

Intelligence MEMOS



From: Branko Bošković
To: Shannon Phillips, Alberta Minister of Environment and Parks
Date: February 27, 2018
Re: **BOLD STEPS TO SAVE ALBERTA'S CARIBOU**

Woodland caribou have been listed as threatened or endangered in Alberta for more than 30 years. During this time, the provincial caribou population has fallen from nearly 8,000 to perhaps 2,000 today and is at serious risk of extirpation in the very near future. The main causes are industrial development, particularly forestry and oilsands production.

The situation is so dire that the federal *Species at Risk Act (SARA)* was invoked in 2012, requiring caribou habitat to be at least 65 percent undisturbed from logging, seismic lines, or any other industrial activity so that populations can stop declining. This is a daunting task: in some areas, habitat is more than 90 percent disturbed.

The province has developed a draft plan to abide by *SARA*, which is currently in the public consultation phase. (Shaun Fluker at ABlawg provides an excellent [examination](#) of the proposal.) What the plan seems to contain is more of the same opaque development restrictions that have proven ineffective at curbing population declines.

Not only are the existing regulations ineffective, they are costly. Though this is difficult to determine because of their opacity, Linda Nøstbakken and I [developed an approach](#) to measure the total cost of the regulations. We did so by comparing the price of oilsands leases in Alberta sold between 2003 and 2012.

Alberta sells oil sands leases in sealed-bid auctions where the highest bid wins the lease. Bidders will bid no more than the value of holding the lease, which is the net present value profit of producing oilsands projects. The profit includes the cost of any environmental obligations, such as complying with the caribou regulations. We examined more than 3,000 leases and compared regulated to unregulated leases, controlling for any confounding factors.

We found that regulated leases were priced about 24 percent lower than unregulated leases. Is this a lot? It's less than \$5 per hectare per year. But for all leases sold during 2003-2012, the total cost is at least \$1.24 billion in 2017 dollars, most of which is forgone auction and royalty revenue.

So the current regulatory approach is both ineffective and expensive. To save the caribou, the government should take the only option it doesn't much use: stop selling leases in caribou habitat and buy back any non-producing leases. Sure, it will be costly, but at least it has a chance of being effective.

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