

OCT 15, 2026

Liability Estimates

For Information: Approach for Updating Closure Costs

Presented by:
Jake Sherlock & Zoriana Wood

Presented to:
RemTech

Alberta Energy Regulator

Information Security Classification: Protected A

Why are Liability Estimates Important to AER?

- To effectively manage liability risks.
- They are foundational to AER's liability management programs.
- It is integral to AER decision making.



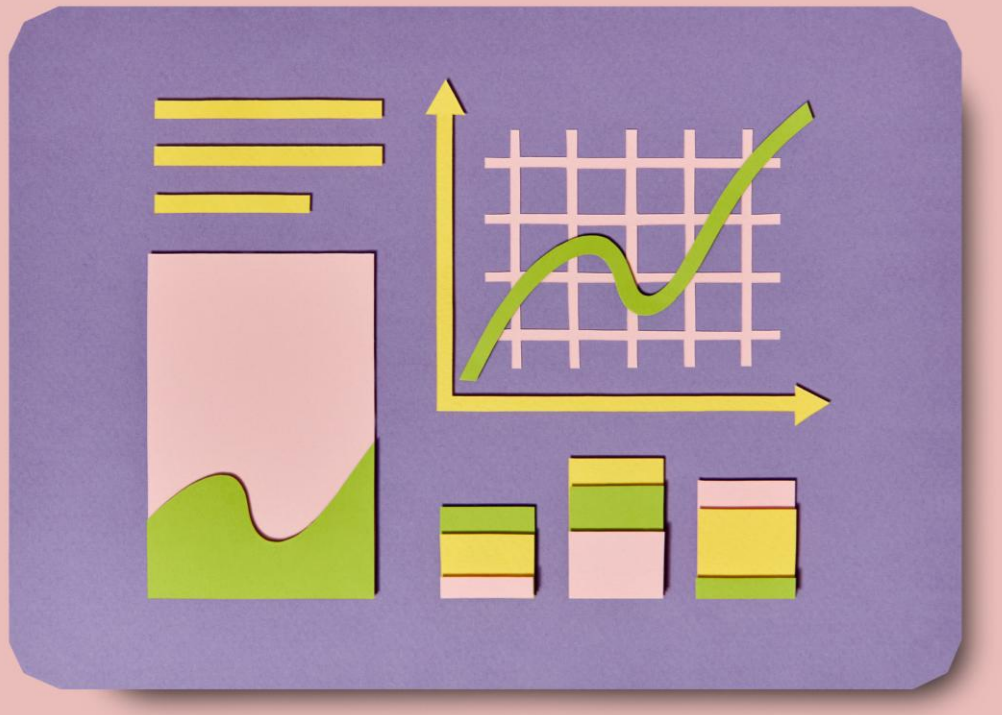
2026 AER-Identified Priorities

Priority Items:

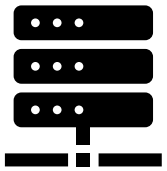
- Pipeline Life-Cycle Status & Abandonment Costs (Gap)
- Single-well Batteries (Gap) & Multi-well Batteries Abandonment Costs (Update)
- Well ESA & Remediation Costs (Gap)
- Well Reclamation Costs (Update)

Current Challenges & Approach

- **There is not a complete understanding of liability risks**
  - Known gaps
  - Value requires update
- **Data-driven updates**
  - Availability of relevant data



Data Driven Approach to Updating Liability



Collection of Closure Spends

- Licensee submitted closure spend data from 2019 to 2025 from ABC Program and Closure Quota.
- OWA submitted closure spend data from 2022 to 2025.



Accurate Closure Spends

- Licensees are expected to report timely and accurate closure spend as per Directive 088 and Manual 023.
- AER intends to use this data for future liability updates.



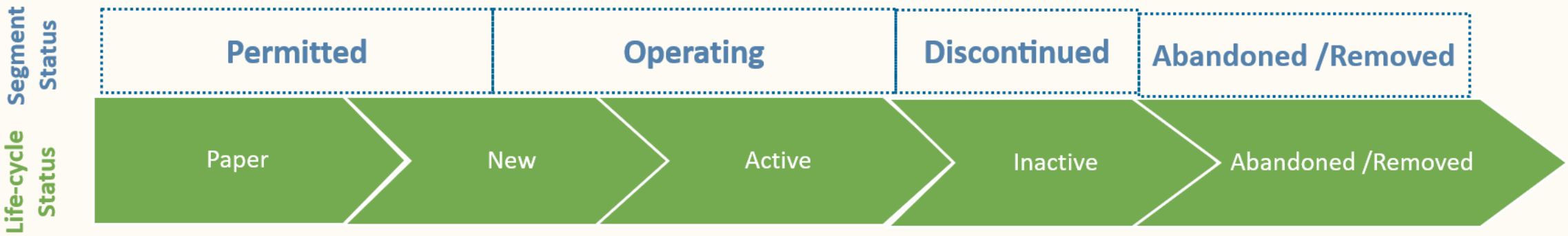
Data-Driven Assessment

- Verify if there is sufficient information for evaluation.
- Determine which infrastructure and closure activities can be evaluated.



Information Security Classification: Protected A

Pipeline Life-Cycle



Paper pipelines are Permitted segments with no construction notification date

New pipelines are Permitted segments with a construction notification date, **OR** Operating segments that are the earlier of less than one year after the construction notification date or licence expiry date

Active pipelines have an Operating segment status and are not considered New.

Inactive pipelines have a Discontinued segment status

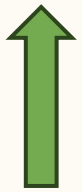
Abandoned/Removed pipelines have the same segment status

Pipeline Licence and Segment Data

Pipeline Segments

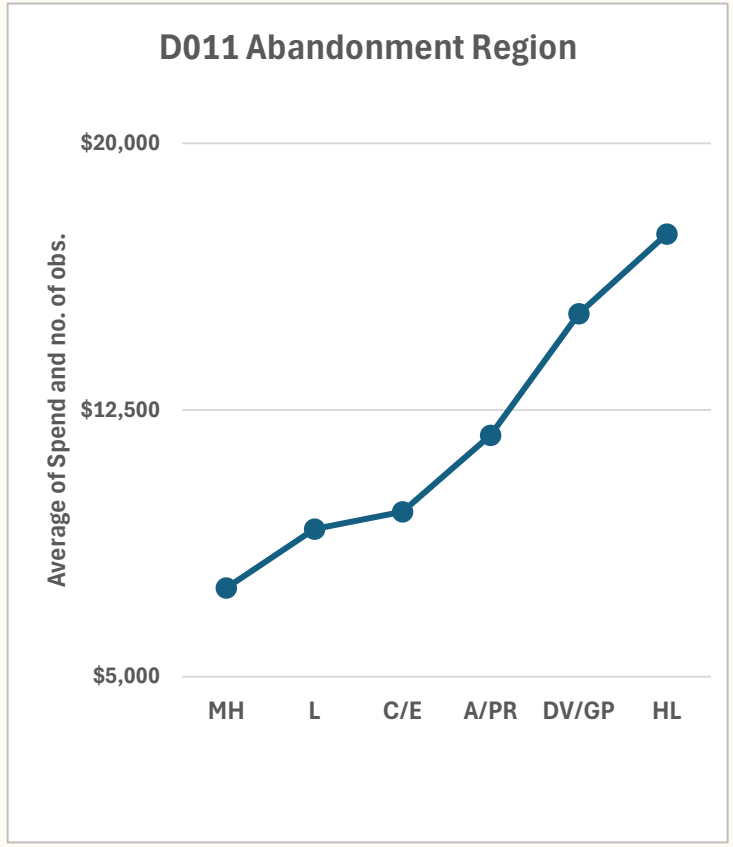
Displaying 1-3 of 3 records

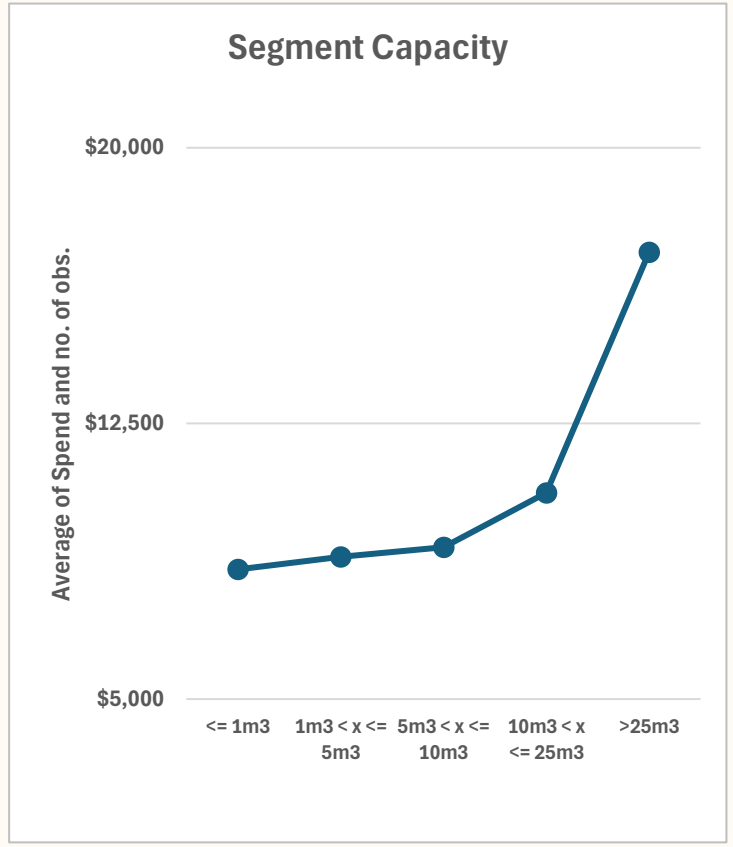
Line	From Location	From FC	To Location	To FC	Length (km)	Status	Env	OD (mm)	WT (mm)	Mat	Type	Grade	MOP (kPa)	Stress Level	Joints	IP
1	01-02-03-04W5	PL	03-04-05-06W5	B	1.00	O		60.3	3.18	S	Z245.1	2901	4960	16	W	U
2	02-02-03-04W5	WE	04-04-05-06W5	PL	0.08	O		60.3	3.20	S	Z245.1	2901	4960	16	W	U
3	03-02-03-04W5	BE	04-05-06-07W5	BE	0.75	A		60.3	3.18	S	Z245.1	2901	0	0	W	U



Factors Influencing Pipeline Abandonment Cost







Information Security Classification: Protected A



Well Reclamation Liability Approach

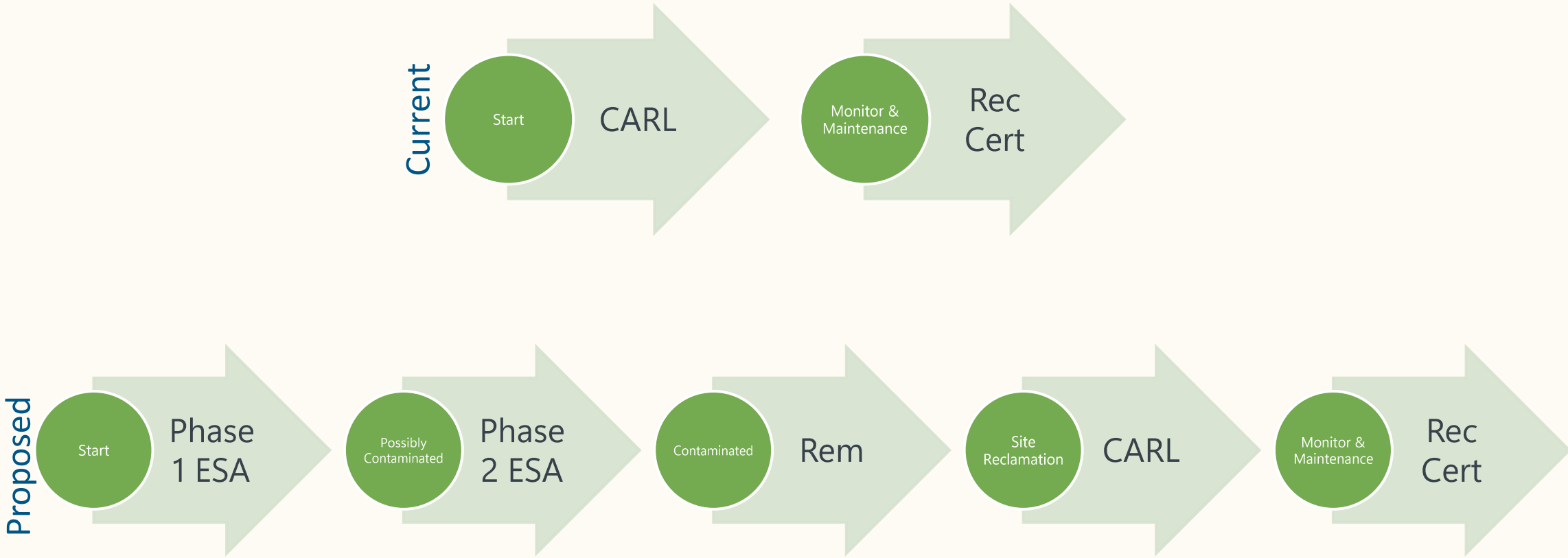
Information Security Classification: Protected A

Background

- **Sufficient closure spend reported for well rem/rec activities**
- **11 years since last D011 rec update**
- **Current reclamation liability estimates do not adequately account for ESA's/remediation of contaminated sites**
- **AER's available data shows:**
  - Phase 2 ESAs are required on ½ of all sites
  - Remediation is required on ½ of all Phase 2 ESAs which had exceedances over Tier 1
- **Introducing Additional Reclamation Closure Milestones**



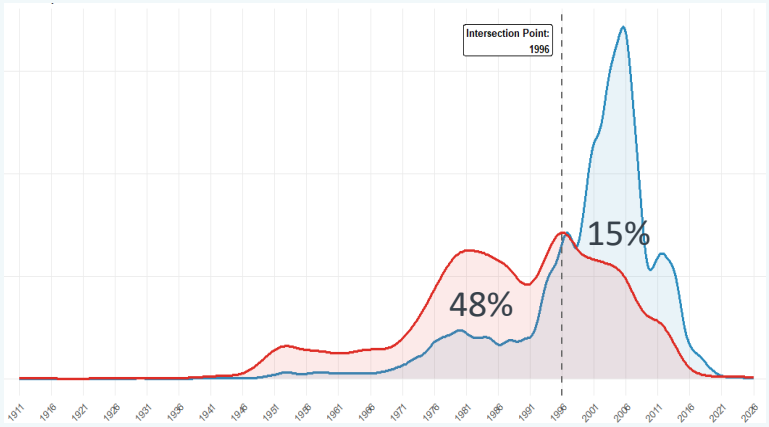
Rem/Rec Milestones for Liability Adjustments



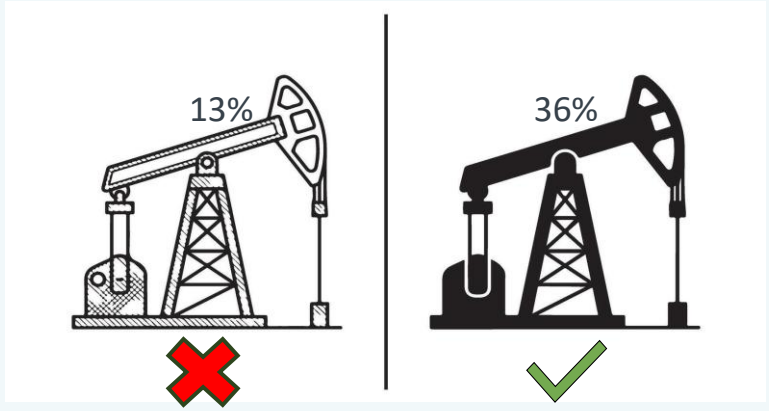
Information Security Classification: Protected A

Factors Influencing Contamination Probability

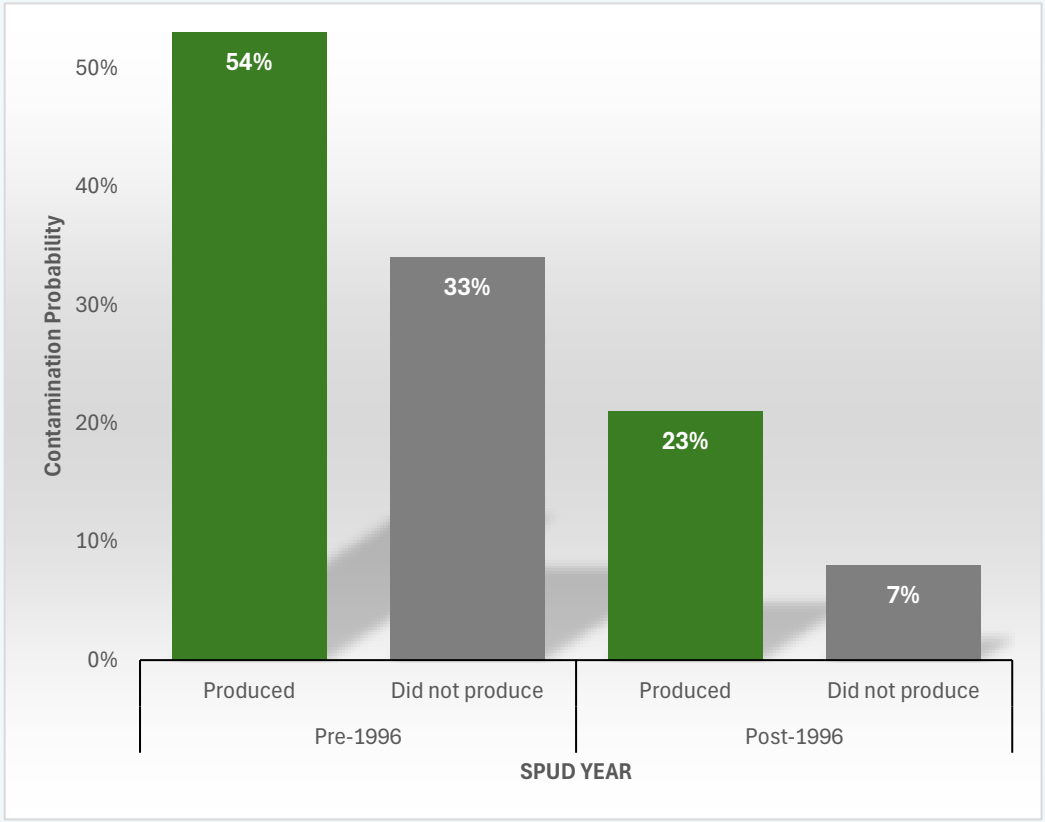
Final Drill Date



Production



Final Drill Date + Production



Note: A well is considered producing if it produces a hydrocarbon liquid, produced water or waste fluids.

Single-Well Battery (SWB) & Multiwell Battery (MWB) Abandonment Liability Approach



Information Security Classification: Protected A

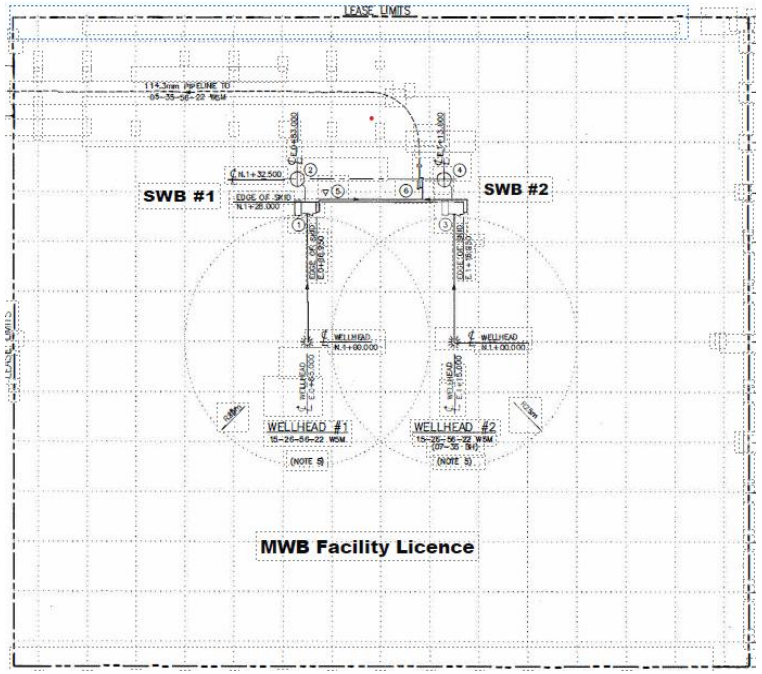
Background: SWB & MWB

- Currently no liability assigned to SWBs
  - Decommissioning liability is applicable
  - Reclamation liability is already covered in well reclamation estimate
- Licensing and life-cycle:
  - Sweet SWBs take on life-cycle status of their linked well licence
    - SWB equipment is assumed to be remaining until removal is reported in OneStop
  - Sour SWBs have their own facility licence and life-cycle status

Information Security Classification: Protected A

Specific MWBs Liability Updates

- The abandonment costs for some MWBs are similar to a SWB
- This includes scenarios where D056 MWB is licensed as follows:
  - Multiple SWBs operate within same lease (e.g., 3 well pads)
  - A well has segregated production from more than one zone to a battery



Information Security Classification: Protected A

Next Steps



Upcoming Milestones

End of October to November 2026

- Publish Draft D011 for public comment
- Hold information sessions for
  - Pipeline abandonment costs and liability
  - SWB & MWB costs and liability
  - Well remediation and reclamation costs and liability

January to Spring 2027

- Licensee review/update of Draft Liability Assessment reports
- D011 Review Public Comment
  - Assess feedback and finalize revisions to D011
  - Finalize liability assessment reports
- Note: 2027 Orphan Fund Levy will be using current publish D011 for liability estimates

December 2026

- Publish Draft Liability Assessment reports
  - Pipeline abandonment liability
  - SWB & MWB abandonment liability
  - Well remediation and reclamation liability

TBD

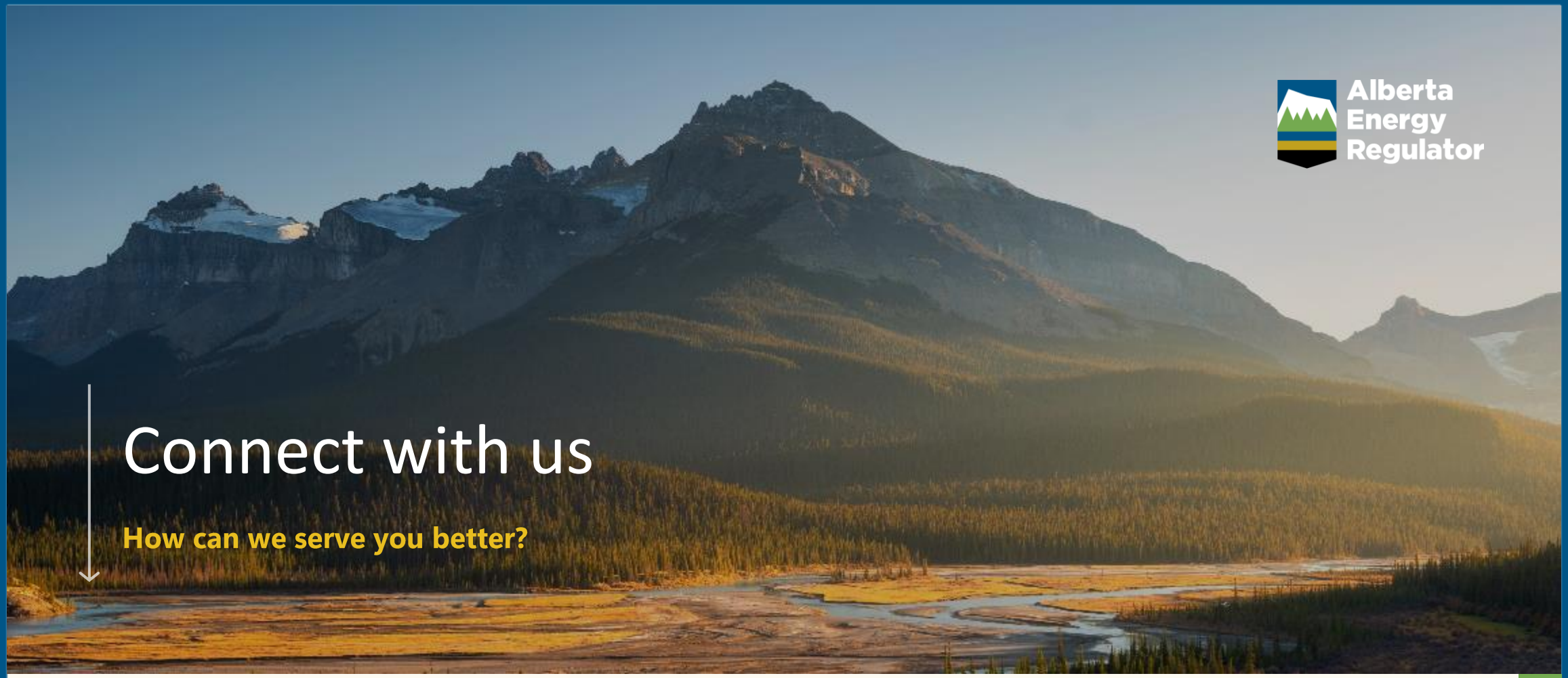
- Publish revised D011
- Finalize implementation plan and when new liability values will come into effect (e.g., Orphan Fund Levy, Closure Quotas)

Key Takeaways

- Draft Directive 011 updates will be published for public comment in November for approx. 90 days
- Detailed information sessions for each stream planned for November – Sign up available late October
- AER will publish a Draft Liability Assessment Report for licensees later this fall
  - Licensees are expected to review and verify data in the Draft Liability Assessment Report
  - Quick reference guides will be provided on aer.ca



Questions?



Connect with us

How can we serve you better?

AER.CA

AGS.AER.CA

@AER_NEWS

ABENERGYREGULATOR

ALBERTA-ENERGY-REGULATOR

AER.CA/RSS

ABENERGYREGULATOR