

\$50 billion and \$512 billion to Ottawa: The Alberta oil and gas sector (and Alberta's) contribution to federal finances, 2007 to 2018

Canadian Energy Centre

Overview

The oil and gas extraction sector in Alberta has made a significant contribution to Canada's GDP, output and jobs over the past decade. The broader energy sector has also made a significant contribution to federal and provincial government revenues directly in the form of corporate income taxes and royalties (as noted in [previous CEC research](#).)¹

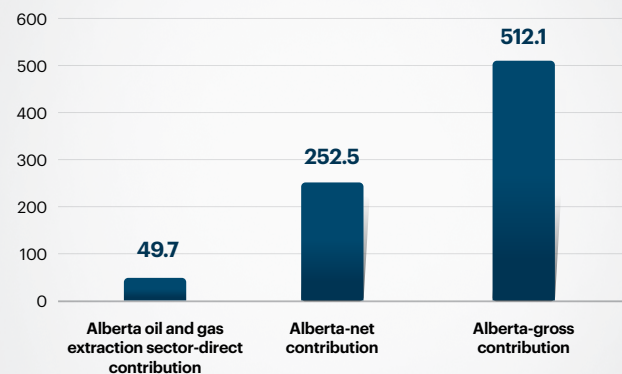
In this Fact Sheet, we narrow our focus to the direct impact of the oil and gas extraction sector on Alberta's gross and net fiscal contribution to federal government finances between 2007 and 2018 (see Figure 1).²

- In the years examined, Alberta's taxpayers (individual and corporate) made a \$512 billion gross contribution and a \$252 billion net contribution to federal government finances;
- The direct share from Alberta's oil and gas extraction sector was, at a minimum, nearly \$50 billion, or about 10% of gross Alberta contributions and 20% of Alberta's total net fiscal contribution over the period;
- On an annual basis, the Alberta oil and gas extraction sector's annual contribution has ranged from \$2.7 billion to \$6 billion, or about 15% to just under 32% of Alberta's total net contribution to the federal government's finances;
- The average annual oil and gas contribution has been over \$4.1 billion per year, over the period; and
- The direct \$50 billion figure is understated as it does not include indirect federal taxes on production and taxes on products (i.e. GST, excise taxes, duties, import taxes, air transportation tax, gasoline and motive fuel taxes, etc.) paid by the oil and gas extraction sector in Alberta over the period.

Figure 1

Alberta fiscal contributions* to federal government finances, 2007-2018

(in \$ billions)



*The net fiscal contribution of "Alberta" refers to the difference between federal revenues raised in Alberta from individuals and businesses and federal expenditures made to Albertans and the provincial government.

Sources: Derived from Statistics Canada, Table 36-10-0450-01; Table 11-10-0073-01; Table 33-10-0006-01; T1 Family File (custom tabulation); and Financial and taxation statistics for enterprises, by industry type (custom tabulation).

Alberta's net fiscal contribution to federal government finances: A summary

Over the peaks and valleys of energy prices and activity over the period, Alberta's citizens and businesses have continued to make a significant contribution to federal finances (see Figure 2).

Between 2007 and 2018:

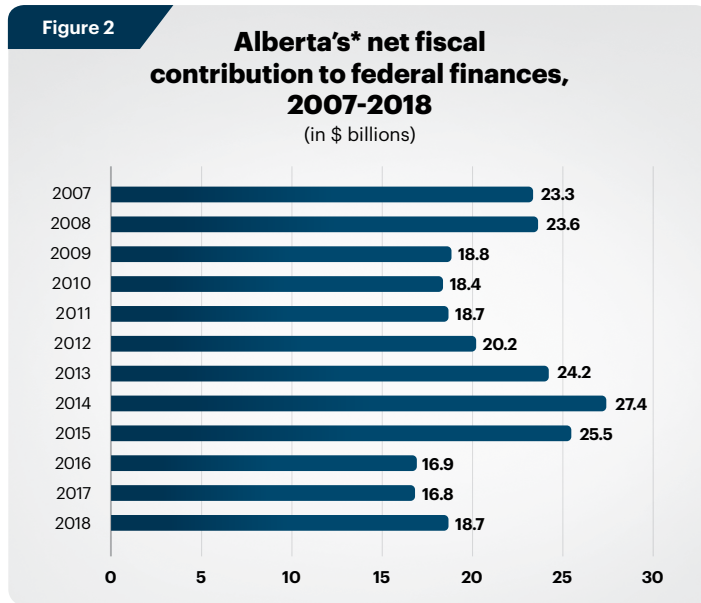
- Alberta's citizens and businesses made \$252.5 billion in net contributions to federal government finances, or an average of \$21 billion per year.³

¹ See CEC's March 2020 Fact Sheet #1 where we conservatively estimated energy revenues to federal and provincial and municipal governments at [\\$359 billion](#) between 2000 and 2018.

² The net annual fiscal contribution of "Alberta" in this fact sheet refers to the difference between federal revenues raised in Alberta from individuals and businesses and federal expenditures made to Albertans and the provincial government. The Alberta government, as with all provincial governments, does not contribute to federal revenues. As with all statistical documents, analysts as well as commentators will often use "shorthand" language, referring to "Alberta's contributions" to mean tax and others payments from individuals and corporations from those in Alberta to the federal government.

³ Net contributions are calculated by subtracting federal government expenditures in Alberta/to Albertans/to the provincial government from taxes and other revenues paid to the federal government by Albertans and Alberta businesses.

- Alberta's net contribution to federal finances peaked in 2014 at roughly \$27.4 billion. Since then it has declined somewhat, reaching \$16.8 billion in 2016 before rebounding to slightly less than \$18.7 billion in 2018.



*The net fiscal contribution of "Alberta" refers to the difference between federal revenues raised in Alberta from individuals and businesses and federal expenditures made to Albertans and the provincial government.

Sources: Derived from Statistics Canada, Table 36-10-0450-01; Table 11-10-0073-01; Table 33-10-0006-01; T1 Family File (custom tabulation); and Financial and taxation statistics for enterprises, by industry type (custom tabulation).

The impact of Alberta's oil and gas extraction sector on Alberta's net fiscal contribution to federal government finances

The oil and gas extraction sector's impact on Alberta's net fiscal contribution to federal finances is determined by the direct (and indirect⁴) taxes that Alberta individuals and businesses pay to the federal government on an annual basis:

1. Federal personal income taxes, or direct taxes from persons, paid by employees who work directly in Alberta's oil and gas extraction sector;
2. Federal corporate taxes, or direct taxes from corporations, paid by corporations and business enterprises in the Alberta oil and gas extraction sector;

3. Federal taxes on production and taxes on products (i.e. GST, excise taxes, duties, import taxes, air transportation tax, gasoline and motive fuel taxes, etc.), or indirect taxes paid by the oil and gas extraction sector in Alberta.⁵

Direct federal personal income taxes from persons

Total federal personal income taxes or direct taxes from tax filers employed in the oil and gas extraction sector in Canada has ranged from about \$2.5 billion to \$3.7 billion between 2007 and 2018 (see Table 1).

To determine the share of federal direct taxes in Alberta raised from oil and gas extraction, we examine the federal income tax retained on wages, salaries and commissions, as derived from a custom tabulation drawn from the Statistics Canada T1 Family File.

Federal personal income taxes paid by tax filers employed in the oil and gas extraction sector in Alberta has ranged from \$2.2 billion to \$3.4 billion between 2007 and 2018, or an annual average of \$2.7 billion per year over the period. This represents about 88% on average of federal income taxes retained on wages, salaries and commissions from tax filers in Canada employed in the oil and gas extraction sector over the period.

The high degree of variability likely reflects, in part, the impact of changing fortunes for the oil and gas extraction sector on the federal government's personal income tax base in Alberta, including the impact of the Great Recession that began in 2009 and the energy price decline that began in [2014](#).

⁴ The net fiscal contribution can also be calculated by adding indirect taxes paid by the oil and gas sector but we have not done so in this Fact Sheet where we profile only direct taxes.

⁵ As per footnote 4.

Table 1

Direct federal personal income taxes paid by tax filers in the oil and gas extraction sector

Year	(\$ millions)		%
	Income tax retained on wages, salaries and commissions allocated to the federal government from the oil and gas extraction sector (all of Canada)	Income tax retained on wages, salaries and commissions allocated to federal government from the oil and gas extraction sector in Alberta	
2007	2,480	2,231	90%
2008	2,997	2,656	89%
2009	2,456	2,203	90%
2010	2,903	2,568	88%
2011	3,480	3,083	89%
2012	3,664	3,179	87%
2013	3,553	3,129	88%
2014	3,732	3,393	91%
2015	3,424	3,098	90%
2016	2,626	2,281	87%
2017	2,880	2,463	86%
2018	3,109	2,652	85%
Totals	37,304	32,936	88%
Annual averages	3,109	2,745	88%

Derived from Statistics Canada, Table 11-10-0073-01 and Statistics Canada T1 Family File (custom tabulation).

Direct federal corporate income taxes from corporations

Federal corporate income taxes from corporations and business enterprises in the oil and gas extraction sector have ranged from \$527 million to \$3.9 billion between 2007 and 2018 (see Table 2).

Based on a custom tabulation from Statistics Canada, an annual average of between 79% and 96% of federal corporate taxes were collected from oil and gas extraction businesses in Alberta between 2007 and 2018.

Federal corporate taxes paid by businesses in the oil and gas extraction sector in Alberta have ranged from \$414 million to nearly \$3.8 billion between 2007 and 2018, or an annual average of \$1.4 billion per year over the period.

As noted above, the high degree of variability likely reflects, in part, the impact of changing fortunes for the oil and gas extraction sector on the federal government's corporate income tax base in Alberta, including the impact of the Great Recession that began in 2009 and the energy price decline that began in 2014.

Table 2

Direct federal corporate income taxes from corporations and business enterprises in the oil and gas extraction sector

Year	(\$ millions)		%
	Federal corporate taxes from corporations and business enterprises in oil and gas extraction (all of Canada)	Federal corporate taxes from corporations and business enterprises in oil and gas extraction (Alberta)	
2007	2,307	2,108	91%
2008	3,101	2,811	91%
2009	3,928	3,770	96%
2010	1,710	1,550	91%
2011	1,463	1,256	86%
2012	1,345	1,080	80%
2013	1,077	864	80%
2014	1,606	1,428	89%
2015	720	611	85%
2016	552	442	80%
2017	544	444	82%
2018	527	414	79%
Totals	18,880	16,778	89%
Annual averages	1,573	1,398	89%

Derived from various Statistics Canada sources: Table 33-10-0006-01; Financial and taxation statistics for enterprises, by industry type; Financial and taxation statistics for enterprises, by industry type (custom tabulation).

Takeaway: Putting it all together

The direct impact of the oil and gas sector on Alberta's gross and net contribution to federal government finances is significant. Between 2007 and 2018, the contribution was as follows (see Table 3):

- The sector contributed in total a minimum of nearly \$50 billion of Alberta's \$512 billion in total revenue contribution to federal finances (an average of over \$4.1 billion per year) or nearly 10% of Alberta's gross revenue contribution over the period;

- The \$50 billion was nearly 20% of Alberta's total net fiscal contribution over the period;
- The \$50 billion figure is understated as it does not include indirect federal taxes on production and taxes on products (i.e. GST, excise taxes, duties, import taxes, air transportation tax, gasoline and motive fuel taxes, etc.) paid by the oil and gas extraction sector in Alberta over the period.

Table 3

The impact of Alberta's oil and gas sector on Alberta's net contribution to federal government finances, 2007 to 2018

	Direct federal income taxes on tax filers employed in the oil and gas extraction sector in Alberta	Direct federal corporate income taxes from corporations and business enterprises in oil and gas extraction in Alberta	Direct impact of the oil and gas extraction sector on Alberta's net contribution to the federal government finances	Total federal revenues from Alberta to the federal government	Alberta's net contribution to the federal government's finances
Year	(\$ millions)				
2007	2,231	2,108	4,339	39,789	23,337
2008	2,656	2,811	5,467	41,284	23,615
2009	2,203	3,770	5,973	37,842	18,803
2010	2,568	1,550	4,118	38,085	18,366
2011	3,083	1,256	4,339	38,805	18,667
2012	3,179	1,080	4,259	40,633	20,191
2013	3,129	864	3,993	45,345	24,197
2014	3,393	1,428	4,821	49,188	27,415
2015	3,098	611	3,709	48,949	25,484
2016	2,281	442	2,723	42,533	16,903
2017	2,463	444	2,907	43,663	16,792
2018	2,652	414	3,066	45,935	18,680
Totals	32,936	16,778	49,714	512,051	252,450
Annual averages	2,745	1,398	4,143	42,671	21,038

Source: Derived from Statistics Canada, Table 36-10-0450-01; Table 11-10-0073-01; Table 33-10-0006-01; T1 Family File (custom tabulation); and Financial and taxation statistics for enterprises, by industry type (custom tabulation).

Notes

This CEC Fact Sheet was compiled by Lennie Kaplan and Mark Milke at the Canadian Energy Centre (www.canadianenergycentre.ca). There are differing methodologies used to calculate Alberta's net fiscal contribution to federal finances. In this Fact Sheet, we use the methodology outlined by Alberta Treasury Board and Finance as per their 2012 paper, cited below, to construct the fiscal balance sheet. The authors and the Canadian Energy Centre would like to thank and acknowledge the assistance of an anonymous reviewer in reviewing the data and research for this Fact Sheet. Image credits: Parliament Hill in Ottawa Ontario by Pgaim from Getty Images.

Addendum and a caveat on net fiscal contributions to federal government finances

This use of Statistics Canada data to calculate net flows between federal government expenditures in provinces and revenues from the same has limitations. Readers should be aware that while the data can be used to show flows in general—Albertans through their federal personal and corporate taxes and other payments contribute in far higher proportions than their share of the national population—there are criticisms of more specific calculations. In a [2007 Statistics Canada](#) article, analyst Steve West noted how federal transfer money sent to Atlantic Canada but which is then used to purchase medical equipment in Ontario makes the question of which province benefits more complicated. Also, as one of us has written in the past, it is unrealistic to expect that federal flows into provinces (spending on individuals, businesses, and others or federal transfers to provincial governments), will exactly replicate “outflows” from the same provinces. One reason for that is the example just noted but another is how Albertans, for example, when unemployment was lower than the national average, would have contributed more in employment insurance premiums to the federal government than were paid out in return, in the form of EI premiums, to unemployed Albertans. That scenario creates an obvious but entirely understandable imbalance between the two flows.

However, as one of us has also noted in a [past study](#) (Milke 2013), on the first example, “such different assignments are routine and expected and thus do not negate the possibility of using such data as a proxy in the absence of more detailed and precise data.” Relevant though to both examples is a follow-up point from the same study, “Moreover, such assignment of spending does not detract from how larger and more prosperous economies such as Alberta have economies that are significantly larger as a percentage of the national economy vis-à-vis their population (and thus are proportionately higher contributors to federal tax coffers when compared to say, Quebec).”

For our purposes, despite the limitations in the data—readers should think of the available data as a proxy and as indicative of trends—what is clear is that tax and other payments from the Alberta oil and gas sector (and from other Alberta businesses and individuals) are substantial. Measured on a net basis and on a net per capita basis (and with comparisons to net contributions from other provinces’ individuals and corporations profiled in studies noted in the above paragraph and next), the flows demonstrate the significance and importance of both the oil and gas sector and Alberta to the national economy and federal revenues. This is an observation that has also been made by others. They include Ben Eisen et al., in a [2019 study](#) and Robert Mansell et al., in a [2020 study](#).

Sources (Links live as of October 1, 2020)

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