The Petro-Path Not Taken

Comparing Norway and Canada-Alberta | By Bruce Campbell

During Latest Petro-Boom

Norway	Canada-Alberta
Has maintained full employment even during the global recession.	Canada's unemployment rate has remained high since 2008. Alberta's unemployment rate has been much lower on average, bumping up only during the recession.
Has maintained low and stable inflation.	Canada has maintained low and stable inflation. Alberta's inflation has been significantly higher than the Canadian average.
Has maintained a stable exchange rate due largely to its centralized wage settlement policies and to its petroleum fund. The huge oil revenue inflow has been offset by the outflow to the petroleum fund.	Has experienced a huge increase in its exchange rate, with major adverse impacts on non-petroleum regions. Neither level of government has a petroleum savings fund to offset the inflow of oil revenue and bitumen investment. The federal government has chosen not to take measures to offset the upward pressures on the exchange rate.
Has a huge trade and current account surplus.	Canada's traditional merchandise trade surplus turned into a deficit after 2008. Its non-resource deficit is huge. It also has a very large current account deficit. Alberta maintains a large trade surplus due to its oil and gas exports to the United States.
Economic and employment benefits have been widely distributed. Any regional disparities have been offset by a very effective income transfer system.	GDP and employment benefits are concentrated in Alberta. Petroleum related employment gains are outweighed by employment losses in non-petroleum related industries concentrated in the rest of Canada. Relatively small benefit going to the rest of Canada due to weak linkage effects and weak federal government income transfer mechanisms.

Climate Change

Norway	Canada-Alberta
Norway's carbon emissions per capita are half of what they are in Canada.	If Alberta were a country it would have the highest per capita emissions in the world along with Qatar.
A leader on climate change issues.	A climate laggard.
Met its Kyoto commitments. Its Copenhagen carbon reduction commitments are the most ambitious in the industrial world. Plans to be carbon neutral by 2050 or sooner.	Compared to commitments of 6% below 1990 levels, was 24% above 1990 carbon levels in 2008. Withdrew from Kyoto and its Copenhagen commitments are much weaker and almost certainly will not be met. Rapid development of the oil sands takes precedence over climate concerns. Alberta's plan aims to reduce emissions by just 14% below 2005 levels by 2050.
Recently doubled its carbon tax to $66 per ton, and participates in the European carbon trading emissions regime.	Federal government refuses to implement a carbon tax or a cap and trade system for carbon emissions. Alberta's $15 partial carbon tax is extremely low and ineffective.
Tough environmental regulations govern the exploitation and transportation of oil and gas.	Alberta's environmental regulations don't meaningfully restrain the environmental impacts of rapid oil sands development. The environment department lack sufficient resources to effectively enforce regulations. The federal environment department has been gutted as has the federal environment regulation and review system.

Management of Petroleum

Norway	Canada-Alberta
Strong societal consensus from the outset embodied in its "ten oil commandments."	No consensus and much conflict between the federal and Alberta governments about how to manage petroleum resources.
National public ownership and control of all aspects of oil production and distribution.	"Open door" to multinational oil companies. Let the private sector take the lead, with government providing subsidies and tax breaks to encourage resource exploitation. Foreign ownership very high. Federal and provincial ownership and control initiatives only in the Lougheed and Trudeau era–1974 to 1984.
Maintained key policy tools to manage its resources.	Surrendered key policy tools under the Canada U.S. free trade agreement and NAFTA.
Active industrial policies to encourage linkages to upstream and downstream petroleum related activities.	Active industrial policy measures, both federally and provincially, until the mid-1980s; since then they have been passive (subsidies, tax breaks, R&D assistance, etc.).
State-owned oil company, Statoil, dominant player in the development of the oil industry.	Provincial and federal initiatives to develop state ownership did not last. Eventually private interests and their political allies defeated these initiatives. Petro Canada was fully privatised.
National oil self-sufficiency was quickly achieved.	Eastern provinces forced to import oil even as exports to the U.S. expanded rapidly. Today they import more than 80% of their oil consumption.

Appropriation and Distribution of Oil Wealth

Norway	Canada-Alberta
The state captures the vast majority of net revenues, or economic rent, from petroleum.	Rent captured by the Alberta government is among the lowest of all petro states. The federal government captures a very small portion of oil rent through the general corporate tax rate.
Maintained its level of non-petroleum taxes despite rising oil revenues. Its overall tax-to-GDP ratio is among the highest in the OECD.	Alberta lowered its non-petroleum taxes as petroleum revenue rose and now has by far the lowest taxes in Canada. Both governments lowered corporate income taxes including on petroleum companies by half over the last decade.
Its diversified revenue base is not dependent on fluctuating petroleum revenues but rather on the more stable international financial returns to government coffers from its petroleum fund.	Alberta's fiscal capacity is highly dependent on petroleum revenues, which go up and down as prices fluctuate, and often finds itself in deficit. Its savings funds to stabilize revenues are small and ineffective.
Strong unions are in a balanced power relationship with business. High union density, centralized collective bargaining and wage settlements, consensus building approaches.	Declining unionization especially in the private sector. Only the public sector has high unionization rates. Collective bargaining systems are fragmented and adversarial. Alberta has the lowest unionization rate in Canada. Both governments have been working aggressively to undermine unions.
Petroleum wealth, due to equitable labour relations, progressive taxes, and a generous social welfare system, is equitably distributed amongst the population and regions of the country. Has among the lowest income inequality in the world.	Since the mid-1990s there has been a rapid growth of income inequality driven by the 1% in Canada—now amongst the highest in the OECD. This has been accompanied by the reduction in social program spending. There has been growing interprovincial disparity in income and fiscal capacity with Alberta pulling away from the rest. Government redistribution mechanisms have been greatly weakened, exacerbating these trends. Inequality in Alberta has grown during the boom, and it is home to a rapidly growing share of Canada's super-rich.