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Unpaid Oil and Gas Municipal Property Taxes: Another Problem for the AER's Closure and Liability Management System

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On [March 16, 2026, the government of Alberta announced](#) a new report on the ongoing problem of unpaid municipal property taxes by a segment of the Alberta oil and gas industry. The announcement says the report is “the result of the Property Tax Accountability Strategy (PTAS) working group, which comprised Alberta’s government, the Rural Municipalities of Alberta (RMA), and rural municipal administrators, with support from representatives of the Alberta Energy Regulator (AER) and the oil and gas industry as observers.” The PTAS Report includes a description of the problem, along with 17 recommendations to address the problem. This post reviews some highlights of the PTAS Report’s description of the problem and comments on the likely effectiveness of the PTAS Report’s recommendations.

I previously discussed the unpaid oil and gas municipal property tax problem in posts in [2021](#), [2022](#), [July 2024](#) (co-authoring with Shaun Fluker) and [October 2024](#). I note that I made an incorrect prediction in my 2021 post. I expected higher oil prices would slow or temporarily stop the problem. It turns out the problem is heavily connected to methane gas producers, so that oil prices have little impact – gas prices have the bigger impact. Industry prior to 2014 seems to have overestimated future gas prices. A large share of the financially failed or failing corporations produce mostly or entirely gas. I was treating oil and gas as a unified industry (and they have generally been regulated that way in Alberta) – but the difference between the oil and gas markets has become an important factor for Alberta policy. This is why the Mature Asset Strategy included various strategies to artificially create demand for natural gas inside Alberta (see [this post](#) for criticism of both the process and contents of the proposed Mature Asset Strategy). The Alberta government’s [attack on renewables](#) also seems to be part of the project of artificially rescuing methane gas producers by increasing the use of methane gas in Alberta electricity production. The AER needs to rethink treating the oil industry and the gas industry as one unified industry: it turns out gas can get hit with long-term, lower-than-expected commodity prices while oil prices remain in an ordinary range, and the AER’s regulatory system did not anticipate that.

The Description of the Problem

The PTAS Report begins with some history of the unpaid oil and gas municipal property tax problem. The problem was identified by rural municipalities around 2018, corresponding “with broader industry trends related to declining natural gas prices and reduced production associated

with assets as they mature.” (at 10) Since 2019, the government of Alberta reduced “the assessment value of shallow gas wells by 35%” (at 10). Other regulatory changes to address the problem have been generally unsuccessful (at 12).

The report then tries to assemble a common understanding of the scale of the problem, addressing a problem caused by the separate data gathering practices of the RMA by the Municipal Affairs branch of the Provincial Government. Municipal Affairs’ data collection was more limited, as it “excludes amounts under repayment agreements and taxes written off by municipalities” (at 13) After looking at both data sets, it was agreed that “total arrears (including amounts subject to repayment agreements and/or previously written off) are now firmly in the \$240–\$260 million range and continue to grow” (at 13).

The number of licensees in arrears was somewhat less clear, RMA data identified 201, while Municipal affairs identified 300 (with 153 owing less than \$20,000) (at 14). The data sets showed that around 2024-2025, 60% of arrears were owed by non-operational licensees unlikely to resume operations or regain solvency, making payment highly unlikely (at 14 and 22). “In both datasets, more than a dozen companies were found to owe over \$1 million across multiple municipalities; several exceeded \$10 million; and the worst offenders owed more than \$30 million across multiple municipalities.” (at 16)

The report notes that the percentage of oil and gas municipal property taxes that goes unpaid each year is small, the unpaid taxes are geographically concentrated in a few rural municipalities that have large aging natural gas fields, so that the financial effect on several rural municipalities is catastrophic (at 22 and 25). The report notes that improvements are needed to data collection, sharing, and analysis (at 25-26).

The report describes in detail why conventional unpaid tax recovery mechanisms fail against financially struggling oil and gas licensees (at 18-19). This explanation is correct, but not news, as these problems were understood in [2021](#).

The Recommended Solutions

The report has seventeen recommendations, organized under five major themes.

Theme one is to integrate Property Tax Arrears into the AER’s licensing and enforcement regime for oil and gas infrastructure. Recommendations include requiring licensees to remain current on municipal taxes (or have a repayment agreement) as a condition of holding oil and gas licenses, (at 27), to expressly grant the AER authority to take regulatory actions based on municipal tax non-payment, and to adopt a common coordinated definition for when a licensee is in “good standing in property tax payments” (at 28-29).

Theme two is for the AER to develop a consistent and public method for integrating unpaid taxes into the Licensee Capability Assessment, and the AER’s overall risk framework for the regulatory process (at 32-33).

Theme three is to provide municipalities access to relevant regulatory and financial-risk information for the licensees operating in their jurisdiction, allowing the municipalities to act more quickly and anticipate problems in advance (at 33-34).

Theme four is adjusting the tax assessment system to mitigate the disproportionate impact of the problem on the impacted rural municipalities. This includes adjusting and extending the Provincial Education Requisition Credit (PERC) for another three years – PERC has been applied since 2015 (see my discussion of PERC [in this post](#)). The report recognizes that PERC only mitigates the impact without solving the problem as it “covers only a fraction of outstanding taxes and ultimately represents a public payment to municipalities in place of industry meeting its obligations.” (at 34-35) The report also recommends a financial support program for the municipalities disproportionately affected by the problem (at 35).

Theme five recommends an organized system of data collection, reporting, and analysis for the unpaid municipal tax problem, so that the municipalities, provincial government, and AER have a common data set to monitor and analyze the scale of the problem and changes to the problem. This would provide useable data for both the AER and rural municipalities to take more timely and effective action.

The report also contains the important recognition that more timely insolvency processes can be helpful, an important point the AER historically failed to understand:

earlier intervention will increase the likelihood of municipalities receiving at least a portion of what they are owed, and in the case of already-struggling companies, may lead to insolvency more quickly, and before additional environmental and other liabilities can be accrued, and while some assets are still productive and profitable. In this way, enforcing payment of taxes may not only benefit municipalities, but also the broader industry by increasing the likelihood that productive assets are transferred to fiscally stable companies. (at 16)

Commentary: How Effective Will the Recommendations be?

The five themes for recommendations are on the right track, but I think the recommendations place too much faith in the decision making of the AER, which was recently restructured [along the lines recommended by David Yager in May 2024](#). The [Minister of Energy and Minerals said on March 12, 2026](#) : “34 out of the 40 recommendations from the review have actually been implemented.” It is David Yager’s AER now.

The recommendations in themes three and five call for coordinated government data collection and sharing about the problem. The need for that is so clear that it is strange it did not already exist. The reason, as the report notes, is that the AER took the position that its statutory role as oil and gas regulator did not extend to anything to do with property taxes. The report is correct that will need to change – the AER cannot be an effective overall regulator for the oil and gas industry if it is unable (or refuses) to consider unpaid taxes by the oil and gas industry. However, these changes would only be the first step towards the solution. They would provide the AER and the municipalities timely and accurate information on the problem to position them to find a solution.

Theme five also suggests an explanation for the failures to implement the [2023 and 2024 Ministerial Orders on well transfers and outstanding municipal taxes](#) – it seems Municipal Affairs and the AER did not have reliable data management for tracking when licensees had outstanding municipal taxes. We are left to speculate, as the AER declined to provide an answer when [the Narwhal asked about the seemingly improper license transfers of MAGA Energy](#).

The recommendations in theme four would mitigate the inequitable allocation of the problem – a few rural municipalities should not be financially crushed because of problems in the provincial system of oil and gas regulation. The loss should be spread around Albertans in general. Although they will not call it this, Alberta will need to establish a system for municipal equalization payments. These changes would do nothing to solve the actual problem though, only repairing the inequitable way the problem has fallen on a few municipalities.

The recommendations in themes one and two are where the big problem begins, since they recognize that the problem of unpaid rural municipal property taxes is intertwined with Alberta's long term regulatory failure on oil and gas closure liabilities. That regulatory failure created the substantial number of oil and gas licensees that are defunct and unable to pay for their own infrastructure sites to be decommissioned and reclaimed.

The enforcement problems for the AER and for the rural municipalities result from some basic elements of oil and gas regulation in Alberta. Alberta legislation separates the oil and gas property rights from the oil and gas regulatory license. The property right and associated license are both required to use or sell the oil and gas infrastructure. The AER has the power to block or allow license transfers and to suspend licenses (*Oil and Gas Conservation Act*, [RSA 2000, c O-6](#), part 6) but limited or no powers to take the oil and gas property. This structure has caused AER enforcement often to cause a deadlock – the licensee loses the license to use their oil and gas infrastructure but retains the property rights in the infrastructure. Another element at work here is that the ordinary presumption is that real property has value, but this is not necessarily the case for subsurface oil and gas interests. Oil and gas sites over emptied reservoirs are all liability and no value. The AER has had difficulty identifying effective solutions for these problems.

The trouble with recommendations one and two is that even though unpaid municipal taxes should be added into the AER's overall approach to licensee management, there is no good evidence the AER's approach to licensee management works yet. As Shaun Fluker and I noted in [a blog last month](#), the AER still has not publicly set goals and timelines for addressing the closure liability problem, and without that their decisions on when to collect security seems arbitrary and confusing. In short, I am not sure the AER has been able to solve the problems it is already responsible for, and so I am not confident they can solve another closely related problem as well.

I strongly agree with the report's point about the AER's lack of transparency on risk assessment practices and regulatory enforcement. I recently got AER records through an *Access to Information Act* request that contained slideshows with titles including "Regulatory Risk Appetite: Interpretation & Measures" and "Regulatory Risk Appetite: Implementation Themes", but all of the contents were redacted. The AER is making decisions about how much risk Albertans should bear relating to defunct oil and gas infrastructure, but Albertans have little insight into what changes are being considered. On that note, the [AER has set the 2026/27 Orphan Fund Levy at](#)

[\\$154.56 million](#), without public consultation or discussion and without explanation of what target closure date the AER is setting for orphan sites.

As a somewhat positive aside, on [March 4, 2026](#), the AER did add a [Licence Transfer Security Estimator](#) to their website (this is only somewhat positive since the estimator is designed for the benefit of oil and gas corporations and not the public, but at least it is available to the public). The estimator is not a model of clarity, since the input factors need to be adjusted repeatedly to get an idea how the estimate is generated, but it does show the AER has a system. Troublingly, the estimator asks for the amount of inactive liability and marginal liability to be transferred, but not active liability. Overlooking the volume of active liability involved in transfers seems like an oversight.

In conclusion, the PTAS report is fairly accurate about the unpaid oil and gas municipal property tax problem – but the PTAS report’s recommendations would leave the bulk of the problem for the AER to address, and the AER’s record on handling financially troubled licensees and closure liabilities is poor. I note even the PTAS Report says:

through the working group process, the AER was unable to provide clarity as to how often they utilized unpaid tax data ... how it was weighted in relation to other factors, and also indicated that unpaid tax data was considered on a case-by-case basis as to if and how it was integrated into enforcement- and risk-related decision-making. (at 24)

How can the AER, which could not explain how it handled the responsibilities it already had, effectively shoulder more work? Better regulatory decisions require a better-structured regulator. Shaun Fluker, Martin Olszynski, and I have previously recommended a public inquiry into the AER’s decision making on oil and gas liabilities, followed by a set of AER reforms designed around the results of that public inquiry. The best time for such an inquiry has long since passed. The second-best time is now.

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