



**Alberta
Energy
Regulator**

2022 Inventory Reduction Program A Review of the Inaugural Mandatory Closure Spend Quotas

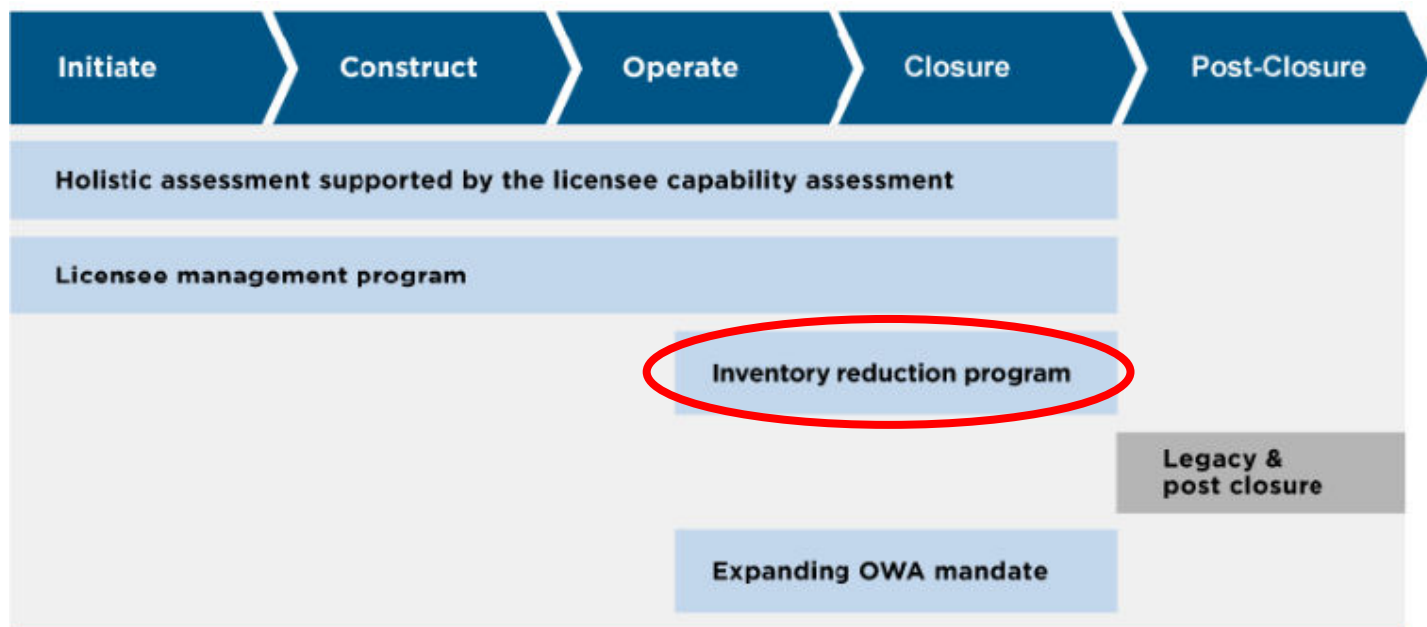
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Presentation to RemTech 2023

October 12, 2023

Agenda

- › Liability Management Framework
- › Principles and Desired Outcomes
- › Closure Spend Program History
- › 2022 Program Year Snapshot
- › Spend Breakdown
- › Compliance and Enforcement
- › Learning and Next Steps

Liability Management Framework



Foundational Principles

- 》 All licensees with inactive liability receive a quota
- 》 Leverage LCA business intelligence
- 》 Start simple and evolve with experience
- 》 Flexible program design
- 》 Mandatory closure spend quota is a minimum requirement

Desired Outcome

- › Industry reduces inactive liability while capable
- › Mitigate liability exposure to Albertans
- › Better understand closure performance, spends, and liabilities
- › Establish ongoing performance expectation
- › Closure budgeting/planning certainty

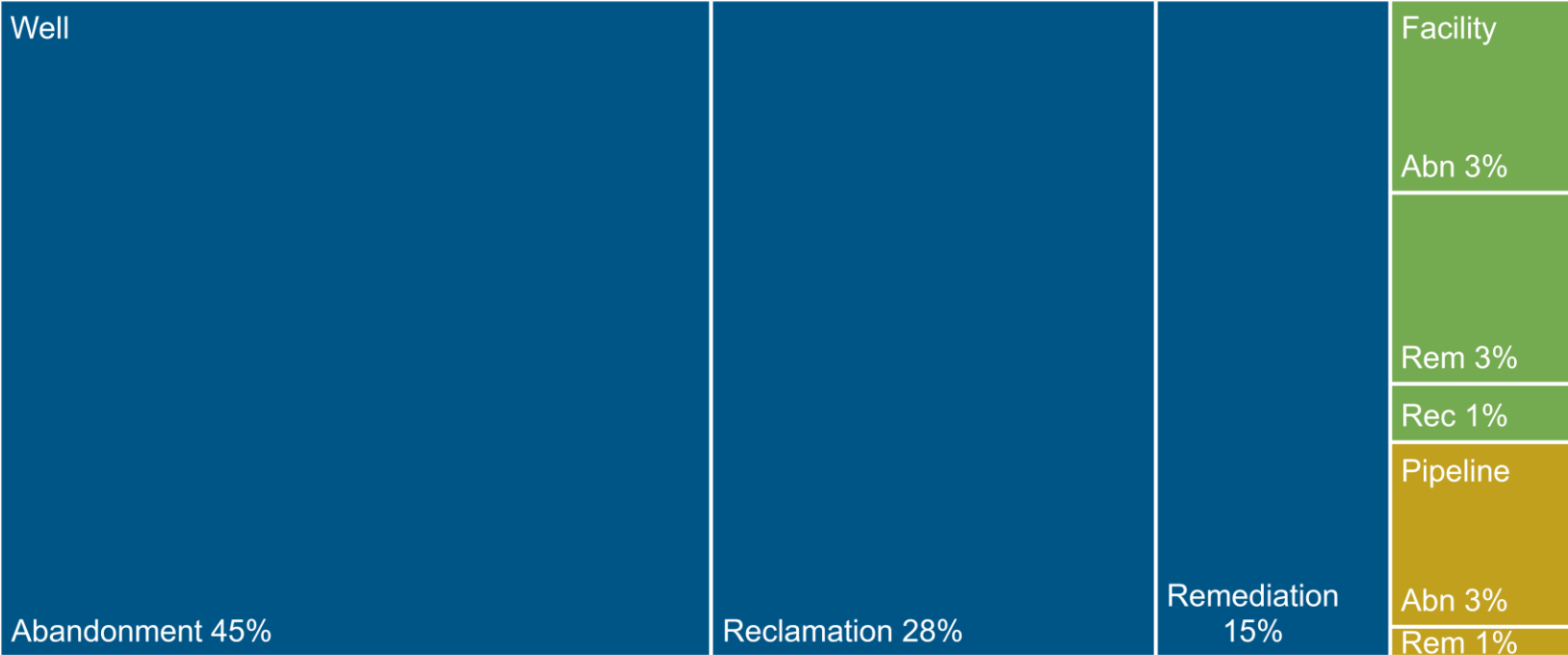
Closure Spend Program History

- 》 2019-2021: ABC program
 - Licensees holding 60% of industry liability participated
- 》 2022: First year of mandatory industry-wide requirement
 - Industry-wide spend requirement published at \$422MM
 - All Licensees with inactive liability received a spend quota
- 》 2023: Mandatory Closure Spend Increase
 - Industry-wide spend published at \$700MM

2022 Overall Snapshot

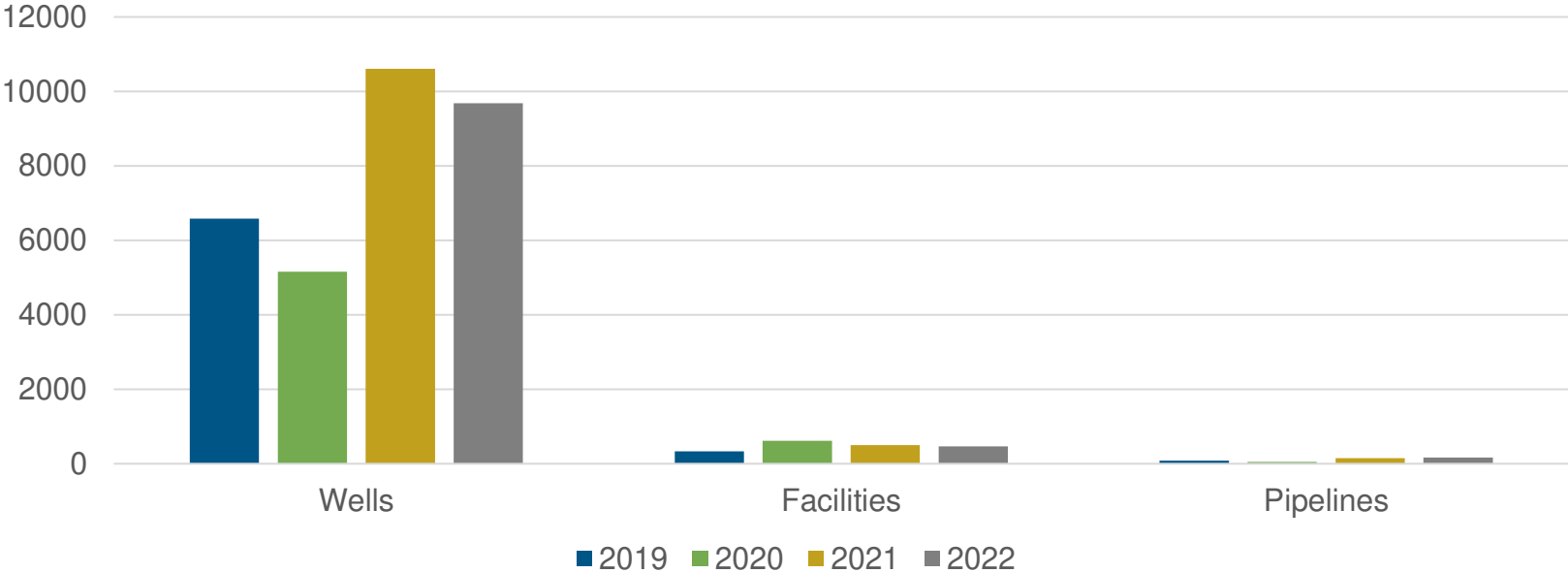
- › \$422 million industry-wide requirement
- › \$685 million closure spend funded by industry
- › Exceeded industry-wide requirement by 62%
- › \$1.03 billion closure spend including SRP
- › Spend focused on well closure

2022 Spend Breakdown



2022 Spend Breakdown

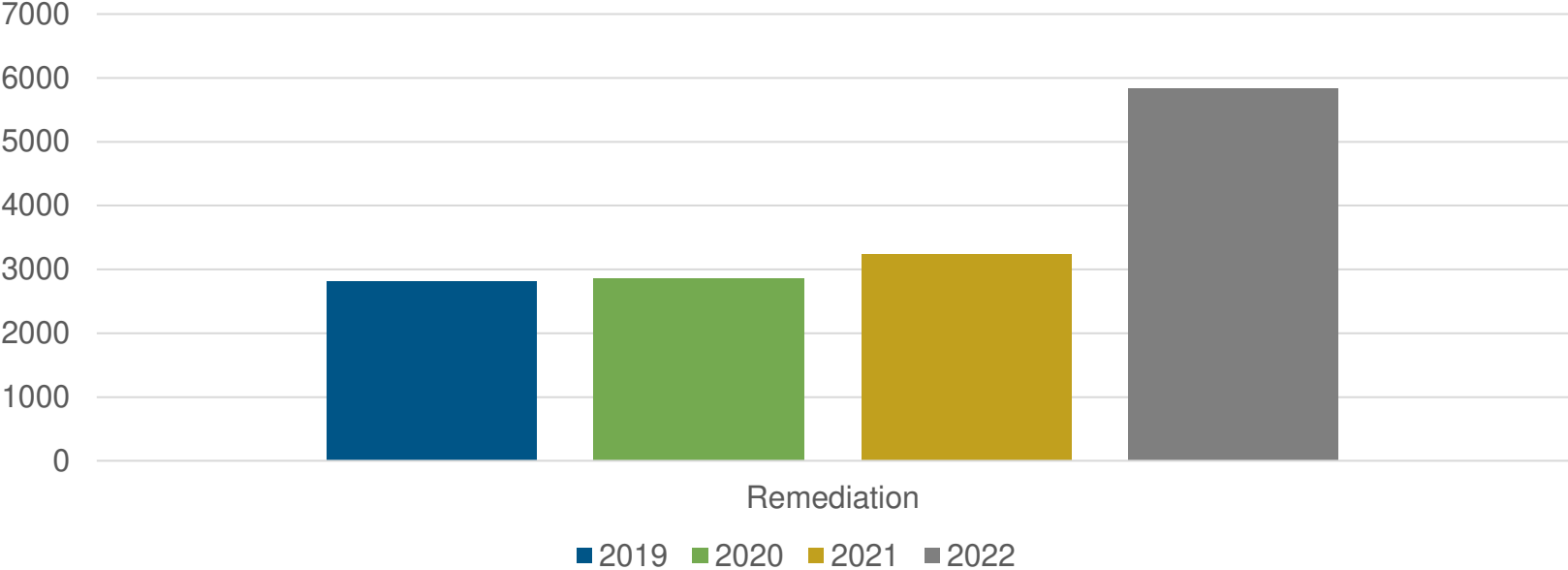
Abandonments Completed by Industry*



*excludes OWA

2022 Spend Breakdown

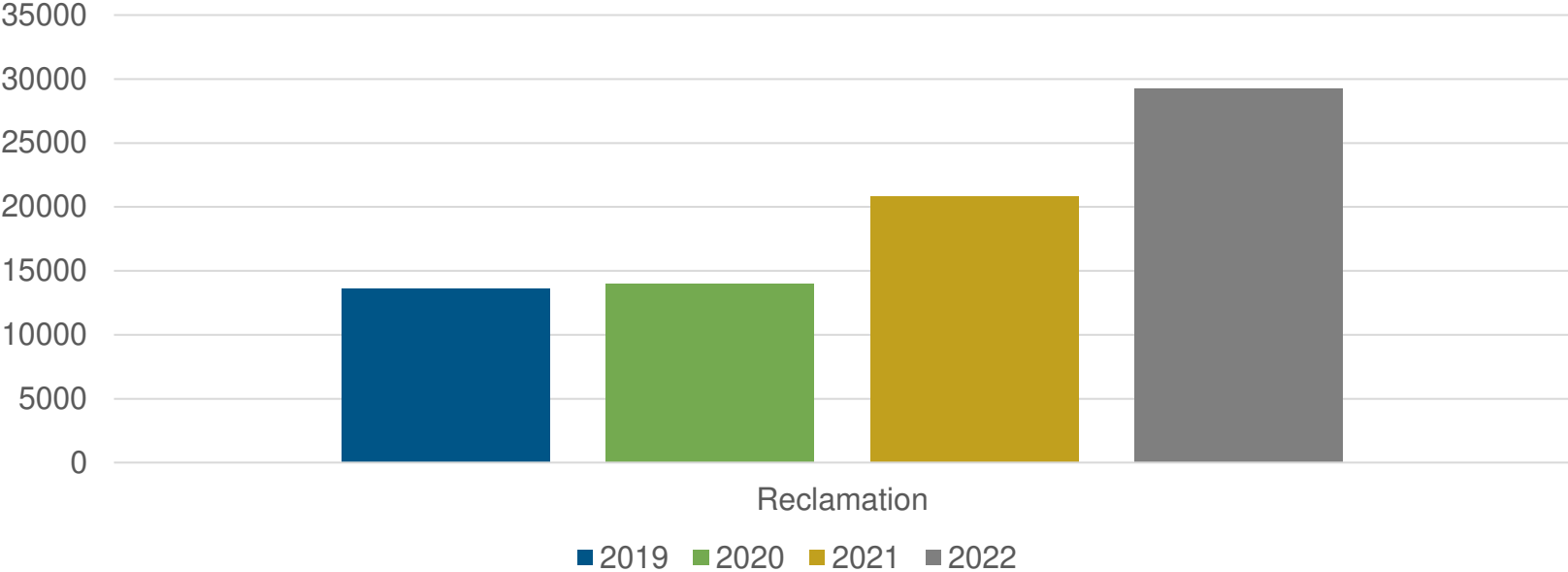
Remediation Activities Completed by Industry*



*excludes OWA

2022 Spend Breakdown

Reclamation Activities Completed by Industry*



*excludes OWA

2022 Spend Summary

- 》 Work was completed on over 46,000 licences
- 》 Abandonment work consistent with 2021
- 》 Significant increase in remediation and reclamation spend over previous years

Compliance and Enforcement

- › Licensees sent Notice of Non-Compliances (NNC)
- › Opportunity to provide additional information to come into compliance
- › Additional Compliance and Enforcement action for licensees who remain non-compliant
- › Outstanding amount of ~\$9 million (2% of \$422MM)
- › Mostly Micro and Junior licensees

Learnings

- › Service sector can handle increased closure
- › Majority of licensees complied and exceeded quota
- › Some licensees lack understanding of requirements
- › Learning curve for non-ABC participants
- › Well abandonments still prioritized, seeing growth in remediation and reclamation
- › Facility closure lagging

2023 Mandatory Closure Quotas

- › 2023 Industry-Wide Closure Spend \$700 million
- › Closure work must be within 2023 calendar year
- › Carryover from year to year is not eligible
- › Reporting is due March 31, 2024
- › Refer to [Manual 023](#) for details on eligible closure spends

2024 Mandatory Closure Quotas

- › 2024 Industry-Wide Closure Spend \$700 million
- › Licensee specific quotas released Sept 28
- › Annual review of closure spend requirements



Questions

