

# Oil & Gas Liability in Alberta at a Glance

In July 2020, Alberta introduced its Liability Management Framework (LMF). Regulatory oversight is provided by the Alberta Energy Regulator (AER) under several pieces of legislation including the Responsible Energy Development Act, the Oil and Gas Conservation Act, and the Pipeline Act.

## Licensee Capability Assessment System

The AER is transitioning from the licensee liability rating program (LLR) to the licensee capacity assessment approach which uses holistic licensee assessment in accordance with Directive 088: Licensee Life-Cycle Management (which will eventually replace Directive 006). The AER will gather financial information to assess a licensee's ability to meet its suspension, abandonment, remediation and reclamation obligations. This information will also inform decisions about eligibility to hold licenses (as per Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals), license applications, and triggering licensee special action.

## Licensee Special Action

The AER will proactively monitor licensees using holistic licensee assessment. If there appears to be a risk of potential failure to meet regulatory obligations, then AER will intervene to provide guidance and/or initiate regulatory actions such as limiting eligibility under Directive 067, requiring security deposits, or issuing orders.

## Inventory Reduction Program

Starting in 2022, mandatory closure spend targets will be set on an industry-wide basis. Each licensee with inactive infrastructure will be required to meet individual mandatory targets set by the AER for closure work such as surface abandonment, environmental site assessments, remediation work, and reclamation work. There is also a site rehabilitation program which is being used to allocate \$1 billion in federal funding to oil field service companies for performance of well, pipeline, and oil & gas site closure and reclamation work.

## Orphan Well Association

Orphans are those wells for which there is not a legally responsible and/or financially viable person to deal with the abandonment, reclamation and remediation responsibilities. The AER designates orphan wells which are then administered by the Orphan Well Association (OWA). The OWA may continue operating and producing an orphan well. As well, it may use the orphan fund for costs associated with suspension, abandonment, remediation and reclamation, and for monitoring the behaviour and condition of orphan wells.

## Legacy and Post-Closure Sites

Legacy and post-closure sites are those sites which were closed before current environmental requirements were in place or those for which a reclamation certificate has issued and the operator's liability period has lapsed. There is an indication that a panel will be established to consider how to address these legacy and post-closure sites but it appears this has not happened yet.

The LMF introduced in July 2020 is an enhanced version of the LLR approach which has led to a significant number of inactive, legacy and orphan sites which need to be cleaned up with costs estimated to be up to \$260 billion. The LMF does not go far enough to address the liability problem or to prevent it from getting bigger.

*There is a better way... we need:*

1. Security deposits to address environmental obligations should be required for all oil & gas activities before work commences.
2. Timelines for reclamation and remediation to avoid inactive wells languishing on the landscape without clean-up.
3. Monitoring must be in place for all inactive, orphan, legacy and post-closure sites.

OIL & GAS LIABILITY: AT A GLANCE



Environmental  
Law Centre