

SUSTAINABLE DEVELOPMENT COMMITTEE REPORT

Meeting Date: April 5, 2016

Subject: Wood Buffalo Growth Forecasts

APPROVALS:

Keith Smith, Interim Director
Bob Couture, Executive Director
Kevin Scoble, Deputy Chief Administrative Officer

Administrative Recommendations:

THAT the following be recommended for Council approval:

1. THAT the Wood Buffalo Growth Forecasts be accepted as information and be taken into consideration by Administration for planning and budgeting purposes;
2. THAT Administration continue to work with the Government of Alberta and oil sands industry representatives to test, verify and refine the inputs used in the regional growth forecast process.

Summary:

Work has been undertaken to prepare a scoped update to the Regional Structure Action Strategy (RSAS) forecasts extending an additional five years to the year 2035 and to reflect the latest available bitumen production estimates in the Municipality. These forecasts, presented in the table below, anticipate the following population numbers for Fort McMurray and the remaining portions of the Regional Municipality of Wood Buffalo.

| | Census 2015 | 2015 Population Forecasts | | | | |
|---------------------------|----------------|---------------------------|---------|---------|---------|---------|
| Year | 2015 | 2015 | 2020 | 2025 | 2030 | 2035 |
| Production Level (M bpd) | - | 1.92 | 2.62 | 3.07 | 3.31 | 3.42 |
| Fort McMurray Population | 82,724 | 90,900 | 95,700 | 100,900 | 105,900 | 108,400 |
| All other RMWB Population | 42,308 | 55,700 | 45,500 | 45,400 | 44,000 | 45,900 |
| Total Population | 125,032 | 146,600 | 141,200 | 146,300 | 149,900 | 154,300 |

Of note, the baseline year for population for the forecasts differs from the population recently announced in the 2015 Census. The difference is due to the fact that the forecasts are based on assumptions (eg. employment ratios, productivity) that were valid in 2012/2013. The significant changes that have occurred in the region since then means that these assumptions need to be tested in collaboration with the Government of Alberta (GOA) and the Oil Sands Community Alliance (OSCA) and the 2015 Census information will play a significant role in this process.

Background:

In 2012, the GOA, the oil sands industry (represented by the Oil Sands Developers Group) and the Regional Municipality of Wood Buffalo (RMWB) Administration worked together through the Regional Structure Action Strategy (RSAS) process to address the Municipality's future growth management and planning needs. As part of that work, long-term, evidence-based forecasts were developed, going out to the year 2030, for use by all parties to ensure a consistent approach to their respective planning efforts.

On June 23, 2015, Council passed the following motion:

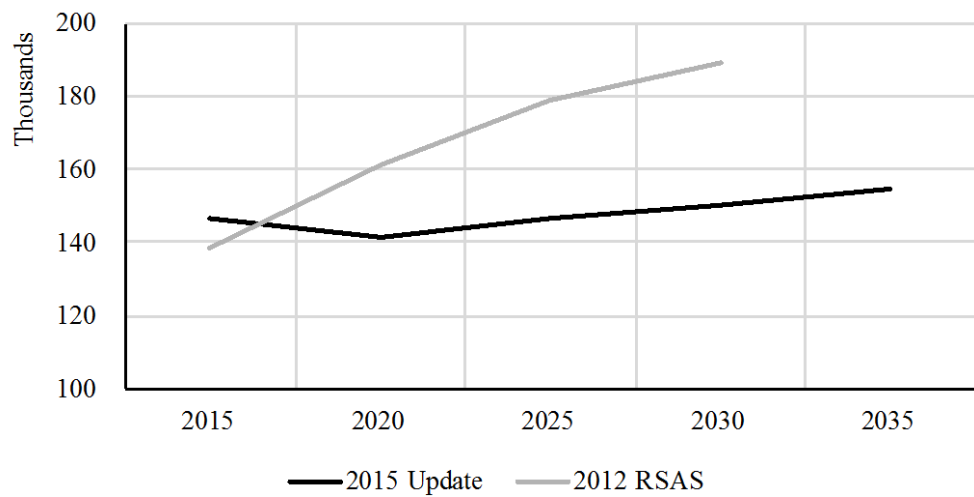
THAT the Regional Structure Action Strategy (RSAS) Growth Principles and Considerations dated October 3, 2014 (as per Attachment 4) be adopted as the basis for conducting future population and employment forecasts.

Since that time, work has been undertaken to prepare a scoped update to the RSAS forecasts extending an additional five years to the year 2035 to reflect the latest available bitumen production estimates in the Municipality. Faced with a rapidly changing economic landscape, and changes in long-term intentions by the oil sands companies operating within the Municipality, it was important to understand the impacts on future employment and population growth. These forecasts, presented in the table below, anticipate the following population numbers for Fort McMurray and the remaining portions of the Regional Municipality of Wood Buffalo. A comparison of the original 2012 forecasts and this update are included as an attachment to this report.

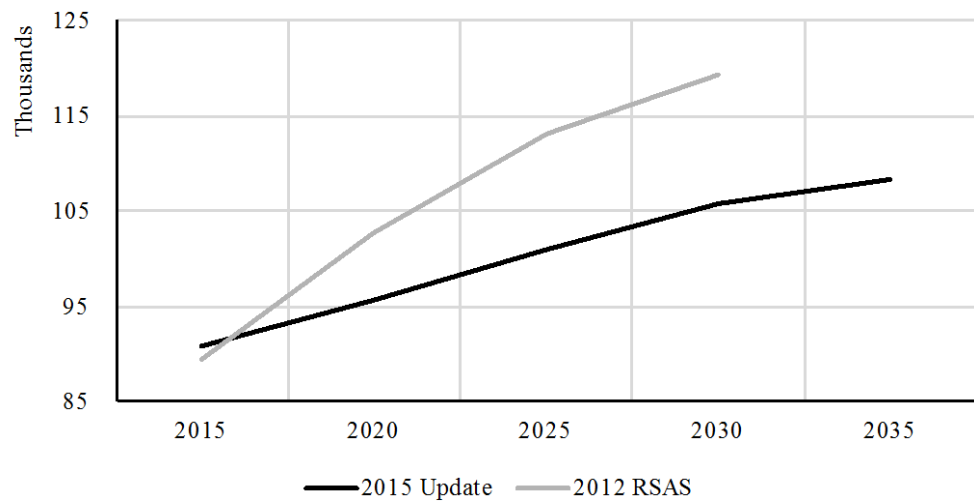
Key findings of the forecasts include:

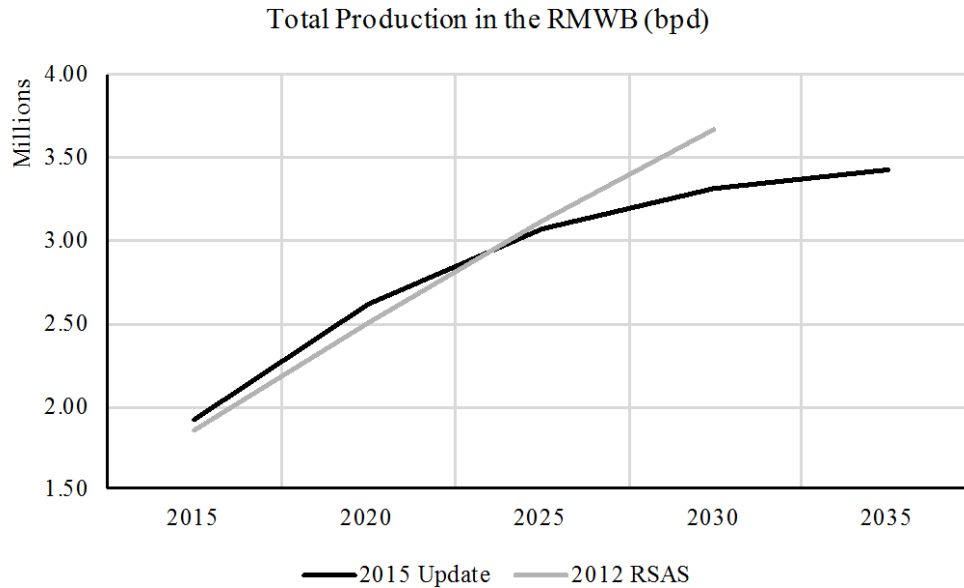
- Fort McMurray will continue to grow at a modest rate in the short- to mid-term. Long-term, the rate of growth will decline. This implies the continued need for investment in infrastructure and services in Fort McMurray with an eye to a more sustainable, cost-effective approach in the long-term. New lands may not be needed to accommodate growth.
- Driven by the postponement of future resource investment, and a consequent deferral of construction activity, project accommodation population outside of Fort McMurray is expected to decline dramatically.
- The municipality is forecast to grow to 154,300 residents by the year 2030 compared to a previously estimated 188,800 (a decrease of approximately 18% from previous estimates).
- Sustained by operations workers on existing oil sands sites, Fort McMurray is forecast to grow to approximately 105,900 residents by the year 2030 compared to a previously estimated 119,400 (a decrease of approximately 11% from previous estimates).
- A population decline will be experienced outside of Fort McMurray, driven primarily by a decrease in population residing in project accommodations. The total rural population, including population residing in Rural Service Areas, is forecast to decline by approximately 18% from 55,700 to 45,900 over the next 20 years- a decline of approximately 9,800 residents by the year 2035.

Comparison of 2012 and 2015 Population Forecasts
for the RMWB



Comparison of 2012 and 2015 Population Forecasts
for Fort McMurray





These forecasts have been created in collaboration with the GOA and OSCA to ensure the forecasts remain forward-looking and reflect the latest information available. It was initially believed that these forecasts would be completed in 2015. However; shifting economic realities and other changes to aspects of regional growth have shown the need to re-assess a number of the key inputs in the forecasts. Inputs such as the forecasted regional transportation network, employment ratios, and updated regional demographic information as per the 2015 census will be re-assessed in collaboration with the GOA and OSCA as a more robust set of forecasts continue to be created for Council's consideration.

Some of the changes to the key inputs can be addressed directly through collaboration with the GOA and OSCA. However; in the interests of cohesive regional planning, changes to inputs such as the forecasted regional transportation network must be conducted through the Transportation Coordinating Committee (TCC) and have delayed the completion of the originally scoped work.

The population forecasts outlined in this report do not represent a complete revision of the RSAS forecasts. They have taken into account the reduced bitumen production forecasts as outlined by the Canadian Association of Petroleum Producers in June 2015. For these forecasts the assumptions for the forecasted transportation network and all other variables are consistent with what was adopted by Council on June 23, 2015.

Budget/Financial Implications:

Administration's use of these forecasts allows for decisions on planning and infrastructure investment to occur based on population forecasts that reflect up-to-date information. The summary section of this document describes additional possible implications of these forecasts on long-term infrastructure and service-delivery needs in the Municipality.

Rationale for Recommendations:

Population forecasts are directly linked to the existing and future production and construction plans of oil sands companies. Variables such as forecasted regional transportation networks and employment ratios are key inputs into determining the future population patterns within the Municipality, and are currently being re-assessed by various groups within the region. While these variables are being revisited, in order to ensure up-to-date forecasts are available to inform planning and infrastructure decisions amidst economic changes in the Municipality, these population forecasts allow for Council and Administration to make decisions based on information that reflects the most recent bitumen production forecasts.

Strategic Plan Linkages:

Pillar 3 – Building a Vibrant Economy Together

Attachment:

1. Comparison of 2015 Forecast with 2012 Forecast

Comparisons of 2015 Update Forecast with 2012 Forecast

| | 2015 Population Forecasts | | | | |
|---------------------------|---------------------------|---------|---------|---------|---------|
| Year | 2015 | 2020 | 2025 | 2030 | 2035 |
| Production Level (M bpd) | 1.92 | 2.62 | 3.07 | 3.31 | 3.42 |
| Fort McMurray Population | 90,900 | 95,700 | 100,900 | 105,900 | 108,400 |
| All other RMWB Population | 55,700 | 45,500 | 45,400 | 44,000 | 45,900 |
| Total Population | 146,600 | 141,200 | 146,300 | 149,900 | 154,300 |

| | RSAS 2012 Forecasts (Production Years Adjusted) | | | | |
|---------------------------|---|---------|---------|---------|---------|
| Year | 2015 | 2020 | 2025 | 2030 | 2035 |
| Production Level (M bpd) | 1.85 | 2.5 | 3.11 | 3.66 | 4.22 |
| Fort McMurray Population | 89,500 | 102,800 | 113,000 | 119,400 | 128,800 |
| All other RMWB Population | 49,000 | 58,500 | 65,900 | 69,400 | 76,200 |
| Total Population | 138,500 | 161,300 | 178,900 | 188,800 | 205,000 |