

Harnessing the media:

Exploring the extent that municipal newspapers are covering stories on mining, oil, and gas tax payments in Alberta, Canada



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CONTEXT

In 2015, the Government of Canada enacted legislation requiring mining, oil, and gas entities that do business in Canada, are publicly listed on a Canadian stock exchange or have Canadian assets to disclose specific payments to all levels of government in Canada and abroad. The legislation, called the Extractive Sector Transparency Measures Act (ESTMA for short), came into force on June 1 2015.¹

ESTMA was an important victory as 59% of global mining is financed through Canadian stock exchanges (TSX and TSXV)², and this legislation now requires these companies to publicly disclose payments to governments both in Canada and globally on a project-by-project basis in reports.

This data can be easily accessed on Natural Resources Canada (NRCan)'s central portal³ or through resourceprojects.org. Resourceprojects.org is managed by the Natural Resource Governance Institute and includes all mandatory extractives sector payments to government published worldwide.⁴ Currently, it includes data scraped from the company reports available through the NRCan portal and all reports published thanks to similar laws in Norway and the European Union, including the United Kingdom and France.

1 <https://www.nrcan.gc.ca/mining-materials/estma/18180>

2 <https://www.tsx.com/listings/listing-with-us/sector-and-product-profiles/mining>

3 <https://www.nrcan.gc.ca/mining-materials/estma/18198>

4 <https://resourceprojects.org/about>

AIMS

In light of PWYP's efforts to promote training, learning, and access to information by citizens, the question arises: To what extent are insights from disclosure reports being shared and understood by communities who host mining, oil, and gas projects in Canada?

This project set out to contact journalists at Canadian municipal newspapers with the aim of familiarizing them with the extent of municipal taxes paid by extractive companies operating in their jurisdiction and reported under ESTMA. The focus was on local newspapers, because they act as a credible, recognizable, and accessible source of information for residents, as opposed to larger metropolitan newspapers who do not regularly cover news within small municipalities. As well, the project sought to familiarize these journalists with where to find this data.

The starting hypothesis was that by educating municipal journalists about ESTMA data, they would in turn be able to use this information when covering stories about local oil and gas projects. It was also assumed that municipal journalists with exploration and/or extraction projects occurring within their communities would be interested in understanding how much municipal tax oil and gas companies pay, particularly at a time when Canadian landowners in Alberta are concerned about tax payments from oil and gas companies.⁵

A further goal of the project was to develop recommendations for advocates and researchers who seek to discuss local extractives projects with journalists, particularly in small municipalities.

IDENTIFYING AND COMPARING TAX PAYMENTS AND REVENUES

Alberta, with proven provincial oil sands reserves of over 170 billion barrels of bitumen, has the third largest crude oil resource in the world. Alberta also produces about 2.5 million barrels per day of crude oil, of which 78% is raw bitumen from the oil sands.⁶ Given the extent of Alberta's oil and gas production, for this exercise, only municipalities within this province were included.

5 <https://www.cbc.ca/news/business/trident-exploration-alberta-oilpatch-rma-surface-leases-1.5121507>
6 From Alberta Oil and Gas: <https://investalberta.ca/industry-profiles/oil-and-gas/>

A sample of ten municipalities in various parts of the province where each municipality received a single tax payment of over five million Canadian dollars (CAD) was selected. Next, tax payments from each oil and gas company which reported a payment of greater than 5 million dollars were included and net tax revenues from consolidated municipal financial statements were listed. The threshold of \$5 million was selected to simplify this preliminary analysis.

Using resourceprojects.org, tax payments in selected Alberta municipalities were explored for 2016. Tax payments were selected since they are easily identifiable across municipal budgets. For full details on the methods that were followed to create this table, please refer to the Annex.

Table 1: Municipalities in Alberta where oil and gas companies report an ESTMA tax payment of \$5 million CAD or more in 2016.

| | NAME OF MUNICIPALITY | 2016 REPORTED TAX PAYMENTS FROM ESTMA OVER \$5 MILLION (CAD) | COMPANIES THAT PAID MORE THAN \$5 MILLION IN 2016 TAX PAYMENTS ⁷ | NET TAX REVENUES FROM 2016 CONSOLIDATED FINANCIAL STATEMENTS (CAD) | REPORTED TAX PAYMENTS AS % OF NET TAX REVENUES |
|----|---------------------------------------|--|---|--|--|
| 1. | Regional Municipality of Wood Buffalo | \$630,067,706.49 | Synchrude Canada Ltd.; Imperial Oil Limited; Suncor Energy Inc; Shell Canada Energy; Canadian Natural Resources Limited; ConocoPhillips Canada Resources Corp; CNOOC Limited; Cenovus Energy Incorporated; MEG Energy Corp; Husky Energy Incorporated | \$793,535,113.00 ⁸ | 79.40% |

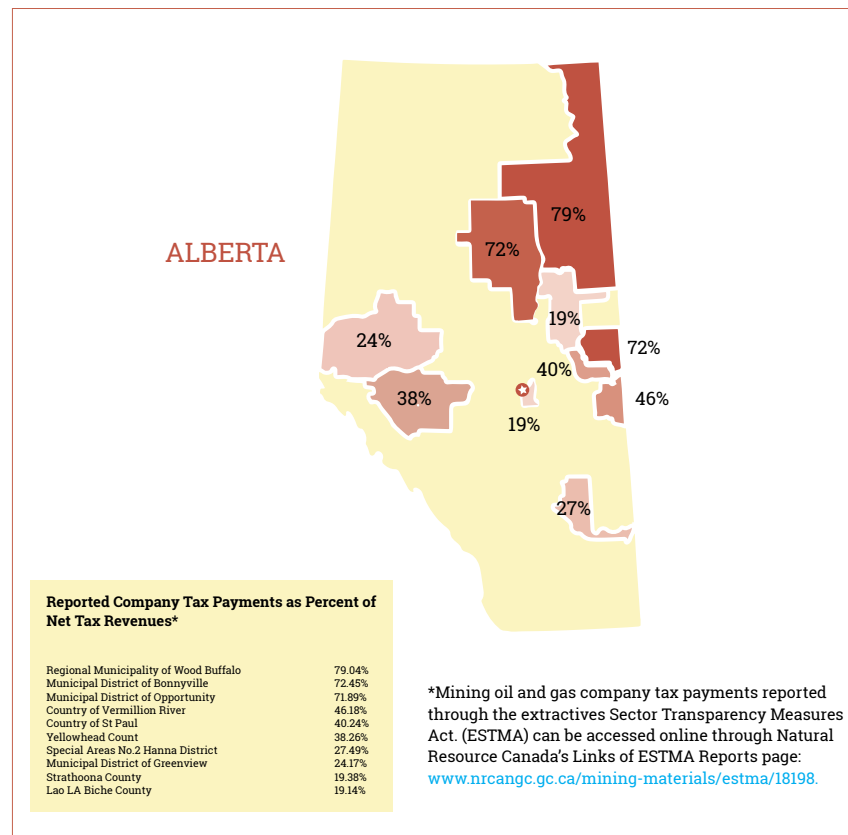
7. In this column, each link directs the reader to 2016 ESTMA reports submitted on behalf of each individual company. Note that companies submit ESTMA reports for all of their oil and gas projects, and this is why the link oftentimes goes back to one singular company report (e.g., Canadian Natural Resources Limited).
8. 2016 Consolidated Financial Statements of the Regional Municipality of Wood Buffalo: <https://www.rmwb.ca/Assets/Departments/Financial+Services/Financial+Statements/2016+Consolidated+Financial+Statements.pdf>

| | NAME OF MUNICIPALITY | 2016 REPORTED TAX PAYMENTS FROM ESTMA OVER \$5 MILLION (CAD) | COMPANIES THAT PAID MORE THAN \$5 MILLION IN 2016 TAX PAYMENTS | NET TAX REVENUES FROM 2016 CONSOLIDATED FINANCIAL STATEMENTS (CAD) | REPORTED TAX PAYMENTS AS % OF NET TAX REVENUES |
|-----|-----------------------------------|--|--|--|--|
| 2. | Municipal District of Bonnyville | \$50,010,000.00 | Canadian Natural Resources Limited; Imperial Oil Limited; Husky Energy Inc. | \$69,023,361.00 ⁹ | 72.45% |
| 3. | Municipal District of Opportunity | \$44,160,000.00 | Canadian Natural Resources Limited; Cenovus Energy Inc | \$61,423,779.00 ¹⁰ | 71.89% |
| 4. | Vermilion River County | \$12,450,000.00 | Husky Energy Inc.; Canadian Natural Resources Limited | \$26,962,309.00 ¹¹ | 46.18% |
| 5. | County of St. Paul | \$8,940,000.00 | Canadian Natural Resources Limited | \$22,218,510.00 ¹² | 40.24% |
| 6. | Yellowhead County | \$21,510,000.00 | Peyto Exploration & Development Corp; Canadian Natural Resources Limited; Tourmaline Oil Corp. | \$56,222,824.00 ¹³ | 38.26% |
| 7. | Special Areas Board -- Hanna | \$8,540,000.00 | Canadian Natural Resources Limited | \$31,070,977.00 ¹⁴ | 27.49% |
| 8. | Municipal District of Greenview | \$18,040,000.00 | Canadian Natural Resources Limited; ConocoPhillips Canada Resources Corp | \$74,622,742.00 ¹⁵ | 24.17% |
| 9. | Strathcona County | \$43,018,859.57 | Shell Canada Energy | \$221,963,000.00 ¹⁶ | 19.38% |
| 10. | Lac La Biche County | \$12,810,000.00 | Canadian Natural Resources Limited | \$66,941,674.00 ¹⁷ | 19.14% |

9. 2016 Consolidated Financial Statements of Municipal District of Bonnyville: <http://md.bonnyville.ab.ca/ArchiveCenter/ViewFile/Item/405>
10. 2016 Consolidated Financial Statements of Municipal District of Opportunity: <http://www.mdopportunity.ab.ca/sites/default/files/2016%20Audited%20Financial%20Statements.pdf>
11. 2016 County of Vermilion River Financial Statements: https://vermilion-river.com/mrws/filedriver/Admin_files/County_of_Vermilion_River_Dec_31_2016_FS.pdf
12. 2016 Independent Auditors Report of Consolidated Finances of the County of St. Paul: http://files.townlife.com/public/uploads/documents/17583/2016_Financial_Statement.pdf
13. 2016 Yellowhead County Financial Statements: http://www.yellowheadcounty.ab.ca/images/pdfs/departments/corporate_services/2016_FINANCIAL_STATEMENT_web.pdf
14. 2016 Special Areas Trust Account Financial Statements: <https://specialareas.ab.ca/about-us-2/policies/>
15. 2016 Financial Statements of Municipal District of Greenview: <http://mdgreenview.ab.ca/wp-content/uploads/2013/12/2016-Financial-Statements.pdf>
16. 2016 Consolidated Financial Statements of Strathcona County: https://www.strathcona.ca/files/files/at_fin_sc_consolidated_financial_statement_2016.pdf
17. 2016 Consolidated Financial Statements of Lac La Biche County: <http://www.laclabichecounty.com/home/showdocument?id=5388>

Within the list of municipalities that were examined for 2016, the Regional Municipality of Wood Buffalo is receiving the largest reported tax payments by extractive companies, and these payments make up the largest percentage of net tax revenues the municipality receives (79.40%). Since only payments which exceeded \$5 million were included, extractive tax payments likely contribute more than 79.40% to the municipal tax revenue. Other municipalities with significant (over 50%) contributions to tax revenues from extractive tax payments include the Municipal District of Opportunity and the Municipal District of Bonnyville.

HOW MUCH DO MINING, OIL AND GAS PAYMENTS CONTRIBUTE TO YOUR MUNICIPAL BUDGET?



When looking at consolidated financial statements from municipalities, it was difficult to discern how much tax oil and gas companies were paying because the financial statements did not list tax revenues by industry. In light of this observation, there is an opportunity to understand how oil and gas tax revenues are categorized at the municipal level. Furthermore, deeper analyses may reveal the extent to which oil and gas tax payments disclosures within ESTMA reports align with oil and gas tax revenues within consolidated municipal financial statements; however, such an investigation was beyond the scope of this project.

SHARING DATA WITH RELEVANT MUNICIPAL JOURNALISTS

Next, municipal newspapers in each relevant municipality were identified, and the contact details for reporters and editorial staff were noted. Reporters were initially contacted by email for a 15-20 minute telephone conversation, and subsequently followed up with by phone and email.¹⁸

Initially, the email contact rate was low, with only one reporter responding to the introductory email. However, response by phone was significantly better and half of the relevant reporters were reached during the first round of phone calls. After each successful conversation, a thank you email was sent, and links to the relevant ESTMA reports and resourceprojects.org were included.

After rounds of emails and phone calls, eight of ten reporters were engaged. During each conversation, a set of interview questions were discussed (see Annex) and it was explained how reporters could find this payment information on both the Natural Resource Canada site, as well as resourceprojects.org. The two newspapers that did not respond were the ValleyView Town & Country and the Wabasca Fever.

¹⁸ For interview questions, please refer to the annex at the end of this case study.

Table 2: Contacts with municipality newspapers and levels of interest in EST-MA tax payment information (green = contacted and interest in data; yellow = contacted and limited interest in the data; red = contacted and no interest in the data; white = no contact)

| | Name of Municipality | Name of Local Newspaper |
|-----|---------------------------------------|--------------------------|
| 1. | Regional Municipality of Wood Buffalo | Fort McMurray Today |
| 2. | Municipal District of Bonnyville | Bonnyville Nouvelle |
| 3. | Municipal District of Opportunity | Wabasca Fever |
| 4. | Vermilion River County | Vermilion Voice |
| 5. | County of St. Paul | St. Paul Journal |
| 6. | Yellowhead County | Edson Leader |
| 7. | Special Areas Board -- Hanna | Hanna Herald |
| 8. | Municipal District of Greenview | ValleyView Town & County |
| 9. | Strathcona County | Sherwood Park News |
| 10. | Lac La Biche County | Lac La Biche Post |

Four newspapers (Fort McMurray Today, Edson Leader, Sherwood Park News, and Vermilion Voice) were interested and asked engaging questions. Two newspapers (Hanna Herald and Lac La Biche Post) expressed neutral interest – journalists listened patiently yet did not commit to in-depth questions. Two newspapers (the Bonnyville Nouvelle and the St. Paul Journal) were not interested to learn more at this time of this call. Finally, two newspapers (the Valleyview Town & County, and Wabasca Fever) did not return emails or phone calls.

Conversations with reporters, in general, led to a rich exchange of ideas and a desire to learn more about municipal tax payments, and reporters were highly interested. Neutral conversations occurred when the phone exchange was with either an editor or a temporary replacement staff reporter, and it seemed very likely that these calls occurred at the wrong time, perhaps when those individuals were overwhelmed with workloads. Those who were disinterested expressed that their newspapers do not regularly cover issues related to oil, gas, or mining stories.

All newspapers were aware that extractives projects existed within their municipalities, yet none were able to guess the tax payments there were being made, or knew about ESTMA. All newspapers were aware that extractives projects existed within their municipalities, yet none were able to guess the tax payments there were being made, or knew about ESTMA. All reporters appreciated a walkthrough about how access ESTMA data on the NRCan website or resourceprojects.org portal. Yet that same sample also remarked that this information was not a top priority. No one provided definitive answers about how they would use this information moving forward, other than suggesting they could use payment data as background information during municipal budget releases.

KEY LEARNINGS AND NEXT STEPS

Overall, newspapers were a sound choice for outreach within the municipalities that were selected. While there was interest in ESTMA data amongst experienced reporters, there was not a clear understanding of how to leverage this data.

For transparency researchers and advocates who desire to conduct effective outreach to journalists, we would recommend the following:

- Practice a 15-second elevator pitch about who you are, and what you are seeking to understand from the journalist themselves.
- A layered approach of emailing, calling, pitching, and email follow-up is a useful sequence for a high contact rate.
- Connecting the data with a local news story concerning an extractives project can offer journalists a stronger sense of how they can link ESTMA data to ongoing community news as opposed to talking about the data itself.
- Speak with an experienced reporter as editors are busy and have time conflicts. Also, be aware that small municipal newspapers have very small staff teams, so availability may be limited.

In expanding the scope for systemic change through this type of outreach, the following is suggested:

- Explore sharing tax payment information with reporters at larger newspapers in surrounding Canadian cities. It is likely those newspapers have investigative reporters with deep subject matter expertise and larger teams in comparison to newspapers in the smaller municipalities. By doing so, there's an opportunity to deepen the level of expertise amongst investigative journalist teams in Canada.
- For future Data Extractors initiatives (and similar trainings for civil society), there is potential to invite journalists who regularly cover extractives stories and teach data scraping techniques. By doing so, PWYP will be boosting the capacity of journalists who are in a position to communicate the story behind the data.

Regarding payment disclosure data:

- Recommend that companies list the specific tax category (e.g., property tax) that they are paying within the notes section of each ESTMA report. This will make it easier for journalists, citizens, and civil society groups to understand to what extent taxes listed within the ESTMA reports match-up with amounts listed within consolidated financial statements.

These insights can be useful for open data researchers and advocates to improve the likelihood of information dissemination to citizens. Oftentimes, payment disclosure data is very technical. Harnessing the media should help break down barriers and make data more accessible for people to understand.

ANNEX

The following steps were undertaken to complete the analysis of extractive tax payments:

1. **In reviewing ESTMA payment reports for companies operating in Alberta, 10 communities that were receiving large payments were selected. The interest was to explore the proportion of the municipal budgets that these payments represented in each community, and to see if this was a story that local journalists would be interested in covering.**
2. **For each community, the following process was repeated. The case of the Municipal District of Opportunity is used for this example.**
 - a. Go to resourceprojects.org
 - b. Change the drop-down menu from "Per Project" to "To Gov't Agencies"
 - c. Click "View payment data"
 - d. Open "Filters" on the bottom left
 - i. Type in "Municipal District of Opportunity" into "Agency" filter, and a checkbox corresponding to that municipality should appear. Click on the box.
 - ii. Click on "2016" under the "Fiscal Year End" filter.
 - iii. Click on "Taxes" under the "Payment Types" filter.
 - e. Close the "Filters" window to view payment data. This should list all reporting companies who made payments to the Municipal District of Opportunity in the 2016 fiscal year.
 - f. Click "Value (USD)" twice to sort the payments from largest to smallest

- g. The top listed payments should be: Canadian Natural Resources Limited (\$21,729,295 USD), Cenovus Energy Incorporated (\$11,619,137 USD), and Husky Energy Incorporated (\$3,266,939 USD).
 - i. Note: For the purposes of this research, only company payments over \$5 million Canadian dollars were included in the sample.
- h. Right-click the company hyperlinked name (e.g., Canadian Natural Resources Limited), and open the page in a new window for each of the three listed companies.
- i. Once on the company page, look for “Years Available (Links to Reports)” and click on, “2016”. This will open the original ESTMA report for 2016, and includes the original currency in which the company reported its payments for the Municipal District of Opportunity. Alternatively, the original report can be found by visiting the Natural Resources Canada “Links to ESTMA reports” page, and search for the company under the year “2016-2017”.
 - i. For Canadian Natural Resources Limited, the following ESTMA report was located: <https://s3.us-east-2.amazonaws.com/rp-20-sources/mandatory-disclosure-report256ab738ac914399472b998339b043d8>
 - ii. For Cenovus Energy Incorporated, the following ESTMA report was located: <https://s3.us-east-2.amazonaws.com/rp-20-sources/mandatory-disclosure-report106d01e51cfc987b5c69aafd218beb6b>
 - iii. For Husky Energy Incorporated, the following ESTMA report was located: <https://s3.us-east-2.amazonaws.com/rp-20-sources/mandatory-disclosure-report9a77ba226ab176399e91365c1bd13df3>
- j. From the ESTMA reports, the following payments in Canadian dollars were reported for each company:
 - i. \$28.79 million CAD by Canadian Natural Resources Limited
 - ii. \$15,370,000 CAD by Cenovus Energy Incorporated
 - iii. \$4,330,000 CAD by Husky Energy Incorporated
- k. Since the Husky Energy Incorporated payment was less than \$5 million CAD, it was not included in the summary table of data. This payment threshold was selected to simplify the analysis and to catch the largest tax payments to selected municipalities.
- l. The sum of both Canadian Natural Resources Limited and Cenovus Energy Incorporated was calculated: \$28 790 000 CAD + \$15,370,000 CAD = \$44,160,000 CAD. This figure was included in the summary table of data.
- m. For the Municipal District of Opportunity, the Consolidated Financial Statement was located on the official municipal website: <http://www.mdopportunity.ab.ca/>
 - i. Go to the following page Government > Departments > Finance > 2016 Audited Financial Statements: <http://www.mdopportunity.ab.ca/node/525>
 - ii. Link to the 2016 Audited Financial Statement: <http://www.mdopportunity.ab.ca/sites/default/files/2016%20Audited%20Financial%20Statements.pdf>
- n. The “Net Tax Revenue” was found in the 2016 Audited Financial Statement. This type of tax was selected because it reflects the amount of tax revenue available for spending purposes within each municipality and it was the most consistent type of tax reporting across consolidated financial statements amongst the selected municipalities. In this report, the net tax revenue is listed on page 4 of the financial statement under “Revenues” as “Net municipal taxes”: \$ 61,423,779 CAD.

- o. To compare the inflow of company tax payments against the amount of taxes that municipalities received, a proportion was calculated in order to give the reader a sense of roughly how much extractive company payments contributed to municipal net tax revenues. In this instance, the company tax amount (\$44,160,000 CAD) was divided by net municipal tax amount (\$61,423,779 CAD) and multiplied by 100%. ESTMA tax payments as % of net tax revenues for the Municipal District of Opportunity were determined to be 71.89%.
- 3. Once the data was collected for each community on the payments that were reported through ESTMA on the payments they were receiving from extractive companies, the local newspapers in each community were identified.**

The following steps were taken in contacting journalists:

1. Researching local newspapers and identifying emails for reporters and editors.
2. Interviews were aimed at achieving the following:
 - a. Understanding whether newspaper or municipality knows about ESTMA
 - b. Understanding how journalists have been historically assessing to what extent municipal tax revenues are coming from oil & gas
 - i. Is this even a concern?
 - ii. If so what are the challenges?
 - c. Familiarizing journalist with how to navigate ESTMA reports through NRCI open resource website
 - d. Familiarizing journalist with what my data extractors project entails: outreach, education, case study that is publicly accessible.

3. Asked the following questions during interviews:

- a. Did you know there exists an open data website shows taxes received by [insert county]?
- b. How have you been historically assessing to what extent municipal tax revenues are coming from oil & gas projects in your jurisdiction?
- c. How do you see yourself using municipal tax payment information going forward?

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**WORK WITH US TO UNCOVER THE STORIES
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