



# NEWS RELEASE

## Equalization discourages natural resource development in “have-not” provinces

August 25, 2020  
For Immediate Release

**HALIFAX**—Canada’s equalization program discourages natural resource development in “have-not” provinces, including all three Maritime provinces, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Many problems exist within Canada’s equalization program, including how it actually discourages natural resource development in have-not provinces,” said Ben Eisen, senior fellow at the Fraser Institute and co-author of *Measuring the Equalization Clawback on Natural Resource Revenue in Have-Not Provinces*.

“Clawbacks” refer to the loss of equalization dollars for have-not provinces as a result of increasing natural resource revenues. As a province receives more revenue from natural resource developments, it receives less money from the federal government in equalization transfers.

Consequently, governments in have-not provinces that receive equalization are discouraged by the clawbacks from developing natural resources—while natural resources can be lucrative, equalization payments are less risky than revenues from natural resources.

And the clawbacks on natural resource revenues are significant.

For example, in 2018/19, the clawback rate from a ten per cent increase in natural resource revenue ranged from 44 per cent in Prince Edward Island to 97 per cent in New Brunswick. Put another way, for every 10 dollars of increased natural resource revenue a government received, it lost \$4.40 to \$9.70 in equalization money.

In 2020/21, the clawbacks from a ten per cent increase in natural resource revenue ranged from a low of 3.2 per cent in Quebec to 47.4 per cent in Prince Edward Island.

“By discouraging natural resource development, Canada’s equalization program—with its clawbacks on resource revenues—is actually preventing have-not provinces from prospering,” said Alex Whalen, policy analyst at the Fraser Institute and study co-author.

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