

Written Submission to the Government of Alberta Budget 2024 Consultation

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The Canadian Association of Energy Contractors is pleased to provide its input to the Government of Alberta's 2024 Budget. We believe there are two modest updates to the province's fiscal framework that would contribute to the competitiveness of drilling and well servicing activity so critical to Alberta's current economy and future economic diversification, while accelerating the reduction of emissions from our sector.

Summary of Recommendations

Recommendation 1: The ability of service rigs to utilize "marked" diesel in their operations.

Recommendation 2: Financial support to assist drilling and service rig businesses in accelerating the deployment of carbon abatement technologies.

"Marked" Diesel

Our service rig contractors operate mobile service rigs, including support equipment such as a pump & tank and utility trucks, together called a "service rig package." We are looking for the Government of Alberta to permit a service rig package to utilize "marked" diesel in its operations. These units are essential to the success of carbon capture, utilization, and storage (CCUS), as well as the extraction process of Alberta's subsurface commodities, such as oil, natural gas, helium, lithium, and geothermal resources.

The Government of Alberta has historically recognized that service rig contractors allocate approximately 95% of their time to well operations and only 5% to transportation to the next well location. A service rig package has limited use of the public road system and should be permitted to use "marked" diesel in its operations, similar to the agriculture sector.

If service rig contractors had access to fuel under the same commercial terms as the agriculture sector, it would help these businesses manage rising costs, protect jobs, and help secure the continued recovery and long-term growth of the sector at a time when our business will be core to Alberta's efforts to maximize the value of its rich resource endowment, support in the energy transformation underway in such areas such as carbon capture, utilization, and storage (CCUS), as well as the emerging production of helium, lithium, and geothermal energy.

The industry appreciates that the Government of Alberta has over the past few years temporarily eliminated the province-wide \$0.13 provincial excise tax on fuel. That policy decision has helped our small- and medium-sized businesses weather the current inflationary environment. However, the upcoming reintroduction of the tax will have a negative impact on these job creators, especially with ongoing increases in the federal carbon tax. Allowing our sector to make use of "marked" diesel will address these issues over the longer term.

The ability to make use of "marked" diesel would be isolated to approximately 50 Alberta businesses identified and clearly defined as "service rig contractors" by our Association, therefore capping the exposure to the provincial treasury.

One way to achieve this policy objective is to include the following clause under Section 8, Subsection 3 of the *Fuel Tax Act*:

g) for commercial purposes for use in a mobile workover or completion service rig and support units.

Carbon Abatement Technologies

As the Government of Alberta looks to implement its Emissions Reduction and Energy Development Plan, we believe there is an immediate opportunity to demonstrate national leadership. As part of its current advocacy efforts, we are requesting the provincial government actively advocate to the federal government to include our drilling and service rig businesses in the Clean Technology Manufacturing Investment (CTMI) tax credit. There is also the opportunity for Alberta to directly financially support the deployment of carbon abatement technologies in the drilling and service rig sector and a major part of Alberta's long-term goal of reducing emissions and not production from the oil and gas sector.

Federally, the current design of the CTMI tax credit fails to recognize the real-life applications of drilling and service rigs and how they fit into the Canadian energy mix beyond traditional resources. The current language within the Budget Annex details which 'eligible activity' and 'eligible property' qualify companies to access the CTMI tax credit. The energy services sector's decarbonization rig technology meets the qualifications listed under 'eligible activities' for the following:

- *"Extraction and certain processing activities related to six critical minerals essential for clean technology supply chains."*
- *"Manufacturing of certain renewable energy equipment (solar, wind, water, or geothermal)."*

Our members also fulfill a portion of the 'eligible property' requirement within the Budget Annex as its decarbonization rig technology qualifies as "...machinery and equipment... used in manufacturing, processing, or critical mineral extraction." However, the issue for our members arises from the requirement that the property be "used all or substantially all for eligible activities [to] qualify for the credit."

Our drilling and service rig technologies are essential to storing emissions underground and the extraction of lithium, geothermal energy, helium, and other important clean energy resources. Our members also use the same equipment to drill for oil and gas to meet the country's current and future demand for these products. It is one of the reasons why the energy services sector can advance a seamless energy transformation for our workforce and equipment. This business model enables us to accelerate diverse sub-surface extraction projects without the need for extensive retraining of our people on the ground or switching out expensive equipment. The ability to be agnostic on what we drill for is pivotal to the success of Canada's energy transformation and journey to net zero. Moreover, Alberta can demonstrate national leadership in ensuring that our workforce and technology are at the heart of Alberta's energy evolution.

About CAOEC

The Canadian Association of Energy Contractors (CAOEC) represents 95 land drilling, offshore drilling, and service rig member companies on the frontlines of energy security and transformation. They operate a fleet of 444 drilling rigs and 735 service rigs in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Atlantic Canada. CAOEC's members are varied and diverse, and include many small- and medium-sized enterprises that have been leaders in creating opportunities for young people, Indigenous communities, and middle-class workers.