

Liability Management Review Engagement Questions Used for Discussions

**Disclaimer: These are the questions that were used to guide the discussions as part of the liability management review stakeholder engagement sessions. They may not represent the final version of the questions asked, as some additional questions arose out of the discussions. The list below includes questions that were prepared in advance of the sessions as well as any additional questions that were added in to build on conversations and discussions as the sessions were taking place.*

Fiscal Policies and Programs Session

May 16, 2017

Half Day

Group Discussion

1. What principles are important for the liability management system (e.g. polluter pays, maintaining competitiveness, public safety, environmental protection, etc.)?
2. What elements of the current liability management system are working?
3. Are there elements of the system that may not be working as well as they could, but have parts that are (e.g. we heard that LLR ratios may not be an accurate indicator of company health, but collecting security is important)?
4. What aspects of the system aren't working? How would they best be improved? Do any of the changes require policy or legislative changes?
5. What changes should be made in the short term vs. long term?
6. What transitional provisions may need to be in place for new idea?
7. What barriers may there be to implementation (e.g. federal *Bankruptcy and Insolvency Act*)?

Full Day

May 17, 2017

Breakout Session 1

1. How do you assess assets and financial viability of companies? Or, what does a comprehensive test of corporate health look like (e.g. Includes debt)?
2. Do you continue with a monthly review like under the current LLR?
3. How far do you go when evaluating corporate health (e.g. Compliance on everything? Business interests outside of Alberta? Debts in other jurisdictions? Etc.)

4. Should we use credit rating of operators?
5. Do you include a "rating" in a revamped LLR program that accounts for spending on inactive inventory?
6. We heard a suggested idea of an "annual corporate declaration" which was tied to percentage spending on inactive inventory. Could something like this be looked at as annual way to report on corporate health?
7. How do you make this transparent and open?
8. How do we better estimate closure costs (e.g. Well site specific/well attribution? Continue with regional model used in D011?)
9. How do we address the netback in the current LLR calculation?
10. Can security be collected in another form (e.g. Crown seizing production assets to produce or sell)?

Breakout Session 2

1. What is the appetite/ability for the banking and other sectors to offer the products being discussed (i.e. trusts, insurance, etc.)?
2. How will these products impact different players (i.e. big vs small operators)? What are the consequences of this unequal impact, if any?
3. How can these products take into account the huge range in lifecycle for different sites?
4. Would contributions to a trust be included as an asset when looking at corporate health? If so, what are consequences of that?
5. How much, if anything, would need to be put in a trust up front? Would it need to be seeded with an initial lump sum or would contributions from companies on a go forward basis be sufficient?
6. How easily/quickly can these tools be implemented?
7. How easy/difficult is it to tie deposits to the assets in these products? Are there any unintended consequences from doing this?

Breakout Session 3

1. Should there be tax incentives or deductions for end of life activities?
2. Should there be deductibles for new inventory?
3. What other financial incentives are available to reduce existing inventory?
4. What non-financial incentives are available?

General Questions

1. How do we make it a "privilege" to be an operator in Alberta?
2. How do we make industry pay for costs to landowners from bad operators (e.g. taxes not paid, electricity costs, etc.), rather than having it fall to the taxpayers?
3. What connections could be made between mineral rights and licenses?
4. How do we implement/transition these changes without disrupting cash flow from capital markets, or cause other unintended disruptions?

Inventory Management Session

May 30, 2017

Half Day

Group Discussion

1. What specific elements of the liability management system related to inventory management work?
2. What improvements to the current regulatory system would reduce the current inventory of inactive and abandoned energy infrastructure in a timely manner?
3. Are there any elements in the existing regulatory system that are restricting the ability for infrastructure to move through the lifecycle at an increased pace?
4. Do you believe that more than one of the suggestions could/should be used simultaneously to address this issue?
5. What would you consider to be timely?
6. Do you take different actions for dealing with the existing inventory than the future inventory? Are there specific preventative actions for the future component?
7. What short term solutions are available?
8. What long term solutions are available?
9. What transitional provisions may need to be in place for new policy options (e.g. different approach for existing versus new wells? Phased approach to requirements for new sites?)

May 31, 2017

Full Day

Breakout Session 1

1. Should the approach to inventory management be area based? Site specific? Combination of both?
2. Should there be a separate approach for existing backlog and newly abandoned wells going forward? What would this look like?
3. How can the system be structured to enable area-based reclamation?
4. How can ambitious/aggressive timelines be realistic given capacity limitations by industry and reclamation practitioners to do the work?

Breakout Session 2

1. How can a system for regulated timelines or encouraging timeliness recognize the wide variety of sites in Alberta?
2. What sort of timelines could be set for stages of closure operations?
3. Should there be a separate approach for existing backlog and newly abandoned wells going forward? What would this look like?

Breakout Session 3

1. What incentives, disincentives, or preventative options could be considered to reduce the inventory of inactive and abandoned infrastructure?
2. What sort of off ramps can be built into the program for sites that cannot meet timelines, and what are the compliance tools (e.g. off-ramps for complicated abandonments, heavily contaminated sites, problem reclamation sites, etc.)?
3. Can tools like increased security payments/LLR adjustments/ for these sites act as a disincentive to delay work on problem sites?
4. Should there be a separate approach for existing backlog and newly abandoned wells going forward? What would this look like?

Other Questions

1. How can a system be developed to accommodate multi-well pads, where remediation and reclamation can't occur until the last well has been abandoned?
2. What tools can be incorporated into the system to include a mechanism to force immediate abandonment/reclamation where development pressures exist (e.g. environmental protection orders)?

Post Closure and Legacy Session

June 13, 2017

Half Day

Group Discussion

1. How does industry define/categorize and currently handle legacy inventory when active licensees hold that inventory?
2. What barriers or challenges may be associated with dealing with these sites?
3. What issues have landowner groups, freehold groups, municipalities, or environmental groups encountered when dealing with legacy sites?
4. Are there any existing tools, regulations, approaches, etc. that can be used to address any current issues with legacy sites?
5. Are the existing tools, regulations, approaches, etc. flexible enough to deal with the potential range in types of circumstances (e.g. different complexities with sites or unknown circumstances that could pose additional challenges) that may arise with legacy sites?
6. How does the current system need to change to better address issues or challenges with legacy sites?

Post-Regulatory Closure

1. How does industry currently handle post-regulatory closure issues (e.g. leaks, contamination) that may arise at sites?
2. What barriers or challenges may be associated with dealing with these sites?
3. What issues have landowner groups, freehold groups, municipalities, or environmental groups encountered when dealing with post-regulatory closure issues at sites?
4. Are there any existing tools, regulations, approaches, etc. that can be used to address any current issues with that may arise after regulatory closure?
5. How does the current system need to change to better address issues or challenges with issues that arise after regulatory closure?
6. Is the current system clear on who is responsible for post-regulatory closure issues? If not, what additional clarity needs to be provided?
7. What is the best way to address post-regulatory closure issues (e.g. leaks, contamination) with energy infrastructure and associated sites that have been abandoned and reclaimed when the operator who owned the sites is no longer in existence?
 - Financial mechanisms (e.g. deposits or security)?
 - Transfer of responsibilities to another party (e.g. OWA or other delegated authority)? If not OWA, then who?
 - Look back to previous licensees?
 - Create a fund to address these sites?

Funding Legacy and Post-Regulatory Closure Sites

1. What would a fair approach look like that upholds the polluter pays principle, keeps responsible parties accountable, and ensures that the environmental responsibilities associated with development are accounted for?
2. If a fund were to be created to address legacy and post-closure sites, what would need to be considered?
3. If a fund were to be created to address legacy and post-closure sites, could that fund also be used to address compliance issues where licensees are not meeting their regulatory requirements and there is a risk of those sites going to the OWA? For example, the fund could then chargeback the licensee and Working Interest Partners for the work.

*Full Day
June 14, 2017*

Breakout Session 1

4. If a fund were to be created to address legacy and post-regulatory issues, what needs to be considered? How should it be funded? (e.g. fees on mineral sales, fees on transfers of mineral rights or licenses, etc.)
5. Can the approach be used jointly for legacy and post-closure sites, or should it be separated? How would funding need to be portioned out to each?
6. What accountability should previous licensees have for contributing to the fund?
7. Should it address only orphaned sites or include active licensees as well? If both, what would breakdown of funding and priorities look like for each?
8. Who should manage the fund and perform the work? The OWA? A new organization?
9. If a new organization were to be created, what should its governance and membership look like?
10. What would success of a fund look like? How would its performance be measured?
11. If a fund were to be created to address legacy and post-closure sites, could that fund also be used to address compliance issues where licensees are not meeting their regulatory requirements and there is a risk of those sites going to the OWA? For example, the fund could then chargeback the licensee and Working Interest Partners for the work.

Breakout Session 2

1. Are there approaches other than the creation of a new fund that could be used to address legacy and post-regulatory closure issues?
2. For sites where there are post-regulatory closure issues, what responsibility should previous licensees or working interest partners have in addressing any issues?

3. We've talked about wells, facilities, and pipelines when talking about inventory. To deviate slightly from that, how could seismic and other linear disturbances be addressed? Who would be responsible? How could it be funded?
4. What type of monitoring should there be throughout the development lifecycle and how might it need to be different for each stage of development (e.g. abandonment, reclamation, remediation) as well as during the post-closure period once regulatory requirements have been met?
5. Who should be responsible for the monitoring?
6. For how long should monitoring be done after closure of sites? (i.e. how long into the post-regulatory closure period)
7. How should the monitoring be done? (e.g. high risk sites, sites near certain types of development, others?)
8. Who should pay for any monitoring? Would this differ depending on the stage of development (e.g. would post-closure monitoring be covered by a fund?)?
9. How would reporting back be done with monitoring? (e.g. timelines for reporting, where data is posted)

Breakout Session 3

1. In past weeks, we've covered types of development such as enhanced oil recovery (EOR). One approach to EOR is using carbon dioxide (CO₂ EOR). From a post-closure liability perspective, what sort of issues or challenges would you foresee that may differ from primary or secondary recovery?
2. Is the scale of a CO₂ EOR operation a cause for further consideration in how post-closure liabilities are addressed? How so?
(Context: typical projects in Alberta would utilize on average X amount of CO₂. Looking forward there is potential for some EOR projects to utilize and store over 1 million tonnes of CO₂ annually as there is also a greenhouse gas/climate change mitigation benefit?)
3. Are there any legacy issues related to CO₂ EOR (or other types of EOR) that would impact how the liabilities are addressed or funded going forward? For example, legacy sites adjacent to EOR that may be impacted by that development.
4. Are there any challenges with other types of EOR (gas injection, steam flooding, chemical injection, etc.)?
5. There are some wells that are not related to the oil and gas industry (for example, unlicensed domestic or commercial natural gas wells). How should these be addressed? Can they be captured under the same approach as oil and gas development? Could/should they be covered under any fund that may be created to address legacy and post-closure issues? If so, what additional considerations may need to be made?
6. Are there any other issues associated with legacy and post-regulatory closure sites that you haven't had the opportunity to raise or discuss yet?

Breakout Session 4

1. What are some of the issues, concerns with how inter-agency issues are being addressed?
2. How can the system be improved to manage some of these issues?
3. How can the system enable greater transparency and inter-agency communication among agencies?
4. Should the system develop mechanisms to improve access to legal services for land owners or other stakeholders?
5. Should officials such as the Property Rights Advocate and Farmer's Advocate, or another existing or new office be given the authority or resources to assist land owners in navigating the regulatory process?
6. How would such a system ensure fairness among all stakeholders such as proponents, municipalities and other land owners?