Calgary Chamber

The Economic Implications of Alberta Separation

Research Report

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KEY TAKEAWAYS

1 in 3	\$41–62B	\$10–15B	\$9B
Alberta workers hold jobs tied to exports; more than 1 in 3 in Calgary	smaller Alberta economy each year if trade costs rise 5 to 8 per cent	in foregone investment in 2026 from a Brexit-scale decline	fiscal shortfall instead of a \$19B windfall

The headline figures, drawn from the full analysis below.

- **Alberta's economy is deeply tied to trade.** Nearly one in three Alberta workers — roughly 900,000 people in 2025 — work in sectors significantly exposed to disruptions in trade with the rest of Canada and the world.
- **Roughly 334,000 jobs (about 13 percent of the workforce) are tied, directly or indirectly, to exports to other provinces.** And more than 450,000 are tied to international exports.
- **Calgary is more exposed than the province as a whole.** Over 360,000 jobs in the city — more than 36 percent of total employment — depend on exports, whether to other provinces or abroad (15 percent just from interprovincial exports alone).
- **Interprovincial exports generate about \$78 billion in income for Alberta workers and businesses — roughly 16 cents of every dollar earned in the province.** International exports account for about 39 percent of total provincial income, or nearly \$180 billion.
- **Separation would likely raise trade costs.** An 8 percent increase in both interprovincial and international trade costs would lower real GDP per capita by about 6 percent, reduce the workforce by roughly 175,000, and shrink the economy by \$62 billion a year. A 5 percent increase would cost about \$41 billion and 115,000 workers.
- **Higher trade costs would also lower Alberta's total trade,** with exports to other provinces and abroad falling nearly one-quarter (equivalent to \$66 billion) in the high-cost scenario.
- **Calgary would absorb a large share of those losses.** If employment in the city falls in proportion to the province, a 5 percent increase in trade costs would mean roughly 44,000 fewer jobs in Calgary, and an 8 percent increase would mean roughly 69,000 fewer jobs.
- **Uncertainty alone could weigh on investment.** A decline on the scale seen after Brexit would mean \$10 to \$15 billion in foregone investment in 2026 — as much as \$3,000 per Albertan at the high end.
- **A border would slow migration flows into Alberta.** About 80 percent of interprovincial migrants to Alberta are under 40, which provides both an economic and a fiscal benefit to the province.
- **In addition, those arriving from elsewhere bring valuable education with them that other provinces paid for.** Roughly 1.1 million Albertans were born elsewhere in Canada. Net of those who have left, the province holds taxpayer-funded human capital worth nearly \$120 billion — about a quarter of provincial GDP.

- **A separate Alberta would spend considerably more than what Ottawa now spends in the province.** Defence spending alone would have to increase to nearly $10 billion to meet the current NATO standard of 2 percent of GDP, which will rise to 3.5 percent of GDP on core defence activities by 2035.
- **There is no fiscal windfall from separation.** Ottawa currently collects about $19 billion more from Alberta than it spends there. But a separate Alberta would see revenues fall and spending rise by an amount sufficient to more than eliminate this fiscal surplus. Illustrative estimates presented in this report suggest a fiscal shortfall of approximately $9 billion — a swing of roughly $28 billion from the position some expect Alberta would inherit.
- **Closing a $9 billion fiscal shortfall is not a small adjustment.** It would take a sales tax of about 8 percent on top of the 5 points inherited from Ottawa, or a 10-point increase in the corporate income tax, or a cut of about 40 percent to the federal transfers Alberta individuals and businesses now receive.
- **Those transfers reach a great many people.** Roughly 400,000 Alberta families receive the Canada Child Benefit, about 630,000 Albertans receive Old Age Security, and over 1.1 million receive the GST Credit. In Calgary alone, federal transfers may total approximately $7 billion flowing to roughly 600,000 families.

EXECUTIVE SUMMARY

This document summarizes the broad economic implications of Alberta separating from Canada. It draws together estimates of how much of the province's economy depends on trade, the cost of the higher trade barriers that separation would likely bring, the potential effect on investment, and the possible shape of public finances of an independent Alberta.

Alberta's economy is closely linked to buyers in other provinces and other countries. About 334,000 jobs — roughly 13 percent of the workforce — are tied, directly or indirectly, to exports to the rest of Canada, and more than 450,000 are tied to international exports. Taken together, about one in three Alberta workers depends on exports. These linkages also generate income: interprovincial exports account for about $78 billion of Alberta income, or 16 cents of every dollar earned in the province, and international exports account for about 39 percent of total provincial income. Alberta benefits on the import side too, since goods and services produced elsewhere often feed into Alberta businesses. Energy exports are an important contributor to international exports, but exports excluding oil and gas still contribute a substantial 15 percent of total provincial income.

Calgary carries more of this exposure than the province as a whole. Nearly 150,000 jobs in the city depend on exports to other provinces, and nearly 215,000 on exports abroad. Together that is over 360,000 jobs, or more than 36 percent of total employment in the city. The concentration is not confined to one sector. Nearly 80,000 Calgarians work in professional, scientific, and technical services in support of exports, close to 50,000 in transportation and warehousing, 38,000 in manufacturing, and 36,000 in wholesale and retail trade. Another 27,000 serve visitors from outside the province.

Separation would most likely raise the cost of trading with both the rest of Canada and the world, through new differences in regulatory standards, certifications, inspections, and so on. The effects scale with the size of the increase. An 8 percent rise in both interprovincial and international trade costs, which is informed based on the Brexit experience for the United Kingdom, would lower real GDP per capita by about 6 percent, reduce employment and population by nearly seven percent (about 175,000 workers), and shrink the province's overall economy by $62 billion a year (in 2026 dollars). A more modest five percent increase would still cost about $41 billion and 115,000 workers. International trade costs matter more than interprovincial ones, partly because much of Alberta's international trade is tied to oil exports that transit other provinces. If employment in Calgary falls in proportion to the province, the city would lose roughly 44,000 jobs under the smaller increase and roughly 69,000 under the larger.

Uncertainty is a separate channel. After the United Kingdom left the European Union, investment there now runs 12 to 18 percent below what it otherwise would have been. A similar effect in Alberta would mean $10 to $15 billion in foregone investment in 2026, as much as $3,000 per Albertan. Because lower investment leaves workers with less capital, it also means lower productivity and lower real incomes, on top of the direct effects of higher trade barriers.

To the flow of goods, services, and capital one must also add the flow of labour. Alberta has long drawn people from the rest of Canada and abroad. Roughly 1.1 million Albertans were born in another province, second only to British Columbia. This matters economically and fiscally as about 80 percent of those arriving from elsewhere in Canada are under 40, and therefore contribute significantly to the labour market and provincial coffers. Moreover, they bring with them education that other governments paid for but now the Alberta economy benefits from.

For perspective, considering only Canadian-born individuals, and netting out Albertans who left the province, Alberta holds a net stock of taxpayer-funded human capital worth nearly $120 billion — equivalent to about a quarter of provincial GDP. Only Alberta and British Columbia are net recipients of these flows. A new national border would make moves into Alberta more complex and costly and would reduce their volume. The loss would be both the younger workers themselves and the education embedded in them, which Alberta's economy has captured at no cost to its own taxpayers.

Finally, public finances would be significantly affected by separation. A separate Alberta would, at the very least, also have to take on the functions now performed by the federal government. In 2024, Ottawa spent about $54 billion in Alberta and collected about $73 billion — a surplus of roughly $19 billion. Some suppose a separate Alberta would simply inherit that gap. It would not. Duplicating federal operations would cost billions more than is currently spent in the province by the federal government. Defence alone would need to rise to nearly $10 billion to meet the NATO target.

And in addition to higher spending, a smaller economy would mean a separate Alberta would collect less in taxes. Taxation revenues would decline by over $10 billion because higher trade costs would shrink the economy. While this report does not provide a detailed accounting but rather provides an illustration of plausible and conservative magnitudes, it estimates that a separate Alberta would face a fiscal shortfall of about $9 billion rather than a surplus of $19 billion.

A gap of that size would have to be closed by raising taxes or cutting spending, and neither is a minor adjustment. Balancing the books through a sales tax would require a rate of about 8 percent on top of the 5 points inherited from Ottawa. Through business taxes, it would take a 10-point increase in the corporate rate. Through spending, it would mean cutting current federal transfers to people and businesses by about 40 percent. Those transfers reach a great many households: roughly 400,000 Alberta families receive the Canada Child Benefit, about 630,000 receive Old Age Security, and in Calgary alone federal transfers may total $7 billion flowing to some 600,000 families. Tax increases and spending reductions are not necessarily required. Public debt levels could also simply be increased, though that may not be a sustainable fiscal policy strategy.

Together, these findings point to a consistent conclusion: Alberta's prosperity is tightly bound to its economic links with the rest of Canada and the world, and separation would place a meaningful share of the province's jobs, income, investment, and fiscal capacity at risk.

1. INTRODUCTION

Whatever one thinks of the case for Alberta separating from Canada, the question of what it would mean economically deserves a careful answer. This report offers one. Not as an argument for or against separation, but as a set of quantitative estimates grounded on the latest data and well-established methods to highlight the potential economic and fiscal trade-offs that are involved. Four questions organize the analysis. How much of Alberta's economy currently depends on trade with the rest of Canada and the world? What happens to that economy if separation makes trading more costly? What happens to investment if separation raises uncertainty for those committing capital in the province? And what might the public finances of a separate Alberta look like?

These estimates are not forecasts. How separation would unfold, what agreements would follow, and how long adjustment would take are all unknown. Instead, this report provides orders of magnitude and aims to make clear which assumptions the results depend on.

The main findings are straightforward. Alberta's economy is highly dependent on exporting beyond its borders, both to other provinces and to other countries. About one in three Alberta workers holds a job tied to exports, and the share is higher in Calgary for both interprovincial and international trade. Separation would likely raise the cost of trading in both directions, as regulatory standards, certifications, inspections, and so on, would differ between Alberta and its trading partners to a greater extent than is currently the case. These trade costs go beyond tariffs, and therefore even in a best-case scenario where existing trade agreements are maintained the costs of trading across what is now a provincial border would increase across a newly national one. Higher costs mean lower volumes, and lower volumes mean fewer jobs and lower incomes. The losses are large even with modest assumptions about trade cost increases.

Trade is not the only channel. Uncertainty about the terms of separation would likely reduce investment in the province, as it did in the United Kingdom after Brexit. Lower investment means less capital per worker, and so lower productivity and lower real wages over time. This effect compounds the direct costs of higher trade barriers significantly.

And the fiscal implications of separation are perhaps the most widely misunderstood. Ottawa currently collects considerably more revenue in Alberta than it spends in the province, and this gap is sometimes read as a windfall a separate Alberta would inherit. It would not. A separate Alberta would have to fund functions the federal government now performs, including defence at the level expected of a NATO member as well as a host of many other basic functions of an independent state. It would also collect less revenue, because the economy generating that revenue would be smaller as a result of trade disruptions and uncertainty. Taken together, these changes alone change what some see as a fiscal windfall into a fiscal burden. And closing it would require tax increases or spending reductions large enough to carry economic costs of their own. This report does not provide a comprehensive enumeration of all aspects of federal spending and revenues in Alberta, but instead simply illustrates the broad (and almost unavoidable) point that separation would strain public finances.

1.1 BRIEF DESCRIPTION OF THE METHODS

The analysis here draws on two tools. The first is Statistics Canada data, which shows what Alberta's trade currently supports. The second is an economic model, which allows an assessment of what might change if separation raised the cost of that trade. Both are standard approaches. Neither produces a precise forecast, and neither is meant to. The goal is to establish orders of magnitude — to give a sense of the scale of what is at stake, and to make clear which assumptions the answers depend on.

Consider the data first. All estimates of Alberta's current trade position come from Statistics Canada's input-output tables. These track flows across all provinces and hundreds of sectors within each. It reports what every sector buys from and sells to every other, what every province trades with every other province, and what each trades with the world. From these, the jobs, GDP, and wage and salary income that Alberta's exports support are estimated, both to other provinces and abroad. The mathematical steps involved are standard and are not detailed here.

Knowing what current trade supports reveals little about what would happen if circumstances changed. For that, a full model of the Canadian economy is required, covering all provinces and territories across roughly 220 sectors. Models of this kind are widely used and offer a rigorous way to estimate how economic activity responds when trade costs rise.

And rise they would. How much is difficult to know, so the analysis examines a range informed by experience elsewhere: non-tariff barrier increases of 5 percent at the lower end and 8 percent at the higher end, applied to interprovincial and international trade costs (individually, and together). Higher costs mean lower trade volumes. Lower volumes mean weaker productivity, which in turn means lower real wages and earnings, which affects whether people choose to move to or stay in Alberta.

The model is useful for quantifying how large these effects might be. It should not be read as a definitive estimate of what separation would cost, because too much depends on things no one can know: the nature of the separation itself, whether existing trade arrangements would be maintained, and much else besides. The purpose is narrower. Experience elsewhere, and Brexit in particular, gives a reasonable sense of the magnitude of economic risk Alberta would face were it to leave the federation.

The fiscal implications are also explored. Using readily available Statistics Canada information, this report illustrates what separation might mean for the province's finances, including how much spending might have to rise. This is straightforward enough at a high macro level. It is not a bottom-up, program-by-program costing, and that work is left to others. On the revenue side, the economic disruptions described above would reduce income and consumption tax revenue, and the report quantifies the potential scale of that decline. It is straightforward to estimate how large this effect would be since income and consumption taxation revenue tend to move in proportion to changes in the size of the overall economy.

1.2 ROADMAP FOR THE REPORT

The report proceeds in several parts. Section 2 establishes how much of Alberta's economy currently depends on trade, measuring the jobs and income that exports to other provinces and other countries support, for the province and for Calgary. Section 3 turns to what happens when trade costs rise, presenting model results for increases of between five and eight percent applied to interprovincial trade, international trade, and both together. Section 4 examines investment, drawing on the United Kingdom’s experience after Brexit to gauge what heightened uncertainty might cost. Moving on from trade, section 5 provides a brief summary of recent migration flows to and from Alberta, including both interprovincial and international migrants. It also provides an approximation of the value of taxpayer-funded human capital embodied in workers educated elsewhere in Canada but currently deploying those skills in Alberta. Finally, section 6 takes up the public finances, setting out what Ottawa currently raises and spends in Alberta, what a separate province would have to fund itself, and where the resulting budget balance would land.

2. HOW MUCH OF ALBERTA'S ECONOMY DEPENDS ON TRADE

Separation would expose Alberta to rising non-tariff trade barriers in two ways. Within Canada, the cost of trading between provinces would rise as regulatory standards, certifications, inspections, and similar requirements increasingly differ between Alberta and the rest of the country. Interprovincial trade would likely fall, and the jobs tied to Alberta's exports to the rest of the country would fall with it. The same is true of international trade. Before turning to the size of those effects, it is worth establishing how much of Alberta's economy currently depends on exports — both the jobs they support and the income they generate.

2.1 JOBS EMBODIED IN EXPORTS

These figures are not available from standard sources such as Statistics Canada for interprovincial trade, so they are estimated directly here, using methods commonly applied to measure the jobs embodied in international trade. The starting point is Statistics Canada data for 2022, the most recent year available, projected forward to 2025 using the change in total employment. This assumes each sector's export-related employment grew in proportion to the aggregate. For Calgary, each sector's province-wide share of employment supported by exports is applied to Calgary's employment in that sector. The count includes both direct employment — Albertans producing goods and services for export — and the indirect jobs further up the supply chain, among the suppliers to exporters and their suppliers in turn.

Interprovincial trade

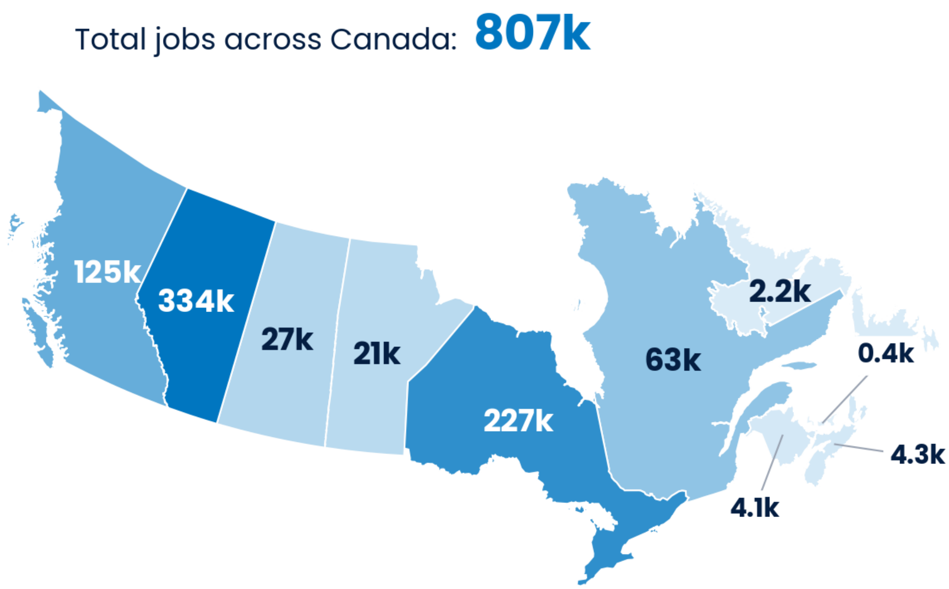
Trade with the rest of Canada supports a substantial share of employment in Alberta, and a larger share still in Calgary. The figures below give a sense of how many jobs are involved and where they are concentrated.

Consider the province as a whole first. About 200,000 Albertans are employed directly in producing goods and services for export to other provinces. This includes roughly 35,000 jobs in manufacturing, 25,000 in wholesale trade, 21,000 in professional and scientific services, 21,000 in accommodation and food services, 17,000 in transportation and warehousing, and 3,000 in farming, among others.

Those are only the direct jobs. Firms selling to other provinces also buy from suppliers within Alberta, and those suppliers employ people too. Adding these indirect jobs raises the total to about 334,000: roughly 47,000 in manufacturing, 41,000 in professional services, about 37,000 in wholesale trade, 32,000 in transportation and warehousing, 30,000 in accommodation and food services, and roughly 11,000 in agriculture. In all, about 13 percent of Alberta's entire workforce is tied to exports to the rest of Canada.

Calgary is more exposed than the province as a whole. Of the roughly 1 million people employed in the city, many work in sectors with a great deal of trade exposure. Manufacturing employs about 50,000 Calgarians, roughly one in three of whom depend on interprovincial exports. Transportation and warehousing employs about 67,000, with roughly one in four in the same position. Professional and scientific services shows a similar share, but in a much larger sector — over 140,000 Calgarians work in it.

Figure 1: Total jobs embodied in interprovincial trade between Alberta and the rest of Canada (2025 est.)



Source: *Own calculations from Statistics Canada data tables 14-10-0023, 36-10-0113, and the provincial symmetric input-output tables.*

Altogether, nearly 150,000 jobs in Calgary depend on interprovincial exports. That includes over 15,000 in manufacturing, 17,000 in wholesale and retail trade, 16,000 in transportation and warehousing, and nearly 33,000 in professional, scientific, and technical services. Tourism matters here as well. Visitors from elsewhere in Canada coming to enjoy the city support over 8,000 jobs in accommodation and food services.

That works out to approximately 15 percent of Calgary's entire workforce, a larger share than for Alberta as a whole. Interprovincial trade is not a marginal part of the local economy. It underpins a meaningful portion of employment across a wide range of sectors, and the more diversified, service-oriented parts of Calgary's economy are among the most exposed.

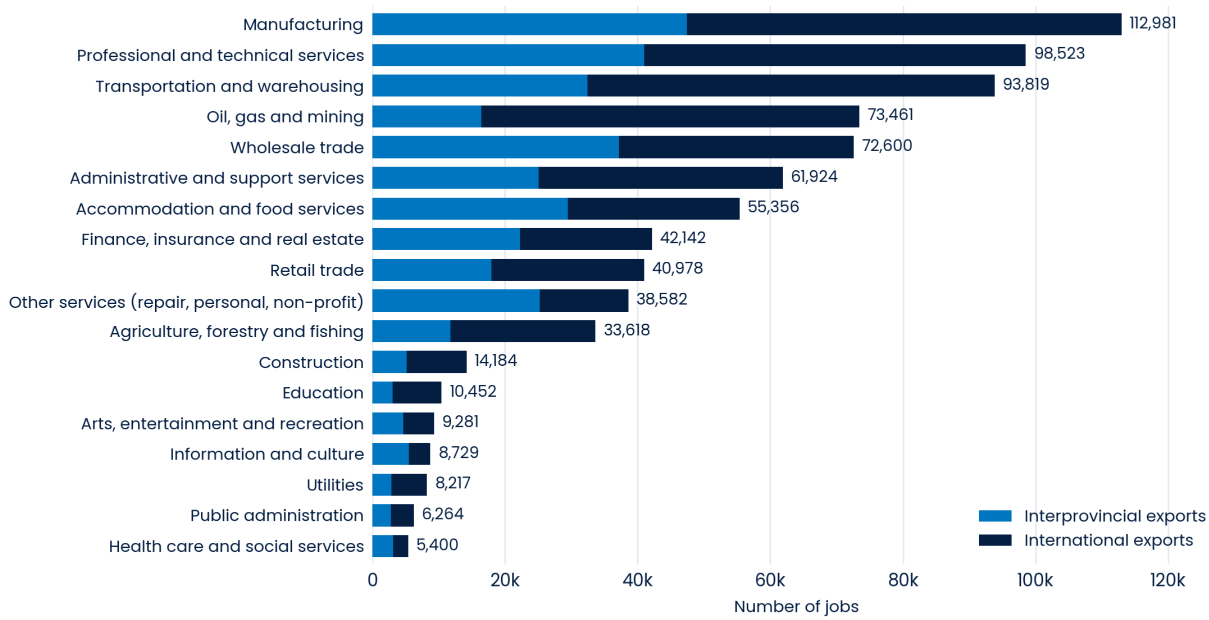
International trade

Exports abroad support even more employment than exports to the rest of Canada, and here too Calgary carries more exposure than the province as a whole.

> **~15%**
>
> of Calgary's entire workforce is tied to interprovincial exports, a larger share than for Alberta as a whole. The more diversified, service-oriented parts of Calgary's economy are among the most exposed.

For Alberta as a whole, exports to other countries support more than 450,000 jobs, directly and indirectly. These include about 66,000 Albertans in manufacturing, 61,000 in transportation and warehousing, 58,000 in professional and scientific services, a similar number in wholesale and retail trade combined, 57,000 in mining and resources, and about 26,000 in accommodation and food services. Together, jobs dependent on international exports account for over 17 percent of Alberta's total employment.

Figure 2: Alberta jobs supported by exports, by industry (2025 est.)



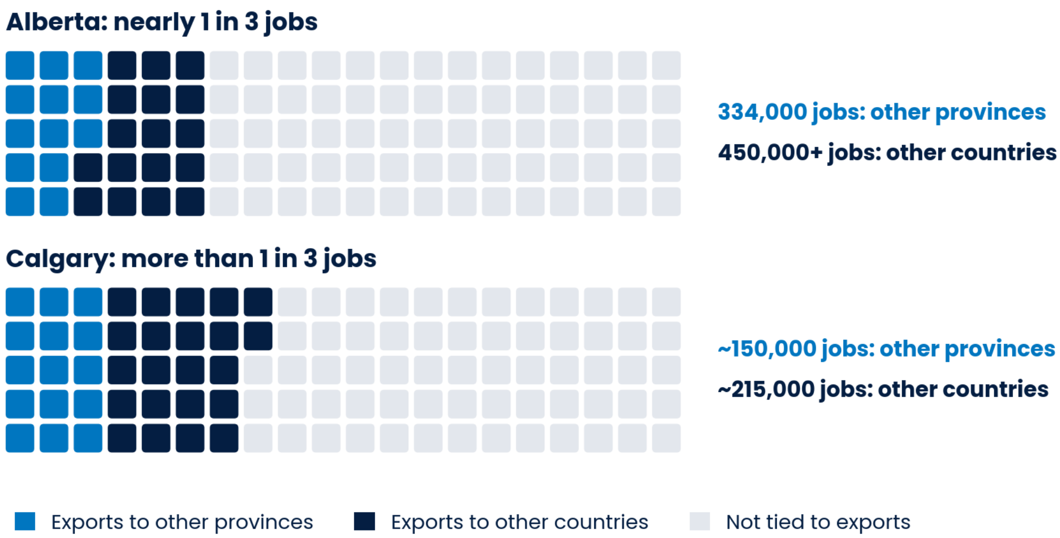
Note: *Includes jobs supported directly by exports and indirectly through supply chains.*

Calgary again shows a heavy concentration. Nearly 215,000 people in the city are employed, directly or indirectly up the supply chain, in support of exports to other countries. Resources account for a good deal of this, with roughly 32,000 Calgarians working in the sector in support of exports abroad. But several other sectors are as large or larger. Professional, scientific, and technical services accounts for nearly 46,000 jobs. Manufacturing accounts for 22,000, wholesale and retail trade 18,000, and transportation and warehousing over 30,000. Tourism contributes as well. Over 7,000 Calgarians are employed serving international visitors to the city.

Altogether, Calgarians employed in support of international exports account for approximately 22 percent of total employment in the city — well above the provincial share. Any disruption to international trade flows would therefore be highly consequential for Calgary, and more so than for the rest of Alberta.

Combined exposure

Figure 3: **Jobs embodied in exports, Alberta and Calgary**



Note: *Each square is 1% of total employment (2025 est.), counting jobs supported directly and through supply chains.*
Source: *Author's calculations.*

Combining both destinations gives the fullest picture of what is at stake. Nearly one in three Alberta workers is supported by exports, whether to other provinces or to other countries.

More than 110,000 Albertans work in manufacturing in support of those exports. About 140,000 work in finance, insurance, real estate, and professional and scientific services; about 65,000 in tourism-related sectors such as accommodation and food services and arts, entertainment, and recreation; and about 34,000 in agriculture. A considerable share of the province's labour force is therefore exposed to any disruption in Alberta's economic links with the rest of the country and the world. Figure 2 plots all of the jobs supported by exports.

Another way to see the same thing is to look at how concentrated that exposure is by sector. In 2025, nearly one in three Albertans worked in a sector where more than a third of total employment is supported, directly or indirectly, by exports to another jurisdiction. That list includes agriculture, forestry, mining, oil and gas, manufacturing, wholesale trade, transportation and warehousing, and professional and scientific services. Other sectors come close: about 31 percent of employment in accommodation and food services and 24 percent in arts, entertainment, and recreation is tied to exports. In total, about 900,000 Albertans work in sectors significantly exposed to trade disruptions.

Calgary's combined exposure is larger still. Over 36 percent of all jobs in the city — more than 360,000 — depend on exports out of the province, either to elsewhere in Canada or internationally. Nearly 80,000 Calgarians work in professional, scientific, and technical services in support of exports. Nearly 50,000 jobs in transportation and warehousing, 38,000 in manufacturing, and 36,000 in wholesale and retail trade are supported by interprovincial and international exports. Roughly 27,000 jobs in accommodation and food services and in information, culture, and recreation are supported by serving visitors from outside the province. Calgary and Alberta's relative number of jobs embodied in exports is illustrated in Figure 3.

Numbers of this size mean the city's labour market carries real risk. To put it in perspective, a 10 percent drop in interprovincial exports alone, if it fed through proportionally to employment in these activities, would raise Calgary's unemployment rate by roughly 1.5 percentage points.

Implications for Canadian jobs

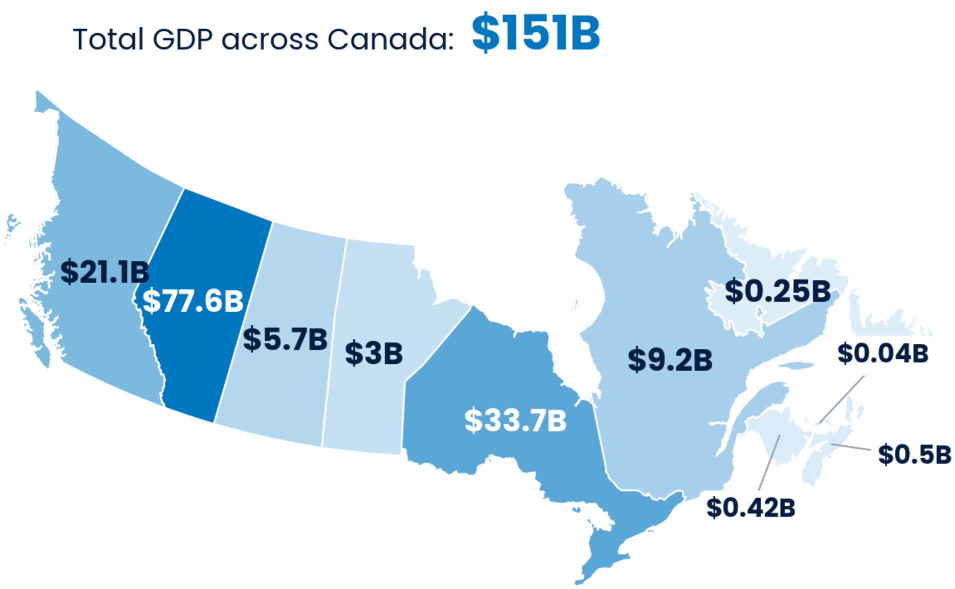
It is worth noting that Alberta benefits from trade running the other way as well. Many Canadians elsewhere in the country are employed producing goods and services that Alberta imports. That activity benefits their regions, but it benefits Alberta too, since these goods and services are often inputs that Alberta businesses use to produce other goods and services, whether for export or for local consumers.

Overall, as illustrated in Figure 1, roughly 807,000 jobs across Canada were supported by interprovincial trade with Alberta in 2025. Of these, about 334,000 are in Alberta itself, supported by the province's exports to the rest of the country. The remaining 473,000 are elsewhere, supported by what those provinces sell into Alberta. Ontario accounts for about 227,000 of those jobs and British Columbia about 125,000. Together, the two provinces account for roughly three-quarters of all employment outside Alberta that depends on trade with the province. Quebec follows at about 63,000. Saskatchewan and Manitoba, despite their proximity and close economic ties to Alberta, account for about 27,000 and 21,000 respectively. The Atlantic provinces are the least exposed in absolute terms. Nova Scotia accounts for about 4,300 jobs, New Brunswick about 4,100, Newfoundland and Labrador about 2,200, and Prince Edward Island about 400.

Income generated by exports

Exports support income as well as jobs. The income generated is less than the headline value of exports, because some of that value reflects intermediate inputs imported from elsewhere, whose value accrues outside Alberta. Adjusting for this, interprovincial trade with Alberta generated about $151 billion in income across Canada in 2025. About half of that — $78 billion — accrued to Alberta workers and businesses, with $34 billion to Ontario and $21 billion to British Columbia. Put another way, about 16 cents of every dollar earned by an Alberta individual or business in 2025 came, directly or indirectly, from exports to the rest of Canada. Each province's total GDP supported by such trade is plotted in Figure 4, and a breakdown across selected activities in Figure 5.

Figure 4: **GDP embodied in interprovincial trade between Alberta and the rest of Canada (2025 est.)**



Source: *Own calculations from Statistics Canada data tables 14-10-0023, 36-10-0113, 36-10-0222-01, the provincial symmetric input-output tables, and RBC March 2026 forecast for NGDP 2025 growth.*

International exports matter even more. Statistics Canada estimates suggest that about 39 percent of total income in the province is due to international exports. That is roughly $180 billion to workers and businesses, of which just over $113 billion is accounted for by mining, quarrying, and oil and gas extraction. This includes not only the direct income from those exports but also indirect income from suppliers, some of them located in other provinces. Indeed, about four cents of every dollar of income earned in Alberta comes from exports made by firms located elsewhere in Canada but supplied by Alberta firms.

The additional GDP flowing to Alberta from interprovincial exports is split between businesses and workers. Approximately one-third, or $26 billion, flows to workers as labour income. This is primarily wages and salaries, but also contributions to social benefit programs like EI. Businesses see the remaining two-thirds in the form of higher gross operating surpluses.

Tax revenues also rise with this activity. Even ignoring taxes on individual income and corporate profits, taxes on products and production alone are equivalent to approximately $1.1 billion in revenue generated from these interprovincial exports. This is a dramatic underestimate of the fiscal benefits of Canada's economic union. As the next section shows, higher trade costs can lead to large reductions in trade volumes, productivity, and the overall size of the economy. That matters for its own sake, since it undermines living standards. It also worsens government finances, which must be made up for elsewhere, either through higher tax rates, lower spending, or higher levels of public debt. The next section turns to these general economic effects.

Figure 5: **Alberta GDP supported by exports**

Note: *Share of Alberta's GDP (income to workers and businesses) supported directly or indirectly by exports. Interprovincial exports alone generate about $78 billion; international exports about $180 billion.*

Source: *Author's calculations from Statistics Canada input-output and supply-use tables; 2025 estimates.*

3. THE COST OF RISING TRADE BARRIERS

Having established how much of Alberta's economy depends on trade, the next question is what happens if the cost of trading rises. To gauge this, the analysis models increases in non-tariff trade costs of two sizes — 5 percent and 8 percent — applied to interprovincial trade, to international trade, and to both together. These values are consistent with analysis regarding the non-tariff barrier increases for the United Kingdom associated with Brexit.[1] Indeed, they are on the conservative side across a broad range of estimates that suggest non-tariff barrier increases of between two and 12 percent.[2] The effect of such cost increases on Alberta's economy is based on a general equilibrium model of the Canadian economy, extensively used for academic and policy purposes, including most recently in work with the International Monetary Fund for its latest Country Report for Canada.[3] The results are summarized in Table 1 and Figure 6.

The pattern is simple: the larger the increase in trade costs, and the broader the trade it applies to, the greater the loss. The combined 8 percent scenario is the most severe — real GDP per capita falls by about 6 percent and the province loses roughly 175,000 workers. International trade costs matter more than interprovincial ones, both because international trade is somewhat more important to Alberta and because so much of it is tied to oil exports.

The damage is not confined to Alberta. Under the combined 8 percent increase, national real GDP per capita falls by about 2 percent, and most provinces see lower productivity. Aggregate GDP still rises in many other provinces — especially in the east — because their populations grow, through migration out of Alberta, by more than their per-capita GDP falls.

Table 1: Model-based estimates of economic costs of rising trade barriers for Alberta

Scenario	Real GDP per capita	Employment & population	Lower employment	Annual GDP loss
Interprovincial costs +5%	-1.3%	-0.8%	~21,000	~$10B (2%)
Interprovincial costs +8%	-1.9%	-1.3%	~34,000	~$16B (3%)
International costs +5%	-2.3%	-2.6%	~69,000	~$25B (5%)
International costs +8%	-3.5%	-4.0%	~100,000	~$37B (7%)
Both +5%	-4.0%	-4.4%	~115,000	~$41B (8%)
Both +8%	**-6.0%**	**-7.0%**	**~175,000**	**~$62B (13%)**

1. See, for example, A. Garcia-Lazaro, J. Mistak, and G.F. Ozkan (2021), "Supply chain networks, services trade and the Brexit deal: a general equilibrium analysis," Journal of Economic Dynamics and Control. https://doi.org/10.1016/j.jedc.2021.104254.
2. Source: Florencia Airaudo, Johannes Fleck, and Kevin Vega (2026), "Lessons from Brexit on the Effects of Trade Disintegration," FEDS Notes, https://www.federalreserve.gov/econres/notes/feds-notes/lessonsfrom-brexit-on-the-effects-of-trade-disintegration-20260116.html.
3. Source: Federico J. Díez and Yuanchen Yang, Canada Can Grow Faster by Unlocking Its Own Market, 2026, https://www.imf.org/en/news/articles/2026/01/27/cf-canada-can-grow-faster-by-unlocking-its-ownmarket.

The above model-based estimates are for the province as a whole and cannot directly be mapped onto employment within the city of Calgary specifically. But, to provide a sense of scale, if the employment drop experienced within the city is proportional to that estimated for the province as a whole, then Calgary would see approximately 44,000 job losses in the case of a 5 percent increase in non-tariff barriers and approximately 69,000 job losses in the case of an 8 percent increase in non-tariff barriers.

These results are comparable to empirical estimates of the effect of Brexit on the United Kingdom's economy. The most recent and comprehensive analysis, for example, finds UK GDP is between 6 percent and 8 percent smaller because of Brexit.[4] The scale of the contraction for Alberta would likely be larger, as the disruption is fundamentally greater and the resulting migration response out of Alberta would be larger as well. The 8 percent to 13 percent range of estimates for Alberta may even be somewhat conservative.

Behind these economic losses are reductions in trade volumes. In the case of 5 percent higher interprovincial trade costs, the model suggests that total Alberta exports as a share of output would decline by approximately 2.2 percentage points. This is large — equivalent to roughly $20 billion (in 2026 terms) in lower exports (-7 percent). If interprovincial trade costs rise by 8 percent, the effect grows to exports as a share of output declining by 3.2 percentage points, or roughly $30 billion (-10 percent). And if all trade costs increase, both within Canada and between Alberta and the rest of the world, then total exports as a share of output decline by between 4.9 and 7.3 percentage points — equivalent to between $44 billion (-16 percent) and $66 billion (-24 percent) today. In short, higher trade costs means less trade flows, which leads to lower productivity, lower real wages, higher prices, lower incentive to locate within Alberta, and (consequently) a smaller economy.

44,000–69,000

fewer jobs in Calgary if the city's employment drop is proportional to the province's, under a 5 to 8 per cent increase in non-tariff barriers.

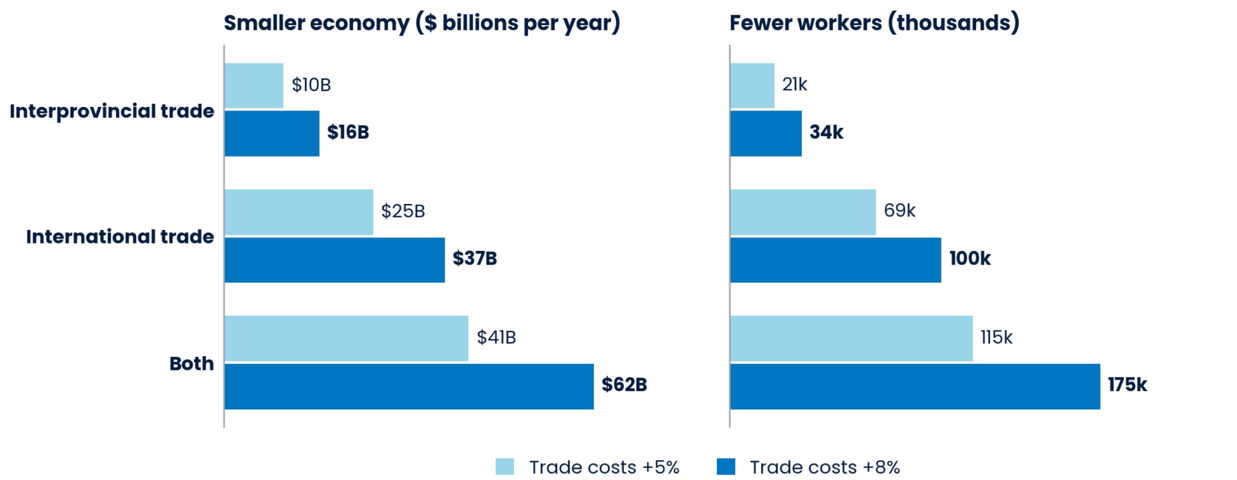
The exact increase in trade costs is not precisely knowable. It depends on the nature of the negotiated outcome around separation. Interprovincial costs will almost surely rise. There is currently no national border between Alberta and the rest of the country, and any separation scenario would create one. A border complicates transactions between firms on either side for many reasons, not least the prospect of increasingly different rules and regulations, or the need to meet standards and inspections that differ from one side to the other.

International access is equally uncertain. Canada currently has agreements in place with many countries around the world. Whether a newly independent Alberta would enjoy preferential access under them is unknown, and certainly not guaranteed. Joining any existing free trade arrangement would depend on choices made by the other members. In some cases, unanimous agreement among all existing members would be required. Alberta's entry, and the lower tariffs that come with it, is therefore not a foregone conclusion. Outside those agreements, most-favoured-nation tariff rates would apply, and those rates are increasingly on the rise, especially following the increased protectionism observed south of the border, which

4. Source: Nicholas Bloom, Philip Bunn, Paul Mizen, Pawel Smietanka, Gregory Thwaites, and Sasha Abrahams (2025), "The Economic Impact of Brexit," NBER Working Paper 34459, https://doi.org/10.3386/w34459.

now levies taxes on imports that average approximately 12 percent. These added costs on individual transactions are the micro-foundation beneath the high-level macro trade cost estimates of between 5 and 8 percent that were explored here.

Figure 6: The economic cost of separation, by scenario



Note: *Model-based effect of higher non-tariff trade costs, applied to trade with the rest of Canada, the world, or both. If Calgary's losses are proportional, that is roughly 44,000 to 69,000 fewer jobs in the city.*

Source: *Author's general equilibrium model of the Canadian economy; GDP in 2026 dollars. Trade cost increases informed by the Brexit experience.*

3.1 PUBLIC FINANCE IMPLICATIONS

Economic disruptions from higher trade costs also matter for Albertans as taxpayers, since a smaller economy means weaker public finances. The province currently collects a little over $30 billion in revenues from taxation. This includes about $16 billion in personal income tax revenue, a little over $7 billion in corporate income tax revenue, and many other sources of taxation on products, from insurance to tobacco to cannabis and more.

These revenues tend to move with the overall size of the economy. Consider the case where a 5 percent increase in international and interprovincial trade costs shrinks the economy by 8 percent (4 percent per capita, with population falling 4.4 percent). Revenues would tend to fall by a similar 8 percent. With the larger increase in trade costs of 8 percent, which shrinks the economy by 13 percent, revenues would fall by 13 percent. The revenue implications of such disruptions would therefore be between $2.5 billion and $3.8 billion per year.

To offset these losses, the province would need to make other fiscal policy changes to ensure public finances remain sustainable. For perspective, each percentage point on the general corporate income tax rate raises approximately $870 million this year. Compensating entirely with higher corporate income taxes would require rates to rise from 8 percent to 11 percent on the low end, or from 8 percent to 12.5 percent on the high end. Likely more, in fact, since higher rates would further shrink the business tax base by discouraging economic activity, requiring further increases in turn.

On the personal income tax side, making up for the lost revenue would involve something like the bottom bracket increasing to 10 percent. The second bracket would increase to roughly 12 percent, and so on up the income scale in similar proportions.

The negative trade shocks that separation would almost surely cause would therefore lead to fiscal policy choices that could ultimately undermine Alberta's business tax advantage relative to the rest of the country. This point is explored in more detail later in the report.

3.2 A CAVEAT ON OIL

Much of Alberta's international exposure is tied to oil shipped to the United States, and these scenarios assume trade costs on those exports rise too. Whether they would or not is uncertain: it would depend on decisions made outside Alberta, particularly any transit tolls Canada might charge, since the major pipelines carrying Alberta oil pass through British Columbia, Saskatchewan, and Manitoba.

This matters because oil exports to the United States are an especially important source of export revenue for Alberta, and their status would be uncertain upon separation in the absence of a free trade agreement or similar arrangement. The United States may have little interest in placing tariffs on the oil it buys. But since the pipelines that carry it run through Canada rather than American territory, transit tolls (or a Canadian tax on pipeline shipments) are a different question. There is no direct evidence to draw on, but to illustrate the potential magnitude, a 10 percent increase in the cost of exporting oil and gas from Alberta would lower the province's real GDP per capita by about 0.4 percent and, through the resulting drop in real incomes, reduce employment by nearly 7,000. Overall real GDP would decline by an amount equivalent to $3.5 billion in 2026 dollars. And that is on top of the direct financial cost firms would bear from any higher tolls on shipments routed through Canada to the United States.

3.3 RAIL AND PORTS

Rail access raises similar concerns. Alberta's ability to move goods by rail is critically tied to the Port of Vancouver, which is just as important for the province's imports. The full scenario is difficult to unpack, not least because the rest of Canada depends on that same corridor. But that mutual dependence cuts both ways, and some arrangement between a separate Alberta and the rest of Canada would likely emerge to preserve access. The broader point is that Alberta and its neighbours rely on one another's infrastructure to reach world markets, and separation would turn links now taken for granted into matters of negotiation.

3.4 POTENTIAL COSTS FROM A SEPARATE CURRENCY

The estimates above rest on measures of non-tariff barrier increases from Brexit. These costs come through a variety of channels: differing rules, regulations, procedures, forms, requirements, inspections, and so on. All would likely affect exchanges across a new international border between Alberta and the rest of the country. Nor can current preferential trading arrangements between Canada and its partners be assumed to carry over automatically after separation.

Other costs are not captured there. One is the cost of transacting in a separate currency. Whether a separate Alberta would use a currency other than the Canadian dollar is unknown and would likely be subject to negotiation. Alberta also has the option of adopting the Canadian dollar unilaterally as legal tender. Doing so requires no permission from the rest of Canada, though it would give Alberta no influence over monetary policy, which matters a great deal. If Alberta adopted a separate currency instead, businesses would face additional costs when transacting across what are now two currencies.

Research on the euro area strongly suggests that a common currency raises trade volumes among participating countries. Estimates vary. One high-quality report, for example, puts the increase at roughly 5 percent.[5] In the context of the results described earlier, that is equivalent to a trade cost of about 1 to 2 percent. Modest, but enough to meaningfully amplify the economic costs discussed above.

5. Source: Richard Baldwin, Virginia DiNino, Lionel Fontagné, Roberto A. De Santis and Daria Taglioni, 2008, "Study on the Impact of the Euro on Trade and Foreign Direct Investment," European Commission, European Economy Economic Papers 321.

4. POTENTIAL INVESTMENT EFFECTS

Trade barriers are not the only way separation could reduce Alberta's income. Uncertainty itself discourages investment. The clearest recent example is the United Kingdom's exit from the European Union: in the years that followed, investment in the UK ran roughly 12 to 18 percent below what it otherwise would have been, depending on the study, method, and data source.

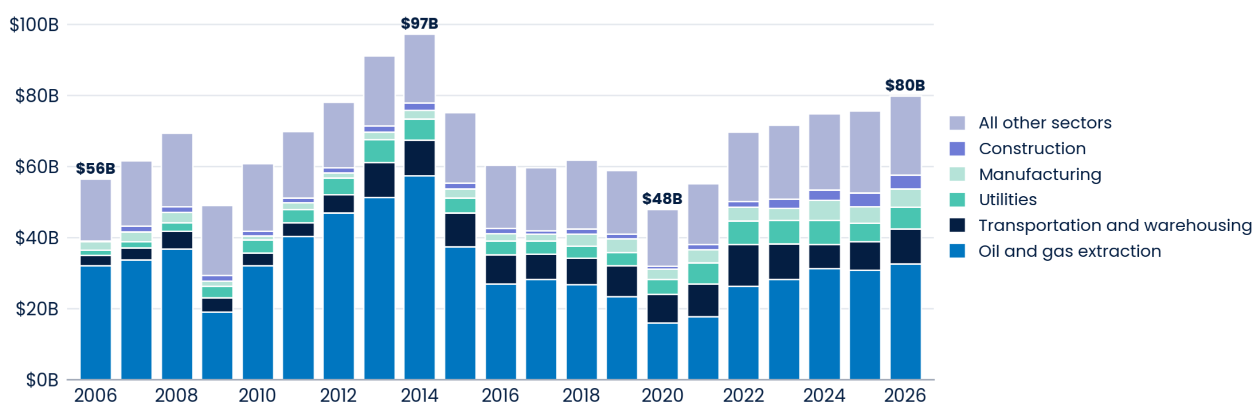
This effect operates through more than one channel. Faced with greater uncertainty, firms tend to delay or pause investment decisions until conditions become clearer. Uncertainty also raises the risk premium that lenders and investors require, which increases the cost of capital. Higher borrowing costs make fewer projects worth undertaking — and this holds even for Alberta-owned firms financing investment at home.

In any case, any risks or disruptions to investment would be very costly for Alberta, which currently enjoys a large, diversified, and strong investment base. Total capital expenditure in the province is about $81 billion in 2026 (Figure 7). Mining, oil, and gas still account for a substantial share, but far less than before: in 2014 they made up nearly two-thirds of capital spending, against about 42 percent today, while manufacturing investment is roughly double what it was a decade ago. Investment has also recovered strongly from the declines that followed 2015 and 2016, due largely to the sharp and sustained drop in energy prices at the time, and in 2026 stands at its highest level since 2014.

That strength is part of what is at stake. Because the base is large, a Brexit-scale proportional decline would translate into a substantial loss in dollar terms. Applied to Alberta, it would mean between about $10 billion and $15 billion in foregone investment in 2026 — as much as $3,000 per Albertan at the high end. And because lower investment leaves workers with less machinery, equipment, and technology, it also means lower productivity, lower real GDP per capita, and lower real incomes — compounding the disruptions from higher trade barriers described above.

Alberta may also be more exposed than most provinces to a pullback in investment because so much of its capital spending is concentrated in mining, oil, and gas. As Figure 8 shows, Alberta and Saskatchewan led the country in capital expenditure per person last year.

Figure 7: Capital expenditure intentions in Alberta (2026), by sector



Source: *Own calculations from Statistics Canada data table 34-10-0035.*

That spending benefits a wide range of Albertans, since it raises the demand for labour and, with it, wages and incomes, which is also why a sustained decline would be felt broadly. Oil and gas is also a sector that relies heavily on foreign capital. Indeed, the latest data from Statistics Canada, though for 2023, shows that for the economy as a whole, foreign multinationals own approximately 14 percent of total assets, while in oil and gas extraction they own 33 percent of total assets. Increases in domestic policy uncertainty could potentially cause these investment flows into the sector to decline, which would lower labour demand and wages, not to mention future oil production volumes.

This is not to say that oil and gas is uniquely exposed to the decisions of foreign multinationals. Manufacturing and wholesale trade both have higher foreign multinational shares, with approximately half of wholesale trade and 44 percent of manufacturing total assets owned by foreign multinationals. Overall, while not reported directly by Statistics Canada, if the pattern of foreign ownership across sectors is the same within Alberta as it is for Canada as a whole, and if the pattern of foreign ownership in the flows of 2026 matched the stocks of 2023, it would follow that approximately 21 percent of all investment taking place in Alberta this year will be by foreign multinationals. This is simply illustrative of the broader point that Alberta's prosperity depends crucially on access to foreign capital. Uncertainty risks making that access more difficult.

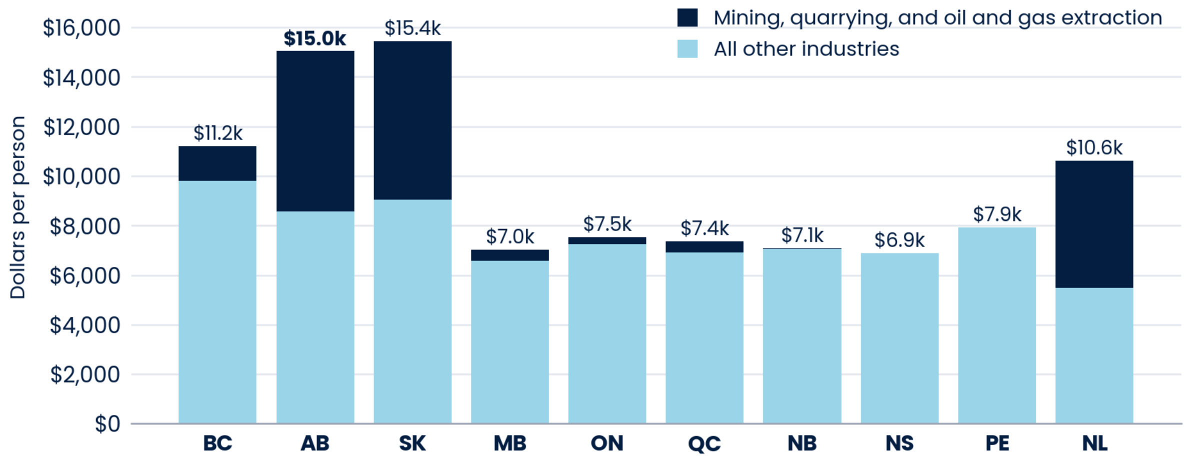
4.1 FOREIGN AND MULTINATIONAL ACTIVITY IN ALBERTA

Alberta depends on foreign and multinational firms more than the rest of Canada does, and these are precisely the type of firms that are most at risk of re-positioning their activity and contributions to economic growth were Alberta to separate. Companies with operations in several jurisdictions, after all, have many ways to allocate their people and their capital. They can shift investment from one place to another as the risk profile of any one of them changes.

The scale of what is at stake is large. Over the past decade, foreign multinationals accounted for $152 billion of gross fixed capital formation in Alberta, $77 billion of it in the resource sector alone.[6] Canadian multinationals invested a further $314 billion, $156 billion of it in resources. Those Canadian firms matter here for a second reason. After separation, they would themselves become foreign multinationals from Alberta's perspective.

6. Source: Own calculations using Statistics Canada data table 36-10-0620-01.

Figure 8: Capital expenditure per capita, by province (2025)



Source: *Own calculations from Statistics Canada data tables 34-10-0035 and 17-10-0005.*

Investment is only part of the picture. Over the past ten years, foreign multinationals accounted for nearly $910 billion in Alberta's exports abroad and contributed an average of $54 billion per year to the province's GDP. Canadian multinationals accounted for $353 billion in cumulative exports over the decade and contributed an average of $96 billion per year.

Consider what this looks like on a per-person basis. Foreign multinational investment across Canada averages roughly $1,800 per capita. In Alberta, it is over $3,400. Foreign investment is a key driver of economic activity throughout the country, but Alberta's reliance on it is nearly double the national figure. And this is a potentially dramatic underestimate of the total foreign capital invested in Alberta over the years, as it captures only investment through multinational enterprises and not other channels.

In addition to investment, exports, and value-added, foreign and multinational firms in Alberta also account for a considerable number of jobs in the province. Over the past decade alone, the total number of jobs accounted for by foreign multinational enterprises in Alberta was nearly 300,000 each year, or roughly one in every 8 jobs in the province. Of those, over 30,000 on average were in the resource sector, although that has declined somewhat to a little over 20,000 in 2024. Canadian multinational enterprises, meanwhile, account for, on average, nearly 350,000 jobs per year, and that is itself increased to nearly 385,000 jobs in 2020. It is not just lost investment, export, and value-added that might come from such enterprises shifting activity to other jurisdictions, but there is considerable risk of job losses as well, and losses not accounted for explicitly in the previous modeling around the implications of trade cost increases.

Part of what draws this investment to Alberta is a highly competitive tax system. The province's corporate income tax rate is 8 percent, the lowest in Canada and three and a half points below Ontario's 11.5 percent. Attracting investment was the main reason for the recent reductions that brought it there. Combined with the federal rate, Alberta businesses face a 23 percent total tax rate, lower than in 44 U.S. states.[7]

7. Source: Own calculations based on the Tax Foundation's 2026 State Corporate Income Tax Rates & Brackets database. Available online at https://taxfoundation.org/data/all/state/state-corporate-income-tax-rates-brackets/.

That advantage may not survive separation. The next section turns to the public finance implications and to how far tax rates might need to rise to cover budget shortfalls. Higher rates would bring further economic disruption, in large part by reducing how much highly mobile capital stays in the province. Consider what a 10-percentage-point increase in the corporate rate would mean. Such an increase is not a mechanical consequence of separation, but as the next section shows, it is roughly the scale required to close a potential budget shortfall. Alberta's combined rate would go from lower than 44 U.S. states to higher than every one of them.

5. INTERNATIONAL AND INTERPROVINCIAL MIGRATION

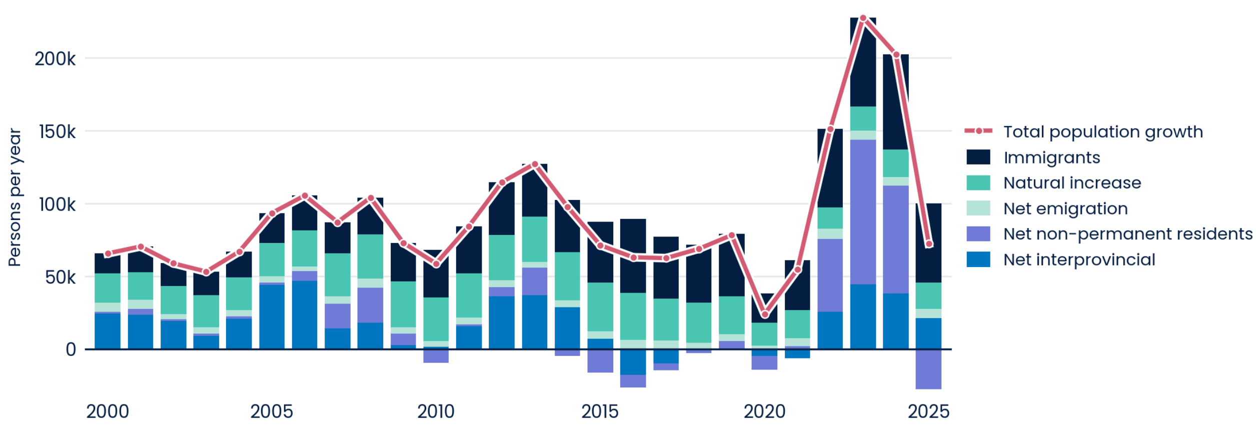
Alberta gains people from the rest of Canada and from abroad, and those flows carry considerable economic value and provide employers with skilled workers for their operations. This is especially important when there is a gap between availability of certain skills within the province and the needs of business. This section describes the scale of that migration, what it contributes fiscally, and why separation would put it at risk.

Migration has long been an important source of population growth for Alberta. At the last census, approximately 26 percent of Alberta residents were born outside Canada. Another 23 percent were born elsewhere in Canada — roughly 1.1 million people today. Only British Columbia hosts more people born in another province. Figure 9 shows that provincial population growth has been driven in large part by these two flows.

Since 2000, net interprovincial migration added more than 443,000 people to Alberta's population through the first quarter of 2026. Immigration added 892,000 and net non-permanent resident flows added 231,000. Natural increase, for comparison, contributed 651,000.

And importantly for the ongoing discussion around immigration policy in Alberta, non-permanent resident flows rose sharply in recent years, and Figure 9 shows the reversal that followed. Federal policy changes, adopted in response to pressures from rapid population growth, have produced consistent net outflows of roughly 10,000 non-permanent residents per quarter from the province. Setting those flows aside, population growth has increased relative to its pre-pandemic rates, driven mainly by interprovincial migration. That marks a return to form after several years of net interprovincial outflows following the 2015–16 recession.

Figure 9: Components of annual population growth in Alberta, 2000–2025

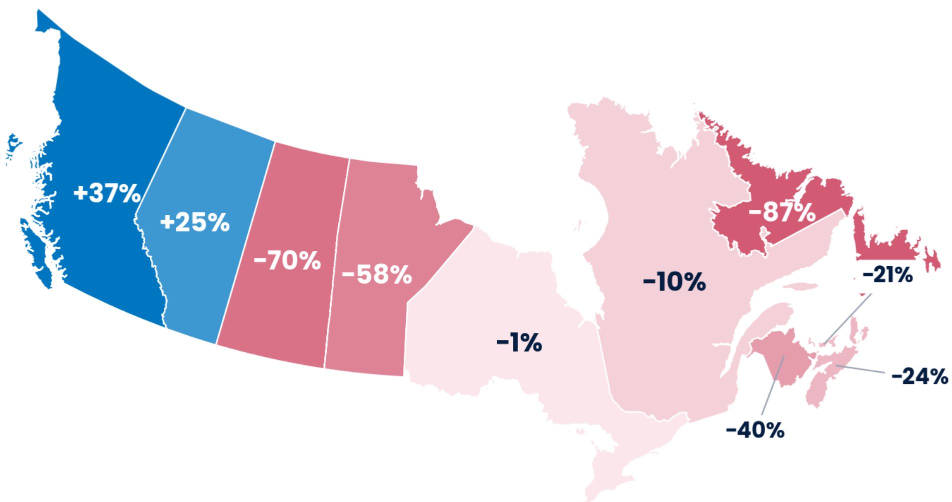


Source: *Statistics Canada data tables 17-10-0020, 17-10-0040, 17-10-0059.*

In terms of the composition of migrants to Alberta, the key factor is age. Migrants are young, and this matters economically. Roughly 80 percent of interprovincial migrants to Alberta are under 40. Younger arrivals contribute to economic activity while making relatively light use of health care, the largest provincial expense. Families with children do add to education costs, but on average the personal income tax revenue from these arrivals exceeds the cost of the services they use.

The tax treatment of migrants is therefore worth unpacking a bit further. A person's province of residence at year-end determines where their personal income tax is paid, and that province receives the full year's revenue. Albertans under 40 account for approximately $4.8 billion in provincial tax revenue this year. Immigrants under 40 account for roughly $1.1 billion of that. Netting out provincial family programs, workers' compensation and social assistance — just over $100 million — leaves a net contribution from immigrants under 40 of just under $1 billion. For immigrants overall, total provincial tax payments exceeded $4.1 billion in 2026.

Figure 10: Net value of taxpayer-funded education embodied within interprovincial migration of Canadian-born individuals, as a share of GDP



Note: *Negative values mean a province paid for more education among those born there who left than those born elsewhere who moved in.*

Source: *Own calculations from Statistics Canada data table 98-10-0616-01.*

Interprovincial migrants also arrive with education that another provincial government largely paid for. Nationally, K-12 education costs roughly $16,000 per pupil per year, and provinces also heavily subsidize post-secondary education. Applying the age profile of migrants into Alberta from elsewhere in Canada, the human capital embedded in each migrant is approximately $220,000. This is a crude estimate meant to illustrate potential magnitudes, as it does not account for private costs associated with education, nor does it adjust for the value of human capital that individuals accumulate while on the job.

In any case, looking only at Canadian-born individuals, approximately 590,000 people born in Alberta now live elsewhere, taking their taxpayer-funded human capital with them. Against roughly 1.1 million Canadians born elsewhere who now live in Alberta, the province holds a net gain of about 540,000 people, equivalent to approximately 11 percent of its population. The value of their taxpayer-funded human capital is large. For Canadians born elsewhere in the country but now living in Alberta, that total stock of taxpayer-funded human capital is close to $250 billion. Subtracting what Alberta taxpayers funded for those who left leaves a net gain of nearly $120 billion — equivalent to approximately one quarter of provincial GDP. Figure 10 shows these net flows by province. Only Alberta and British Columbia are net recipients.

This is relevant to understand the potential implications of separation. A new national border would make moves into Alberta more complex and costly and therefore would reduce their volume. The cost would not only be fewer young workers entering the labour market. It would also be the loss of a continuing transfer of human capital that other provinces pay for and Alberta's economy captures.

5.1 INTERJURISDICTIONAL EMPLOYEES

Not everyone who works in Alberta lives in the province. A significant number of Canadians reside in one province and earn their labour income in another, filing a T1 in the first and receiving a T4 from the second. Statistics Canada calls these "inter-jurisdictional employees," and Alberta has long been a disproportionate location for them. In 2022, for example, there were nearly 75,000 such workers in the province, equivalent to 3.5 percent of total employment.[8] They came mainly from British Columbia, which accounted for 35.8 percent of the total, followed by Saskatchewan at 21.4 percent and Ontario at 20.7 percent.

Five sectors account for more than half of all inter-jurisdictional employees, and the two largest are construction, at 17.0 percent, and mining, quarrying, and oil and gas extraction, at 12.7 percent. Such employees are especially important for oil and gas activity in the province. Indeed, the expansion and buildout of the sector might not have been possible without them. The number of such employees rose through the construction boom of the late 2000s and early 2010s, and peaked at nearly 140,000 workers in 2014.

The ability of workers to move and work across the country so seamlessly, without permits or separate tax filing is therefore of significant value for Alberta. A new national border between Alberta and the rest of Canada would inhibit the flow of these workers, which would deprive Alberta businesses of the ability to access skills and labour when the number of within-Alberta workers falls short.

8. Source: Alberta Treasury Board and Finance, "Economic Statistics Insights: A profile of inter-jurisdictional employees (IJEs) in Alberta — 2022 update," May 2026. Figures in this subsection are drawn from that publication and refer to incoming inter-jurisdictional employees unless otherwise noted, with earnings in 2021 constant dollars.

6. PUBLIC FINANCES IN A SEPARATE ALBERTA

A separate Alberta would take on the responsibilities now carried by the federal government, along with the revenues that fund them. This section sets out what Ottawa currently spends in Alberta, what it might cost the province to take those functions on, and what the overall implications all this might have on the public finances of Alberta. The trade and investment effects described earlier feed directly into this picture, since a smaller economy generates less revenue.

The conclusion is straightforward. Ottawa currently collects about $19 billion more from Alberta than it spends in the province, based on the latest Statistics Canada data for 2024. Some in the separation debate treat that gap as a windfall a separate Alberta would inherit. It would not. Spending would rise, because a separate state must fund functions Ottawa now performs — border services, international affairs, defence, and much else. Revenue would fall, because the economy generating it would be smaller. Both changes would occur even if a separate Alberta made no policy changes at all. Together they more than offset the existing gap.

Part of what drives this result is the sheer scale of what the federal government does, which is easy to underestimate. It is worth starting with the facts before turning to the analysis. What follows is a high-level treatment, not an exhaustive enumeration of everything a separate Alberta would need to undertake. More detailed work by others will fill that role. The aim here is to give Albertans a clear sense of the broad strokes.

The section proceeds in three parts. The first sets out what Ottawa spends in Alberta today and on what. The second looks more closely at transfers to individuals and families, since these reach a large share of Alberta households and represent a form of exposure to any fiscal adjustment. The third works through what might change after separation.

> **There is no fiscal windfall from separation.** Ottawa currently collects about $19 billion more from Alberta than it spends there. But a separate Alberta would see revenues fall and spending rise by an amount sufficient to more than eliminate this fiscal surplus.

6.1 FEDERAL SPENDING IN ALBERTA, 2024

Table 2: Federal spending in Alberta, 2024

Component of spending	Amount
Transfers to people, businesses, other entities	$23.1B
Transfers to Government of Alberta	$13.8B
Government operations ($5.1B non-defence; $2.3B defence)	$7.4B
Transfers to local and Indigenous governments	$4.2B
Interest on the debt (Alberta's per-capita share)	$6.0B
Total	**$54.4B**

Most federal spending in Alberta is not the running of government. It is money moving to people and to other governments. Of the roughly $54 billion Ottawa spent in the province in 2024, only $7.4 billion went to the direct operation of federal programs and services. The rest was transfers and interest, as Table 2 shows.

The composition matters for the analysis that follows, so it is worth walking through. The largest single category is transfers to households, at $19 billion. This includes $7.1 billion in Old Age Security and $2.8 billion in Employment Insurance, alongside the Canada Child Benefit and other programs. A further $0.9 billion goes to non-profit institutions serving households, and $1.4 billion to business subsidies, of which $1.3 billion is non-agricultural. Capital transfers add to these values, bringing the total to $23.1 billion.

Transfers to governments total $18 billion. Of that, $13.8 billion goes to the Government of Alberta, including $6.2 billion through the Canada Health Transfer and $1.9 billion through the Canada Social Transfer. The remainder goes to local and Indigenous governments, at a combined total of $4.2 billion.

Finally, interest on the debt accounts for $6 billion. This is Alberta's per-capita share of what Ottawa pays to service the federal debt, which a separate Alberta would presumably assume in the same proportion.

That leaves $7.4 billion for direct operations of the federal government within Alberta. Of this, $2.3 billion is defence and $5.1 billion covers everything else. But this is not what it costs to deliver Albertans everything the federal government does. Much of that work is produced elsewhere in the country, and Albertans benefit by "importing" these public administration services. Defence headquarters, foreign missions, central policy departments, and the like sit outside the province, yet Albertans rely on them all the same. A separate Alberta would have to establish that capacity itself, at considerably greater cost. The $7.4 billion spent within Alberta is therefore not a measure of what a separate Alberta would need to spend. The rest of this section illustrates one way to arrive at that figure.

Before turning to that, given the importance of transfers within the overall federal footprint, it is worth exploring in more detail who relies on those funds and therefore who is directly exposed to any fiscal disruption that separation might bring.

Federal transfers to families

Federal transfers to individuals reach a large share of Alberta households, and the amounts involved are substantial. Two programs dominate: support for seniors through Old Age Security and the Guaranteed Income Supplement, and support for families through the Canada Child Benefit. Nationally, Ottawa expects to spend nearly $90 billion on elderly benefits this year and over $30 billion on the Canada Child Benefit.

In Alberta, roughly 400,000 families receive the Canada Child Benefit. The average payment is about $9,000 per year, rising with the number of children. Over 50,000 of these families are headed by single parents, and they receive about $11,000 per year on average. Payments of this size are a significant source of the decline in child poverty.

The senior benefits reach more people still. Approximately 630,000 Albertan families receive Old Age Security and 240,000 receive the Guaranteed Income Supplement. Average annual amounts are about $11,500 for OAS for an individual and just under $8,000 for the GIS.

Calgary accounts for a large share of this. Roughly 140,000 Calgary families receive the Canada Child Benefit, 170,000 receive Old Age Security, and over 53,000 receive the Guaranteed Income Supplement. Together these three programs deliver nearly $4 billion to Calgarians each year. Counting all federal transfer programs, the figure may reach $7 billion flowing to roughly 600,000 Calgary families.

These numbers matter because they measure a kind of fiscal risk exposure. As the next section shows, the fiscal position of a separate Alberta would be more difficult than the province's position today. Closing a gap requires higher taxes or lower spending, and transfers to individuals are among the largest items on the spending side. Whether they would be reduced is not something anyone can say in advance. What can be said is how many households would be in the path of that decision.

The logic here is the same as with trade. Most trade between Alberta and the rest of Canada would continue after separation, but volumes could fall at the margin, which is why it is worth knowing how many jobs and how much income depend on export-oriented sectors. The same holds here. Knowing how many Albertans and Calgarians receive these transfers, and how much they receive, is a way of measuring what is at stake.

6.2 FISCAL IMPLICATIONS OF SEPARATION

Ottawa currently collects more in Alberta than it spends there. In 2024, the federal government raised more than $73 billion from all sources in the province — nearly $58 billion from taxes on income, more than $13 billion from taxes on products, and roughly $2.5 billion from everything else. Federal spending in Alberta was considerably lower, as noted above, at about $54 billion. The difference is a surplus of roughly $19 billion.

This gap is the source of a common claim by some in the separation debate: that a separate Alberta would simply pocket the $19 billion by taking over all federal revenues and all federal programs. The reality differs, and the rest of this section explains why. Both sides of the ledger would change. Spending would rise, because a separate Alberta would have to fund functions Ottawa now performs. Revenue would fall, because the economy generating it would be smaller.

What follows is an illustration, not a detailed accounting of all aspects of federal finances. It uses publicly available Statistics Canada data for 2024 on federal revenue and spending, together with a few assumptions that allow the public finance implications of separation to be approximated. It is not an exhaustive line-by-line exercise, and it is not meant to be. Its purpose is to establish a sense of scale — and the scale is what matters here, because even conservative assumptions completely swamp any apparent fiscal benefit.

Implications for spending

As discussed above, transfers to Alberta individuals, businesses, local and Indigenous governments, and other entities (excluding the Government of Alberta) totaled over $27 billion in 2024. Setting those transfers aside and presuming a newly independent Alberta would keep those programs in place, there would be additional debt service costs as a result of Alberta taking on a share of the federal debt upon separation. There would also be additional spending to establish operations currently undertaken by the federal government, from border services to global affairs to defence and more. These are the activities for which a separate Alberta would need to expand expenditures to replace currently federal activities.

In 2024, direct federal program spending in Alberta was about $7.4 billion. Of that, $2.3 billion was defence. The remaining $5.1 billion — roughly $1,000 per capita — covers all other direct federal operations in the province.

How much would each category need to expand by? Defence is where the change is largest. Assuming it becomes a NATO member, a separate Alberta would face an expectation to spend 2 percent of GDP on core defence activities today, rising to 3.5 percent by 2035. That is roughly $9.5 billion, or $7.2 billion more than Ottawa spends on defence in the province today. As for non-defence programs, national program spending outside defence, transfers, and interest was about $85.7 billion nationally in 2024. Devoting the same share of GDP to these functions in Alberta would come to about $13.1 billion. On that basis, spending would be about $8 billion above the $5.1 billion Ottawa currently spends on these operations in the province. And this may be an understatement, since smaller jurisdictions systematically spend more on government (even excluding transfers and interest) as a share of their respective economies than larger jurisdictions do. But even putting that point aside, a separate Alberta would, in this scenario, spend approximately $22.6 billion for defence and non defence operations, against the $7.4 billion spent by the federal government in Alberta today.

A separate Alberta would presumably not replicate every federal program. Some functions serve national purposes a province on its own would have no reason to fund and dropping them would lower the total. But savings of that kind would be offset by costs this exercise does not capture: the economies of scale a smaller jurisdiction loses, the transition costs of standing up new institutions, and the up-front capital needed to get them running. Those start-up costs would also add to Alberta's debt, and so to its interest payments.

Debt service is the remaining piece. Alberta would assume a share of existing federal debt. For this analysis, it is presumed to be apportioned on the basis of population and therefore the existing $6 billion in federal debt service costs included as federal spending in Alberta would simply be converted into a provincial expenditure line. In total, in 2024–25, federal net debt approached $1.4 trillion and total liabilities were nearly $2.1 trillion.[9] Budget 2025 anticipates that by the end of fiscal year 2026–27, federal net debt will increase to

9. Source: Government of Canada, *Canada Strong: Budget 2025*, page. 239.

nearly $1.6 trillion and total liabilities will reach $2.5 trillion. If financial assets are apportioned on a similar per capita basis, then Alberta's 12 percent of the national population would imply, for context, just over $190 billion in federal debt would be taken over by a separate Alberta this year. By 2029, this value, again for context, would be larger, at roughly $220 billion.

But in addition to this, a separate Alberta would likely be a riskier borrower on international debt markets. If interest rates rose by one percentage point, debt service costs would climb by a little over $2.7 billion (including the effect on existing provincial debt). Together with the higher defence and operations spending, that brings the total increase to nearly $18 billion: including a $7.2 billion increase for defence, $8 billion for non-defence operations, and $2.7 billion in added debt service costs.

Transfers from Ottawa to the Government of Alberta, worth $13.8 billion, would also end. This washes out of the bottom line, as the province loses both the revenue and it is removed from the spending line as well, so both sides of the ledger fall by the same amount. It is included here explicitly for transparency.

Finally, there would be significant one-time start up costs in addition to the share of federal debt taken on by a separate Alberta. These one-time costs are not enumerated here. But to the extent that they are material, and they almost surely would be, they would increase the initial stock of debt that a separate Alberta would have to service in the future. The estimates presented in this report are therefore an underestimate of the future fiscal costs.

Implications for revenue

The spending increase alone would take the $19 billion surplus down to roughly $1 billion. But this assumes the economy is unchanged, and it would not be.

Taking the average of the economic effects described earlier, a contraction of 10 percent would reduce revenues from the current federal tax bases by over $7 billion, holding investment income, sales of goods and services, and other revenues fixed. A smaller economy would also shrink the province's own existing income and consumption tax revenues, by a little over $3 billion. Revenues would therefore fall by about $10.1 billion in total. This provides a useful starting point for readers wishing to explore their own scenarios: each 1 percent change in the size of the province's economy would affect the revenue estimate here by roughly $1 billion.

Table 3: A separate Alberta would not inherit the current federal fiscal surplus

	$ billions
A. Alberta's fiscal position within Canada today	
Federal revenue raised from Alberta taxpayers	
Personal and corporate income taxes	57.6
GST and other consumption taxes	13.3
Investment income	1.3
Sales of goods and services	1.0
Other revenue	0.2
Total federal revenue from Alberta	**73.4**
Federal spending in or for Alberta	
Transfers to people and businesses	23.1
Transfers to the Government of Alberta	13.8
Interest on federal debt	6.0
Transfers to local and Indigenous governments	4.2
National defence	2.3
All other federal operations	5.1
Total federal spending in Alberta	**54.4**
Alberta's net contribution to the federal budget	**19.0**
B. What changes if Alberta separates	
Revenues would fall	
Lost federal transfers to Government of Alberta	-13.8
Income taxes, on a smaller economy and tax base	-5.8
Consumption taxes, on a smaller economy and tax base	-1.3
Existing provincial taxes, for the same reason	-3.0
Total revenue lost	**-23.9**
Spending would rise	
Interest costs, on borrowing at higher rates (+1 percentage point)	+2.7
Defence, to meet the NATO standard of 2% of GDP	+7.2
Federal operations Alberta would have to run itself	+8.0
But current federal transfers to Alberta no longer required	-13.8
Total new spending	**+4.2**
C. The bottom line	
Net contribution Alberta would no longer make to Ottawa	+19.0
Less: revenue lost after separation	-23.9
Less: new spending required after separation	-4.2
Effect on the budget balance of a separate Alberta	**-9.0**
GST increase needed to close the gap	*+8 points*
Alternatively, CIT increase needed to close the gap	*+10 points*

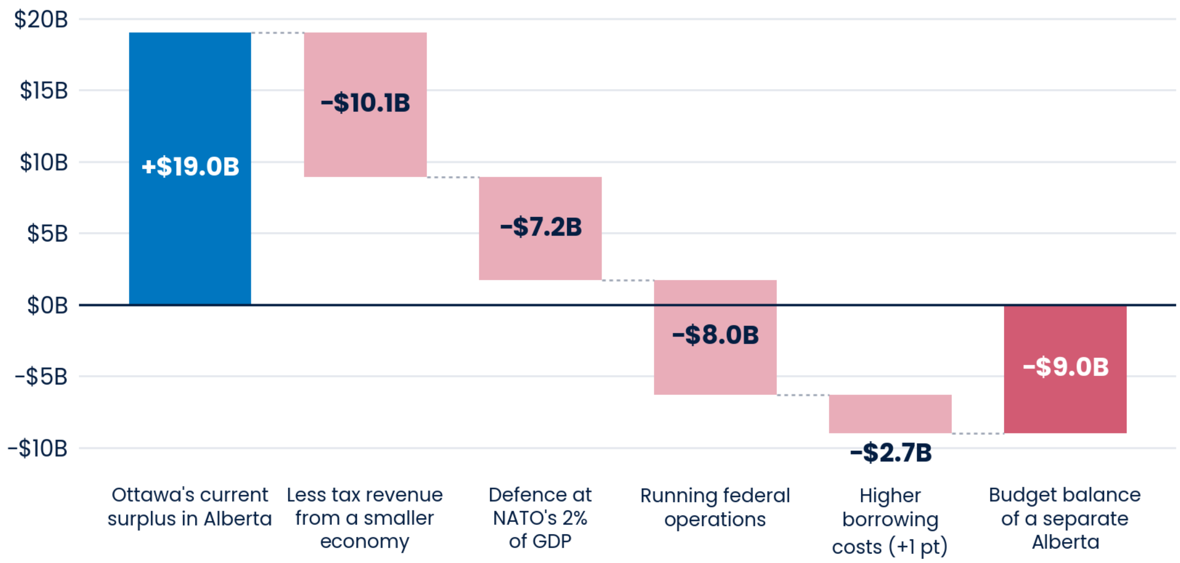
Reading the table. *Panel A shows that Ottawa currently collects $19.0 billion more from Alberta than it spends in the province. Panel B shows why that surplus would not simply carry over. a separate Alberta would collect less revenue and would have to pay for services Ottawa now provides. Panel C combines the two, leaving a budget balance $9.0 billion worse than today.*

Note: *Federal transfers to the Government of Alberta ($13.8 billion) disappear as a federal expense and as a provincial revenue at the same time, so they have no net effect on the balance and could have been excluded from Panels B or C but were included for transparency. Components may not sum to totals because of rounding.*

Source: *Author's calculations, primarily based on Statistics Canada data table 36-10-0450-01.*

Putting it all together

Figure 11: **The potential effect of separation on Alberta's fiscal balance (2024)**



Note: *Illustrative annual budget impact of separation, $ billions (2024). Federal transfers to the Government of Alberta would disappear from both revenue and spending, so they have no net effect and are not shown. Smaller economy = 10% contraction, the average of the trade scenarios.*

Source: *Author's calculations, primarily from Statistics Canada table 36-10-0450-01.*

Table 3 brings all these pieces together. Revenues available to a separate Alberta would be roughly $24 billion below the $73 billion Ottawa currently collects in the province, leaving a net increase of about $49.5 billion. That is $10.1 billion lower because of the smaller economy and $13.8 billion lower because of the foregone federal transfers to the Government of Alberta. Spending, meanwhile, would rise on net by about $4.2 billion, to roughly $58.6 billion. That is from the $18 billion increase in defence, non-defence, and interest costs, less the $13.8 billion in federal transfers to the Government of Alberta that would no longer exist.

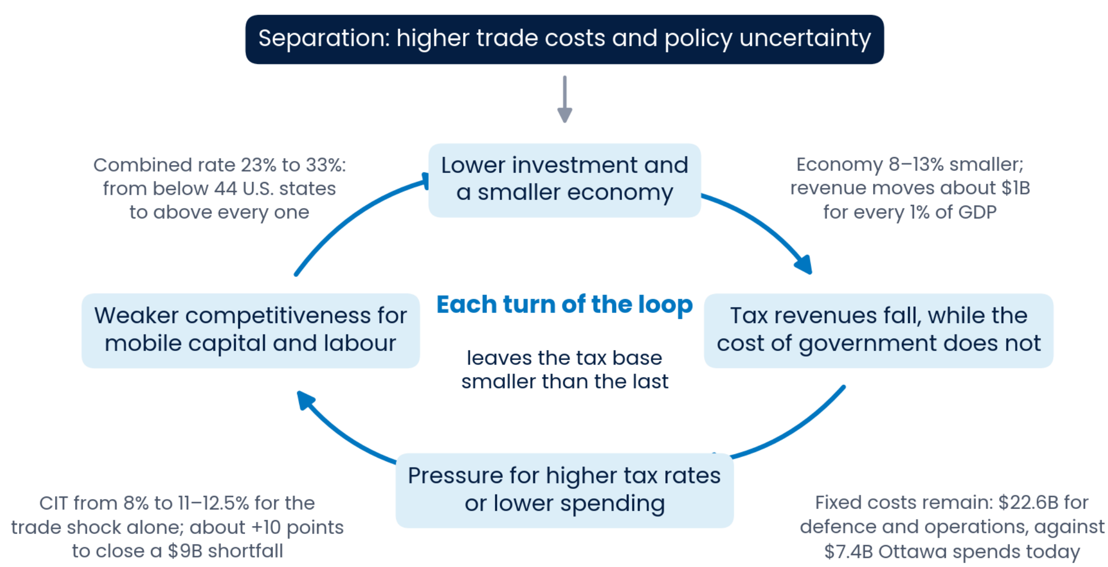
The bottom line is that instead of a $19 billion windfall, the province would face an additional *fiscal burden* of approximately $9 billion. Put another way, the annual fiscal swing that separation could cause Alberta is equivalent to approximately $28 billion (in 2024 dollars, so even larger today). Table 3 reports each of these line items and their respective changes, and Figure 11 illustrates the changes in the overall fiscal balance.

Different assumptions would produce different numbers. But the direction of the result is clear: the public finances in a separate Alberta would be worse, and even on favourable assumptions there is no fiscal windfall for Albertans to count on. If the economy only shrank by 5 percent, then the fiscal burden would be only $4 billion, for example. If there was also no increase in borrowing costs for the separate Alberta, then the fiscal burden would shrink further to $1.3 billion. And even if, in addition, the estimate of non-defence operations that Alberta would need to establish were based on the same per-capita expenditures as Canada does nationally, the fiscal burden would flip back to a fiscal surplus, but only of $1.6 billion — a substantial drop from the $19 billion many point to. Simply put, there is no fiscal windfall available to the province if it separates from Canada.

And in the likely event that Alberta would experience a meaningful fiscal burden instead of windfall, the implications for Alberta businesses and the overall economy would be large. Closing a $9 billion annual fiscal gap, for example, would require raising revenue or cutting spending, and either path carries additional costs. Higher taxes would weaken an investment environment already strained by the disruptions separation would bring. Lower spending would fall on Albertans who rely on government programs. For a sense of scale, a sales tax of about 8 percent — on top of the 5 points inherited from Ottawa — would be needed to eliminate the gap. Alternatively, closing the gap through business taxes would require raising the corporate income tax by roughly 10 points. On the spending side, a $9 billion reduction is equivalent to cutting current federal transfers to people and businesses by about 40 percent.

In short, closing the structural budget shortfall that separation would create means either meaningfully higher taxes or meaningfully worse public services. Either would undermine the Alberta advantage. That advantage rests on two things: a competitive tax environment and quality public services. Competitive rates attract investment, as described earlier in this report. Quality services help attract and retain a talented workforce, which in turn supports the province's ability to draw investment and grow. The scale of the required tax increases is large. Loading the entire gap onto the corporate rate would not be advisable, but it illustrates the magnitude. An increase on the order of 10 percentage points, as described earlier, would take Alberta's combined corporate rate from 23 percent to 33 percent. The province would then have a higher rate than every U.S. state and every Canadian province. Alberta's current competitive tax environment would not only disappear, it could turn into an outright disadvantage. And as the investment environment deteriorates, so too does the risk of a negative feedback loop rise (see Figure 12). Higher tax rates would shrink investment further, eroding Alberta's tax base and attractiveness for investment and labour inflows, potentially requiring yet more tax increases or public service reductions in the future. The negative effect of tax increases or public service cuts are not modeled in this report, but are critically important to consider.

Figure 12: Illustrating a potential negative feedback loop



Note: *How higher trade costs and uncertainty feed through investment, public finances and tax rates, and back into investment.*
Source: *Author's calculations and report text.*

7. CONCLUSION

This report has looked at five things: how much of Alberta's economy depends on trade, what higher trade costs would do to it, how uncertainty might affect investment, what migration contributes to the province, and what the public finances of a separate province would look like. The results point the same way.

Many Alberta workers, and more than one in three Calgary workers, hold jobs tied to exports. An increase in trade costs on the order of between 5 percent and 8 percent (to provide bookends around a potentially reasonable range) would reduce provincial output by between \$41 billion and \$62 billion a year and employment by between 115,000 and 175,000 workers. In addition, uncertainty would drag on long-term decisions, and overall investment could fall by \$10 to \$15 billion annually, which would lower productivity and real incomes further. Alberta would also draw fewer people. The province holds nearly \$120 billion in human capital funded by taxpayers elsewhere in Canada (net of human capital embodied in Albertans who left), and a new national border would slow the flow of young workers who bring it. Finally, Alberta's fiscal position would not improve. Instead of the \$19 billion surplus Ottawa currently runs in Alberta, a separate province would face a potentially considerable shortfall, requiring either higher taxes, lower spending, or higher public debt on a scale that is itself economically significant.

The values in this report are projections based on certain assumptions. They are therefore not predictions. Different assumptions and methodological approaches would produce different figures. But the direction of the results does not depend on the assumptions used here, and the magnitudes are large enough that plausible alternatives would not reverse them. Separation would not improve Alberta's economic position or its public finances.

Separation is not only an economic matter and involves many other considerations that this report does not address. What the analysis here can offer is a sense of the economic and fiscal trade-offs that such a decision would involve. The costs are not evenly distributed, and they would fall most heavily on workers in trade-exposed sectors and potentially also on the many households that currently rely on federal transfers. Whether such costs are worth paying is a judgment for Albertans to make. The purpose of this report is to make those costs clearer.