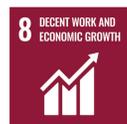


Alberta's Energy Transition: What Impacts Foreign Participation?

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Project Overview

Traditionally seen as an oil and gas powerhouse, Alberta has witnessed unprecedented growth from renewables. But this growth requires significant investment, with estimates as high as \$5.4bn annually by 2040 (O'Reilly, 2021). Multinationals provide one source of funding in the form of foreign direct investment (FDI). This study examines what influences foreign companies to enter Alberta's renewable energy market. Interviews with industry experts reveal what matters most to investors, and how the province might attract future international investment.



Primary Research Question

What influences the decision of foreign companies to enter Alberta's energy market and to support the transition to a low-carbon economy?

Secondary Research Questions

- 1) What are the positive factors associated with renewable energy investment in Alberta?
- 2) What are the negative factors associated with renewable energy investment in Alberta?
- 3) What recommendations were made for improving the investment climate within Alberta's renewables sector?

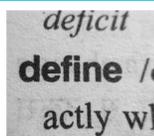
Methodology

Step 1



Interviews with Industry

Step 2



Keyword (Transcript) Analysis with Nvivo 14.0

Step 3



Development of Thematic Framework

Step 4



Test Against Existing Academic Literature

References:

- O'Reilly, K. (2021). Alberta: leading the global energy transition. Delphi Group for Calgary Economic Development Corporation. https://www.calgaryeconomicdevelopment.com/assets/Reports/Sectors/Energy-Environment/CED-2021_EnergyTransition_Report.pdf
- Schwarz, C. (2023). Photograph of Premier Danielle Smith. Government of Alberta. <https://www.flickr.com/photos/albertanewsroom/52619404292>

Thematic Framework:

The 7 Key Themes & Sentiment

- Market Structure & Financial Performance
- Awareness & Market Outlook
- Labour-Related Factors
- Government Policy & Support
- Resource & Physical Constraints
- Political & Consumer Environment
- Ease of Market Entry & Approvals

Key Findings: The Good

- Favourable deregulated marketplace with ample natural resources leading to strong financial performance.
- The opportunity to sign Power Purchase Agreements and to earn Renewable Energy Credits was popular and supports financial performance.
- Alberta boasts a highly trained workforce with transferable skills.

Key Findings: The Bad

- Approvals take too long and could result in unpredictable delays and high upfront costs.
- Infrastructure and grid capacity have not kept pace with rapid growth therefore "prime" sites close to high voltage transmission were becoming exhausted. Improved infrastructure needed in southeast.
- Greater direction setting and support needed from government.
- Regulation could be slow to respond to novel technologies.
- Incentives were needed to promote storage and geographical dispersion to tackle the variability of renewables.

Key Findings: The Ugly

- "It's the economy politics stupid!" While Alberta's reputation for renewables was not always recognized, even in Canada, the polarized debate around renewables and clashes with the federal government were felt internationally.
- The political rhetoric was seen as the biggest obstacle to development and a "red flag" for investors. Developers perceived a lack of political commitment to the sector with the AUC moratorium on approvals only serving to confirm this view.

The 2023 AUC Moratorium



- The study finds that the pause had sent shock waves through the industry as well as the wider business community.
- While it was too early to gauge the full impact, there were signs that investors were reconsidering future investments. Estimates put the potential lost investment in the billions of dollars.
- Ripples may also be felt in other sectors, such as construction and farming, and may even lead to the growing number of ESG-conscious corporations who are chasing PPAs to reconsider the province entirely.
- Industry had been swift and unified in its condemnation of the provincial government. Investors were vocal about the cost and risk of doing business in Alberta.
- It seems likely that the pause will slow the province's pursuit of net-zero and compromise inward FDI, making it harder and more expensive for Albertans to meet Canada's energy targets.
- O'Reilly (2021), for the Calgary Economic Development Corporation, estimates that the industry will need \$2.1bn annually by 2030, and \$5.4bn by 2040, a figure they contend can only be met with a significant contribution from FDI.

Policy Recommendations

- The study's recommendations include a more anticipatory regulatory stance on novel technologies, a more streamlined and expedited approvals process, proactive signalling and deployment of grid infrastructure, incentives for energy storage and geographical dispersion, improved interties with neighbouring provinces, and finally more targeted external messaging about Alberta's role within the energy transition.
- Investors urged a less binary approach to renewables versus oil and gas, a debate which had the potential to stand in the way of the province securing its future as a diverse energy heavyweight.