

**Province of Alberta  
International  
Investor Relations Tour**

**May 2016**

# Canada and Alberta Overview

# Canada Quick Facts

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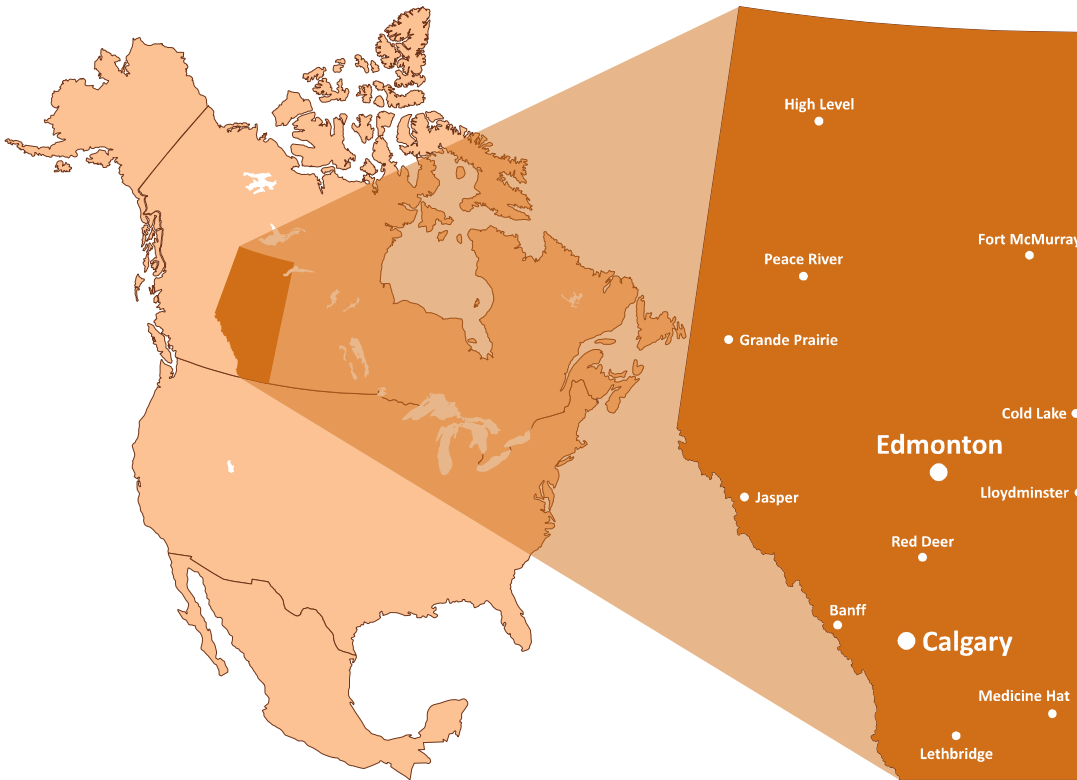
- **10<sup>th</sup> largest economy in the world**
- **GDP of US\$1.6 trillion in 2015**
  - Natural resources and manufacturing are major industries
- **Stable political and legal environment**
  - *Euromoney Country Risk (ECR)* score: ranked 7th best
- **Population of 36 million**
  - Past decade: fastest population growth rate of the G8
  - Moderate unemployment rate: 7.1%

# Canada's Constitutional Framework

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- **A federation founded in 1867, which includes the Federal Government, 10 Provinces and 3 Territories**
- **Provinces have significant autonomy:**
  - Responsible for delivery of health care, primary and post-secondary education
  - Considerable taxing powers: personal and corporate income tax, value added/sales taxes, fuel and payroll taxes
  - Provincial ownership of natural resources
    - 98% of Canada's oil reserves are in Alberta

# Alberta Overview



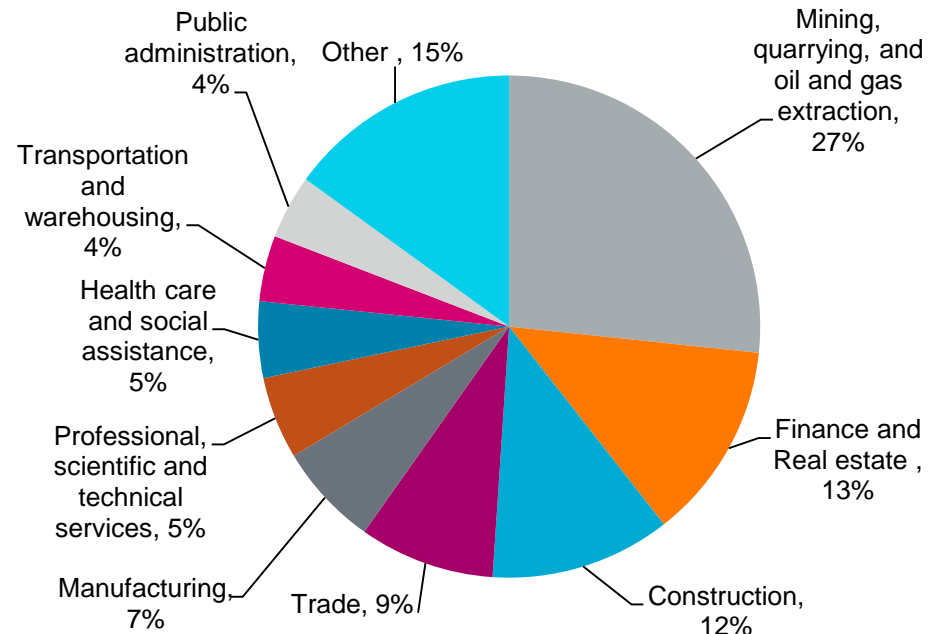
- **Population of 4.2 million**
  - 2.3% average growth over past 15 years
  - Young and highly educated
- **Nominal GDP C\$320 billion (US\$250 billion)**
  - Among highest GDP/capita in North America
- **3.5% average real GDP growth over 20 years**
- **Capital intensive and export driven economy**

# Economic Outlook

# Alberta's economy at a glance

- **Alberta has been the engine of growth for Canada**
  - Alberta's share of the national population is about 12%.
  - In 2014, Alberta contributed almost 20% to national GDP and 25% to exports.
- **Between 2000 and 2014, the province experienced broad-based industry growth that outpaced the rest of Canada**

Share of nominal GDP by industry, 2014

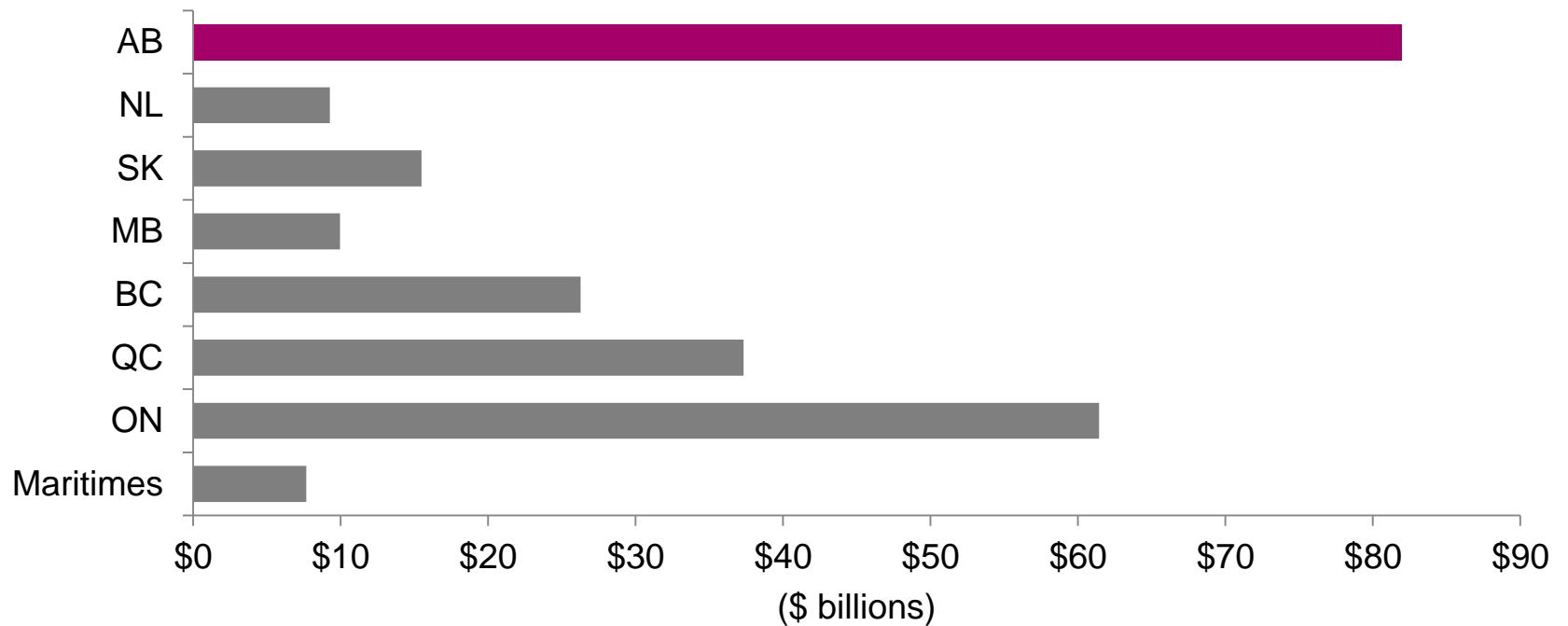


Source: Statistics Canada

# Alberta's economy is very capital intensive

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## 2015 Investment\* by Province



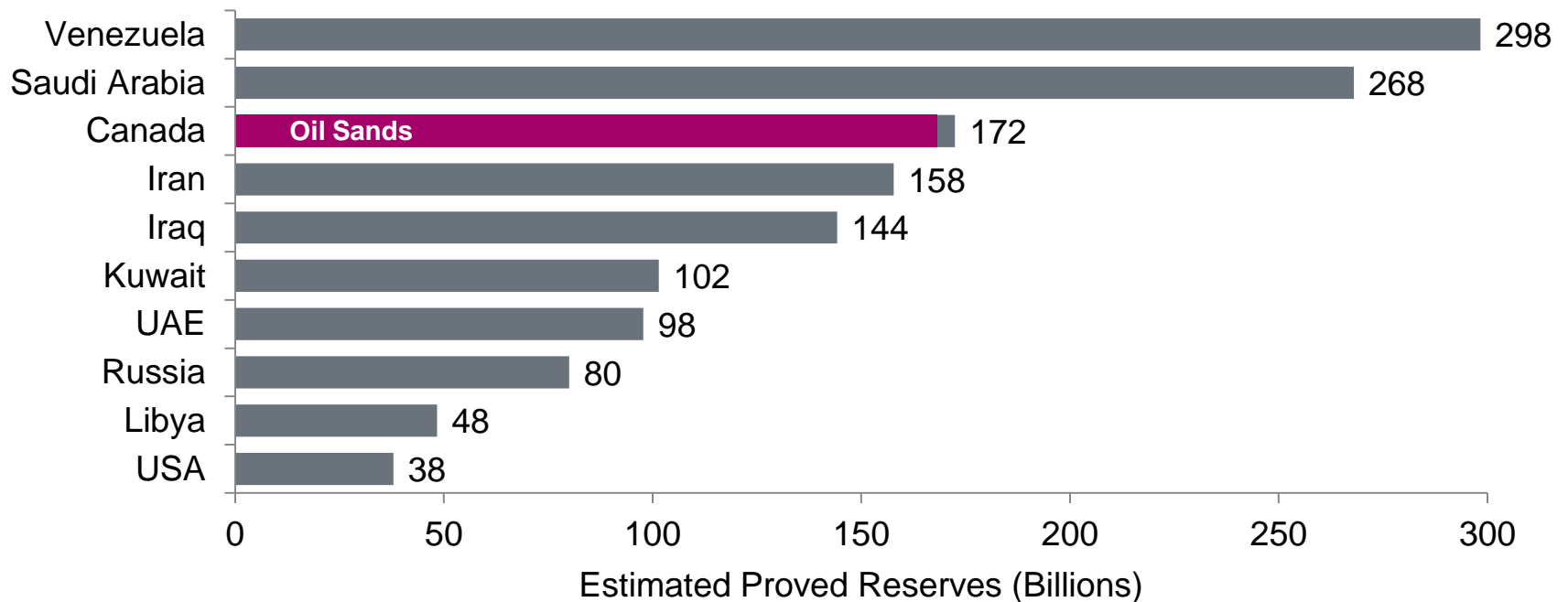
Source: Statistics Canada

\*Based on Public and Private Investment in Canada



# Alberta oil reserves ranked third in the world

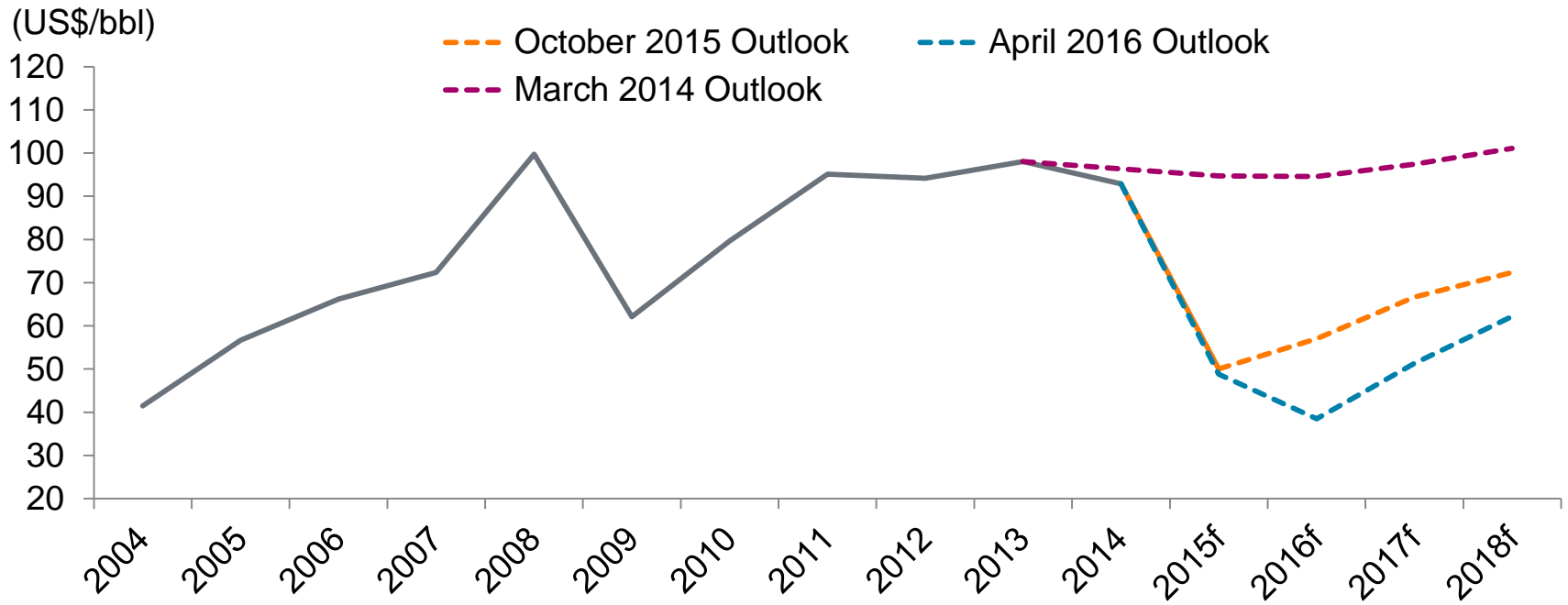
## 2015 Global Oil Reserves



Source: Alberta Energy, International Energy Agency, Alberta Energy Regulator, OGJ

# Weaker outlook for oil prices

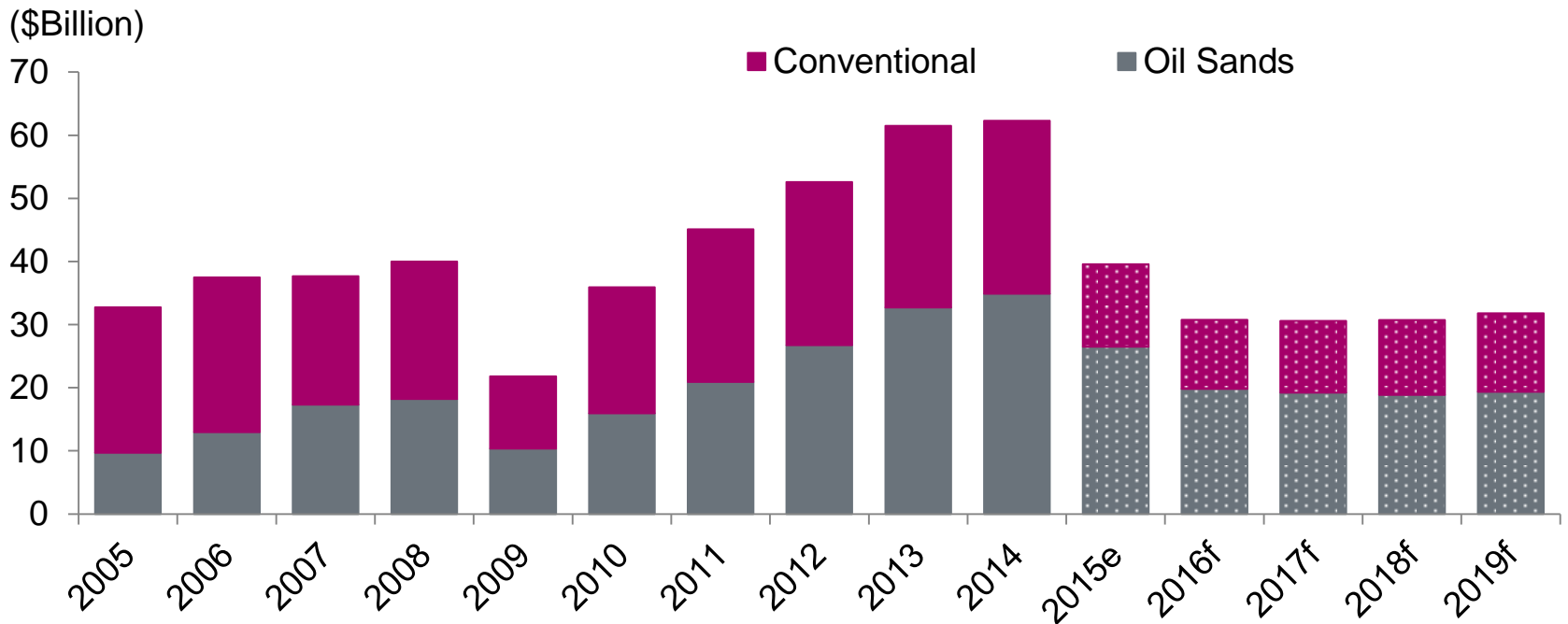
## WTI Oil Price



Source: Alberta Energy

# Oil and gas investment to remain lower

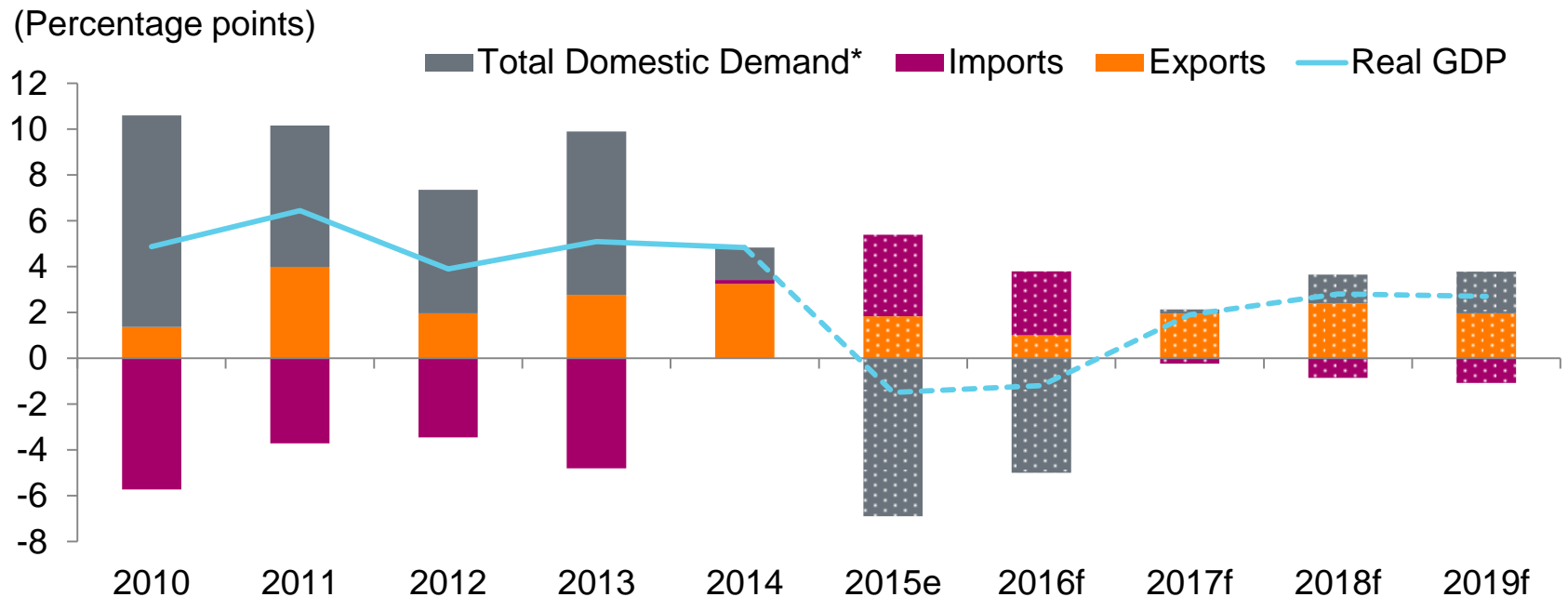
## Alberta oil and gas investment



Source: Statistics Canada, e-estimate, f-forecast

# Alberta is transitioning to export-led growth

## Contribution to Alberta real GDP growth

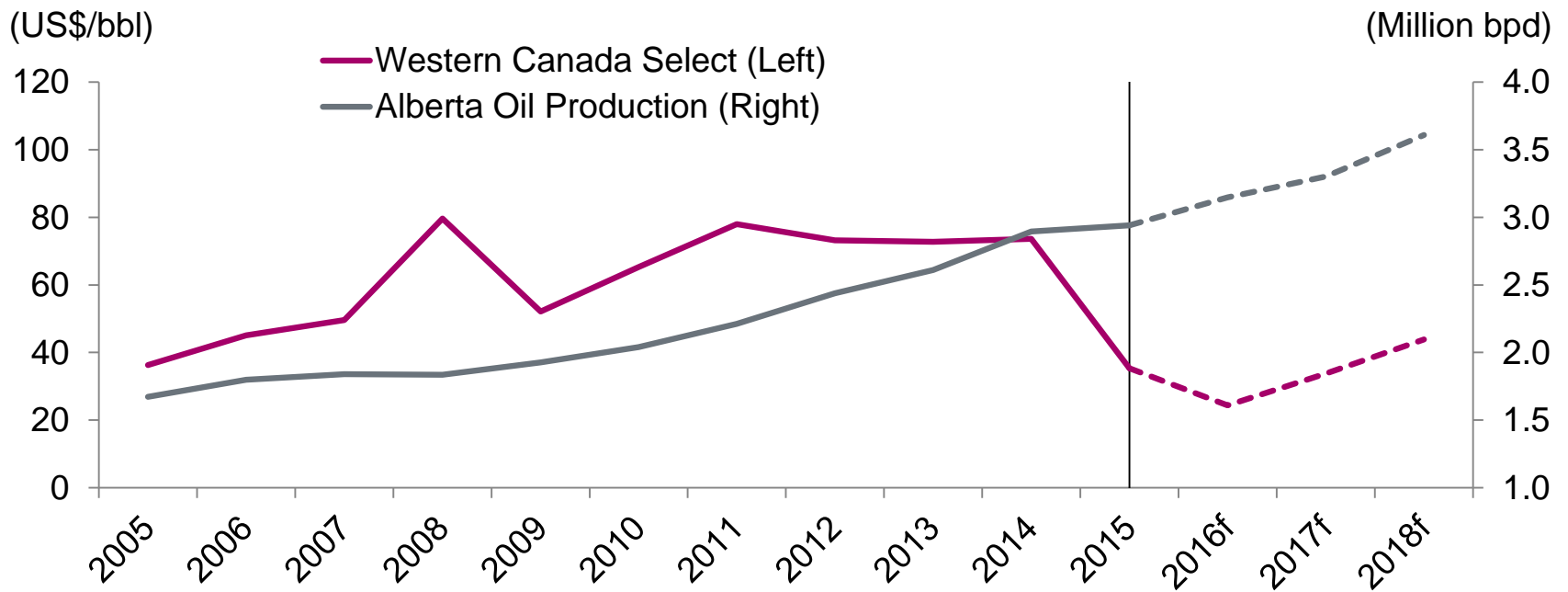


Source: Statistics Canada and Alberta Treasury Board and Finance, e-estimate, f-forecast

\* Total household, business and government spending.

# Oil production growing despite price drop

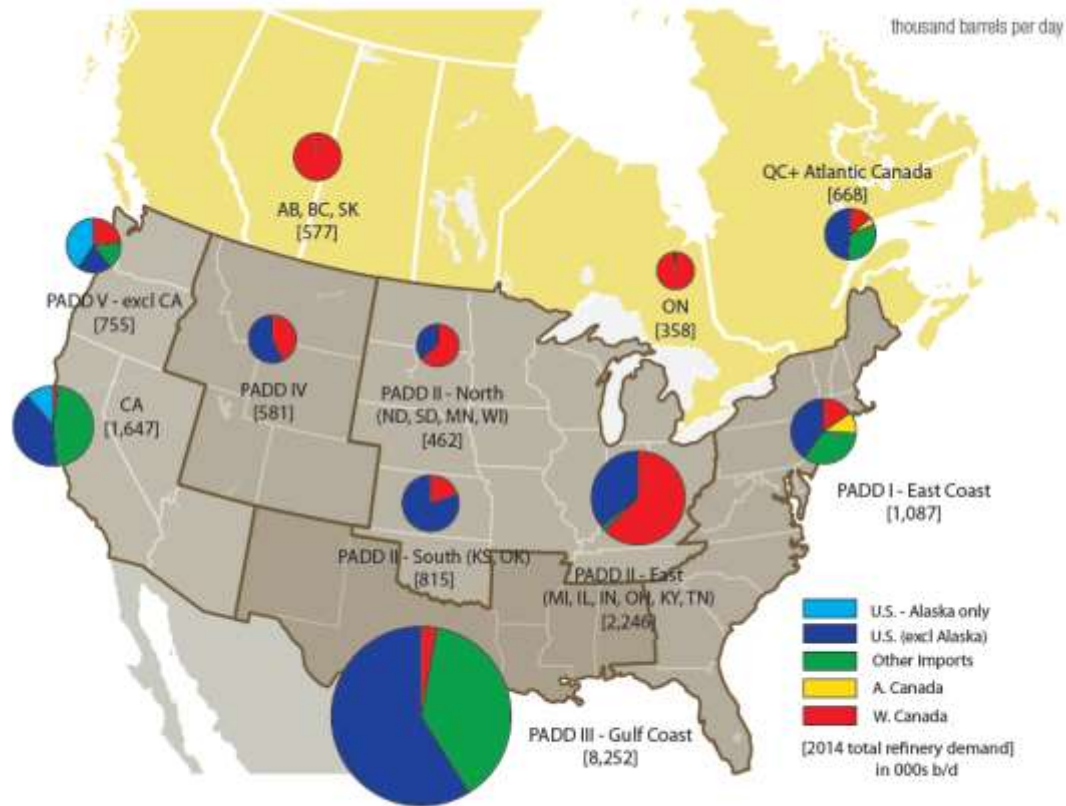
## Alberta Oil Production and Western Canadian Select Heavy Oil Benchmark Price



Sources: Alberta Energy and Statistics Canada, f-forecast

# Market access remains key

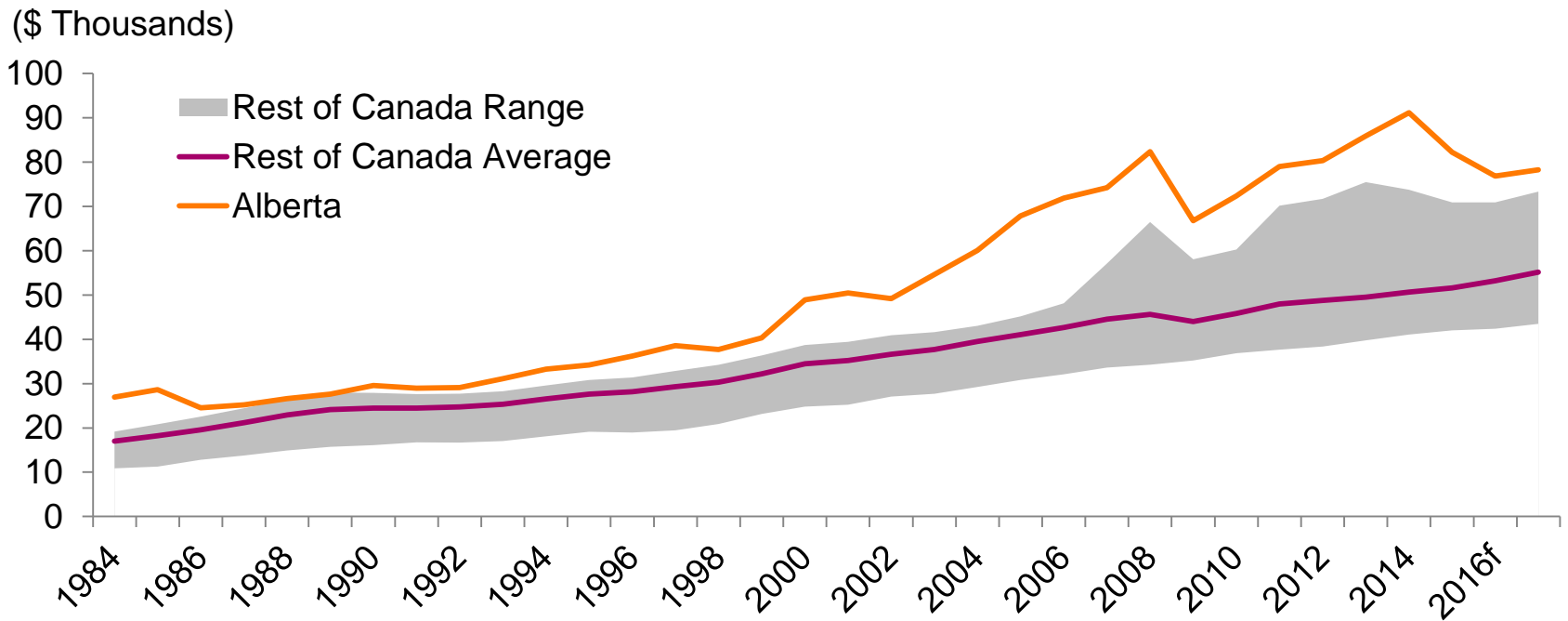
2014 Canada and U.S. Crude Oil Demand by Market Region



Sources: CAPP, CA Energy Commission, EIA, Statistics Canada

# Alberta's economy is resilient

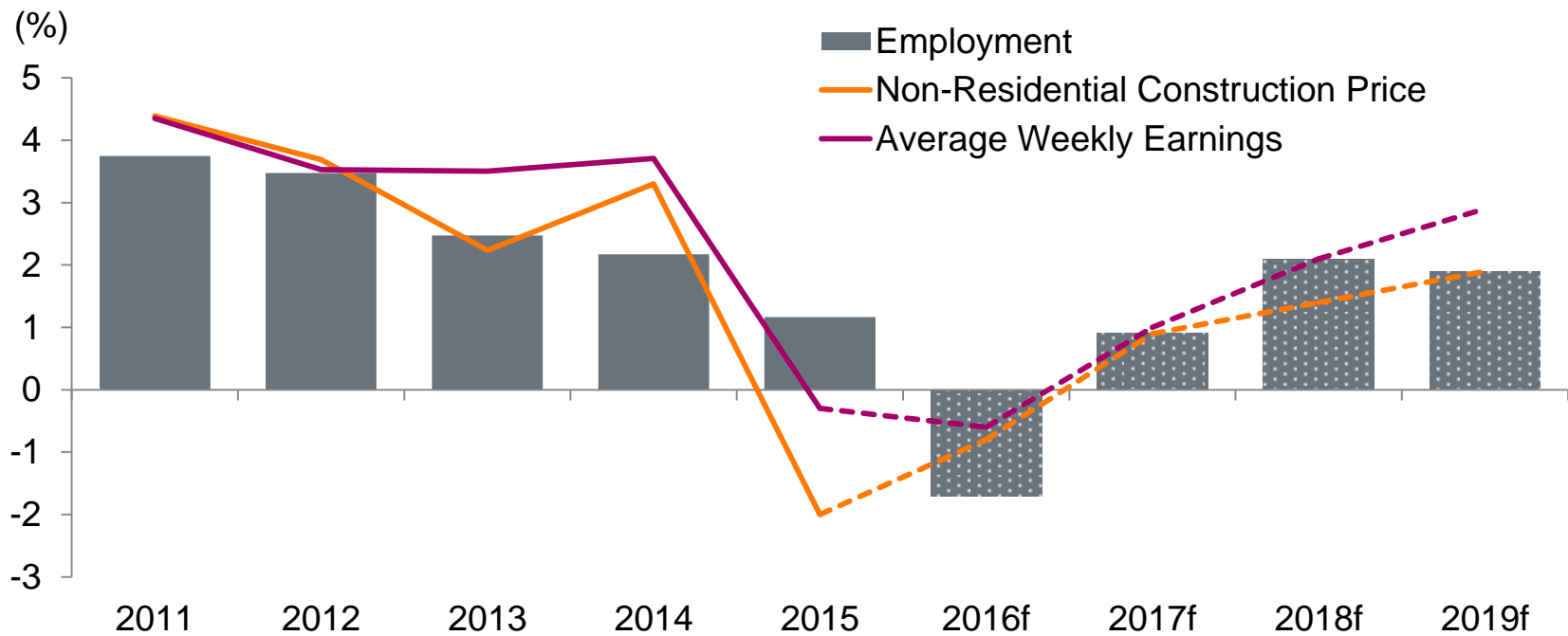
## Annual nominal GDP per capita



Source: Statistics Canada, Alberta Treasury Board and Finance and TD Economics

# Cost pressures are easing

## Change in Alberta employment, earnings and construction prices

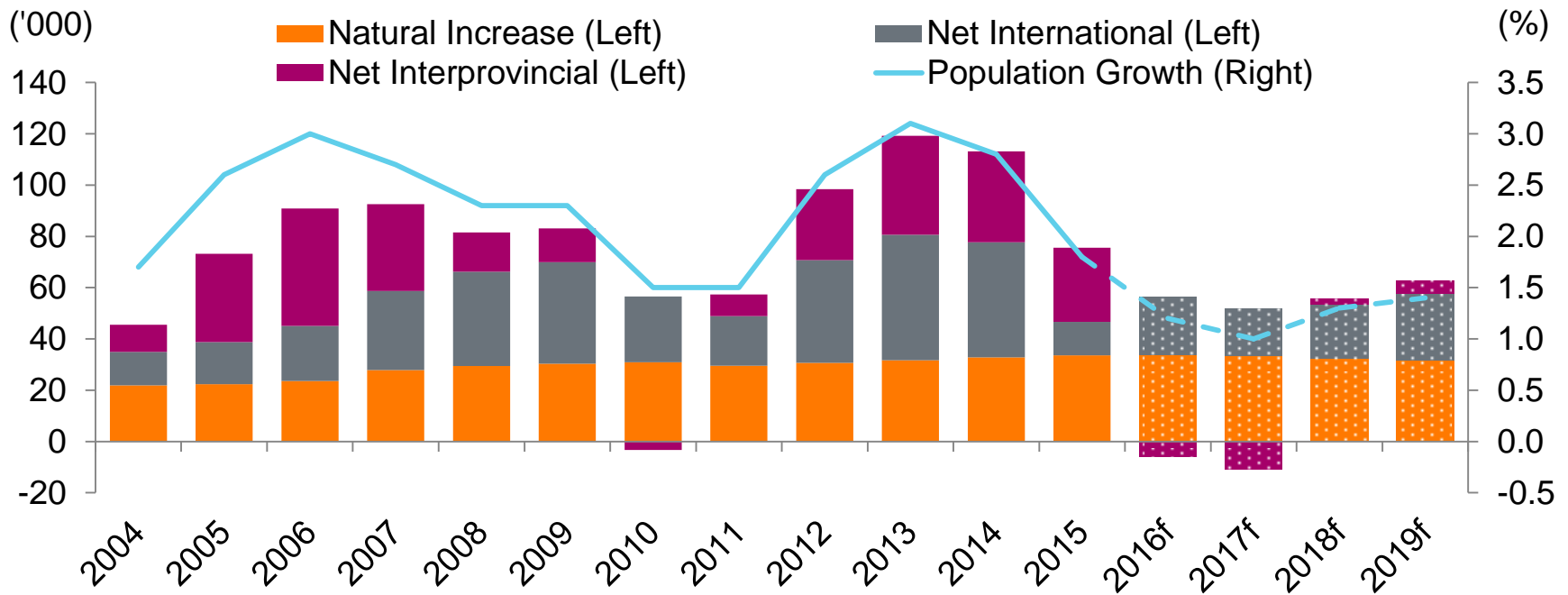


Source: Statistics Canada and Alberta Treasury Board and Finance, f-forecast



# Natural increases and immigration to drive population gains

## Change in the Alberta population by component



Sources: Statistics Canada and Alberta Treasury Board and Finance, f-forecast

# Fiscal Plan and Borrowing Program

# Budget 2016 Key Metrics

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|   | 2014-15<br>Actual | 2015-16<br>Budget | 2016-17<br>Forecast | 2016-17<br>Estimate | 2017-18<br>Target | 2018-19<br>Target |
|---|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|
| Consolidated Revenue                        | 49.5              | 43.8              | 42.9                | 41.4                | 45.0              | 49.6              |
| Consolidated Expense                        | 48.4              | 49.9              | 49.3                | 51.1                | 53.6              | 56.0              |
| Risk Adjustment                             | -                 | -                 | -                   | (0.7)               | (1.5)             | (2.0)             |
| <b>Consolidated Surplus /<br/>(Deficit)</b> | <b>1.1</b>        | <b>(6.1)</b>      | <b>(6.4)</b>        | <b>(10.4)</b>       | <b>(10.1)</b>     | <b>(8.4)</b>      |

# Energy and Economic Assumptions

|  | <b>2015-16*</b> | <b>2016-17*</b> | <b>2017-18*</b> | <b>2018-19*</b> |
|--|-----------------|-----------------|-----------------|-----------------|
| <b>WTI Oil (US\$/bbl)</b>                  | 45.00           | 42.00           | 54.00           | 64.00           |
| <b>Light-Heavy Differential (US\$/bbl)</b> | 13.40           | 15.20           | 17.50           | 18.50           |
| <b>Natural Gas (CDN\$/GJ)</b>              | 2.30            | 2.40            | 2.80            | 3.00            |
| <b>Exchange Rate (US cents/CDN\$)</b>      | 76.0            | 73.5            | 75.5            | 77.5            |
|  | <b>2015</b>     | <b>2016</b>     | <b>2017</b>     | <b>2018</b>     |
| <b>Real GDP Growth (%)</b>                 | -1.5            | -1.4            | 1.9             | 2.8             |
| <b>Employment Growth (%)</b>               | 1.2             | -1.7            | 0.9             | 2.1             |
| <b>Unemployment Rate (%)</b>               | 6.0             | 8.0             | 7.5             | 6.5             |
| <b>Population Growth (%)</b>               | 1.8             | 1.2             | 1.0             | 1.3             |

\*The fiscal year runs from April 1 to March 31

Source: Statistics Canada, Alberta Energy, Alberta Treasury Board and Finance

# Sensitivities to Fiscal Year Assumptions, 2016-17<sup>a</sup>

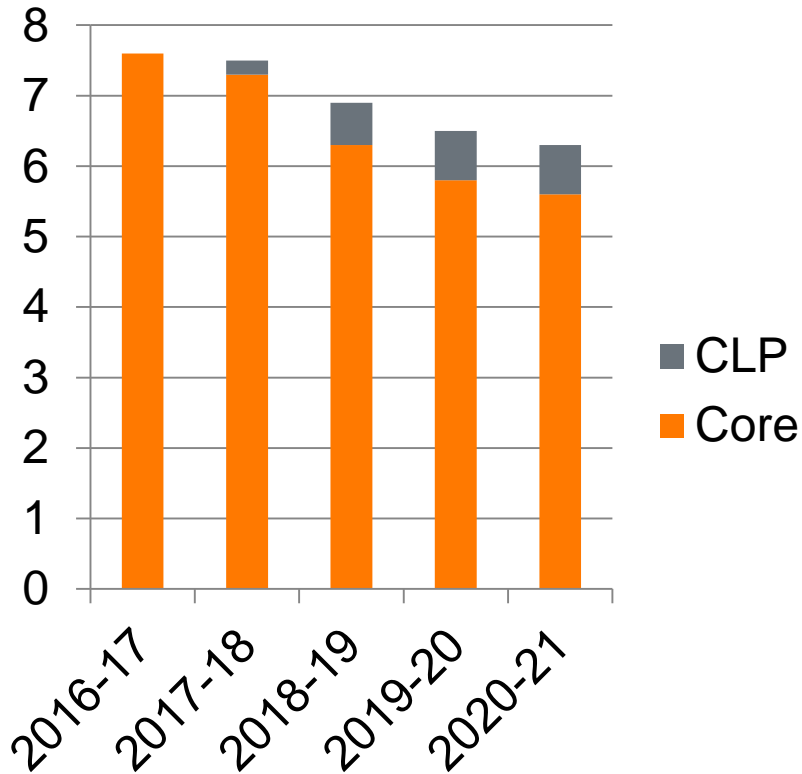
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(millions of dollars)

|                                    | Change    | Net Impact (2016-17) |
|------------------------------------|-----------|----------------------|
| Oil Price (WTI US\$/bbl)           | -\$1.00   | -130                 |
| Light/Heavy Oil Price Differential | +\$1.00   | -70                  |
| Natural Gas Price (Cdn\$/GJ)       | -10 Cents | -25                  |
| Exchange Rate (US¢/Cdn\$)          | + 1 Cent  | -85                  |
| Interest Rates                     | +1%       | -230                 |
| Primary Household Income           | -1%       | -170                 |

<sup>a</sup> Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales.

# Capital Plan



(\$ billions)

- **\$34.8 billion over 5 years**
- **\$4.4 billion in new projects have been added in 2016-17.**
- **An additional \$4.4 billion will be self-financed by Alberta Health Services.**

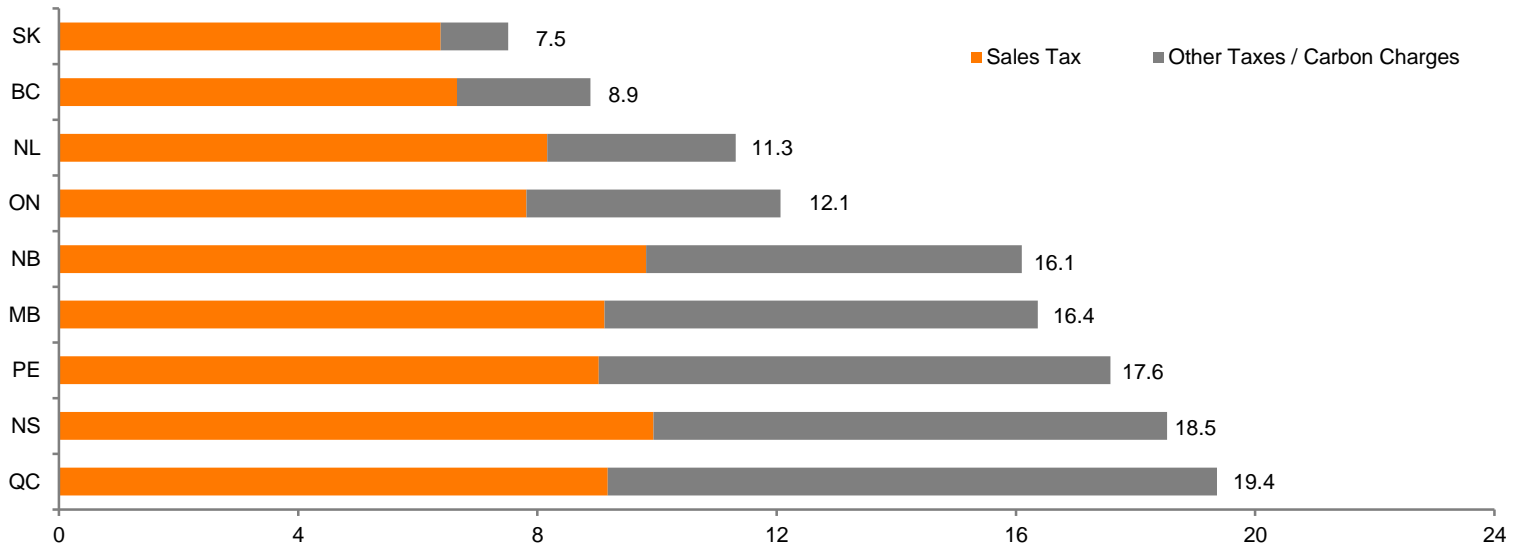
# Climate Leadership Plan

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- **A provincial carbon levy to encourage reduced carbon emissions and to reinvest to diversify the energy industry**
- **\$9.6 billion in gross revenues over 5 years**
  - \$6.2 billion to be invested in renewable energy, green infrastructure (such as public transit) and energy efficiency initiatives
  - \$3.4 billion Climate Leadership Adjustment Rebate in the forms of consumer rebates, small business tax reduction, energy transition funding
- **Legislated limit on oil sands emissions**
- **Phase out of coal-fired emissions by 2030**

# Alberta's Tax Advantage

Alberta's Tax Advantage is estimated at \$7.5 billion



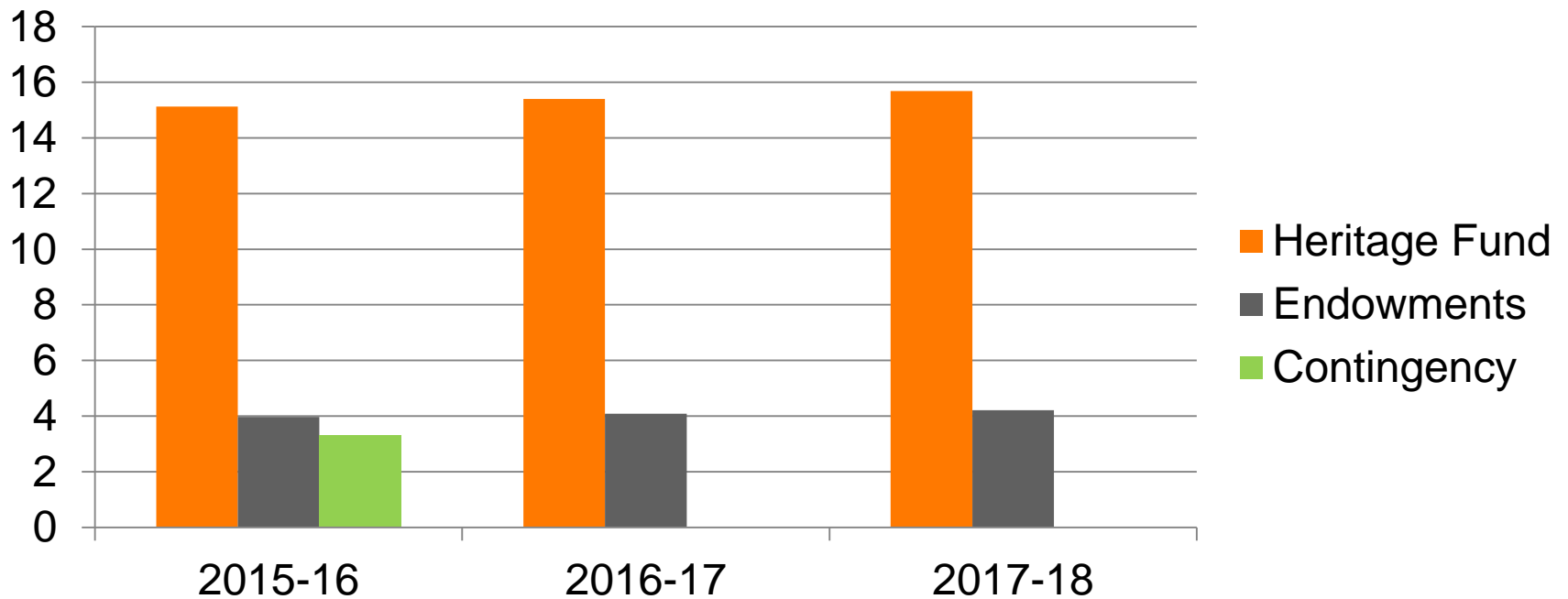
(billions of dollars)

**Note:** This graph shows the total additional provincial tax and carbon charges that individuals and businesses would pay if Alberta had the same tax system and carbon charges as other provinces. This information reflects tax rates for other provinces known as of March 24, 2016. This comparison includes personal and corporate income tax, sales tax, fuel tax, tobacco tax, health premiums, payroll tax, liquor tax and markups, land transfer tax, other minor taxes and assumes full implementation of announced provincial carbon charges



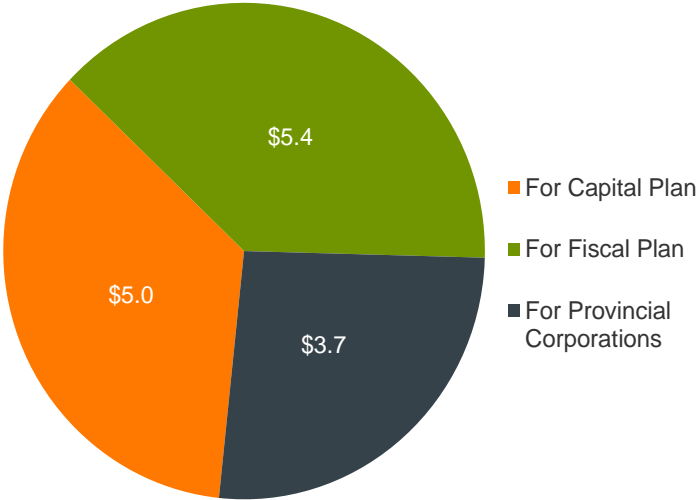
# Heritage Fund and Endowments

Book Value (\$ billions)



# Borrowing Program

## Borrowing by Purpose 2016-17



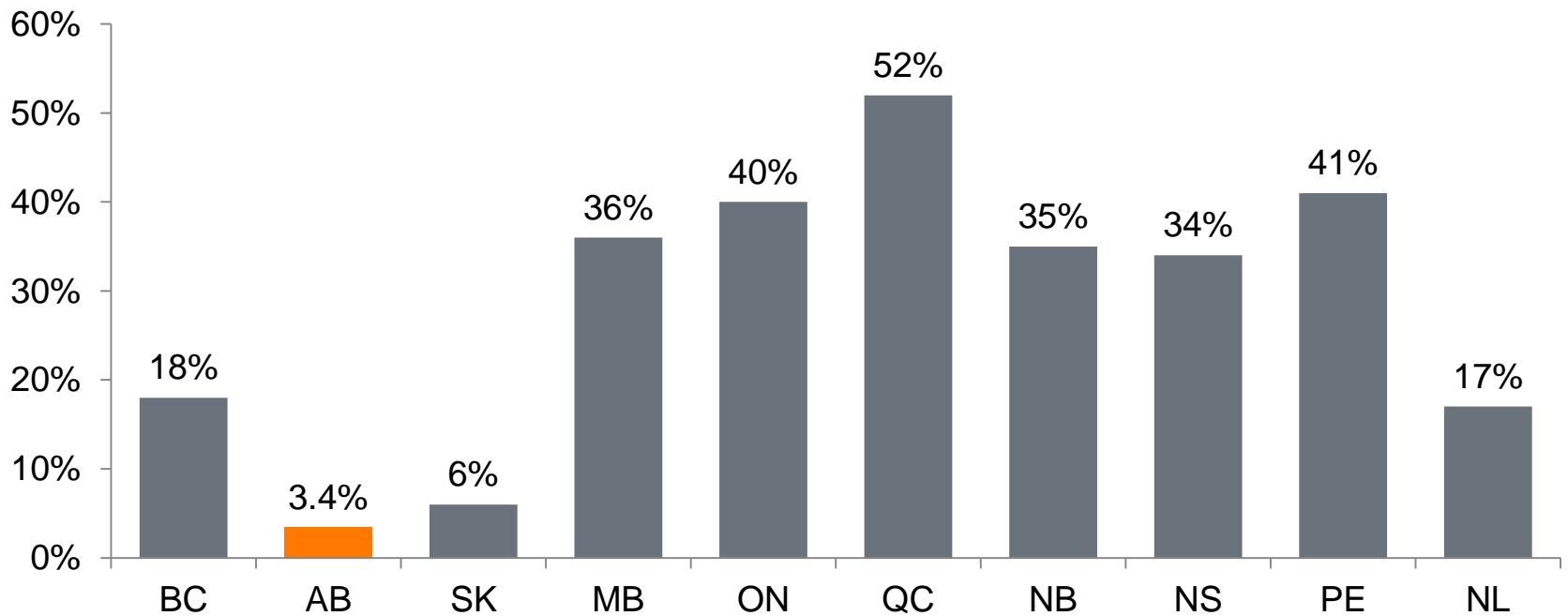
## Total Borrowing Requirements

|                         |               |
|-------------------------|---------------|
| <b>2016-17 Estimate</b> | <b>14,148</b> |
| <b>2017-18 Target</b>   | <b>19,846</b> |
| <b>2018-19 Target</b>   | <b>16,589</b> |

(\$ millions per Budget 2016)

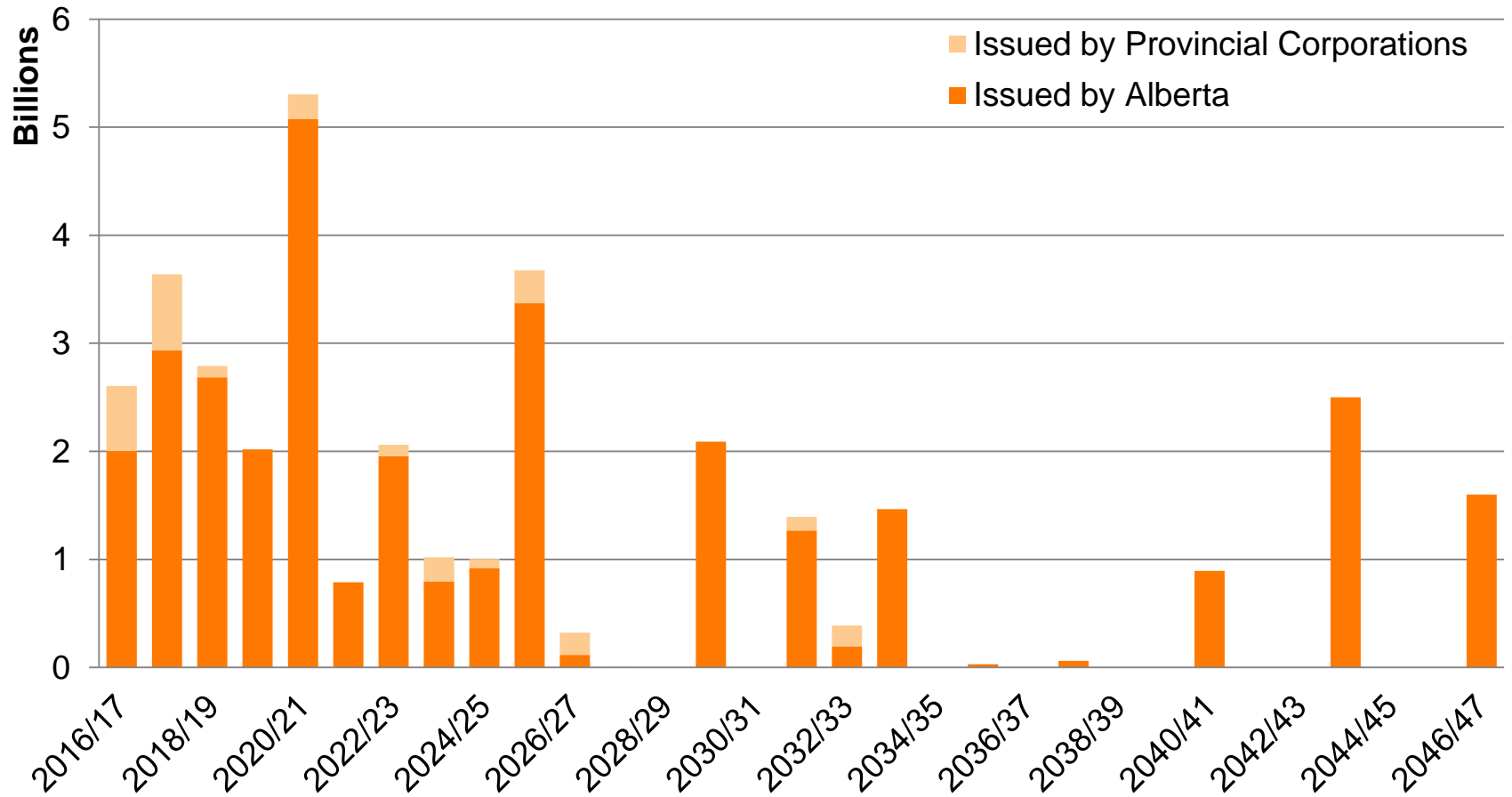
# Debt to GDP

## Provincial Comparison



Source: Alberta Treasury Board and Finance, *Budget 2016 Fiscal Plan*

# Maturity Profile by Fiscal Year



# Approach to Markets

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- **Ensure liquidity**
  - Maintain larger domestic benchmark sized issues (\$3-\$4 billion)
  - Infrequent domestic MTN issuance
  - Monitor secondary market liquidity
- **Control domestic supply**
  - Target issuance of 30% or more to international markets
  - More frequent large US\$ benchmarks,
  - Opportunistic multi-currency issues

# Foreign Currency Borrowing

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- **US\$ Global Issues in 3, 5, 7, and 10 years**
  - Expect more frequent issuance as SEC Registered program comes online in late 2016.
  - US\$ CP program online with SEC Registration
- **Continued Euro placements in longer terms with potential for larger benchmark issues**
- **MTN and structured issues in other currencies, including under the new AUD program as opportunities arise**

# Synopsis

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- **Strong economic base**
- **Demonstrated resiliency to past commodity price shocks**
- **Continued high level of fiscal capacity**
- **Strong bond ratings**
- **Multi-currency, multi-market borrowing platforms**
- **Strong secondary liquidity**

# Information and Contact

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## Websites

**Province of Alberta  
Alberta Treasury Board and Finance  
Budget 2016  
Economy and Statistics  
Debt Information**

**alberta.ca  
finance.alberta.ca  
budget.alberta.ca  
finance.alberta.ca/aboutalberta  
finance.alberta.ca/business/borrowing**

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