



Oil Sands Priorities for
the Athabasca Region





Our Priorities

OSCA has four focus areas:

Community Wellbeing

Workforce

Infrastructure

Indigenous Community
Relations

About OSCA

The Oil Sands Community Alliance (OSCA) pursues innovative solutions to build thriving communities and enable the responsible growth of Canada's oil sands. We use a collaborative approach to facilitate engagement among stakeholders including municipalities, government and industry. Collaboration builds relationships and creates opportunities for dialogue, information exchange and shared success.

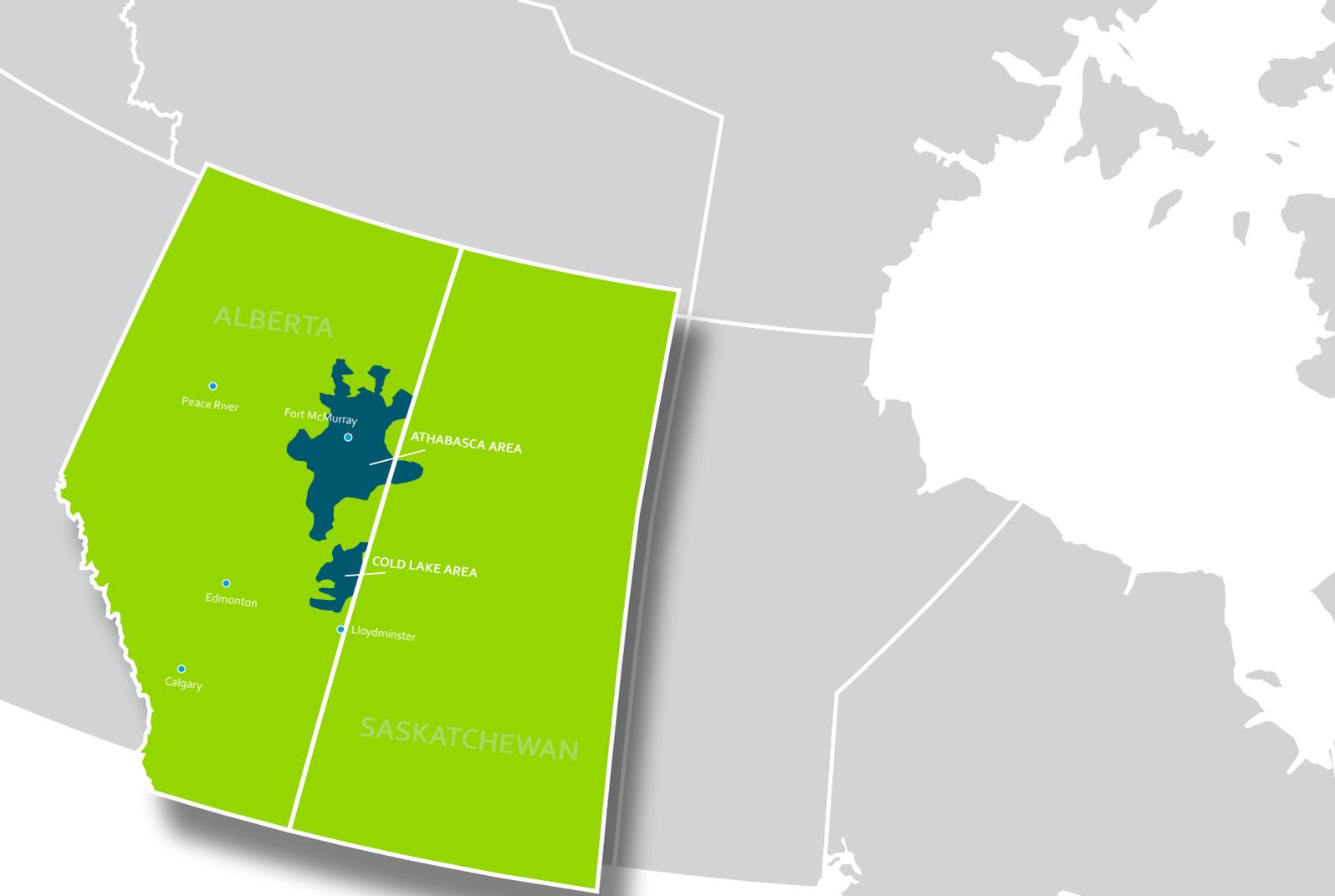
OSCA was established in 2013 with some 15 industry members whose assets are in the Athabasca Oil Sands Area (AOSA). Although we are a relatively new organization, OSCA was built on 20 years of cooperation by oil sands companies with municipal governments and stakeholders through predecessor organizations including the Oil Sands Developers Group (OSDG) and the Regional Issues Working Group (RIWG).

OSCA currently has four main focus areas (see sidebar). We identify issues from the perspective of those potentially affected by projects, we predict and anticipate change, and develop strategies to proactively respond to changing challenges and priorities within the AOSA.

While the issues and opportunities have changed, OSCA has remained committed to a collaborative approach to identify, prioritize and manage the socio-economic impacts of oil sands development. Harnessing collective energy



leads to better representation, use of resources and informed choices regarding community well-being. OSCA works to create solutions to help build thriving communities and create shared value with our neighbours, including the Regional Municipality of Wood Buffalo (RMWB), Lac La Biche and the Municipal District of Opportunity.



Collaboration is Key

The oil sands industry understands the importance of building communities that have a high quality of life including health, education, efficient infrastructure, recreation and cultural opportunities. By combining our efforts and expertise with local stakeholders, we are better able to navigate uncertainty and find solutions to complex challenges. We have the unique opportunity to strengthen the region in which we operate while enabling responsible growth of Canada's oil sands.



The New Fiscal Reality

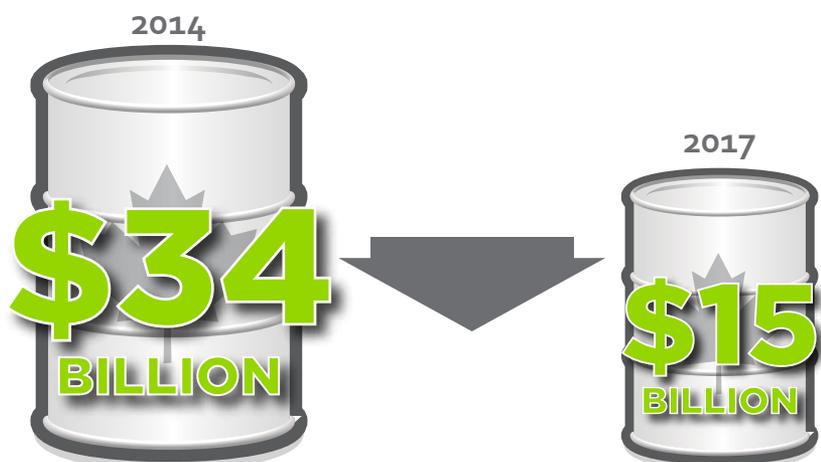
Canada has the third-largest oil reserves in the world and 97 per cent of those reserves are in the oil sands region. Oil sands development benefits Albertans – and Canadians across the country – through direct and indirect employment, taxes and royalties that support education, health care, infrastructure construction and more. For example, in 2015 the oil sands industry contributed \$62.5 million to Canada's GDP and generated \$1.2 billion in royalties.

Source: A competitive policy and regulatory framework for Alberta's upstream oil and natural gas industry, CAPP 2017

Over the past decade, the AOSA has experienced extraordinary pressures resulting from the rapidly evolving oil sands industry. Historically, industry and communities have been challenged to find appropriate solutions to accommodate skilled workers and provide affordable housing, community services, health and educational resources and facilities, infrastructure and other amenities, all needed to meet fluctuating levels of activity. More recently the RMWB, Lac La Biche, the M.D. of Opportunity and the oil sands industry have seen many compounding challenges, including:

- Low commodity price.
- Workforce reductions.
- Decrease in capital investment in the oil sands industry, from \$34 billion in 2014 to an estimated \$15 billion in 2017.
- Ongoing regional impacts from the Horse River fire.

CAPITAL INVESTMENT IN THE OILSANDS



Additionally, cumulative impacts of various provincial and federal policies and regulations have created uncertainty in the industry, resulting in reduced attractiveness for investment. The industry must remain competitive to attract global investment – but incremental costs, regardless of the source, tend to reduce competitiveness. Developing resources responsibly to help achieve key regulatory, social and environmental outcomes must be done in a manner that does not unnecessarily burden industry and risk investment, jobs and other benefits.

The combined impact of these and other challenges highlights the need for industry, municipalities and the province to continue working together to keep communities strong, create jobs, and boost industry competitiveness within the global energy market.

The industry is managing costs, improving process efficiencies, and improving environmental performance through innovation and technology. The *2017 Crude Oil Forecast, Markets and Transportation* published by the Canadian Association of Petroleum Producers (CAPP) indicates:

- Oil sands production will increase from 2.4 million barrels per day (b/d) in 2016 to 3.7 million b/d in 2030.
- Over 6 million b/d of oil sands production has been approved to date (including approved projects that have proceeded to production).

Impact on Employment

Resulting from low oil prices, local and regional impacts continue to be substantial. For example, the unemployment rate in the RMWB and Cold Lake regions was 4.7 per cent in 2014, rose to 7.9 per cent in 2015, and 9.3 per cent in 2016.

Source: Labour Force Survey

The current downturn is also affecting the type of jobs available. As expected, the oil sands industry is transitioning from a focus on construction – which offered many temporary jobs – to a focus on ongoing operation and maintenance. The industry is also lowering costs and improving reliability and performance.

Emergency Medical Evacuation Service

Phoenix Heli-Flight emergency medical helicopter service, known locally as “medevac,” is a very important component of regional safety similar to the Shock Trauma Air Rescue Service (STARS) familiar to many Albertans. While STARS has occasionally operated in the AOSA in the past, Phoenix is the main medevac service operating 24/7. The service previously operated on a fee-for-service basis that was not sustainable, so industry stepped in to assist. The current funding model is a three-way partnership between RMWB, Alberta Health Services and four oil sands companies, which is expected to continue through 2018.

OSCA Priority: Community Wellbeing

Understanding and managing the physical, social and economic effects of development in our communities.

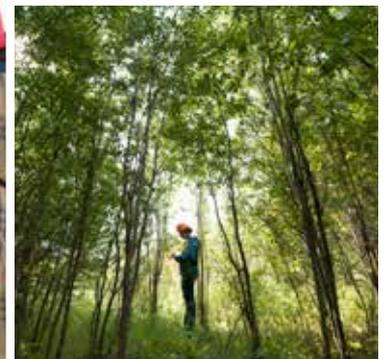
FIRE RECOVERY

On May 3, 2016, Fort McMurray and the RMWB were changed forever by the Horse River wildfire. Since the fire, residents, organizations, the oil sands industry and local elected officials have been working together to enable community recovery. OSCA acknowledges the leadership of the RMWB staff, mayor and council members as well as the Wood Buffalo Recovery Task Force and Committee.

While recognizing successes in addressing fire recovery, it is important to objectively identify lessons learned and opportunities for improvement. OSCA and the Industry Recovery Working Group sanctioned the Horse River Wildfire Industry Lessons Learned Report focused on industry actions from the emergency response that occurred between May 1 and June 1, 2016. The report identified two key recommendations essential for future regional preparedness:

- **Develop a comprehensive regional response plan in collaboration with key stakeholders in the region, including industry.**
- **Build a world-class model of collaboration across government, industry and community to strengthen the pace and quality of recovery and preparedness planning.**

The report is available on the OSCA website, www.oscaalberta.ca. OSCA will continue to work with stakeholders to support ongoing fire recovery efforts.



“In a time of great change we need great collaboration. With these deliverables in place, the Steering Group can move forward on the development of a long-term fiscal and budgetary strategy that ensures sustainable communities in the region.”

Karim Zariffa, Executive Director, OSCA

BILL 21

The Municipal Government Act (MGA) defines how Alberta municipalities function, develop land, and raise funds. The GOA has made changes to the MGA that will reduce the rate of non-residential to residential taxation to attain a province-wide 5:1 tax ratio. This will impact how both industry and municipalities plan, budget, and operate in the AOSA.

Municipal spending in the AOSA is out of step with current economic conditions and is unsustainable. Communities in the Athabasca region are above the cap:

- RMWB = 17.9:1 (reflects the 2017 tax rate bylaw).
- Lac La Biche = 7.3:1.
- M.D. of Opportunity = 8.8:1.

OSCA's goal is to work collaboratively with municipalities to provide the GOA with a proposed transition plan that will enable municipalities in the AOSA region to reach the 5:1 ratio without impacting communities' long-term sustainability.

The Wood Buffalo Steering Group (RMWB mayor, council members, RMWB officials and industry leaders) developed a transition plan to provide a path forward for future capital and operating budgets, focused spending and tax rate alignment. The plan is sustainable, incremental and addresses the need to maintain municipal services to develop a long-term fiscal and budgetary strategy. It is based on a series of critical components:

- An updated population model to facilitate improved municipal planning, budgeting and decision-making.
- A benchmarking report to compare municipal tax revenue, service levels, expenses and debt per capita for RMWB to other municipalities.
- Scenario planning to determine options for reaching the 5:1 ratio.
- A joint submission to the GOA recommending a 10-year transition plan to achieve the 5:1 tax ratio provision outlined in Bill 21 and Bill 8.

Like industry, governments must adapt and adjust to an economic future different from what we envisioned five years ago. Municipalities in Alberta must also comply with new legislation and regulations governing taxation specified in the updated MGA. The transition plan is not the end of collaboration. It is merely a milestone on the path forward to strengthen the region's sustainability. OSCA expects to provide similar support and assistance to other communities in the Athabasca region and will continue to work collaboratively with municipalities on these issues.

Industrial Assessment

As part of the broader MGA review, the Regulated Industrial Property Assessment (RIPA) Minister's Guidelines were released in May 2017. RIPA is intended to replace the Construction Cost Reporting Guide (CCRG) for new industrial facilities. RIPA could significantly increase inconsistencies between old and new major industry projects as well as risk more industry appeals with municipalities. OSCA is working with CAPP to highlight issues of concern and establish a process that will enable collaboration with the Government of Alberta (GOA) toward clarification and solutions.



OSCA Priority: Workforce

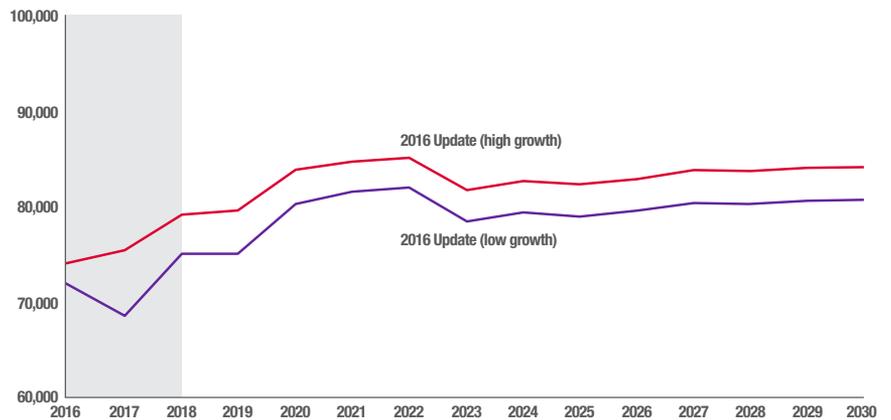
Working with other active groups to forecast employee numbers, required skills and help to retain an adequate supply of trained workers in Alberta's oil sands.

OSCA believes projections reflecting current economic realities are essential to accurately budget, plan and provide the programs, infrastructure and other services needed to maintain regional quality of life. OSCA uses annual CAPP production forecasts to develop employment and population forecasts for the Athabasca region. This information is jointly developed and shared with regional municipalities and the provincial government.

POPULATION MODEL

OSCA developed a population model that considers the consequences of the 2015 economic downturn, the 2016 fire, and changes in regional workforce requirements.

PROJECTED LOW AND HIGH GROWTH POPULATION SCENARIOS



The model results include:

- The urban (Fort McMurray) resident population estimate in 2016 is between 72,000 and 74,000, with an overall permanent regional population estimated at 75,600 to 77,600 residents in 2016 – see above.
- Although the fire contributed to a population decrease in 2016, that event is not expected to have a demonstrable impact on long-term population.
- The oil sands sector has shifted from expansion to operational efficiency, productivity improvements, and significant cost-cutting. This change is leading to reduced workforce requirements and subsequent impacts on suppliers and contractors. These reductions drive corresponding reductions in other areas of the local, provincial and national economies.

OSCA believes the current situation demands dialogue with all stakeholders to collaboratively build and strengthen our communities and our workforce.

The data from the population model is a foundational tool for the Wood Buffalo Steering Group's work to define a transition plan to reach the 5:1 tax ratio. The population model is available on the OSCA website, www.oscaalberta.ca and OSCA plans to update the model periodically.

ROTATIONAL WORKFORCE

Oil sands companies understand the benefits of local residency for employees. Wherever possible, OSCA members support employees who prefer to live in the region. For example, with sites that are beyond daily commuting distances, most companies offer bussing and/or camp services on a shift rotation basis for local workers. However, the industry competes globally for qualified workers, and offering rotational work is a valuable option.

Rotational work is not new to Alberta. The nature, magnitude and location of jobs in the Athabasca region drive the need for a rotational workforce and camps to accommodate workers¹. Like communities and municipalities in the AOSA, the oil sands industry wants to develop strategies that provide workers with strong and vibrant communities, a reasonable cost of living, plus excellent services and amenities. The current economic downturn makes this a challenging task.

Responding to encouragement from municipal governments, the oil sands industry adopted a FIFO model to help attract and maintain a top-quality local and out-of-region workforce. The industry has invested significantly in infrastructure including aerodromes and ground transportation.

Recently, public debate has arisen regarding potential financial benefits from encouraging FIFO workers to relocate permanently to the community. OSCA's research indicates however that residential development is not a net contributor to municipal revenues, as residents typically consume more in programs and services than they contribute in property taxes. In addition, concerns have been raised about promoting and employing local workers in preference to FIFO workers. However, curtailing or eliminating FIFO options will not facilitate regional planning goals. In the current fiscal reality, the industry must compete globally for qualified, skilled workers and in some cases FIFO is an attractive option for worker recruitment and retention.

We firmly believe that a FIFO workforce and a local workforce are both necessary and can co-exist. Every oil sands worker has unique circumstances defining how they choose to live, and nobody can dictate these choices. Workers have global options to meet their personal needs. FIFO and residential employment are complementary approaches in holistic workforce management, where employment options are governed by personal circumstances, preferences and availability of skilled workers.

1. Rotating, Not Relocating: Alberta's Oil and Gas Rotational Workforce, PetroLMI, Enform, June 2015.

Highways 881 and 63

OSCA is steadfast in our focus on safety, congestion relief and support for efficient infrastructure. OSCA is collaborating with Alberta Transportation and the RMWB to discuss ground transportation priorities in the Athabasca region, including specific initiatives for Highways 63 and 881.



OSCA Priority: Infrastructure

Promoting safe and efficient infrastructure to move our workforce, residents, goods and services throughout our local communities.

COGENERATION

Cogeneration – the simultaneous production of electrical and thermal energy from a single fuel source – offers a highly reliable, cost-efficient, “made-in-Alberta” power generation solution that can play an important role in Alberta’s electricity mix and help attain provincial greenhouse gas (GHG) emissions objectives under the GOA’s Climate Leadership Plan.

OSCA is collecting timely data and conducting research that will inform feasible electricity solutions. Since 1999, OSCA’s Power and Cogeneration Task Group has monitored oil sands cogeneration capacity and we note emerging changes in both technology and attitudes toward this evolving low-carbon solution.

Alberta has ample cogeneration opportunities including those in the Athabasca region. However, currently only an estimated 16 per cent of the oil sands’ cogeneration potential has been developed. The absence of policy framework conducive to developing cogeneration is a lost opportunity. Oil sands’ cogeneration is a great success story and potential power generation opportunity from both an energy efficiency and environmental perspective, but is not well understood or appreciated provincially, nationally or internationally.



OSCA Priority: Indigenous Community Relations

Strengthening relationships with Indigenous communities to enhance economic and employment opportunities now and into the future.

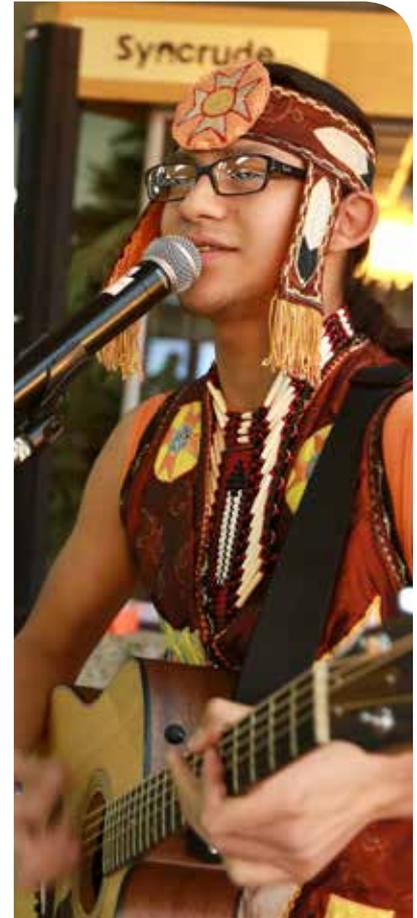
Across the region, Indigenous workers are making significant contributions to the oil sands industry including roles in leadership, production, construction and support services. Indigenous-owned businesses have become an integral part of the industry.

OSCA partners with Indigenous communities to ensure shared benefits of the oil sands industry, including economic growth, employment and training opportunities. Through enhanced relationships with Indigenous communities we will improve awareness of priorities and concerns, and collaboratively develop mutually beneficial solutions. OSCA initiatives include:

- Developing a regional contractor database in partnership with the Northeastern Alberta Aboriginal Business Association (NAABA).
- Establishing an entrepreneur oil sands development program.
- Education on oil sands development and life cycle for local contractors and communities, to provide clear understanding of current development, and short- and long-term employment and other opportunities.

In 2013 and 2014 more than 300 Indigenous companies from across Alberta had direct business (goods and/or services) with the oil sands, natural gas and pipeline companies. This business generated about \$4 billion over the past two years. These companies represent 54 communities across Alberta.

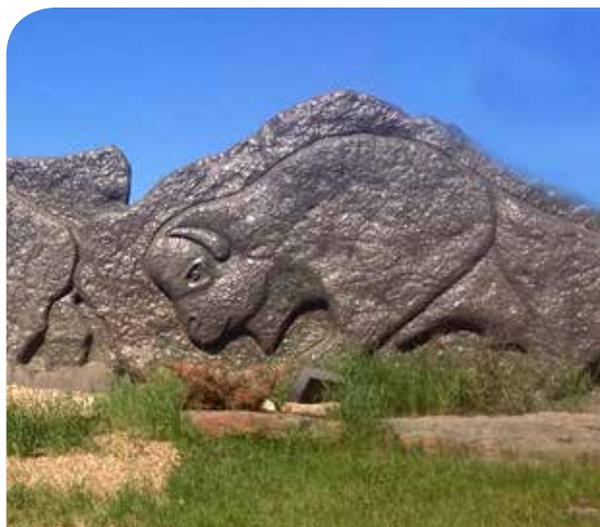
Source: CAPP 2015



Industry in Action

The Fort McKay Group of Companies LP (FMGOC), which works extensively with oil sands operations through its six divisions, brings in more than \$150 million in revenue annually. FMGOC is completely owned and controlled by the Fort McKay First Nation.

Source: Fort McKay Group of Companies





In addition to OSCA's four principal focus areas, we're also supporting industry and stakeholders on other issues such as industry competitiveness and environmental performance.

For more information:

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