

Site Rehabilitation Program Overview

Alberta Energy

May 7, 2020



Highlights

Meeting the federal government's funding requirements



- including the ability for landowners to nominate sites for cleanup
- prioritizing funding for projects with oil and gas companies that are in good standing with respect to municipal taxes

The SRP's targeted design benefits also include



- Simplicity
- Speed of delivery
- Maximization of employment in the specialized service sector as we await the re-launching of the economy



- Program increments of \$100 million to distribute work and target priorities
- Anticipate seeing a high volume of environmentally-significant work done quickly
- Oil and gas companies remain responsible for their regulatory obligations and those that are financially able to pay their portion will do so.

Abandoning and reclaiming these sites is not only good for the environment, it's the law in Alberta – and part of our commitment to responsible resource development.

Economic Benefits – Activity Distribution

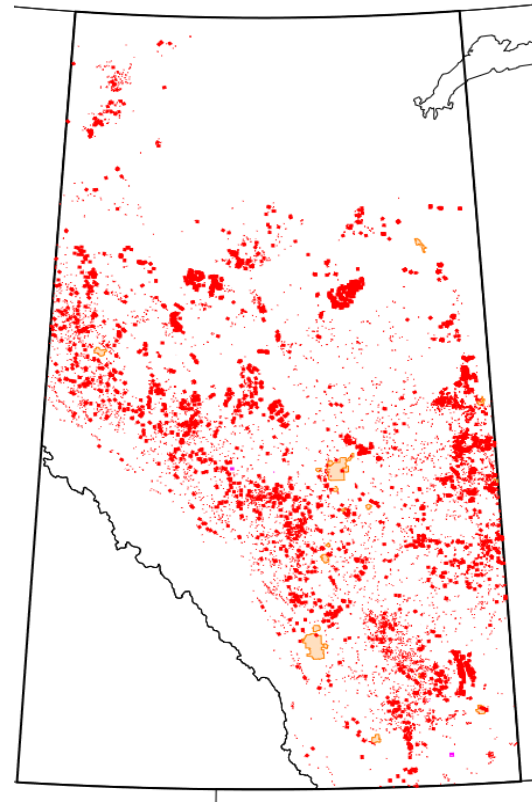
Activity Distribution: Suspended Wells

- As of April 22, 2020 there are approximately 76,344 “suspended” well sites across Alberta.

Environmental Opportunity:

- Phase 1* – Environmental Site Assessments (ESA)
- Phase 2 - ESA
- Remediation
- Reclamation
- Reclamation detailed site assessments
- Environmental consultants that have a Master Service Agreement with a licensee may apply for a grant for the closure work they perform

** Phase 2 is not eligible for funding consideration until Phase 1 is complete. (Both Phases in the same application will result in rejection)*



Suspended well locations, April 22, 2020
Source: Alberta Energy; Copyright 2020

How It Works



- Oil field service operators may apply for direct grants, attaching a signed contract for oil field services for closure work
 - Grants may be applied for until March 31, 2022 or until the program is fully subscribed
 - Grant amounts applied for may be for all or part of the contracted amount of the work to the limit of \$30,000 per application.
 - The nature of the producer's payment of the contract amount to the OFS contractor is the responsibility of contracting parties



- Upon verification of the contract and approval of application, grant payments are made directly from government to the oil field service contractor in three or more instalments:
 - 10% of grant amount upon approval of the grant application.
 - Additional installments of up to 60% of grant amount upon contractor submitting interim invoicing.
 - Balance of grant amount upon certification of work completed.

Maintaining Specialized Service Sector

- OFS contractors are eligible to receive up to 100% of the contract face value directly from government, based on an assessment of cost reasonableness.
- First increment oil field service contracts:
 - Upon approval of the application, successful OFS Contractor s will receive 10% of the grant amount if the licensee is not current with municipal taxes.
 - If municipal taxes are current, then initial payment is 30% of grant amount.
 - Grant eligibility limited to \$30,000
- Timing
 - Program opened May 1, 2020 – increment limit of \$100 Million. First increment closes May 31, or when all funds are allocated.

Roles and responsibilities within program

Licensees	OFS	AER	Government
<p>Suspension, abandonment and reclamation of wells and facilities to meet statutory and regulatory obligations</p> <p>Identify business needs and make capital investment decisions, including closures, based on company's risk matrix</p>	<p>Contract with licensees to perform this work to meet regulatory requirements and industry standards</p>	<p>Maintain data for wells, pipelines and facilities; licensee reporting (OneStop)</p> <p>Regulates licensees' obligations</p>	<p>Review contracts for compliance with grant program guidelines, reasonableness of contract value and scope based on cross-referencing with existing AER and Orphan Well Association data</p>
<p>Pay invoices issued by OFS contractors according to the terms of contracts</p>	<p>Perform work according to the contracts with licensees; issue invoices</p>		<p>Review OFS invoices and pay out instalments under grant program</p>

Eligible work

- Closure work done in Alberta on inactive infrastructure
- Closure work includes:
 - Purchase of materials and supplies for closure work
 - Removal of associated infrastructure from well site or facility site
 - Plugging
 - Inhibitor program – cathodic protection, corrosion inhibitor
 - Inspection and testing – casing pressure, packer, cement plug, wellhead, gas migration, SCVF,
 - **Reclamation detailed site assessment**
 - **Phase 1, Phase 2**
 - **Replacement of soils**
 - **Revegetation**
 - **Revegetation monitoring**
 - **Transportation of equipment to and from work sites**
 - **Transportation of workers to and from sites**
 - **Construction of access for closure work**
- Removal of abandoned-in-place pipelines

Ineligible work

- Closure work done outside Alberta
- Suspension (wells and facilities) and discontinuation (pipelines) costs that are not part of abandonment and reclamation projects
- Non-closure work on producing sites (e.g. spills remediation)
- Work already completed before the effective date of the grant program
- Work done to solicit contracts, prepare bids; administrative fees are also expressly excluded as eligible costs

Questions?

Applications:

www.alberta.ca/siterehab

Toll free: 1 833 687-9083

Email: Energy.SRP@gov.ab.ca

