School of Public Policy | UNIVERSITY OF CALGARY

The Economic and Fiscal Implications of Alberta Separation

Overview Report

September 2026

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DIRECTOR'S NOTE

The possibility of Alberta separating from Canada to become an independent country is one of the most consequential policy discussions in modern Canadian history. Understanding what a potential path to separation might look like and cost, for both Alberta and Canada, is critical to that discussion.

As an institution committed to rigorous, non-partisan, evidence-based research and objective analysis, the School of Public Policy at the University of Calgary presents this independent report to the Government of Alberta, to Albertans and to Canadians.

Our mandate has been to focus on the economic and fiscal impacts of a potential Alberta separation over the legal, political and other factors that would be involved. However, we have had to briefly explore some of those factors for the influence they bear on economic and fiscal outcomes. The report examines possibilities under circumstances that do not presently exist and uses counterfactual comparisons to identify what *might* change, how the impacts *could* manifest, and which decisions or conditions could *shape* certain results. This involves comparing Alberta's current realities with scenarios that a separate Alberta might experience.

Our analysis describes and, wherever possible, grounds its assumption in precedents or academic literature. We arrive at our economic and fiscal estimates by assembling our assumptions together to bookend a range of possible scenarios. Reasonable is, we recognize, a term that people will define differently. With these differences in mind, we strive to justify why we think our assumptions are reasonable and to maintain possibilities as intentionally balanced. We also identify areas where, in our opinion, reliable conclusions cannot be reached.

This work was undertaken at the request of the Government of Alberta to inform and support public discussion. It neither advocates for, nor opposes, separation. Throughout our analysis, the goal has been to provide dependable economic and fiscal analyses so the leaders and people of Alberta can make considerations. To support that goal, this summary report and the accompanying technical papers have been written not in highly academic language, but as accessible for general audiences. The overview is a synthesis of core themes and findings. The technical papers and appendices demonstrate deeper, extensively detailed evaluations by some of Canada's foremost economists and policy experts.

We are grateful for the opportunity to help our fellow citizens make the most informed decisions possible about our collective future.

Martha Hall Findlay
Director, School of Public Policy

READING AND PUBLICATION NOTES

The Overview Report is based on extensive academic research and analysis by a number of Canada's foremost economists and policy experts. It is a condensed picture the many different options, scenarios, factors and contingencies examined in greater detail and located separately within the Technical Papers collection that supports this summary.

Development of this series reflects the contributions of a wide project team, including authors, reviewers, editors, research assistants and other research personnel, technical specialists and the integration and production group. The School gratefully acknowledges the expertise, time and care contributed by all those involved in the research, analysis, review, refinement and preparation of this work.

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ANALYSIS AND CONSIDERATIONS

1. ESTABLISHING THE NEW STATE WHILE MAINTAINING CONTINUITY

Alberta separating from Canada and becoming an independent country involves far more than just drawing new borders and building a new state, picking new politicians and deciding on new policies. It completely changes how public services, trade, taxes and laws work.

While the rest of this report uses hard numbers to look at the economy, mathematical calculations alone cannot predict human choices, political dynamics or international reactions. This section focuses on the big-picture political and social issues involved in setting up an independent Alberta. There are three core areas of challenge:

1.1 KEEPING THINGS RUNNING SMOOTHLY

Creating a new country is rare for a modern democracy, although not unprecedented, and it does not happen overnight. To avoid chaos, a new Alberta would need to rely temporarily on existing Canadian institutions, laws and public services while building its own.

History shows that smooth transitions depend heavily on co-operation between the old and new governments. Norway's independence from Sweden in 1905, Singapore's independence from Malaysia in 1965 and the United Kingdom's departure from the European Union are examples of where separation went fairly smoothly because of negotiated agreements between the different governments. Canada would be bound by the provisions of the Clarity Act and the Constitution, both of which require significant processes and engagement by the other provinces (see Box A for more on what steps Alberta would need to follow to legally separate from Canada). Canada is also bound by Indigenous treaties and rights.

If relations turn hostile, with disagreements over finances, assets, debts, trading relationships and vital infrastructure, including oil and gas pipelines and transportation routes, the new country could face serious economic consequences. Any prolonged political uncertainty, with clear consequences for population uncertainty and investment uncertainty, could have major economic consequences for all parties.

Managing separation would require careful engagement with Canada, Indigenous communities, other provinces, the United States and countries around the world, especially given Alberta's highly export-dependent economy. Even under favourable conditions, achieving a fully functioning new country could take several years and entail significant costs. If any of these relationships or negotiations prove difficult, separation could take longer and impose greater economic costs.

Box 1: How Would Separation Actually Happen?

A vote to leave Canada would not by itself make Alberta an independent country, at least under Canadian law. Under Canada's current constitutional framework, separation would involve several stages: a referendum, a determination that the result was clear, negotiations, constitutional change and then a transition to independence.

The first step would be a referendum in Alberta. The Government of Alberta would hold a vote asking Albertans whether the province should leave Canada. Under the federal Clarity Act, the House of Commons would consider whether the question clearly asked voters if Alberta should cease to be part of Canada and become an independent state. (It should be noted that the Clarity Act has never been invoked and so its provisions have never been tested by the courts).

The result would have to be clear, though the Clarity Act does not set a fixed percentage for what counts as a "clear majority". Parliament could consider the size of the majority, voter turnout and other circumstances surrounding the vote. The Supreme Court of Canada has held that a clear vote in favour of separation would create an obligation to negotiate, but it would not give Alberta the right to leave Canada on its own.

Those negotiations would involve more than Alberta and the federal government. Other provinces would also have an interest because removing Alberta from Canada would change the country's constitutional and trade structures, and could require their agreement on constitutional changes. Indigenous peoples would also have important rights and interests that would need to be addressed.

The negotiations themselves could be extensive. They would include Alberta's share of federal debt and assets, federal buildings and infrastructure in Alberta, borders, citizenship, pensions and benefits, Indigenous rights and territorial claims, military and policing arrangements and the continued movement of people, goods, services and money between Alberta and the Rest of Canada (RoC).

Any agreement would then have to be put into legal and constitutional effect. The Supreme Court has made clear that a province cannot lawfully separate without changes to Canada's Constitution. The exact process would depend on the agreements reached through negotiation.

Only after these political, legal and constitutional steps were completed could Alberta formally leave Canada. Then, independence would be the start of another period of transition as Alberta took on responsibilities previously carried out by the federal government and established new relationships with Canada and other countries.

The discussion above assumes that Alberta does not make a unilateral declaration of independence. While that would be illegal under Canadian law, it might not stop other countries — the United States, in particular — from recognizing the new Alberta.

There is virtually no modern historical example of a region within a fully democratic country successfully voting to separate through a popular movement. A new country cannot simply appear overnight. There would be the need for:

- **Interim Services:** To prevent everyday systems from collapsing, Canada would need to continue to handle core duties — like international obligations — while Alberta builds its own systems. This would, of course, require Canada's co-operation.
- **Building Core Services:** Alberta would rapidly need agencies to manage taxes, national security, borders and more.
- **New Legal and Constitutional Systems:** A separate Alberta would need its own constitution to set up its government structures, legal and court systems and citizens' rights. Founders would have to decide whether to keep familiar democratic traditions (like a British/Canadian-style parliament) or try something completely new, while also finding a legal way to separate from Canada's existing laws. Doing so would provide Alberta the opportunity to draft something with Alberta's specific needs in mind. After all, the Canadian Constitution was drafted while having to make many compromises to accommodate the needs of various disparate regions. On the other hand, Alberta would lose some of its protections, such as

Section 92(10)(a), which currently provides that no single province can refuse cross-provincial border infrastructure. This means, for example, that Alberta would need to negotiate directly with British Columbia for West Coast access and with an unpredictable U.S., as we discuss further below.

1.2 DEFINING CITIZENS AND COMMUNITIES, INDIGENOUS RIGHTS AND MANAGING ASSETS

A new country cannot exist without its own defined territory, a clear sense of who belongs to its political community and who owns its infrastructure. Furthermore, relations with Indigenous communities, whose historic treaties and rights are tied to the federal Crown and federal lands, are key. There would need to be a focus on:

- **Defining Citizenship:** A separate Alberta would need to decide who is eligible for citizenship. Would that mean anyone residing in Alberta? Also, would someone be able to be a citizen of both Canada and Alberta?
- **Indigenous Rights and Treaties:** Respecting Indigenous rights and negotiating new agreements would be critical for the new state's legal authority.
- **Federal Property and Assets:** National parks, military bases, airports and federal buildings inside Alberta would need to be negotiated, purchased or transferred, along with dividing up Canada's national debt. The hard costs of doing so are explored in detail in later sections of this report, but some of these dynamics could become extremely fractious politically.

1.3 GAINING DOMESTIC AND INTERNATIONAL RECOGNITION AND SUPPORT

Before a new country can truly stand on its own, it must be recognized by its own citizens, Canada and the global community. Joining international organizations, adopting treaties and securing official recognition depend heavily on how peacefully and fairly the separation is negotiated with Canada. Those negotiations, whether stable or chaotic, will affect whether Albertan independence is welcomed or recognized by other countries and international bodies. Whether smooth or chaotic, there could be significantly different economic consequences. Consider the following:

- **The Role of the Federal Government:** If Canada opposes Alberta's exit or disputes its borders, international recognition will become much harder to obtain.
- **Joining International Organizations:** Alberta would need to sign on to international trade organizations (like the World Trade Organization) and separately enter into and otherwise manage thousands of international treaties previously held by Canada.
- **Potentially Relying on the United States for Infrastructure:** Alberta is a land-locked jurisdiction. Particularly if relations with Canada and/or other provinces such as B.C. prove problematic, Alberta would potentially need to rely on relations with the U.S. for energy infrastructure, not only to the U.S. but also in gaining access to the West Coast for export to Asia and elsewhere. Given dynamics of history and the often-competing interests of U.S. industry regarding exports, such support would by no means be assured. Support might even be blocked.

1.4 HOW LONG WOULD IT ALL TAKE?

Even in favourable circumstances, the initial transition period might take several years, and much longer if negotiations or legal disputes arise. The negotiations would be complex, covering everything from pipelines to borders, assets, debt and systems.

In the short term, uncertainty around population movement, investment and service continuity would be unavoidable. Longer-term outcomes would hinge on how quickly Alberta can establish stable governance and negotiate the agreements needed for trade, infrastructure and international recognition.

- Creating a constitution, legal system and administrative capacity while separating from Canadian institutions would be inherently slow. Costs tied to dividing federal assets, establishing new agencies and negotiating Indigenous rights are difficult to predict and could rise if relations become strained.
- The overall level of co-operation among Canada, other provinces, Indigenous communities, trading partners and international actors would shape whether Alberta's transition would be orderly or disruptive. The human and financial resources available to support the shift and the ability to maintain stable negotiations would be critical to whether the transition is smooth or difficult. Conflict over pipelines, borders or access to the West Coast (either through B.C. or the U.S.) could extend timelines and increase economic risks, while constructive co-operation could shorten the path to a new equilibrium.

In summary, whether the transition would be orderly or disruptive depends on how co-operative or challenging the various negotiations are which Alberta would have to engage in. The timeline and nature of the transition would significantly affect the economic consequences of separation: a long process with a lot of uncertainty would discourage investment.

2. IMPACT ON THE REST OF CANADA

Alberta's departure from Canada would have a negative impact on the Rest of Canada (RoC).

- Even before separation, there would be considerable costs to Canada from the uncertainty about what would ultimately happen. This would be reflected in a lower Canadian dollar, higher interest rates demanded by international investors and loss of investment.

After separation, there would be other, longer-term economic impacts on the RoC.

- Alberta contributes a disproportionately large share of Canada's overall GDP (the value of goods and services produced in the economy) because its GDP per person is significantly higher than the national average. Without Alberta, Canada's global economic standing would fall noticeably, dropping several positions among major economies.
- Alberta invests more heavily relative to its economic size, meaning its presence boosts national investment levels and long-term productivity potential. With Alberta's departure, investment in Canada would decline from around $8,500 per person to around $7,600.
- Alberta is a major driver of Canada's export performance and plays a central role in keeping Canada's trade balance near equilibrium. Without Alberta, Canada would run a trade deficit of three per cent of GDP. As a result, Canada's currency would likely weaken, reducing purchasing power by making imports more expensive.
- The province is essential to Canada's trade logistics, serving as the main corridor for goods moving between British Columbia and the rest of the country, and for Canada's access to Asia-Pacific markets.

There would also be serious implications for Canada's fiscal position.

- Alberta contributes significantly more in taxes to the RoC than is spent in the province on services or transfers. We estimate that difference to be about $15.5 billion. Without Alberta, the federal government would have to increase taxes, cut spending or run a bigger deficit.
- Alberta has also been a large net contributor to the Canada Pension Plan, reflecting its younger population. Its withdrawal from the plan could mean higher contribution rates or lower benefits.

Finally, Alberta's departure might lead other provinces to also reconsider their position in Confederation, especially if Alberta's separation is successful.

3. OPPORTUNITIES

One potential rationale for separating from Canada is that Alberta would be free to set its own policies, laws and regulations across all areas of government.

- Presently, the federal government has exclusive say over some particularly important policy areas, including monetary policy, international trade, borders and tariffs, defence and criminal law. The federal government has responsibility for delivering programs like Employment Insurance, Old Age Security and the Canada Pension Plan.
- The federal government shares jurisdiction with the provincial governments on agriculture and immigration.
- The federal government has also been increasingly active in areas that are provincial responsibilities, such as health care, housing, natural resources and the environment.
- The federal government receives most of the tax revenue collected in the province and decides on rates and the overall tax structure for the taxes it imposes.

A separate Alberta would be able to tailor laws, policies and regulations to its own needs and priorities. It would no longer have to deal with federal government involvement in areas of provincial or shared jurisdiction. It would have its own supreme court and be able to choose its own judges.

Some of these policy changes could be realized immediately: a separate Alberta would no longer be subject to federal environmental legislation, for example. Some shifts, such as changing the tax system, could perhaps be realized quickly, while others, such as negotiating new trade agreements, could take much longer as the relevant expertise would have to be developed within the separate Alberta government. Of course, Alberta would not have complete freedom of action, as it would have to negotiate trading agreements with other nations, which could include a variety of other constraints.

Box 2: Example — Setting up a New Military

One of the most challenging tasks a new, separate Alberta would have to accomplish is the establishment of a new military.

Defence is an overriding priority for any country, and it is likely that a separate Alberta would want a capable and effective military to protect its territory and support North America while contributing to the security of the Western hemisphere, more generally.

While Alberta would obviously not have a navy, it would need a strong air force in order to play an important part in NORAD (the North American Air Defence System) and significant ground forces to provide expeditionary capacity at home and to aid countries outside North America.

These missions would require significant financial resources. Canada spent almost $63 billion on defence in 2025, equal to two per cent of GDP. Furthermore, Canada has, along with other NATO countries, pledged to increase defence spending to 3.5 per cent of national income on core military activities, plus another 1.5 per cent on other defence-related investments. Non-NATO members such as Japan and Australia are also increasing their defence spending.

A separate Alberta would need to spend around $10 billion just to meet the two per cent target, and around $25 billion to meet the overall five per cent target.

Indeed, a separate Alberta might need to spend more in the short term than these numbers would suggest as it would not automatically inherit assets from Canada, particularly mobile assets like fighter jets, and these would need to be acquired quickly for Alberta to have short-term military capability. Alberta would also have to build up headquarters, procurement and information technology capacity that are now concentrated in the Ottawa area.

For more on this scenario and other itemized costs for federal expenditures, see the technical paper entitled *The Fiscal Implications of Alberta Separation: Expenditures*.

4. HOW WOULD SEPARATION AFFECT ALBERTANS?

Albertans will have many questions on how a potential separation may impact them. These questions would likely include:

- How would borders, trade, travel and immigration work?
- Would taxes rise or fall?
- Would people need new identification, passports, citizenship papers or permits?
- Would businesses face new rules, tariffs, border checks or paperwork?
- Would prices, wages, jobs or borrowing costs be affected?
- How would public services like health, pension plans, and employment insurance adjust?
- How would federal debt, assets, public buildings and infrastructure be divided?
- What currency would be used and who would manage banking and financial rules?
- What impact would this have on personal mortgages, personal bank loans, and other private finance?

Given that it is impossible to know exactly what would happen if Alberta were to separate, we try to answer these questions by considering two different scenarios.

1. **The first assumes that everything goes smoothly**: Canada and other trading partners are accommodating, the transition goes reasonably quickly and there are opportunities for Alberta to expand its energy production.
2. **The second assumes that things do not go smoothly, resulting in a difficult scenario**: Canada is not accommodating, the process is fractious and long, international investors are wary of the new country and Alberta's lack of energy export options reduces the value of its principal exports.

4.1. SMOOTH SCENARIO: FACTORS

What does a scenario in which things go smoothly for the new, separate Alberta look like? What needs to happen and what might Albertans expect to see?

S-1. Negotiations with Canada

A beneficial outcome for a separate Alberta would require a quick, comprehensive and favourable deal with Canada that would provide for an orderly transition of the province to a separate country and lays out how the countries would work together.

This would require the Alberta government to very quickly put together a negotiating team that is competent to discuss all the key issues. It also assumes that the federal government does the same.

Canada would have to follow the requirements of the Clarity Act and the Constitution, as noted in the box above, which could slow things down. However, Canada would have an incentive to conclude negotiations relatively quickly, as the uncertainty surrounding Alberta's post-separation relations with Canada could potentially be negative for Canada's economy. Alberta's strategic position between B.C. (and Asian markets) and the RoC would also make securing a deal important for Canada.

S-2. Federal Debt

Alberta would have to negotiate over its share of the federal debt. While Alberta would need to take on some portion or risk alienating international investors, Alberta could argue that the debt should be apportioned based on the difference between what Alberta paid into Confederation and what it received. This means Alberta would have a smaller share of the debt than if it were allocated by population, because other provinces have paid in less and benefited more.

Even in the best case, Alberta could pay for a significant period of time a higher rate of interest on the debt it took over than the federal government does, as Canada has the highest possible credit rating. Alberta is unlikely to match that rating given its size and the volatility of the oil and gas sector, at least until it establishes a record of fiscal prudence.

S-3. Federal Assets

Alberta would also need to come to an amicable arrangement about the division of federal assets such as national parks, office buildings, military bases and other infrastructure. In a smooth scenario, ownership would be transferred to Alberta smoothly as part of the overall settlement. Even in that scenario, the federal government would likely move some assets, such as military hardware, out of Alberta, prior to any negotiations.

S-4. Setting Up the New State

A separate Alberta would need to take on responsibility for federal programs such as Old Age Security and Employment Insurance, as well as setting up its own pension plan to supersede the CPP, expanding significantly its revenue agency to collect all taxes and handle all of the administration. This includes its own border and immigration services, its own military and its own regulation for federal industries such as aviation.

For this to go smoothly, it would require co-operation and help from Canada, such as transferring systems and records. Even in the most optimistic case, there would be significant transition costs. There would be capital equipment such as IT systems and office buildings to buy, and people to hire. We estimate that a separate Alberta could require an additional 70,000 public servants.

S-5. Government Efficiency

To the extent that the Alberta government is more efficient than the federal government, it might be able to deliver services taken over from the federal government at a lower cost. It is notable that the federal public service, even after recent cutbacks, is still much larger than it was 10 years ago, whereas the Alberta public service has grown at a rate less than the population's rate of growth in the province.

Furthermore, the Alberta government could find efficiencies from eliminating overlap and duplication. The federal department of Environment and Climate Change duplicates much of what the provincial department of Environment and Protected Areas does. The same is true for the federal departments of Natural Resources, Health, Fisheries and Oceans, and Agriculture and Agri-food.

Alberta would also not need to replicate some departments, such as the Coast Guard, which would not be relevant to a separate Alberta, nor would Alberta need to help finance the equalization program, which transfers money to lower-income provinces. Alberta would also not need to pay costs associated with official bilingualism.

A separate Alberta would also no longer be subject to the Canada Health Act. This reduces the money that Alberta receives from the federal government if it does not follow the act's requirements. These rules and principles prevent Alberta from having a mixed public-private health-care system. Albertans would then be able to choose which kind of health-care system they prefer, with the potential for better outcomes at lower fiscal cost.

S-6. Trade with the Rest of Canada

For trade to continue mostly unaffected, Alberta would need to have a comprehensive agreement with the RoC that prevented frictions for goods and services crossing what would now be an international border. This would require not just an agreement not to impose tariffs but assurance that different regulations would not impede trade. Federal and provincial regulators would have to co-operate in recognizing each others' regulations, so that a product or service produced in Alberta is accepted in the RoC, and vice versa. Not only would this avoid Alberta's exports to the RoC becoming less competitive, but it would also help ensure Albertans do not face higher prices for goods and services imported from Canada.

It would be in the RoC's interests to conclude an agreement like this, as its own businesses would also suffer if selling to Alberta became more difficult. Canada would also be keen to ensure that goods can be transhipped across Alberta between B.C. and Asian markets, and to and from provinces east of Alberta.

S-7. Relations with Other Countries

For a smooth transition, a separate Alberta would quickly gain international recognition and acceptance. This would require an agreement with Canada that clearly establishes the new state's legitimacy.

Alberta could then quickly negotiate temporary agreements with key trading partners, particularly the United States, but also China, Japan and the EU, for the continuation of trade on largely the same terms, pending negotiation of permanent trade agreements. Meanwhile, Canada could agree to provide critical services, including consular coverage, food inspection and civil aviation, at a reasonable charge.

In this scenario, Alberta manages to then successfully negotiate tax treaties, air transportation agreements and other international treaties. Alberta, with Canada's support, would also be able to join key international governance bodies, such as the United Nations (UN), the World Trade Organization (WTO), the International Monetary Fund (IMF), the Civil Aviation Authority (CAA) and many others.

With respect to the United States, one outcome would be for Alberta to join the Canada-U.S.-Mexico agreement (CUSMA) on roughly the same terms as Canada. This would simplify Alberta's North American trading relationships. Alternatively, Alberta could seek to negotiate a better deal with the United States that gave it relief from some of the tariffs that the U.S. imposes even on CUSMA partners, such as on softwood lumber, for example.

S-8. Energy Sector

A separate Alberta would no longer be subject to federal environmental laws, including climate legislation, which have impeded the development of Alberta's natural resources in the past. With only one decision-maker, there could be more certainty for investors about approvals for projects, which could translate into more investment. Alberta would no longer be subject to federal constraint on carbon pricing, nor would the Alberta government be obliged to go forward with the Pathways Carbon Capture and Storage project. This could reduce costs in the oil and gas sector, and in other parts of the economy that are carbon-intensive.

A strong energy sector after independence would also hinge on Alberta's ability to send oil and natural gas to market through pipelines. Unless Canada was still interested in expanding pipeline capacity to the West Coast, this would require U.S. administrations that were sympathetic to pipeline development.

How sympathetic the U.S. government would be depends not only on the political complexion of the administration and Congress, but also on U.S. energy security needs and its own energy export ambitions. High gas prices are a political liability, and if domestic prices continue to remain high and volatile, any administration is likely to value a secure source of supply from a geographical neighbour.

The U.S.'s need for Albertan crude would be driven not only by world prices for oil, but also by prospects for Venezuelan crude oil, which competes directly with Alberta's crude. If production in Venezuela remains at very low levels, then this could shore up demand for Alberta crude. Even if production improves, the U.S. may not view it as a reliable long-term supplier, given its history.

With respect to export markets, however, even in a smooth scenario, it is unlikely that the United States would allow Alberta to access Asian markets through the West Coast. West Coast states would remain opposed, and U.S. energy companies would be unlikely to give their support unless they had the first option for access, or they might even oppose such access for competing oil and gas from Alberta. The U.S. may also not want to see oil exported to China from Alberta.

We should also emphasize that we are assuming energy prices remain on the current expected trajectory. Sustained higher energy prices would, of course, incent higher production and make other jurisdictions more eager to accept Alberta oil; sustained lower prices would have the reverse effect.

S-9. Labour Mobility

Historically, the Alberta economy has relied on importing workers from other provinces, particularly into the oil sector, when the economy is strong, in order to avoid labour shortages. Alberta also benefits from skilled workers who relocate permanently to Alberta. Albertans have also been able to rely on the freedom to move to other provinces, such as B.C. and Ontario, when the Alberta economy is less strong. There are also people who commute daily across the provincial border, in Lloydminster, for example.

Having this movement of people continue in some form after separation could significantly benefit Albertans and Canada. This would require Alberta and Canada to conclude an agreement, like that between Australia and New Zealand, or the U.K. and Ireland, which allows for seamless movement of people across the border so that citizens of either country could work and live in either Canada or Alberta.

If Alberta continued to be more economically dynamic than the RoC, and were able to maintain or improve its tax advantage with it, then Alberta could still be able to attract significant numbers of high-skilled workers from the rest of the country.

Alberta would also gain control of immigration policy and would be able to tailor this more precisely to its own needs, although this could be limited by any agreement with Canada on cross-border movements.

S-10. Currency, the Exchange Rate and Monetary Policy

In the short term, Albertans could likely continue to use the Canadian dollar and Canada-based financial institutions, as this would be in Canada's interest. Over the long term, Alberta could move to adopt its own currency. This could allow Alberta to set its own monetary policy, which would be more tailored to Alberta's distinct economic conditions, as well as to act as lender of last resort to Alberta-based financial institutions.

For Alberta to successfully adopt a new currency, it would require both Albertans and foreign investors to be confident that the new Albertan central bank would competently manage the currency and would not let inflation get out of control. Alberta would need to make sure that its public finances were sound, so that investors in Alberta debt could be confident that the government would not use the central bank to print money to finance government debt.

All of that said, it is hard to predict what the value of the new currency would be, given that Alberta would be a new country with no history of managing its own currency.

S-11. Borrowing and Interest Rates

Even if things were to go smoothly for an Alberta separation process, uncertainty and no longer having the Bank of Canada as lender of last resort could make a short-term increase in interest rates inevitable. At present, borrowers benefit from interest rates on mortgages and loans that are based on the rate at which the Government of Canada borrows. This is kept low because Canada has the top credit rating. Alberta has a lower credit rating and pays a higher interest rate on its debt — about 0.45 percentage points at the moment. Loans in a separate Alberta economy would be based on this higher interest rate, increasing interest rates for households and businesses in the short term.

Over the longer term, by adopting prudent economic and fiscal policy, including building up substantially more assets in the Heritage Fund and keeping inflation low and stable, a separate Alberta might be able to achieve the top rating from credit rating agencies, joining not just Canada but also Norway and New Zealand. This would mean that Alberta businesses and households would be able to borrow at the lowest rates.

S-12. Taxes and Government Debt

Although in the short term Alberta would be likely to run a deficit owing to transition costs and short-term economic impact, over the long term in the smooth scenario, if there were a stronger economy as a result of greater resource development, there could be room to cut taxes or raise spending. Alberta might also choose to retire debt and build up the Heritage Fund to ensure international confidence in its economy.

This is all relative to a situation where Alberta does not separate. Whether a new Alberta government would in practice have the fiscal room to cut taxes, raise spending or retire debt would depend very much on prices for energy, particularly oil, which are of course outside of Alberta's control, and maintaining other important exports, such as of agricultural products.

A separate Alberta government would also have more scope to change tax policies. The federal government collects almost twice as much income tax as the provincial government, and a separate Alberta would have much more autonomy to redesign its income tax system to promote efficiency and economic growth, and to attract people to the new state.

4.2 IMPACTS OF SEPARATION ON HOUSEHOLDS, BUSINESSES AND GOVERNMENT

In the table below, we show the bottom-line impacts of Alberta separation in a scenario where things go smoothly, where taking over all the things the federal government used to do is straightforward and not too expensive. Trade with the rest of Canada and the world is uninterrupted, interest rates go up but come down again, and with no more federal environmental regulation and a favourable U.S. government, the energy sector expands. We are also assuming that the price of oil remains in line with current expectations.

Table 1. Bottom-Line Impacts on the Economy, Jobs, Wage Income and Taxes — Smooth Scenario

	Short Term (<5 years)	Long Term (>20 years)
GDP	–2.2%	3.4%
Employment	–0.7%	0.7%
Wage income per person	–$1,241	$1,851
Government surplus/deficit	–$2.0 billion	$7.8 billion
Taxes per person	$809	–$1,148
Total increase in Alberta's debt	$208.8 billion	–
of which: Alberta's share of federal debt	$158.3 billion	–
Increase in debt owing to fiscal impacts and transition costs	$50.5 billion	–
Total Alberta debt	$324.1 billion	–
as a share of GDP	64.8%	–

Note: This scenario is based on the analysis in the technical paper entitled *The Economic Implications of Alberta Separation* (Tables 23 and 24 and Section 8.3), and the technical paper *The Fiscal Implications of Separation: Revenues and Fiscal Balance* (Tables 3 and 5). It assumes only a temporary increase in the risk premium, greater resource productivity, no increase in trade costs, higher government efficiency and more scope for reducing duplication and federal debt allocated to Alberta based on past contributions. Wage income is calculated using the percentages in the technical paper on economic impacts applied to data from Statistics Canada Table 11-10-0240-01. Wages and taxes are in 2026 dollars. GDP estimates are taken from the Alberta government's First Quarter Fiscal Update.

Bear in mind that these numbers are estimates based on Alberta separation going smoothly; we cannot know the future. That said, we consider them reasonable for a smooth scenario, based on what we know about the economy and public finances of Alberta and Canada.

S-13. Macroeconomic Impacts

What happens to the overall economy?

In the short term, less than five years after separation, GDP (adjusted for inflation) would be about 2.2 per cent lower than it would otherwise have been, according to our estimates. This is a result of higher interest rates associated with Alberta separation that would raise the cost of borrowing for businesses and households. This would then reduce consumption and investment, which in turn would reduce overall GDP.

Over the long term, 20 years or so, the economy in this scenario is stronger than if Alberta had not separated, because of a stronger energy sector, and GDP is about 3.4 per cent higher than it would have otherwise been. These gains take a long time to materialize because the time lags for planning and building in the energy sector are quite long.

S-14. Households and Workers

What do these economic growth numbers mean for individual Albertans? With the economy a little weaker in the short term, employment would be 0.7 per cent lower than otherwise, even accounting for the new public servants who need to be hired. This is a fairly small reduction.

Over the longer term, the economy is stronger, with employment around 0.7 per cent higher — again, not a big change. This is because much of the growth is in the oil and gas sector, which does not employ as many workers relative to its share in the economy as other sectors such as services. Where the impact does show up is in wages because workers in oil and gas are relatively very productive.

What about wages? We think that workers could see a dip in their annual wage earnings in the short term, of more than $1,200 for someone on average earnings, with people working fewer hours in a weaker economy. However, over the long term, with higher investment in the energy sector boosting productivity, take-home wages could rise by more than $1,800 relative to what they would otherwise have been.

Interest rates would rise in the short term, which would affect everything from lines of credit to car loans and mortgages.

Households would also have to deal with the transfer of services and programs from the federal to the provincial government. Old Age Security, the Canada Pension Plan and Employment Insurance would all need to be replaced by new Alberta programs. There would also be a new Alberta passport that Albertans would need to apply for. Some temporary disruption in the provision of these programs and services would be expected even in the most positive scenario.

S-15. Businesses

There would be important implications for businesses as well.

Even in a smooth transition there would inevitably be short-term uncertainty that would affect the cost and availability of capital, making it more expensive for businesses to borrow in order to invest. Uncertainty would also affect the willingness of workers to relocate to Alberta.

Businesses, especially those that export to or import from the RoC, will inevitably face additional short-term costs adapting to a new regulatory environment.

Over the longer term, if regulators in Canada were able to agree to treat products from a separate Alberta as if they came from a Canadian province, and Alberta regulators were to do the same thing, then that should mean that businesses would not face significant additional costs for importing and exporting with the RoC, over and above what Alberta businesses already face when trading with other provinces.

If Alberta were able to maintain the same access to foreign markets that Canada has now, particularly to the United States, this could also allow businesses to operate much as before.

A labour mobility agreement between Canada and Alberta that preserves mobility would mean businesses would still be able to hire from the RoC when there are shortages of qualified people in Alberta.

Finally, if a separate Alberta reforms its tax system to be more efficient, that could encourage businesses to invest more. If that were to happen, it could boost wages and jobs by more than what we have estimated above.

S-16. Government

Taking on all the services and programs that the federal government previously provided, even excluding some things a separate Alberta would not do (e.g., equalization, the Coast Guard), would mean that the Alberta government's spending would increase from $84 billion to about $143 billion in the short term, an increase of about $59 billion. This assumes that Alberta would be able to agree with the rest of the country to share the federal debt based on the province's past contributions, which would mean that Alberta would assume around 10 per cent of the federal debt. Alberta would likely pay a somewhat higher interest rate on that debt, however, while its credit rating remained below the top rating, which is what Canada currently has.

The $143 billion also includes the inevitable setup and transition costs noted above. If we add together costs for buying new IT systems, leasing buildings and hiring and training more staff, a low-end estimate comes to $40 billion. We also assume that the Alberta government would be more efficient than the federal government, by eliminating waste and duplication.

However, the new government would have additional tax revenues to help pay for these expenditures. Without the federal government taxing Albertans, the new government could take over that "room." This means that its total revenues would now also be around $141 billion, assuming the same level of taxes, which reflects a weaker economy.

With revenues very similar to expenditures, this would mean a small deficit of around $2.0 billion compared to the $2.0 billion surplus recently reported by the Alberta government.

What would happen to Alberta's debt? Putting together Alberta's share of the federal debt and deficits owing to transition costs and the weaker economy, would mean an increase of $208.8 billion. Added to Alberta's existing debt this would give a total of $324.1 billion, around 64.8 per cent of GDP.

In the long term, in the smooth scenario, the economy could be stronger, and so revenues could also be stronger. We estimate that the government could eventually run a $7.8 billion surplus. This means the government would have room to cut taxes or raise spending by more than $1,100 per Albertan and still keep the $2 billion surplus that the Alberta government reported in its most recent Fiscal Update.

Whether this actually occurred would depend very much on what else was affecting the Alberta economy and government revenues, particularly the price of oil.

4.3 DIFFICULT SCENARIO: FACTORS

While things could go smoothly in achieving a new, separate Alberta, we also have to consider the alternative: that the process does not go smoothly. If the reaction from Canada and other countries is hostile and the international environment more challenging, and a separation process is difficult and lengthy, if even ultimately possible, then in turn economic and fiscal costs would be higher and potential benefits lower.

D-1. Negotiations with Canada

In the smooth scenario, we assumed that a separate Alberta could quickly come to a comprehensive deal with the RoC on division of federal debt and assets, the free flow of goods, services and people, transition arrangements for transfer of federal programs and responsibilities and citizenship.

However, the alternative could be much more difficult and costly.

While under the Clarity Act the federal government would be obligated to negotiate with a province that had voted to separate (assuming a clear majority and a clear question), there is no obligation to reach a deal or reach it quickly. Furthermore, as we pointed out earlier, any deal would be a constitutional amendment requiring most provinces to agree and would likely be subject to court challenges from a wide variety of groups, including opponents of separation from within Alberta.

The federal government might also be concerned that other provinces, particularly Quebec, but perhaps others, might seek to follow Alberta's lead. The federal government might therefore seek to avoid making too many concessions to discourage other provinces from leaving. Similar motives informed the European Union after the U.K. voted to leave.

This means that reaching an agreement could take a long time and be highly costly. The absence of an agreement could weigh heavily on investment, interest rates and the exchange rate, as international investors could be wary about putting money into Alberta (and Canada) until they had a clear sense of what the future might look like.

D-2. Federal Debt

The federal government might insist that division of the debt should be based on population, rather than Alberta's past net contribution to Confederation, arguing this is the fairest approach, and citing historical precedents such the breakup of Czechoslovakia and the separation of Ireland from the U.K.

D-3. Federal Assets

While a separate Alberta might assume that it would "inherit" all federal assets within its present borders, there is no guarantee. As noted above, those assets that are mobile, particularly weapons systems such as fighter jets or armoured vehicles, might well be moved out of Alberta before separation, or even before a vote. Alberta might also feel that it needed to buy its own weapons systems for reasons of state security. For fixed assets like land and buildings, including what are now national parks, Canada might insist on high levels of compensation or even seek to maintain ownership.

D-4. Setting Up the New State

Taking over federal government functions could be very challenging, particularly in areas where the federal government previously had sole responsibility. A good example is tax administration, where Alberta has up to now relied completely on the Canada Revenue Agency (CRA) to collect provincial income taxes. Dramatically expanding the existing provincial agency, with many inexperienced employees and possibly new IT systems, could have considerable teething problems, with significant potential to impair the ability of a separate Alberta to collect revenue efficiently and fairly during the transition period.

Transferring social programs like Employment Insurance and creating an Alberta Pension Plan, as well as a new revenue agency, would require details on program recipients to ensure a continuation of program parameters and eligibility for programs under an Alberta-offered program.

D-5. Government Efficiency

Separation could also be detrimental to government efficiency. Because Canada is much larger than Alberta, with around eight times the population, overhead costs such as administration, policy, IT and HR can be spread over many more people. To give one example, Canada can afford to have many more trade negotiators than a separate Alberta could, and many more foreign missions. This allows Canada to maintain and expand treaties and agreements with most countries in the world.

Another example is the Communications Security Establishment, which helps provide cybersecurity and signals intelligence. Developing supercomputing clusters, cryptanalytic capability, automated threat sensor networks and secure satellite communications requires billions in upfront spending. Once that infrastructure exists, protecting 41 million Canadians, or 200+ federal departments and agencies, costs very little more than protecting a smaller population.

D-6. Trade with the Rest of Canada

Albertans could face considerable additional costs of replacing a provincial border with an international border. There is no guarantee that Alberta could negotiate the kind of agreement with Canada that would allow trade to flow as before: indeed, these sorts of arrangements are very unusual between sovereign countries, with the exception of the European Union countries where the relevant regulations are set at the EU level.

Canada could well decide that it would not automatically accept Alberta's goods and services and insist they meet Canadian standards. This would likely mean border inspections, particularly for food products, as Alberta does now with the United States.

Furthermore, the federal government would no longer regulate industries such as banking, rail and air transportation and telecommunications. There would be new Alberta regulators, which could create significant regulatory differences and therefore additional economic barriers.

D-7. Relations with Other Countries

A separate Alberta could face major difficulties in gaining international acceptance. As a rule, sovereign countries do not welcome breakaway regions, particularly when there is disagreement or hostility from the "home" country. This would be particularly true for the EU, the U.K. and Spain, all of which have faced separatist movements in recent years.

Without an agreement with Canada, international recognition would be unlikely, which would prevent Alberta from negotiating any arrangements with other countries. Even with Canada's agreement, it could take many years for Alberta to negotiate membership in international organizations such as the World Trade Organization and the International Monetary Fund, as well as the thousands of trade agreements, tax treaties, air transportation agreements and others that Canada has with other countries.

The United States could delay or even choose not to admit Alberta to CUSMA, and while the U.S. is unlikely to tariff Alberta oil and gas, other Alberta exports, particularly agriculture and food, might be vulnerable to broad-based tariffs designed to raise revenue and support the competitiveness of U.S. domestic sectors.

D-8. Energy Sector

While Alberta would not be subject to federal environmental laws, Canada could impose additional tolls to gain more revenue in exchange for throughput. Furthermore, the federal government could decide that it does not see any more advantage for Canada in new pipelines, particularly the recently proposed West Coast pipeline.

That would mean that Alberta would have to look to the U.S. for getting additional oil and gas exports to market — *to* the U.S., but also via the U.S. to other markets, including Asia. However, the U.S. might feel that it could drive a hard bargain with Alberta over energy access, as Alberta would have less access to alternative international markets through Canada. The U.S. could easily ask for a significant share of pipeline revenues and reduce access even on existing pipelines as a negotiating tactic. A more climate change-oriented government in Washington could seek to prevent any new pipelines from Alberta to the U.S., as the Biden and Obama administrations did.

This would not be a binary choice for the United States. Alberta has seen instances when relatively small reductions in egress have substantially increased oil price differentials which reduce the cost for U.S. consumers while substantially reducing revenue to Alberta companies and the government.

Furthermore, if oil prices decrease, and if Venezuela is able to bring its oil production back to historical levels, the U.S. might not see much need for new pipelines to obtain Alberta crude for its own use; nor would the private sector want to advance projects that might not be very lucrative.

D-9. Labour Mobility

In the short term, there could be considerable movement of people in both directions, as they would want to avoid being on the "wrong" side of the border when it came to determining citizenship.

Over the longer term, it is not a given that Canada and Alberta would agree to make it easy for workers to cross new international borders. Since the flow has generally been to Alberta from the RoC, the Canadian government might not see a particular advantage to this kind of arrangement. On the Alberta side, the new country may struggle to attract talented workers if the economy is in a recession.

D-10. Currency, the Exchange Rate and Monetary Policy

In the short term, before it was able to institute its own currency, Alberta would be subject to monetary policy from the Bank of Canada, over which it would have no influence. With a new currency, there could be a difficult transition, with both Albertans and other countries unwilling to use the new currency, as they would worry about the currency depreciating rapidly and would not yet have confidence in the new Alberta central bank.

Reluctance to use the new currency could mean higher costs for converting money and international investors could demand a large premium to invest in assets denominated in the new currency. The central bank would need to keep interest rates high in order to shore up confidence in the currency.

Furthermore, the new currency could be very vulnerable to swings in the price of Alberta's main export: oil. This means the exchange of the new currency could be subject to much wider swings than the Canadian dollar.

D-11. Borrowing and Interest Rates

Even without a new currency, Albertans could see interest rates increase significantly. The risk and uncertainties associated with the separation process, and the fact that Alberta would no longer have the Government of Canada and the Bank of Canada standing behind it, mean that the Alberta government could see its credit rating decline significantly, which could increase the interest rate it needed to pay on its debt.

Because the interest rate governments pay serves as a floor for other borrowers, this could translate into higher interest rates for households and businesses, reducing consumption and investment across the economy. Alberta's credit rating could be particularly vulnerable if oil prices were low and international investors were worried about Alberta's ability to pay back its debt. This could mean that interest rates in Alberta could stay higher than otherwise over the long term.

D-12. Taxes and Government Debt

Higher-than-expected costs of providing services previously managed by the federal government, general transition costs and a weaker economy could mean lower revenues, higher spending and a bigger deficit. With international investors watching closely, Alberta would likely need to raise taxes or cut spending significantly to keep the budget in balance. Over the long term, with an economy that is weaker than it could otherwise have been, due to higher costs of trading with Canada, higher interest rates and lower resource revenues, permanently higher taxes or lower spending might be necessary to fill the gap.

4.4 IMPACTS OF SEPARATION ON HOUSEHOLDS, BUSINESSES AND GOVERNMENT

In the table below, we show the bottom-line impacts of Alberta separation in a scenario where things do not go smoothly. In this scenario, taking over federal functions is more expensive than expected, because Alberta is a smaller government and loses the efficiencies that go with size. Interest rates go up significantly, trade costs with the Rest of Canada go up significantly and the U.S. takes advantage of Alberta's lack of alternative options to reduce the price that Alberta receives for its oil exports to the United States.

Table 2. Bottom-Line Impacts on the Economy, Jobs, Wage Income and Taxes — Difficult Scenario

	Short Term (<5 years)	Long Term (>20 years)
GDP	–10.1%	–16.2%
Employment	–10.0%	–4.7%
Wage income per person	–$5,496	–$11,957
Government surplus/deficit	–$25.7 billion	–$31.3 billion
Taxes per person	$5,483	$6,598
Total increase in Alberta's debt	$327.0 billion	–
of which: Alberta's share of federal debt	$158.3 billion	–
Increase in debt owing to fiscal impacts and transition costs	$168.6 billion	–
Total Alberta debt	$442.3 billion	–
as a share of GDP	88.5%	–

Note: This scenario is based on the analysis in the technical paper entitled *The Economic Implications of Alberta Separation* (Tables 23 and 24 and Section 8.3), and the technical paper *The Fiscal Implications of Separation: Revenues and Fiscal Balance* (Tables 3 and 5). It assumes a large and permanent increase in the risk premium; Alberta oil trading at a much greater discount to world prices; increases in trade costs comparable to Brexit; and lower government efficiency owing to higher fixed costs per capita, plus per capita division of the federal debt. Wage income is calculated using the percentages in the technical paper on economic impacts applied to data from Statistics Canada Table 11-10-0240-01. Wages and taxes are in 2026 dollars. GDP estimates are taken from the Alberta government's First Quarter Fiscal Update.

D-13. Macroeconomic Impacts

In the short term, up to five years after separation, we estimate that GDP would be lower, relative to no separation, by about 10 per cent. Over the longer term, more than 20 years, GDP could be around 16 per cent below what it would otherwise have been.

D-14. Households and Workers

In the short term, there would be considerable job losses — employment would fall by 10 per cent at the recession's peak. If all the people who lost their jobs stayed in Alberta and looked for work, the unemployment rate would rise by 10 percentage points, although many might leave the new country. With fewer hours worked, a typical worker would earn almost $5,500 less than if Alberta had not separated.

In the long term, unemployment could come down, but many people would exit the labour force, leaving employment 4.7 per cent lower than otherwise. Although there could be some wage growth, annual wages for a typical worker could be almost $12,000 below what they would have earned if Alberta had not separated.

Households could also see reduced services, as the new government could struggle to establish many new social programs all at once. Employment Insurance cheques, pension payments and passports could all be significantly disrupted for a long period of time. With a new revenue agency, people might see problems and mistakes with income tax collection.

Households could also see higher costs for imported goods and services from Canada, owing to the thicker border with the rest of the country. The more volatile exchange rate would also affect the costs of imports. If oil prices dipped, Albertans could find that imports, such as fruit and vegetables, became significantly more expensive, as well as foreign travel.

D-15. Businesses

Business would also be impacted by a thicker border with the RoC: different regulations and inspections at the borders would significantly increase costs. Exports could fall considerably as the cost of trade increased. This could be particularly true for agriculture and food products, which, as noted above, could face rigorous inspections at the border.

Even businesses that do not export directly to Canada could be affected, as the cost of imported inputs could rise.

Difficulties could be particularly acute in sectors that were formerly federally regulated, where businesses would now have to deal with two regulators and two sets of regulations.

A new currency could increase transaction costs for businesses trading with the RoC; they could also face considerable uncertainty from the new currency's volatility.

Failure to quickly negotiate temporary trade deals could hamper business exporting internationally not only to the United States, but to other countries as well. As noted above, with limited alternatives for getting oil and gas out of the province, companies could see much lower prices, which would hit their bottom line and reduce investment.

The higher cost of, and potentially increased difficulty in, securing capital could make Alberta companies less competitive and drive the cost of operations higher. This too would have a negative effect on investment.

In the short term, there could be an exodus of skilled workers from Alberta, some of whom might move to the U.S. In the longer term, without a labour mobility agreement, it could be harder to hire workers from the RoC, constraining economic growth when times are good.

Some companies, particularly those with most of their assets outside the provinces, might also decide to leave the province.

D-16. Government

The transition costs associated with taking on the programs and services that the federal government provides could be quite high. We estimate that these could reach $50 billion over a five-year period. Alberta might also be unable to reach a very favourable arrangement with Canada on dividing the federal debt and be forced to accept a share based on population share. This would mean Alberta assuming around 12 per cent of the debt, rather than the 10 per cent based on Alberta's prior contributions to Confederation.

The new, separate Alberta government might also be less efficient, as costs for activities like program administration are spread across fewer recipients. Finally, Alberta could be facing significantly higher interest payments on its borrowing, as its credit rating would be lower.

Taking all this together, expenditures for the new government could reach $151 billion. At the same time, the much weaker economy would also mean much lower revenues — $125 billion according to our estimates. Put together, this could mean a deficit of almost $26 billion. Returning Alberta to the surplus it had pre-separation could mean raising taxes or cutting spending by almost $5,500 per Albertan.

Adding together Alberta's share of the federal debt and deficits owing to transition costs and the weaker economy in this scenario, would mean an increase of $327.0 billion. Added to Alberta's existing debt this would give a total of $442.3 billion, around 64.8 per cent of GDP.

In the long term, the picture is similar. With the economy smaller than it would have been if separation had not occurred, and ongoing expenses of higher debt payments and government services that are more expensive to provide, the deficit could be $31 billion, without changes to taxes or spending. Getting back to surplus could mean tax raises or spending reductions of almost $6,600 per Albertan.

Again, the actual outcomes would depend very much on the price of oil, which has a significant impact on revenues.

5. CONCLUSIONS/KEY FINDINGS

5.1 SETTING UP A NEW STATE

Even in the simplest of scenarios, where every aspect of the process goes smoothly, establishing a new, separate Alberta would be a complicated, lengthy and contentious exercise.

- For Alberta to legally separate would require negotiating a mutually acceptable arrangement with the RoC. Ultimately, a constitutional amendment would be required.
- A new constitution would determine how people, territory, infrastructure, and assets were addressed. It would also inform the new Alberta's laws and forms of government.
- There would need to be a lot of cooperation with Canada to ensure continuity and continuation of services — that the lights *stayed* on — during the transition to a new country.
- Alberta would need to respect Indigenous rights and negotiate new agreements; otherwise, agreement with Canada could be very difficult, if not impossible. In the absence of agreement, international credibility would be compromised.
- The transition could be lengthy: at least several years, and likely much longer if there is substantial disagreement.

5.2 ECONOMIC IMPACTS

There is a broad range of economic outcomes. These depend most importantly on:

- **The energy sector:** Separation would give Alberta freedom to set its own environmental laws, potentially boosting the energy sector. However, separation could make Alberta more dependent on shipping oil through the U.S., which might be co-operative, or which might try to take advantage of Alberta's lack of other options. Furthermore, a separate Alberta would remain vulnerable to swings in oil prices, whatever its production capacity and its ability get oil to markets.
- **Trade:** Transforming an interprovincial border to an international one could well make it more expensive to trade, affecting exports and making imports more expensive. Trade with the United States and other countries could also be affected if Alberta were unable to negotiate access.
- **Perceptions of Alberta's creditworthiness:** The risks and uncertainties associated with independence, as well as Alberta being on its own without the potential backing of the Bank of Canada and the federal government, could affect the Alberta government's credit rating and, with it, interest rates across the economy.
- **Ability to set up a new currency:** Having its own currency and central bank could help Alberta weather shocks if the new central bank were able to convince international investors of its competence and prudence.

- **Ease of migration:** Migration has helped Alberta cope with labour shortages in the past; this could be very different for a separate country.
- **Use of increased policy flexibility:** Alberta could have the opportunity to reshape the tax system and other economic policies to improve competitiveness and increase productivity.

5.3 FISCAL IMPACTS

There would be major impacts on both expenditures and revenues.

- **People and infrastructure:** In the short term, the new country would need to spend considerable resources on hiring and training new people, buying IT systems, new military hardware, office buildings and more.
- **Major spending:** In the long term, Alberta would be taking on major spending responsibilities: social programs such as Old Age Security, Employment Insurance and the Canada Pension Plan, and activities with a lot of direct spending, such as defence, border security, immigration and passports, federal policy and many others.
- **Potential savings:** Alberta could save money by avoiding transfers like equalization and certain services like the Coast Guard, for which it would have no need. Alberta might also deliver federal government services more efficiently and find scope to reduce duplication. On the other hand, fixed costs of delivering programs, such as back-office functions, might be spread across fewer taxpayers.
- **Federal debt:** Alberta would need to take on a share of the federal debt, though the amount would need to be negotiated. The same would be true for federal assets in Alberta such as national parks, federal buildings and military bases.
- **Interest:** With higher interest rates, at least in the near term, Alberta would need to spend more money on debt service.
- **CPP:** Alberta's replacement for the CPP could potentially be in a healthier position, allowing for contribution reductions.

At the same time, Alberta would be able to collect taxes formerly collected by the federal government, although taking on the administrative costs of tax management. Whether these revenues would be enough to cover the new expenses would depend on what happened to the economy:

- If the economy is strong, in the long term the government could have more resources to cut taxes, increase spending or pay down debt.
- However, a weak economy would mean the reverse: there could be very large deficits, not just in the short term, but over the long term. These would require the Alberta government to drastically increase taxes or cut spending, as international investors would not be willing to lend to a government with such a large deficit and one that was very dependent on volatile oil and gas revenues.

5.4 FINAL WORD

No amount of analysis can easily predict what the impact of Alberta separation might be. Partly, this is because many of the factors that are material to the short- and long-term outcomes of separation (the attitude of the RoC, the stance of the United States, the reactions from the rest of the world, the direction of world energy prices) are not easily predictable.

Our task with this report has been to focus on the economic and fiscal impacts of a potential Alberta separation. We have not been asked to analyze or opine on the legal, political and other factors that would be involved. However, it is clear that the economy and fiscal situation are extremely dependent on so many of those legal, political and other factors. The fact that so many of those factors would be beyond Alberta's control renders specific predictions impossible — hence our decision to use the two very different scenarios of *smooth* and *difficult* to highlight the potential impacts.

What we can say is that this would be a momentous decision. There is certainly a scenario where Alberta's economy and finances could be better after separation, once a transition period is over. However, there is also a scenario where Alberta's economy could be weaker and its finances much worse, not just immediately but for many years to come.

We hope that this overview report, and the set of accompanying technical papers from which it draws, will help Albertans to weigh the potential costs and risks of separation from Canada against the potential benefits and opportunities.

REVIEW PROCESS STATEMENT

A Review Process Statement (RPS) provides readers with a transparent explanation of the authorial, editorial and advisory processes that have led to a published document.

Academics generally do not prepare or use an RPS. This is because academic readers rely on the processes of individual scholarly journals and their (generally) blinded peer reviewers to ensure the quality of what they are reading. While there are significant strengths to these academic review processes, speed and the ability to deal with segmented papers are not among them. As a result, this work was not a candidate for traditional academic review. What follows provides an account of how it was written, critiqued and edited.

The Fiscal and Economic Implications of Alberta Separation was developed through a collaborative process involving project leadership, authors, reviewers, research assistants, technical contributors and an integration and production team.

The original genesis of the work was a request from the Government of Alberta (GoA) to the School of Public Policy (SPP) to conduct economic and fiscal analyses of the costs associated with the province separating from Canada. The School was given full editorial control of the framing and content of the analyses and final report. As commissioner of the work, the GoA could, and did at pre-arranged moments, provide feedback on writing style and make requests for further analyses.

The bulk of the intellectual review and quality-checking work fell to the SPP's comprehensive internal processes and an arm's-length **advisory panel** appointed separately by the GoA. For its part, the SPP maintains a network of subject matter experts in Alberta, Canada and internationally. We combined feedback from that network with insights from the panel to create a rolling review process for draft content and papers.

Reviewers provided written and verbal comments on the analysis, evidence, assumptions and completeness of the work. Feedback was consolidated and returned to the authorial team for consideration and revision. Crucially here, as in the traditional academic review process, feedback and critique did not carry veto power. SPP authors were required to consider and respond to the reviews they received, but they and the leadership team retained control over which data were chosen and how they were presented.

In most cases, feedback we received sharpened our arguments and filled in important areas of the report. In some cases, there were differences, even sharp differences, of opinion and in those cases the final decision rested with the authorial team. We are most grateful for the time taken and opinions given by the various reviewers and we acknowledge that any successes and all faults of the final text are ours to stand by.

The process of integrating, editing and producing the final report focused on establishing consistency across technical papers and clarity for a general audience, as well as alignment between the analysis and conclusions, and the presentation of references, tables and figures. Research and technical contributors supported the underlying analysis and preparation of the report.

All authors and reviewers have read this RPS and agree that it is an accurate description of the authorial and editorial practices for this project.