

Liability Management Engagement

Introductory Session
May 10, 2017



Overview

- The Government of Alberta and AER are reviewing the liability management system in place for upstream oil and gas activity in Alberta.
- This review is intended to design an improved system that:
 - fully reflects responsible full-lifecycle resource development;
 - is financially sustainable over the long term; and
 - requires that environmental outcomes be met.

Definitions

Abandoned Well

Well no longer needed to support oil and gas development and is permanently decommissioned (plugged, cut and capped) as per AER Directive 020 and left in a safe and secure condition.

Orphan

Well, facility, or pipeline where the licensee is unable or unwilling to pay for closure (i.e., abandonment, reclamation, and remediation). These sites become the responsibility of the OWA.

Remediation

Process of cleaning up a contaminated well site to meet Alberta's soil and groundwater remediation guidelines which support equivalent land capability.

Reclamation

Process of replacing soil and re-establishing vegetation on a wellsite with the goal of returning the site to an equivalent land capability (i.e., the land should be able to support activities after reclamation similar to those it could have supported before it was disturbed), as specified in the *Environmental Protection and Enhancement Act*.

Lifecycle Management

Generic Lifecycle



Sites and Infrastructure

- Wells
- Facilities
- Pipelines and associated sites

Liability Management System

Alberta's energy and mineral industries, the Government of Alberta, the AER, and the Orphan Well Association (OWA) each have a critical role in the liability management system:

Industry

- Responsible for development, maintenance, suspension, abandonment, remediation and reclamation required of oil and gas infrastructure, sites and associated costs.

Government

- Accountable for responsible resource development, including ensuring responsible environmental management through policy, legislation, and guidance documents and expanding Alberta's market access.

AER

- Responsible for ensuring industry carries out lifecycle management of energy development liabilities, through development and implementation of liability management and aging infrastructure programs.

OWA

- Funded by the oil and gas industry through an annual orphan fund levy and is responsible for the abandonment and reclamation of infrastructure and sites (e.g. wells, facilities, and pipelines) deemed orphaned by the AER

Liability Management System

- Alberta has a suite of requirements and programs with the objective to ensure industry manages liabilities throughout the full lifecycle of oil and gas development so that safety and environmental protection are achieved and unfunded liabilities mitigated.
- These requirements and programs include:
 - Suspension and abandonment requirements
 - Inactive well compliance program
 - Remediation and reclamation requirements
 - Liability Management Rating (LMR) Program
 - Orphan Well Association (OWA)

Liability Management Review

OUTCOMES

- The liability management system ensures closure work is conducted by industry in a way that mitigates the financial, environmental and public health and safety risk associated with energy development.
- Specifically, the liability management framework mitigates the risks of these liabilities growing and perpetuating on the landscape and of costs being borne by Albertans.

Liability Management Review

POLICY FOCUS

The Government of Alberta has grouped the main aspects of Alberta's liability management system into three policy focus areas:

1. Fiscal Policies and Programs,
2. Inventory Management
3. Legacy and Post-Regulatory Closure

The upcoming engagement sessions will focus on these three policy areas

Engagement Sessions

Fiscal Policies and Programs

Calgary – McDougall Centre

Tuesday, May 16th 1:00p.m. to 4:30p.m and

Wednesday, May 17th 9:30a.m. to 4:30p.m.

Inventory Management

Nisku – Nisku Inn

Tuesday, May 30th 1:00p.m. to 4:30p.m and

Wednesday, May 31st 9:30a.m. to 4:30p.m.

Legacy and Post-Regulatory Closure

Calgary - Clarion Hotel

Tuesday, June 13th 1:00p.m. to 4:30p.m and

Wednesday, June 14th 9:30a.m. to 4:30p.m.

Engagement Sessions

EXPECTATIONS

- The intent of engagement is to gather input and expertise for policy option development from a broad group of participants
- Attendees expected to come to engagement sessions prepared to provide meaningful input and will participate respectfully and effectively with other participants

Engagement Sessions

1. What improvements are needed to the current liability management system in place (e.g. the AER's liability programs, infrastructure specific requirements, energy policy, etc.) and why?
2. What options are available to address the current inventory of orphaned sites being managed by the Orphan Well Association?
3. What is the best way to address 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?
4. What specific elements to the existing liability management system are effective and should remain in place?

QUESTIONS?