a government while launching the ambitious initiatives it had promised during its campaign, thus affording industry the strategic advantage of preparedness. Like the Conservatives, the New Democrats also faced a price bust upon being elected and Notley submitted to industry's interests. However, despite this concession, industry did not support the NDP in the 2019 election. The NDP compromised, but industry's interests ultimately decided they would be better served by a Conservative-oriented government.

That being said, while the NDP had the aforementioned factors playing against it from the beginning, this study shows that no political party in Alberta's recent history succeeded in implementing significant royalty policy changes, not even the Conservative party. This limitation illustrates in part the power of the oil industry in Alberta. Even when there was a radical change of government, the NDP, who placed royalty reviews at the core of its electoral campaign, proved unable to enact meaningful changes. Further, industry was so involved during the reviews that when asked during interviews if there was anything they would have changed in handling the reviews, industry representatives replied they would have liked to give people the benefit of the doubt more often instead of assuming that all Albertans were determined to raise royalties. Industry would not have regrets if it had not deployed its powers to influence royalties. Industry

thus felt it may have taken royalty changes more seriously than necessary, or perhaps, could have been more willing to work with other groups, including government.

We see industry's power even post-reviews: while the oil sector had consistently vocally opposed government involvement, oil sands players asked Notley's government directly to mandate production cuts to protect the industry (Seskus, 2018). Nevertheless, corporate power alone cannot explain royalty stasis; additional institutional, interest-based, and ideational factors played a critical role in royalty policy. The government of Alberta proved unable to manage the resource per its constitutional duty to ensure that Albertans obtain their fair share of the resource; rather, it operated like a business, giving the oil industry almost free rein in influencing policy. Ideas, especially pro-royalty increase ideas, were equally powerful, although the agents who yielded them were not always invited at the policy-making table. They found themselves limited to keeping the status quo rather than influencing royalty outcomes. Institutions provided structure, rules, and processes, often shifting between enabling powerful interest groups and ceding to Albertans' demands. Overall, reflecting on the 2007 and 2015-16 reviews, this thesis goes beyond traditional understandings that corporate power alone explains policy outcomes and argues that it is a myriad of institutional, interest-based, and ideational conditions that shaped oil sands royalty policy.

6.3. Empirical, Analytical, and Theoretical Contributions

6.3.1. Empirical Contributions

These findings contribute to the literature in several ways. Empirically, they provide in-depth comparative case studies of oil sands royalty policy and review processes in 2007 and 2015-16 in Alberta. The case studies contribute to understandings of how royalty policy is decided and its reviews conducted. For example, through my analysis, I find that the influence of fluctuating global oil prices, Albertans' perceptions of their rights and responsibilities as owners, and the influence of corporate interests are all factors that played a significant role in influencing royalty policy. Furthermore, this is the first comprehensive study comparing the two royalty review processes of 2007 and 2015-16, which are unique in Alberta's history. [22] By doing this comparative work, this study tracks similarities and differences between the two reviews and analyzes how some of the differences impacted the review outcomes.

The dissertation's main empirical contribution comes from fieldwork which provided new insights to explain royalty policy and stasis. Indeed, conducting interviews on the ground with key actors is the centrepiece of this research project and its most significant contribution, given

[22] There have been smaller royalty reviews, but nowhere near the extent of the ones in 2007 and 2015.

that many of the interviewed actors who intervened in one or both royalty review processes had not yet shared their assessments and reflections on those reviews. It contributes to the literature by revealing new empirical date through interviews with Panel members, government officials, and industry executives. Fieldwork in Alberta was conducted with the specific goals of building a strong understanding of oil sands royalty policy in 2007 and 2015-16 given Alberta's long history of oil development; understanding power dynamics between stakeholders; examining institutional structures that limited or allowed policy change; and shedding light on narratives and ideas behind entrenched opinions—all of which defined royalty possibilities.

Fieldwork also illuminated factors that were presumed to be influential, yet proved remarkably not. For example, before fieldwork, I expected to find that the idea of "Canada as an energy superpower" would certainly have impact on the development of royalty policy: it could easily be used as a show of discursive power by oil corporations hoping to dominate public discourse in favour of low royalties. In addition, the concept of Canada as an energy superpower played an important role in the contemporary economic strategy of former Canadian Prime Minister Stephen Harper—who was in office during the 2007 royalty review—as he used the term to brand Canada's vast energy resources on the global energy market (Way, 2011). The term then reverberated through scholarly and policy circles and I expected it would make its way into the debate around royalties in Alberta, as an idea that would support increasing development at low costs. However, upon conducting interviews with actors on the ground, it quickly became clear that many Albertans refused to subscribe to the idea that Alberta had a role to play in Canada's energy superpower status. Indeed, the energy superpower narrative implied national collaboration and cooperation with the federal government. The phrase proved better suited to support the construction of pipelines across the country--a federal jurisdiction given its interprovincial nature--than to be used by the independently-minded Alberta government and oil corporations to encourage investment and activity in Alberta.

The dissertation contributes an analysis of the extent to which Albertans can manage their resources and the various institutional, interest-based, and ideational factors that influence policy. Further, it analyzes the implications of ownership for royalty policy that can be applied to natural resource governance in other provinces and subnational entities that give specific rights and responsibilities to citizens while considering the government as proxy.

6.3.2. Analytical and Theoretical Contributions

My findings draw upon four theoretical bodies of literature: the 3Is, resource curse theory, petrostate theory, and corporate power framework. Together they make sense of the government

of Alberta's unwillingness to increase royalties in 2007 and 2015-16 in any significant way. First, my analysis makes several analytical contributions to the literature, including:

- An understanding of how the 3Is can be applied in the Alberta oil sands policy context to recognize, map, and categorize institutional, interest-based, and ideational factors at play in influencing royalty policy. In testing the value and usefulness of the 3Is, my conclusion is that all 3Is played an important role in influencing royalty policy; they are intertwined. The 3Is framework is particularly useful because it is comprehensive, yet flexible enough to be applied to different policy contexts (e.g. oil-related), cases (e.g. subnational), and factors (e.g. international or national).

- A confirmation that resource curse and petrostate theories can be applied to subnational entity—as opposed to the more common applications on national states. Both resource curse and petrostate theories are useful to explain the royalty situation in Alberta. In particular, the value of petrostate theory is that it predicts accurately the dependent nature of the government of Alberta and its economy on the oil sector. In the same vein, resource curse theory sheds light on the impact on policy conditions and culture of the province's oil dependency.

- An application of Fuchs' theory of corporate power to frame the significant power and influence of one specific interest group, oil corporations, on royalty policy. This application shows that corporations promoted their legitimacy as governance actors by drawing upon instrumental, structural, and discursive power.

Further, in doing the aforementioned, this study makes several theoretical contributions. More specifically, it provides a framework for using the 3Is in combination with:

(1) Specific oil theories, namely the resource curse and petrostate theories, to illuminate specific constellations (or "collections") of institutional, interest-based and ideational factors to be found in analyses of energy policy development. Resource curse and petrostate theories are especially useful to explain "how the Alberta world works" but they are leaning on a more deterministic side, which sidelines dynamics around royalty policy—hence the necessity to combine them with the 3Is.

(2) Fuchs' corporate power framework to understand the tools available to corporations exerting influence and transforming into governance actors. However, as mentioned above, while this study acknowledges the dominant role played by corporate actors—evident in the use of a specific typology of power—it also demonstrates that the story of oil sands royalty policy development in Alberta was more complex than simply the role of corporate actors.

Nevertheless, Fuchs' corporate power framework lends itself well with the 3Is because it allows for a more nuanced, fined grain understanding of interests specifically. It also works especially well in this study because oil corporations are a very powerful and influential type of corporation.

In conclusion, this study reinforces that the 3Is framework can successfully explain influences on public policy developments at the subnational level, and not only at the more traditional level of the national state. Fieldwork and empirical data reinforced the value and usefulness of resource curse, petrostate, and corporate power theories as they unfolded in the Alberta case. Taken together, this study demonstrates that the 3Is lends itself well to oil contexts, confirming its flexibility. Indeed, this study draws from the resource curse and petrostate literatures to analyze the ways in which oil policy develops specifically and from the global governance literature on the different dimensions of power corporate actors can exercise to influence policy. The analytical framework used thus provides a more complete picture by combining a public policy theory with two oil-context theories, and digging further, one to map the power exercised by the dominant actors in the case. Through case studies on Alberta's oil sands royalty policy and reviews, this dissertation demonstrates that the 3Is combined with resource curse, petrostate, and corporate power theories work to explain policy stasis. Ensuing empirical, analytical, and theoretical contributions support the development of policy-making practice, processes, and mechanisms that preserve the public's interest in managing its natural resources.

6.4. Limitations and Future Research Avenues

In answering the question "What explains the decisions of the Alberta government not to significantly increase oil sands royalties in the 2007 and 2015-16 reviews?", this study examines causal factors mapped through the 3Is, with a focus on specific collections of "I"s predicted by resource curse and petrostate theories. The study goes further, using Fuchs' corporate power framework to examine the power exercised by the dominant interests at play, namely, oil corporations. It traces two landmark royalty review moments in Alberta's history in 2007 and 2015-16, but also offers a historical overview of royalty events leading up to 2007. Yet, despite this comprehensive approach, the study has limitations.

Alberta has the largest oil resources in the country, far ahead any other provinces, which is why this study proposes to learn from the Alberta case first. Singling out one province allowed for the development, application, and testing of an analytical framework combining multiple theories to explain royalty policy outcomes during the 2007 and 2015-16 reviews. However, Alberta is not the only province with oil. Saskatchewan, Newfoundland and Labrador, British Columbia, and to a very small extent, Manitoba, as well as other regions, such as Northern Canada and Eastern Canada, all produce oil. Therefore, to push this research beyond an inter-provincial case study,

one would need to study royalty policy in other Canadian provinces, as the Constitutional Act of 1867 and its subsequent 1982 amendments explicitly recognize that the Canadian provinces have constitutional rights to manage their own non-renewable resources, including the power to levy taxes and royalties. To map all potential factors behind a provincial government's decision to change royalties, further research might examine royalty policymaking in other provinces for insights into potentially missing causal factors, ones that might not be immediately apparent in a single case study like Alberta. This would take the form of an inter-provincial comparative studies to cross-reference royalty policies and their review processes in other oil-producing Canadian provinces.

Second, and in the same vein, this study concentrates on corporate power only in one province and in one sector. The dissertation nuances the various corporate oil actors active in Alberta generally, and in royalty policy specifically, by distinguishing between large multinationals and smaller local producers. It also highlights how the needs, concerns, and objectives of these corporate actors often differ; yet, in the case of royalty policy, they often tried to focus on their similarities and overlapping goals rather than differences. This strategy proved particularly effective in swaying public discourse in favour of low royalties. However, these findings do not indicate whether the influence of oil corporations is common for economies dominated by a specific sector, or whether this influence of oil corporations is unique to that sector. To further examine this issue, further research might apply Fuchs' corporate power framework to other influential and dominant industries and compare it to the power of the oil industry in Alberta. For example, this new research might uncover that the power enjoyed by oil corporations in Alberta is relatively typical for a dominant industry—regardless of the sector. On the other hand, by looking at other provincial economies where there is a dominant sector, the research might bring to light the unusually dominant power of corporate oil actors compared to other corporate actors. The latter research avenue might contribute to oil-related literature on the unique power of corporate oil actors.

Third, the study looks at two moments in history, 2007 and 2015-16, but fieldwork was conducted in 2018, at a time where the NDP administration responsible for launching the second royalty review and determining the new royalty framework, was still in power. Therefore, while interviews were conducted with key stakeholders on royalty policy—including royalty review Panel members; formerly elected government officials, members of opposition parties, and long-standing civil servants; industry actors, particularly corporate executives of major companies involved specifically in the oil sands and industry associations; and civil society actors, university academics, researchers at institutes, and journalists—the establishment of the NDP at the time limited interview possibilities. At the time, public servants and elected officials were often unavailable to meet and/or bound by silence by the administration. Therefore, future research

might unlock critical findings with regards to the NDP, now that a different government leads Alberta.

Building on the aforementioned limitations and subsequent future research avenues, it would be particularly interesting to apply the same analytical framework used here—a combination of 3Is, resource curse, petrostate, and corporate power theories—to look at other subnational cases, especially across countries. An example that comes to mind is to look south of the border, to the U.S.. With significant oil production activity, the states of Texas, North Dakota, New Mexico, Oklahoma, and Colorado could all provide a backdrop against which to study the Canadian provinces. While there are major differences between Canadian provinces and American states (e.g. resource ownership arrangements), at their core, both provinces and states are coping with similar patterns of fossil fuel dependence and hard lobbying from fossil fuel interests. In addition, both are trying to strike a balance between gaining from resource extraction while not deterring said extraction. Future research might thus offer an understanding of how these dynamics play out and compare the role and behaviour of corporate oil actors in the two cases: are oil corporations more or less involved in policy-making south of the border? What might have large oil multinationals involved in both countries "learned" from their experience in the U.S.? This approach would not only illuminates the role of corporate oil actors and how they exercise their instrumental, structural, and discursive powers, but also shed light on factors that influence their behavior (e.g. the relative authority of subnational governments, the support of the population, the power of pro- and anti-oil lobbies, etc.).

6.5. Policy Alternatives & Conclusion

This study is a critical analysis of royalty policy in Alberta during landmark royalty reviews in 2007 and 2015-16. Therefore, after careful examination of institutional, interest-based, and ideational factors at play in influencing royalties in this subnational, resource cursed petrostate, this section discusses potential policy alternatives, first at the micro-level—including review timing, royalty review Panel process, and royalty rates—and second, at the macro-level—accounting for broad institutional, interest-based, and ideational changes.

The 2007 and 2015-16 royalty reviews demonstrate there is never a "good" time to review royalties; rather, domestic and international institutions, interests, and ideas change so fast, the only way Albertans can ensure their "fair share" of the resource is by reviewing royalties more frequently. History shows that Alberta's royalties are reviewed every ten years or so. A former high level Alberta civil servant proposed a solution that would ensure a flexible royalty framework, more adaptable to political and economic circumstances: annual reviews. Annual reviews would accommodate for gradual structural and circumstantial changes, both

domestically (e.g. a newly elected political party) and abroad (e.g. the shale revolution in the U.S.).

In terms of process, the reviews would still be conducted by a Panel, as it is a format that concentrates high level expertise. I suggest a format following that of a standing commission, composed of academics and independent experts, to be in charge of reviewing royalties on 4-year terms—similar to government—and who can decide on an individual basis to cancel or renew their affiliation with the Panel. This would ensure that as influential domestic and international circumstances change, the Panel retains a continuous expertise in royalties, rather than start from scratch at every review. In addition, the Panel would be supported by a Secretariat, who would provide logistical and basic research support to Panel members, freeing them from the minutiae of everyday tasks to focus on the complexities royalty analysis and policy possibilities.

Similar to the current system, the Panel would need to be selected by the provincial government. However, in contrast to the current system, the central requirement, beyond being well-versed in royalties and oil research, would be for all members to have neither direct nor indirect ties to the oil industry. This is particularly crucial to ensure that royalties are fairly assessed and reviewed. While it is necessary to ensure that the oil industry, as the royalty payee, is offered an opportunity to express its views, it is precisely because it is a payee, one with the strongest interest in keeping royalties low, that it cannot be allowed influence on the Panel. Alberta's resources belong to Albertans and they alone must make decisions regarding their resources' royalties.

Nevertheless, it is also important to ensure that the oil industry, and all other key stakeholders are provided an opportunity to express their views. To that end, I suggest a format that builds on the strengths of the 2007 and 2015-16 reviews, respectively, public involvement and expert groups. In 2007, the Panel visited dozens of communities throughout the province to ensure that everyone would have their voice heard. In 2015-16, the process was conducted mostly behind doors with expert groups formed to support Panel work—but many of these groups were industry executives, not regular citizens. The new format proposed here would create room for all stakeholders by offering them the opportunity to submit and present their position to the Panel. These submissions and presentations would complement the primary data at the Panel's disposal and support the Panel's research and analysis. This process would take place over a limited time window shorter than the 2007 Panel's to keep the work of the Panel manageable. The challenge here would be to ensure that this window allows for a wide variety of voices to be heard given that stakeholders in Alberta's royalties are many and of disparate financial means. This is where the Secretariat would play a key role in filtering and organizing the submissions and presentations to ensure fair representation of various parties. For example, there would be a specific number

of presentations allocated to different interest groups, including industry, researchers, NGOs, citizen groups, unions, and Indigenous people.

The new Panel format would also prevent the dismantling of the Panel upon the release of its report to ensure members have the opportunity to defend recommendations on the public scene. In 2007 especially, dismantling the Panel proved disastrous both for the recommendations given and for Panel members themselves. Given that the Panel was dissolved upon submitting its report to government, it was left without resources and authority to defend its recommendations. For example, this allowed opponents supporting the status quo in royalties to vehemently criticize Panel recommendations in an attempt to sway public opinion against these recommendations. This created a one-sided conversation where the experts tasked to review royalties abruptly fell silent.

Finally, deciding on the ideal royalty rate is not for the researcher, but rather for policy-makers and Albertans. It remains necessary, however, that the royalty rates be tiered to global oil prices—as was proposed by the 2007 Panel—in a simple, understandable, and straightforward manner. As global oil prices increase, the royalty rate should increase as well. Indeed, Albertans, as owners of the oil sands, should have priority in receiving a larger share from their extraction, not corporations. As mentioned previously, the 2015-16 Panel did propose various sensitivities (including price sensitivity, productivity sensitivity, and different vintages sensitivity), but the calculations proposed were so complex, very few of the experts interviewed during fieldwork understood the changes proposed. While other sensitivities could remain "obscure" if necessary, price sensitivity is the most evident, impactful, and sensible of all sensitivities and should thus be clear and straightforward. Global oil prices should be directly tied to royalty rates in Alberta.

As for macro-level changes, the 3Is framework illuminates potential policy alternatives that go beyond royalty reviews and suggest large scale change in Alberta. After conducting this study, it is clear that one of the reasons behind the controversial nature of the royalty review process stems from the fact that, institutionally, structurally, Alberta's economy is heavily reliant on oil. The importance of economic diversification to prevent over-reliance on one sector—and thus the potential disproportionate power of corporate players from said sector—has been extensively reviewed in the energy literature on Dutch disease. Dutch disease theory posits that resource booms sharply increase exports, inflows of foreign currency, and therefore appreciation of the exchange rate. This in turns negatively affect other sectors of the industry who, forced to raise their production costs, become less competitive (Ross, 1999). The phrase itself was coined in 1977 by *The Economist* to describe the adverse effects on Dutch manufacturing following three events: great natural gas discoveries in the Netherlands in the 1960s, the appreciation of Dutch real exchange rate, and the distress of the Dutch economy as a whole (Coerden, 1984). Some scholars have even argued that Alberta suffers from Dutch disease, which prevents it from

reinvesting capital in non-resources sectors. However, due to the expensive nature of extracting oil in Alberta, it is high oil prices and economic dependent on the U.S. rather than oil discovery that negatively affected other industries. For example, (Beine, Bos, and Coulombe, 2012) studied Alberta and Saskatchewan's oil booms and found that some of Dutch disease's attributed effects were actually derived from the entangling of Canadian and U.S. currency. Thus, Alberta might have to confront the bleak reality that its economy—as it currently stands—is unsustainable and requires economic diversification if it is to avoid collapsing due to falling oil prices and diminished oil sands extraction.

For interests, the power of corporate oil actors has been extensively studied in this thesis; yet, it remains that as corporate actors gain increasing legitimacy as governance actors, government needs to redefine the framework articulating their field of action. This framework and its mechanisms need to be put in place and controlled by a democratically-elected government since it is the proxy for Albertans in the management of their resources. As mentioned in the earlier part of the thesis, in the post-2000s, there has been a push for corporations to voluntary self-regulate (Pearson and Seyfang, 2001). Unfortunately, as companies' main fiduciary responsibility remains to their shareholders, it is unreasonable to expect their voluntary self-regulation to be in favour of the public when their interests collide. The trend against government regulation of this powerful industry needs to change if corporate actors are indeed to remain legitimate governance actors.

However, the trend aforementioned can only be reversed if there is a profound cultural shift away from government disengagement and toward increasing involvement. Government could lead this shift from the top-down by creating a taskforce to engage with Albertans. This taskforce would have two primary goals. First, it would open up a province-wide discussion on the meaning and associated powers of Albertans' ownership, as citizens responsible for one of the largest and most lucrative resources on earth. Second, the taskforce would launch a PR campaign to help Albertans realize that the government of Alberta acts as their proxy; as a partner, not as an opponent. Citizen-owners need to be engaged, informed, and in a position to decide the fate of their resource, of their province. While there have been laudable attempts at shifting the conversation away from a confrontation with the oil industry, these attempts have been mostly coming from the grassroots level and isolated to a few ENGOs and research institutes dedicated to helping Albertans regain their legitimacy as owners.

To conclude, there are various micro- and macro-level policy alternatives that would help improve royalty review processes and the province's approach to resource extraction. Timing, Panel process, and royalty rates are all initiatives that remain accessible to policymakers. Policy alternatives at the macro-level such as economic diversification, regulation of corporate actors, and a cultural shift are also approachable and should be given significant thought if Alberta is to

reinvent itself in an age of climate change and resource transition. Nevertheless, the policy alternatives highlighted above can only be implemented if there is a province-wide appetite to do so, at all levels of society, from citizens to elected government officials. Indeed, pessimists studying Alberta might argue that if government is captured by industry from the top-down, perhaps the only way for citizens to break the resource-cursed petrostate cycle is by mobilizing large segments of society, refusing further oil exploitation, and demanding better accountability.

One particularly important avenue to do so could be to support "keep it in the ground" (KIIG) initiatives that restrict fossil fuel extraction and the infrastructure that would transport that production. This policy effort would help counter the influence of the oil industry and move toward achieving the emissions reductions necessary to ensure climate stability. Costa Rica was the first national government to implement a moratorium on oil exploration and extraction in 2011. Following, and in rapid succession in late 2017, France, Belize, Denmark, Ireland, New Zealand, Spain, and Germany announced bans on oil, gas, or coal exploration or extraction (Carter and McKenzie 2020). In Canada, subnational governments are already experimenting with bans on fossil fuels, notably in Québec. KIIG initiatives illustrate how citizen mobilization can be an instrument to keep industry in check when a government is captured. For KIIG, bringing the battle to the grassroots level forced industry to explain, compromise, and ultimately face the power of citizens from the ground up. Pressures will only continue to mount on Alberta's oil sands industry.

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Appendix

List of Interviewees

Interviewee Code	Primary constituency	Location	Date	Length (min)
1	Research Institute	Edmonton, AB	December 2018	68
2	Research Institute	Edmonton, AB	December 2018	100
3	Former Royalty Review Panel Member	Calgary, AB	December 2018	125
4	Former Civil Servant	Edmonton, AB	December 2018	106
5	Research Institute	Edmonton, AB	December 2018	60
6	Former Elected Official	Edmonton, AB	December 2018	95
7	Industry Representative	Phone	December 2018	59
8	Journalist	Edmonton, AB	December 2018	84
9	Industry Representative	Phone	December 2018	47
10	Former Civil Servant	Edmonton, AB	December 2018	150
11	Former Civil Servant, now Academic	Edmonton, AB	December 2018	76
12	Former Royalty Review Panel Member	Calgary, AB	December 2018	113
13	Academic	Edmonton, AB	December 2018	62
14	Research Institute	Calgary, AB	December 2018	31
15	Former Elected Official	Edmonton, AB	December 2018	59
16	Former Royalty Review Panel Member	Phone	August 2020	59

Semi-Structured Interview Schedule

Question 1:

Could you start by telling me about the position you held during the royalty reviews, how you participated, and why?

Follow up: Did you have any expectations prior to the reviews?

Question 2:

If you had to summarize the main contributions or outcomes of the Panel in [2007 or 2015-16], what would they be?

Question 3:

What were the greatest challenges faced by the Panel in [2007 or 2015-16]?

Follow up: Do you think oil price fluctuations on the global scene impacted the reviews?

Question 4:

What are the most important ideas and narratives around oil sands royalties? Do you think they had an impact during the reviews? Why or why not?

Question 5:

Who were the most influential groups of people during the debate? Why? Where did their influence come from? How about opposing groups? How did they ensured their voice was heard?

Question 6:

Are there institutional structures that may influence how oil sands royalties are set in Alberta? *(I provided a list of examples to help define what I meant by "institutional structures.")*

Question 7:

Do you have a model jurisdiction in mind when thinking about oil sands royalties?

Question 8:

Knowing what you know now, is there anything you would change about the review process?