



Premier of Alberta

Office of the Premier, 307 Legislature Building, Edmonton, Alberta T5K 2B6 Canada

October 22, 2019

Right Honourable Justin Trudeau
Prime Minister
Office of the Prime Minister
Langevin Building
80 Wellington Street
OTTAWA, Ontario
K1A 0A2

Dear Prime Minister Trudeau:

Congratulations on your party's recent electoral victory.

As you head into your second term as Prime Minister leading a minority government, I would like to take the opportunity to share my deep concerns about the state of the Canadian federation and Alberta's place within it.

Albertans joined their fellow Canadians from Saskatchewan and most of Western Canada in sending a very clear message to your government in yesterday's election. The Conservative Party of Canada won the largest electoral mandate of any party in Alberta electoral history. This reflects a deep frustration felt by Albertans of all regions and backgrounds: an understanding that we have contributed enormously to the rest of the federation, but that our province and its key industry has been under attack.

Albertans cannot understand why they have been called on to contribute \$20 billion more annually to the Government of Canada than they receive back in benefits, and yet our ability to develop that wealth is increasingly blocked through cancelled and killed pipelines and policies like Bill C-69. We cannot understand why we are expected to contribute massively to the rest of the federation, and yet you said in a televised debate that you will "stand up to" the oil industry that generates so much of that wealth and employs hundreds of thousands of Albertans and Canadians from across our country.

I am gravely concerned at the potential impact many of the platform commitments both you and your potential coalition partners made during the election campaign. Commitments that would make it even harder for Alberta to produce and export our natural resource products — some in clear violation of our Constitution and rule of law by intruding into areas of provincial jurisdiction — and which would have dire consequences for this country.

Albertans are patriotic Canadians who want to see our great country succeed. But there is a very real threat to the fabric of our nation and a deep and abiding feeling of alienation felt across the west, not just in Alberta. A Liberal minority government that partners, formally or informally, with political leaders who want to see Alberta's industry falter, or be disbanded altogether, threatens the unity of our federation. I urge you to consider the consequences of implementing the more extreme of these commitments and to make decisions that are in the interests of all Canadians, not just Central and Eastern Canadians. In particular, Alberta is deeply concerned about the following policy areas:

Energy Market Access

The Government of Alberta is committed to expanding our markets and growing the Canadian economy. So are Canadians. Two thirds of Canadians voted for parties, including your Liberal Party, that support the completion of the Trans Mountain Expansion project (TMX). These parties elected 278 of 338 members of parliament. Public opinion polls consistently show overwhelming support for TMX, both nationally and in British Columbia. While we acknowledge the federal government's purchase and second approval of TMX, success of these actions will be measured by one thing and one thing only: the completion of the pipeline. Delays to the TMX expansion are costing the country tens of billions of dollars, as Canada is forced to sell our oil for much less than world market prices. The timely completion of the TMX and building additional pipeline capacity is critical to grow the national economy and create good jobs for all Canadians and to fulfill your election night commitment to "be there to support [us]."

Resource Corridors

On the subject of market access, at this summer's Council of the Federation meeting in Saskatoon, all thirteen provincial and territorial premiers supported the concept of economic corridors to get our respective resources to markets across Canada and globally, with twelve of those premiers endorsing corridors to transport natural resources including oil and gas. We hope that your government hears that message and supports this policy using all of the federal political and constitutional powers available to it.

Federal Legislation

The *Oil Tanker Moratorium Act* (C-48) is a discriminatory bill whose sole purpose is shutting down one of the most important industries in Alberta. Further, the *Impact Assessment Act* (C-69) and *Canadian Energy Regulator Act* are an attack against Alberta's energy industry and pose a threat to Alberta's economy and provincial autonomy. These Acts will have devastating impacts on Alberta and Canada's economies and on our reputation as a good place to invest. We implore the federal government to listen to the Senate, including many independent Senators appointed by your government, who voted against C-48 and to overhaul C-69, and reconsider these bills. We also encourage you to engage with the provinces and territories, as equal orders of government, prior to implementing any future legislation that interferes with provincial autonomy.

Climate Change

Provinces and territories are best positioned to develop climate change approaches that work for our unique needs and circumstances. The Government of Alberta will continue with a realistic and effective approach to greenhouse gas reductions that puts the burden on large emitters to reduce emissions and which funds innovation and technology to further reduce emissions here in Alberta and around the world. This is a serious plan and should be recognized as such by the federal government. A minimum gesture of conciliation and productive climate change cooperation would be to give Alberta the credit it deserves for this work and exempt the province from the *Greenhouse Gas Pollution Pricing Act's* federal backstop. Finally, the single most important contribution Alberta, and Canada, can make to fighting climate change is to build pipelines to get Canadian natural gas to markets in the developing world to displace higher emission energy sources there, and to get credit for those emission reductions as envisioned by Article 6 of the Paris Agreement.

Fiscal Fairness

Federal fiscal transfers must be fair. The Government of Alberta is committed to working with the federal government, and all provinces and territories, in a review of the major federal transfers to ensure that these transfers do not discriminate against any one jurisdiction.

One example, among many, of this unfairness is the decades-old \$60 per capita limit on Fiscal Stabilization Program (FSP) payments to provinces that suffer significant annual reductions in revenue. This outdated limit must be removed to ensure that Alberta is protected from major shocks and not penalized for the severity of these shocks. If the cap did not exist, Alberta would have received \$1.6 billion in 2015-16 instead of the \$250 million we did receive. Under other recent proposals to reform the FSP from University of Calgary economist Dr. Bev Dahlby, Alberta would have received between \$2.1 billion and \$3.2 billion. There is no cap on equalization, which is funded disproportionately by Albertans, so why should there be a cap on the FSP, which is designed to offset massive revenue declines in the "have" provinces who fund equalization?

In a similar vein, we request that the federal government reform Canada's Employment Insurance program so that Albertans who lose their jobs are not treated worse than employees in other provinces.

Equalization

Our government reiterates our strong insistence that the federal government reform the current equalization formula by excluding non-renewable resources revenues from the calculation, which unfairly rewards provinces whose policies artificially reduce their fiscal capacity, and by imposing a hard cap on equalization transfers to stop the absurd situation of some provinces guaranteed almost constant increases, while refusing to develop their own resources.

CMHC Stress Test

I would like to repeat my request that the Canada Mortgage and Home Corporation (CMHC) stress tests be removed for Alberta residents. As I explained in our in-person meeting in Ottawa in May of this year, the CMHC stress tests were imposed to deal with housing issues in other provinces and make no sense in our province's struggling housing market.

Trade

Free flow of goods and services, as well as access to capital is critical to the Canadian economy. The Government of Alberta has led good work on reducing internal trade barriers, removing 80% of our exceptions to the Canada Free Trade Agreement (CFTA), but more work is needed on this file. The federal government must follow Alberta's leadership on this file by using its constitutional authority over trade and commerce to radically reduce and/or eliminate barriers to internal trade, including those imposed by the federal government.

Federal actions could include:

- Removing federal exceptions to the CFTA;
- Advancing direct-to-consumer alcohol sales across the country;
- Removing federal prohibitions on the interprovincial movement of provincially inspected meat.

It is essential for the long-term prosperity and health of the Canadian economy that internal trade is increased and kept as free as possible.

New international markets are needed for Canadian products beyond the United States and China. The Government of Alberta supports the federal government's commitment to expand and diversify Canada's international trade partnerships. Alberta wants to be fully engaged in the negotiation, implementation and management of important international trade agreements where they affect provincial jurisdiction.

Health Care

Health care costs are skyrocketing and provinces and territories are shouldering these expanding costs. Each province and territory faces unique health challenges, and as such, an equal distribution of federal health transfers is the only equitable way to address these health challenges.

We also implore you to immediately reverse the decision to unilaterally cut reimbursement rates for delivering health care to Canadian Armed Forces members in Alberta and across Canada. Cutting these rates puts quality healthcare for our veterans and service members at risk while straining already tight health care budgets. It is an insult to our veterans and to the provinces alike.

Indigenous Opportunity

Alberta believes our government must be a true partner in helping Indigenous peoples address economic and social issues and we have committed to be a true partner in pursuit of reconciliation, inclusion and opportunity.

As the federal government pursues a renewed relationship with Indigenous peoples, Alberta wants the federal government to respect our existing relationships with and commitments to the Indigenous groups in Alberta.

State of the Federation

There is a need for provinces, territories and the federal government to work collaboratively to guarantee the best possible outcomes for Canadians. A key part of a successful collaborative relationship stems from respecting the principles of federalism.

Alberta is committed to respecting the division of powers in the federation and acknowledging the equal relationship between the orders of government. We call on your government to join us in this commitment and move forward in creating a stronger federation for all Canadians.

Again, a strong Alberta ensures a stronger Canada. I look forward to working with your government on issues that affect Albertans and all Canadians.

Sincerely,



Hon Jason Kenney PC
Premier of Alberta
Minister of Intergovernmental Relations