

# Curtailment Rules under *Responsible Energy Development Act*

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# Caveat

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- This is a summary and interpretation. In case of any conflict with this presentation, the legislation, regulations and guidelines are the determinative source.

# Legislative Authority

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- The Rules are created under the authority of sections 68 and 70 of the *Responsible Energy Development Act* (REDA), section 10 of the *Oil and Gas Conservation Act* and section 20 of the *Oil Sands Conservation Act*.
- The Rules give the Minister the authority to make an Order to set the maximum combined provincial production amount of crude oil and crude bitumen on a monthly basis.
- The Minister also has the authority to make an Order to set the curtailment amount for each operator.

# Overview of Curtailment Rules

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- Timing
  - Rules termination date December 31, 2019
  - They will apply to the January production month initially and months thereafter if and as required
- Applies to Operators
  - Not owners
- Applies to both conventional and oil sands operators
  - Excludes condensate liquids
- Calculations take into account all production of crude oil and crude bitumen of each operator
- New entrants
  - Baseline would be established after 3 months of production
  - Operator reaching above 10,000 bpd also covered – initial month

# Overview of Curtailment Rules

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- Joint ventures/minority partners
  - Allow agreement to allocate within venture
  - May apply to the Minister of Energy to exchange allowance between operators or parties
- Exclusions
  - Operators that produce less than 10,000 bpd will not be required to curtail
  - Exempts 396 out of 421 operators
  - Initial 10,000 bpd are exempted for all operators
- Department of Energy requirements
  - Flexibility will be provided where appropriate if production requirements (eg. for tenure) conflict with production restrictions

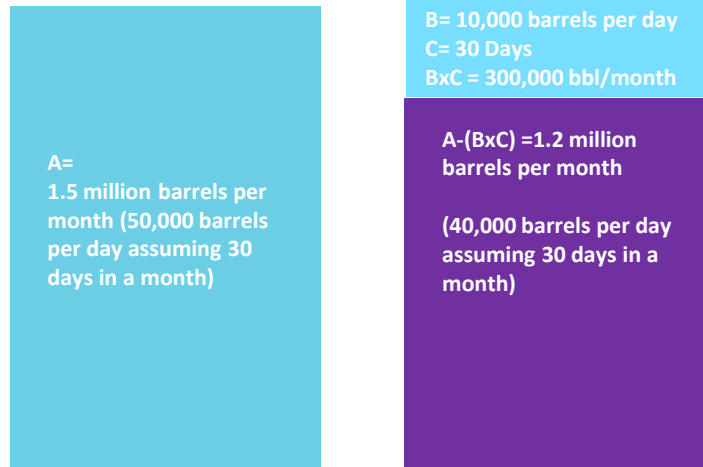
# Production Curtailment Amount

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- Production curtailment amount: Expected to be 325,000 bpd for the first three months, then adjusted monthly.
  - Each month will be reviewed, so could change
- Each operator's baseline is calculated based on the average of the top six of the last 12 months.
  - This was done to exclude months where voluntary curtailment or other unusual reductions reduced their production base.
  - 10,000 bpd deducted

# A-(B x C): Operator's adjusted baseline production

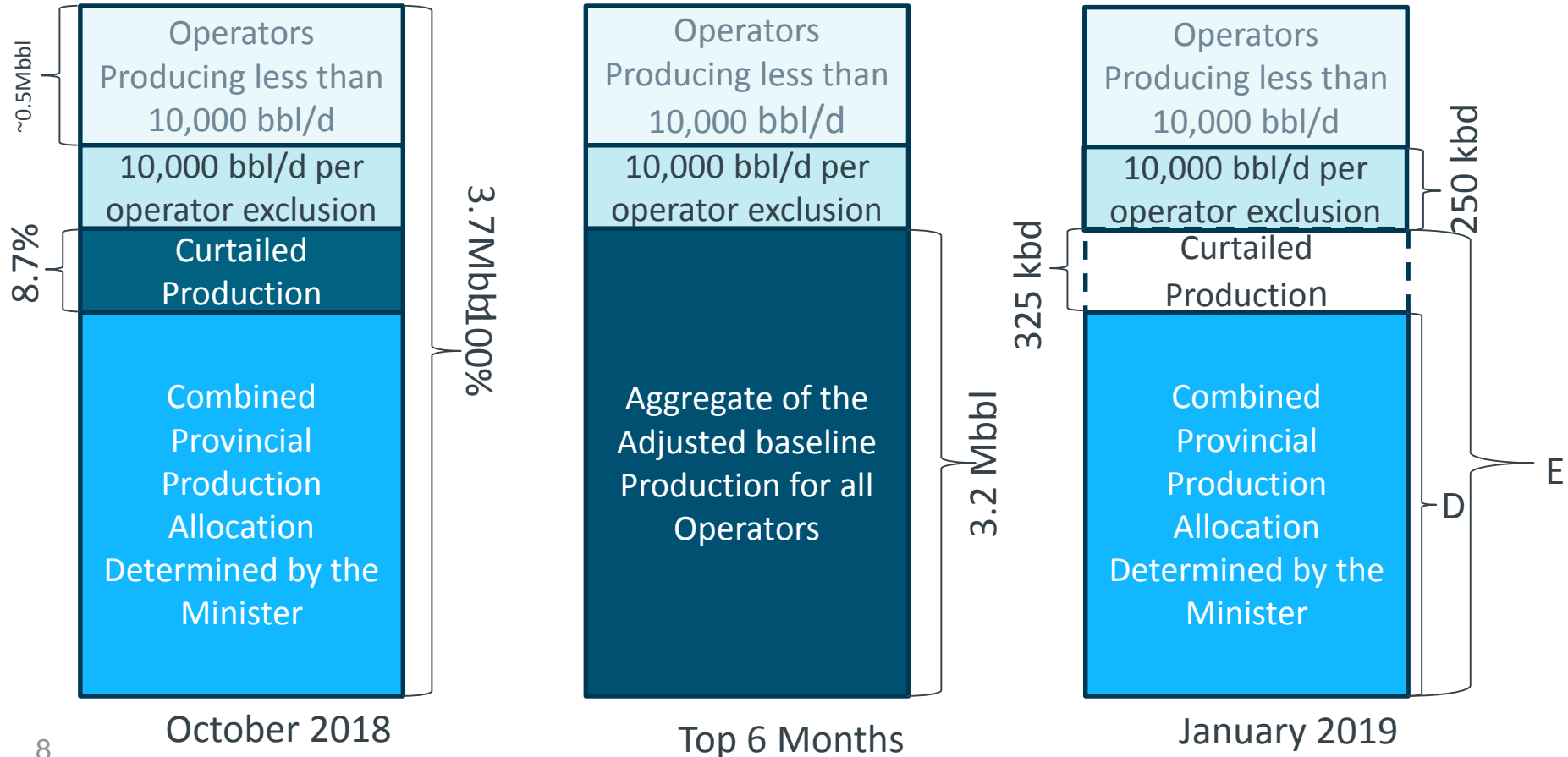
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Where:

- A – Baseline Production of Operator (Average of best 6 months from November 2017 to October 2018)
- B – is 10,000 barrels of combined production of crude oil and crude bitumen per day
- C – is the number of days in the month

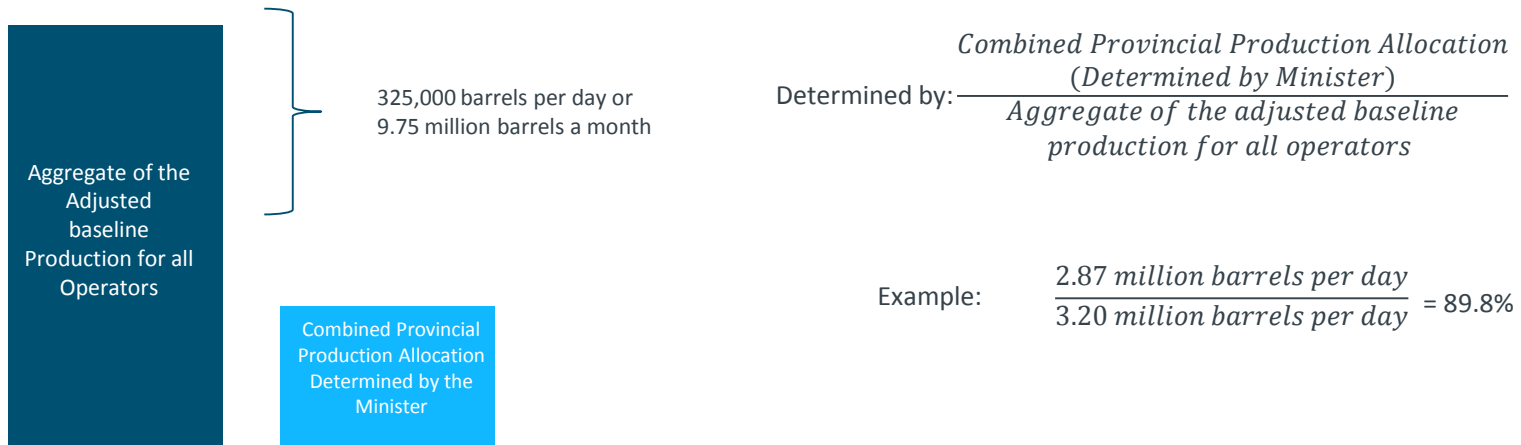
# Explaining the Percentage





# D/E: Percentage of the adjusted baseline production allowable

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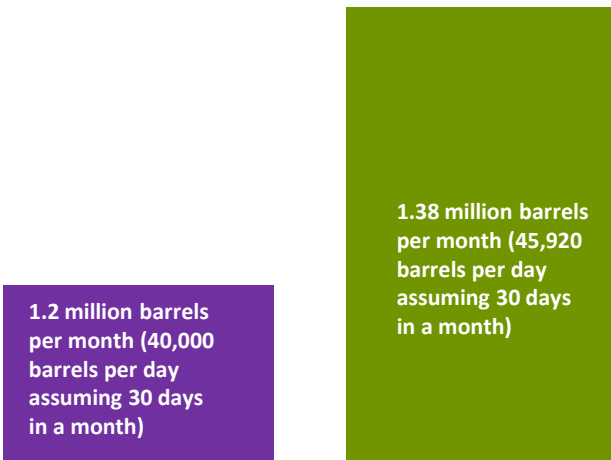


Where:

- D – is the combined provincial production allocation determined by the Minister
- E – is the aggregate of the adjusted baseline production for all operators

# $(F \times G) + (H \times I)$ : Combined amount that may be produced by the operator

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Determined by: (Adjusted baseline production times the percentage) plus 10,000 barrels times the number of days in the month

example:

$$(1.2 \text{ million bbl/month} \times 89.8\%) + (10,000 \text{ bbl/d} \times 30 \text{ days}) =$$

**1.38 million bbls per month**

(45,920 bbl/d assuming 30 days in the month)

Where:

- F – is the adjusted baseline production
- G – is the percentage of the adjusted baseline production
- H – is 10,000 bbl of combined production of crude oil and crude bitumen per day
- I – is the number of days in a month

# Implementation

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- A Ministerial Order has been sent to the AER with the provincial January production curtailment amount.
  - This Ministerial Order may be required to be revised on a monthly basis to reset the production amount.
- Ministerial Orders have also been created with company specific curtailment information.
  - These Ministerial Orders will be reissued to the AER each month to reset the company specific production amounts
- AER will establish a panel to hear unintended consequences concerns during implementation and may recommend changes

# Questions?

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