

Conventional Oil and Gas Spring 2022 Webinar

Alberta Environment and Parks
April 6, 2022



Alberta 

Agenda



Opening Remarks



2021 Aggregates Compliance Update



Specified Gas Reporting Regulation



Aggregate Facilities TIER Enrollment & Deadlines



Aggregate Facilities Benchmarking & Compliance



TIER Review



Upstream Oil and Gas Methane Regulation Update



Questions And Answers

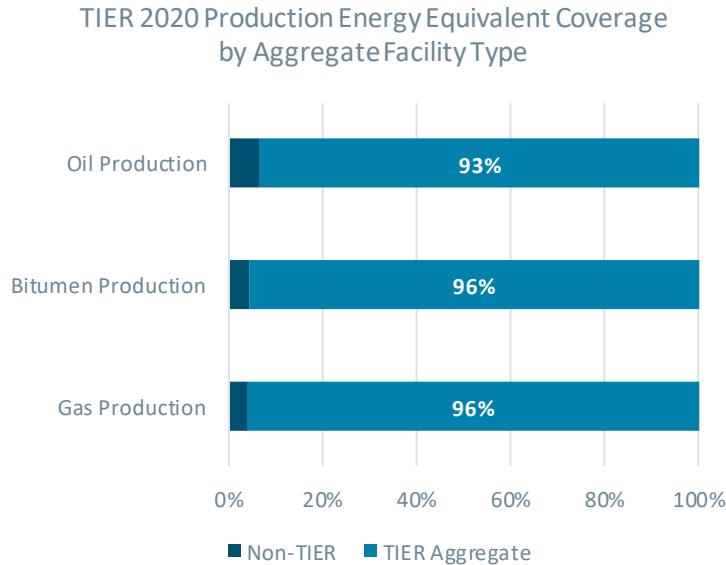


Closing Remarks

2021 Aggregates Compliance Update

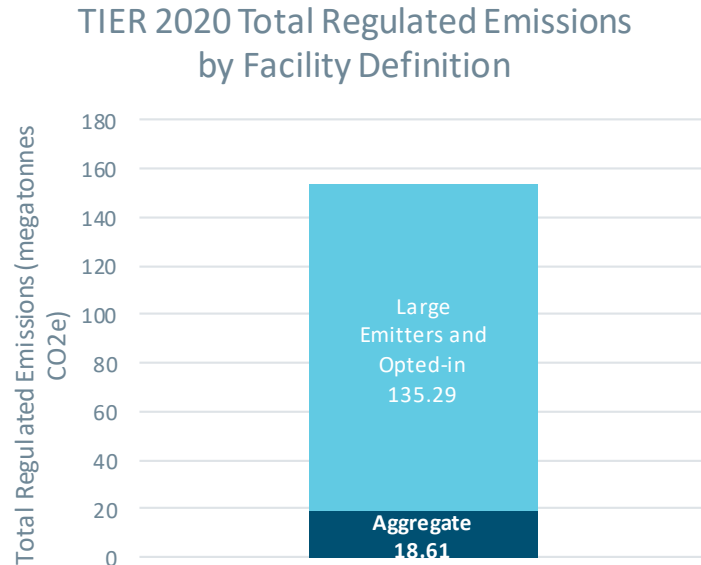
Technology Innovation and Emissions Reduction Regulation (TIER) 2020 Aggregate Sector Coverage

Observations



- On an energy equivalent production basis, there is a high degree of aggregate enrolment in TIER (93-96%).
- Not shown are:
 - Gas Processing (~40% aggregate, 55% large-emitter / opt-in).
 - Other facility types, such as injection facilities, with lower enrolment.

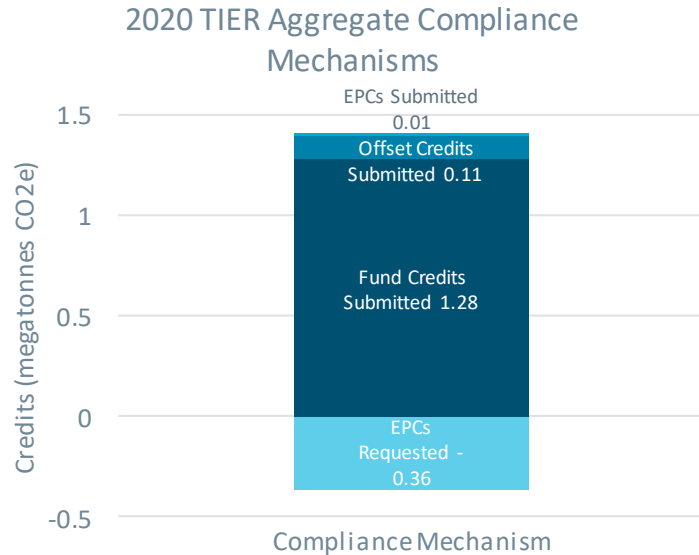
TIER 2020 Total Regulated Emissions



Observations

- Aggregate facilities account for 12 per cent of Total Regulated Emissions under TIER in 2020.

TIER 2020 Aggregate Compliance



Observations

- Aggregates relied primarily on Fund Credits (1.28 Mt) to meet True-up Obligation.
- 0.36 Mt of Emission Performance Credits requested, indicative of reductions from benchmark periods.

2020 Aggregate Compliance Update

- True up of 10% reduction in emission intensity from benchmark (BM)
- 2020 True up compliance rate of active aggregates and submitted Compliance Reports (CRs): 98 %
- Challenges: massive database, new program, acquisitions, insolvencies, dynamic, errors/updates/omissions
- 2022 Active Aggregates: ~ 250
- 2022 Facilities: ~ 60 000

2021 Aggregate Compliance Update

- \$40 per tonne for 2021, \$50 per tonne for 2022
- Use the latest confirmation of regulation notice for the given year for amendments/compliance/benchmarking
- All compliance reports need to be third party verified.
- **June 30, 2022 deadline for 2021 Compliance Reports**

Specified Gas Reporting Regulation

Specified Gas Reporting Regulation (SGRR)

- Alberta's mandatory Greenhouse Gases (GHG) reporting program for facilities emitting over 10,000 tonnes of CO₂ equivalent per year
 - This must include emissions from all the sources unlike TIER reporting for Conventional Oil & Gas facilities
- Builds on voluntary reporting by most Alberta emitters since the mid-1990's
- This regulation and the associated standard were passed in 2003
- One reporting window with Environment and Climate Change Canada (ECCC) GHG Reporting Program
- Emissions reporting data is used to inform policy development and analysis, and support federal national inventory reporting (NIR)
- Annual reporting deadline is June 1
- The Specified Gas Reporting Standard has been updated and will be posted shortly

SGRR - 2022 Updates to SWIM Alberta data fields

- Boundary files: Eliminate multiple files in the database, as facility boundaries will not change one year to the other.
- Facility need not to duplicate effort from previous year.
- Delete fields under North American Product Classification System (NAPCS) for Product Quantity and Unit from Section B of the Single Window Information Management (SWIM) ABGHG
- Equation numbers must be reported in SWIM, and guidance will be provided for the small number of cases where Alberta Greenhouse Gas Quantification Methodologies (AQM) equation numbers have been updated to align with the drop-down options in SWIM

SGRR - 2022 Updates

- Mandatory quantification methodologies:
 - Facilities regulated in TIER must use the Alberta Greenhouse Gas Quantification Methodologies (AQM)
 - Facilities not regulated in TIER must use either the AQM or the Specified Gas Reporting Regulation
 - Tier 1 methodologies in those documents are the minimum requirement for SGRR reporting, and are aligned with ECCC minimum requirements.
- NAPCS - Production reporting requirements are eliminated for products that compete with products in TIER

Aggregate Facilities TIER Enrollment & Deadlines

TIER Enrollment - Application and Notification Forms

- [Conventional Oil and Gas Facility Aggregate Application Form](#)
 - Application for creating a new aggregate facility
- [Aggregate Facility Change Form](#)
 - Application for amending an existing aggregate facility by:
 - Adding facilities to an aggregate
 - Removing facilities from an aggregate
- [TIER Notification Form](#)
 - Notification, as soon as practicable, about the following:
 - New person responsible for the whole aggregate
 - New person responsible for some facilities within the aggregate
 - Facility/facilities within the aggregate have been decommissioned
 - Facility within the aggregate has exceeded 100,000 tCO₂e emissions/year

Application Form – Key Considerations

- Single aggregate facility per application
- If additions and removals are requested for different years, separate applications for each are required.
- Following facility acquisitions, verify with the other company if the facility/(ies) are in TIER already.
- **Consult the most up to date Confirmation Letter from Alberta Environment and Parks (AEP) on the composition of the aggregate prior to requesting amendments or submitting a benchmarking application and/or the compliance report.**
- *Conventional Oil and Gas Facility* – Comprised of number of individual sites (Petrinex facilities) operated in an integrated manner in close proximity labeled under a single name of choice.


Application Form – Key Considerations

- *Petrinex Facility ID* – If not issued at the time of applications (drilling phase for example) leave the field blank but provide a brief comment in the Statement section.
- *Boundary File Name* – Required for any conventional oil and gas facility exceeding 10,000 tCO₂e/year. Updated boundary file required in case of any additions or removals of sites from a Conv. O&G facility.
- **Enrollment and amendment applications are accepted through ETS (Electronic Transfer System) only.**
 - In case of any issues with ETS contact first ETS@gov.ab.ca and if the issue persists contact our team (at aep.ghg@gov.ab.ca) but do not email the application to us unless instructed to do so.
 - Benchmarking Applications and Compliance Reports continue, for now, to be accepted by emailing aep.ghg@gov.ab.ca
- Include the 6 digit ETS Request number in all inquiries pertaining a submitted application.


Electronic Signatures and ETS Update

- AEP encourages applicants to sign off the applications within the original form to preserve the integrity of the application.
- [Guide to Signing TIER Regulation Forms](#) has been prepared to assist in signing TIER forms using digital certificates.
- When the signature of the certifying official is not provided in the application itself, a separate, single pdf document containing all pages from the application and signed by the certifying official is required.
- ETS now includes ability to submit pdf documents alongside of the original application form. **This option is to be used only when experiencing inability to sign the original application form.**
- Once the Confirmation Letter from AEP received, please verify it for correctness and contact AEP within the following two weeks in case of any discrepancies.

ETS Update



- ETS Home
 - About ETS
 - Contacts
 - Request Status
- TIERR
 - Submit Application for Aggregate Facility
 - Work in Progress**
- Account
- Encryption
- User Training



Work in Progress

Type: Request Number:

Start Date: End Date:

Status:

Comment:

| ETS # | Application Type | Status | Comment | Files | Last Updated YYYY/MM/DD | Creator |
|--------|------------------|-----------|---------|---|-------------------------|---------|
| 469591 | Aggregation | Completed | | Report: Pdf File: xlsx Support Files: kml, kmz | 2022/02/18 13:15:03 | |
| 469589 | Aggregation | Completed | | Report: Pdf File: xlsx Support Files: kmz, kml, pdf | 2022/02/18 11:46:37 | |

Acquisitions and Mergers

- **Partial (Facilities) Acquisitions**
 - Individual facilities registered within an aggregate, acquired within a compliance year, remain part of that aggregate for the full compliance year
- **Company Acquisitions and Mergers**
 - Reporting duty under TIER stays with original company for year of merger/acquisition. AEP will work with the new company to report on behalf of acquired or merged person responsible.
 - For subsequent years the new company can apply to take on the aggregate, create a new aggregate with the acquired facilities or merge it with the existing aggregate. Merging will typically require re-benchmarking.

Acquisitions and Mergers Steps

Generally, these are the steps to undertake when a merger or an acquisition of a facility or a company takes place:

1. Submission of the [TIER Notification Form](#) by the existing person responsible, as soon as practicable.
 - It is to note that the Notification Form is not actionable and will not result in a follow up by the Department. It is a requirement under the Regulation.
2. Submission of an application using [Aggregate Facility Change Form](#) by the existing person responsible for the removal of facilities from the aggregate for the following year.
3. Submission of an application using [Aggregate Facility Change Form](#) by the new person responsible for the addition of the facilities into their aggregate for the following year.

2022 Deadlines

30-Jun-2022

- Compliance Reporting for 2021

01-Sep-2022

- Request for a review of the aggregate's facility-specific benchmark for 2022 for existing aggregate facilities.
- Application for Benchmark Unit and Benchmark for new aggregates with the first Compliance Report due in 2022
- Notification about selected Benchmark Reference Years for new aggregates with the first Compliance Report due in 2022

01-Dec-2022

- Application for adding a facility to an existing aggregate facility for 2022
- Application for creating a new aggregate facility for 2023 (if this deadline missed please contact us)
- Application for removal of a facility from an existing aggregate facility for 2023
- Application for revocation of aggregate facility designation for 2023

The Department strongly encourages applicants, when possible, to submit the applications well in advance of the December 1, 2022 deadline.

Federal Fuel Charge

Disclaimer: Federal Fuel Charge Program is not managed by Government Of Alberta (GoA)

- Federal Fuel Charge applies to fuels that are combusted or flared.
- Use the Statement number from Environment and Climate Change Canada (ECCC) to register as an emitter with the CRA using forms L400 and L400-1
- Use L400-1 Exemption Certificate to present to your fuel supplier
- Registered emitters must file a B400 return monthly including for nil returns
- Effective date of the Ministerial Statement from ECCC will be the date a complete application was submitted or the start of the compliance period, whichever is later.
- Endorsement letter from CRA has the effective date the date of registration as emitter. Fuel charge exemption prior to that date is not eligible.
- Must notify ECCC if you cease to be the operator of the aggregate or any facility within the aggregate, a facility within aggregate is no longer under TIER or facility boundaries have changed.
- Contact ECCC at: ptintegrationpt@ec.gc.ca

Aggregate Facilities Benchmarking & Compliance

2021 Benchmarks Still Being Issued

- We are approximately 1/3 complete issuing aggregate benchmarks for 2021
- Only about 1/5 of aggregates had a stable population for Conventional Oil and Gas facilities (COGs) across 2020 and 2021
- More than half of aggregates with updated populations in 2021 require benchmark adjustments

Benchmark Adjustments

- We have evaluated the differences in 2019 and 2020 Petrinex fuel use and production data caused by change in the membership of the aggregate for 2021.
- Where this leads to a change in the historic intensity by more than 2% either up or down we have adjusted the FSB for 2021 accordingly.
 - For example an aggregate has requested to use 2019 and 2020 data for benchmarking. Casting the 2021 aggregate population back to 2019 and 2020 causes the historic intensity based on Petrinex fuel use to increase 3%. Historic data for Facility Specific Benchmark (FSB) increased by 3% before applying 10% reduction target.
 - Comparisons are done on a fuel basis as emissions methodologies may vary across the aggregate.
 - Changes of more than 10% will treat non-petrinex fuel conservatively. Include non-petrinex fuel if benchmark is being scaled down and exclude non-petrinex fuel in any scale up. (Data could be provided).

Benchmark Adjustment Example

- 2020 Petrinex fuel use intensity using 2020 aggregate population 100 m³/m³OE
- 2020 Petrinex fuel use intensity using 2021 aggregate population 105 m³/m³OE
- 2020 benchmark was 10.0 tonnes CO₂e/m³OE
- Adjusted benchmark will be scaled up by 1.05 or 10.5 tonnes CO₂e/m³OE

Benchmark Adjustment Example

- 2020 Petrinex fuel use intensity using 2020 aggregate population 100 m³/m³OE
- 2020 Petrinex fuel use intensity using 2021 aggregate population 115 m³/m³OE
- 2020 benchmark was 10.0 tonnes CO₂e/m³OE, 2 tonnes CO₂e/m³OE from non-Petrinex fuels, 8 tonnes CO₂e/m³OE from Petrinex fuel
- Adjusted benchmark will be scaled up by $1.15 \times 8 + 2$ or 9.2 tonnes CO₂e/m³OE + 2 tonnes CO₂e/m³OE totaling 11.2 tonnes CO₂e/m³OE

Benchmark Adjustment Example

- 2020 Petrinex fuel use intensity using 2020 aggregate population 100 m³/m³OE
- 2020 Petrinex fuel use intensity using 2021 aggregate population 85 m³/m³OE
- 2020 benchmark was 10.0 tonnes CO₂e/m³OE
- Adjusted benchmark will be scaled down by 0.85 or 8.5 tonnes CO₂e/m³OE

Benchmarking periods

- As a reminder we have provided flexibility in which periods will be used for benchmarking.
- We have received indications from many aggregates of their preferred benchmarking periods.
- Aggregate benchmarks to be set using either any two or all three years covering the year before they entered TIER and the two subsequent years.
- Sites newly entering TIER to use the prior year for first year benchmark where there is representative data.

| | | | | |
|---|------------------|------------|------------|------------|
| Selected reference years: | 2019, 2020, 2021 | 2019, 2020 | 2019, 2021 | 2020, 2021 |
| For 2021 compliance use: | 2019, 2020 | 2019, 2020 | 2019 | 2020 |
| For 2022 compliance year and onward use: | 2019, 2020, 2021 | 2019, 2020 | 2019, 2021 | 2020, 2021 |

2022 Benchmarks

- If you would like to request your benchmark to be reviewed or to submit a benchmark application for the 2022 compliance year this must be received by September 1st 2022.
 - Reminder that benchmark applications need to be third party verified.
 - In creating a benchmark application, companies should consider and assess which production unit will provide the most stable compliance outcomes.
- We will again assess the final aggregate populations for 2022 for impactful changes and consider benchmark adjustments.

Benchmark Stability

- The intention of the benchmark is to set a historic reference for the aggregate against which current year performance can be compared for compliance reporting.
- Historic benchmark provides the carbon price signal for changes in performance of the aggregate.
- Because the composition of aggregates may change as sites are acquired or sold adjustments may be required to maintain a meaningful historic reference.

TIER Review

TIER Context

- Since the implementation on January 1, 2020, the TIER regulation has met the federal requirements under the federal *Greenhouse Gas Pollution Pricing Act* (GGPPA) for 2020, 2021, and 2022.
 - As a result the federal Output-based Pricing System (OBPS) has not been applied in Alberta.
- The TIER regulation includes a requirement for a regulatory review to be completed by December 31, 2022.
 - This requirement was mandated to ensure the value of continuous improvement, and that climate policy is dynamic and must be agile to changing priorities.
 - Additionally provides opportunity to improve TIER system – integration with related policies, attract new investment, reduce administrative burden for regulated facilities, etc.

Federal Context

- On August 5, 2021, the federal government released its updated benchmark criteria that will be used to assess carbon pricing systems across Canada.
 - Provincial systems will be assessed on a multi year basis from 2023 to 2030 with an interim review in 2026.
- TIER must now meet new federal requirements under the *Greenhouse Gas Pollution Pricing Act (GGPPA)*.
 - Follow the federal carbon pollution price schedule
 - Equivalent emissions coverage to federal backstop
 - Maintain the marginal price signal in 2023 through 2030
- Alberta intends to continue to maintain jurisdiction over industrial carbon pricing, and keep the federal OBPS from being imposed in Alberta.
 - Industry and stakeholders engagement will inform recommendations for the most effective and efficient TIER system improvements.

Engagement Approach

- The TIER review engagement approach will include the following:
 - Release of a discussion document for stakeholders and public to comment on proposed key policy items.
 - Series of sector-specific webinars for stakeholders to ask questions and engage in discussion on key policy items for the sector.
- Alberta Environment and Parks is currently finalizing the approach, but anticipate engagement to start late spring 2022.

Upstream Oil and Gas Methane Regulation Update

Alberta's Methane Emission Reduction Results

- Cutting methane emissions is a cost-effective way to reduce greenhouse gas emissions.
 - Alberta was the first regional government in North America to commit to a methane emissions reduction target for the oil and gas sector.
 - Alberta will use a combination of policy tools to achieve the province's 45% methane reduction target by 2025 including regulatory requirements, market-based programs, and investments in technology and innovation.
- Alberta is on track to meet its target by 2025.
 - Alberta's first annual progress report for the 2020 reporting year shows that oil and gas methane emissions went down by about 34% between 2014 and 2020.

Methane Emissions Requirements - Next Steps

- Alberta will review the methane emission requirements no later than December 31, 2022, taking into account
 - the efficiency and effectiveness of the requirements in reducing methane emissions to meet the outcome of a 45 per cent decrease by 2025 relative to 2014 levels; and
 - developments in practices, processes, and technologies to control methane emissions.
- Represent interests of Alberta and ensure ECCC uses the most up-to-date and Alberta specific emissions and cost information in their methane regulation development, which will target at least a 75% reduction in oil and gas methane emissions, from 2012 levels.

Questions And Answers

Closing Remarks

END OF
PRESENTATION