



# Targeting Economic Relief toward Indigenous Firms and Places: Evidence from Oil and Gas Cleanup in Canada

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## Background

On March 9, 2020, global oil prices dropped by 30 percent. In Alberta, a province in western Canada where oil and gas accounts for 1 out of every 5 dollars of annual GDP, the crash deepened the economic impact of the COVID-19 pandemic. Meanwhile, lower oil prices decreased operators' incentive to properly seal and clean up non-producing wells, adding to the growing environmental and economic risks posed by tens of thousands of non-producing wells across the province. In response, the Canadian federal government provided \$1 billion CAD in subsidies to oilfield service companies to clean up inactive oil and gas wells. The program had multiple goals, including increased employment, environmental cleanup, and economic development of Indigenous firms and communities.

During periods of economic recovery, policymakers commonly use relief funding to address longstanding issues, adopting different targeting mechanisms to ensure the funds reach particular groups of people, places, or firms. Place-based targeting focuses resources on

economically lagging geographic areas, while firm-based targeting offers subsidies or tax breaks to specific types of businesses. Because the design of targeting mechanisms can vary widely, we are still learning about what works.

The program we study, Alberta's Site Rehabilitation Program, subsidized oilfield service companies to clean up inactive wells. Funds were allocated in eight phases, with four of the eight phases specifically targeting Indigenous communities and firms, which often face greater economic barriers and more limited access to financing and contracting opportunities. Typically, subsidies would cover 50 percent of cleanup costs, but in phases 4-7, subsidies would cover 100 percent of cleanup costs if undertaken by an Indigenous-owned oilfield service company, regardless of where the work was performed. In phase 6, aside from the Indigenous firm subsidy, all funding was earmarked for well cleanup on land designated as First Nations reserves or Métis Settlements. Because firm-based and place-based targeting were active in different but overlapping phases, we can compare how effective each one was at directing cleanup of inactive wells.

# Key Findings

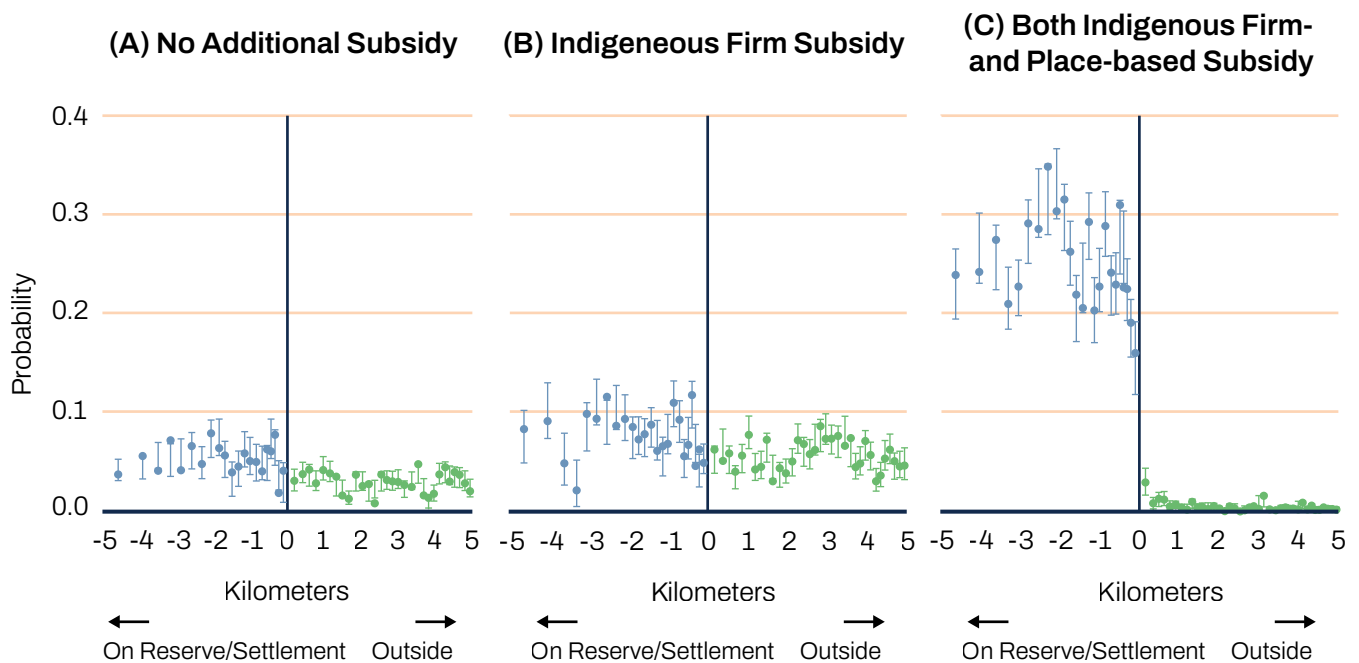
We find that Alberta’s Site Rehabilitation Program achieved the immediate intended effects of the place-based and firm-based targeting: cleanup of wells on First Nations reserves and Métis Settlements increased, as did the share of funding allocated to Indigenous-owned oilfield service companies. Figure 1 shows how the likelihood that a well receives funding varies by subsidy type (across panels) and by distance to the border of the nearest reserve or Settlement (on the x-axis). In panel (a), which covers phases without targeted subsidies, wells on reserves or Settlements are only slightly more likely to receive funding. In panel (b), during phases that increased payments to Indigenous-owned firms, there is little difference in funding probability by location. In panel (c), which combines firm incentives with a requirement that all funds be used for cleanup on reserves or Settlements, the

difference is much larger. In other words, these patterns show that place-based earmarking was the most effective way to direct cleanup to First Nations reserves and Métis Settlements.

We find that payments to Indigenous-owned companies were also highest in the phase with combined firm- and place-based targets. Figure 2 plots the share of total payments for cleanup work that went to Indigenous-owned oilfield service companies by program phase. Phases 4, 5, and 7 offered only firm-based subsidies, whereas phase 6 offered both place- and firm-based subsidies. In phase 6, the share of total payments that went to Indigenous companies reached approximately 50 percent. For reference, only about 10 percent of firms that received program funding were Indigenous-owned (62 of 639).

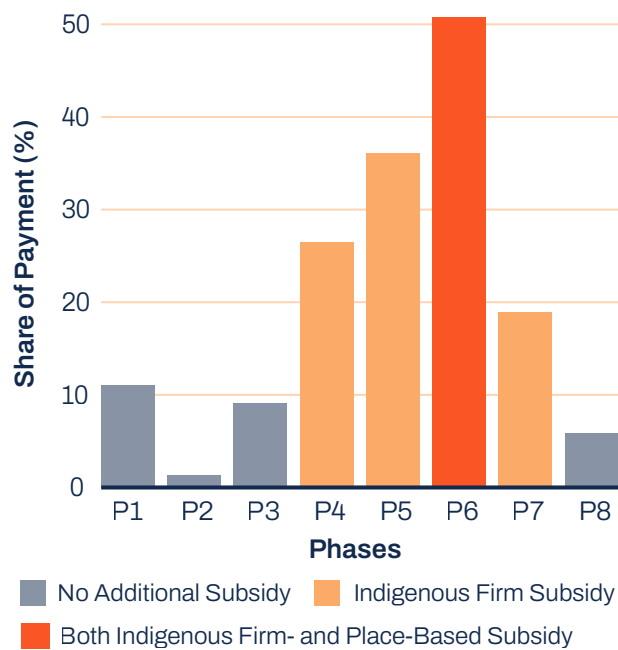
Past literature does not shed any light on whether we should expect these short-run effects to

**Figure 1. Probability of Cleanup Funding by Subsidy Type**



Note: The x-axis shows distance to the border. Wells with a negative distance to the border are inside a First Nation reserve or Métis Settlement, while those with a positive distance are outside.

**Figure 2. Share of Total Payments Allocated to Indigenous-owned Companies**



persist. In principle, short-run investments could help firms compete for future contracts by easing credit constraints and giving them a chance to gain relevant experience. In this case, we find little persistence; when the additional subsidies were removed at the end of the program, we see a reduction of funding going to Indigenous-owned companies.

To learn more about firm survival, we searched publicly accessible registries and found that 15 of the 163 firms (9.2 percent) appearing on the program’s list of eligible Indigenous firms are now inactive. This statistic is hard to interpret without baseline survival rates, which we don’t have. We know that close to 50 percent of new firms **don’t survive longer than five years**; however, more than half (57 percent) of the eligible Indigenous firms were at least five years old at the start of the program, thus already clearing the highest-risk

period for firm survival. Firm survival in oilfield services is also closely linked to oil prices, further making it hard to assess the magnitude of the 9.2 percent exit.

We hired an Indigenous consultant, Letitia Wells, to conduct a survey of Indigenous-owned firms participating in the program, to which 40 firms responded. Nearly half of the survey respondents (44 percent) reported that they have not had any cleanup contracts since the program ended, approximately four years later. Most reported that the number of Indigenous employees on their workforce stayed the same as pre-program levels during the program (71 percent). Among firms that reported an increase in their Indigenous workforce during the program, only one (12.5 percent) indicated that this increase remained above pre-program levels after the program. Our survey respondents provided vivid responses when invited to share any additional comments. Though a few firms acknowledged that the program provided important opportunities during an economic downturn, most respondents focused on the program’s shortcomings. In the words of one respondent, “While it appeared to be a promising initiative, nothing substantive came of it.”

## Policy Implications

The Canadian program we studied was effective at plugging inactive wells and targeting funds for cleanup on First Nations reserves and Métis Settlements. These findings are relevant for the United States, which allocated \$4.7 billion under the 2021 Bipartisan Infrastructure Law to help clean up orphaned oil and gas wells. Policymakers in both the United States and Canada could note the following takeaways from our research:

- The data suggested that, while the program had a modest positive impact on Indigenous-owned firms during implementation, the program did not have persistent effects on the targeted firms after funding ended.
- The survey highlighted the difficulty small companies had in accessing funding. For example, in the words of one respondent, “The program appeared to be designed for large companies rather than small, one-person businesses like mine, which got left behind.”
- The program provided limited technical assistance to overcome administrative burdens, with one respondent noting, “There was absolutely no government assistance or support from Indigenous institutions to help our business maneuver through this system.”
- This study focused on a policy to deal

with the existing inventory of inactive wells; further policy work is also needed to prevent the accumulation of inactive wells in the first place.

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The full paper of this research is anticipated to be available on RFF’s website in summer 2026.

### About the Resilient Energy Economies Initiative

The REE Initiative was established in 2024 to develop strategies that support the economies of fossil fuel-dependent communities across the United States as the energy system transforms. In addition to supporting action-oriented research to find what works, REE has built a community of scholars, policymakers, and economic development practitioners from the local, state, tribal, and federal levels to share knowledge and build relationships across the nation’s energy communities.

[www.resilientenergyeconomies.org](http://www.resilientenergyeconomies.org)



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