

Liability Management Framework

Background

While Alberta has a strong track record for responsible energy development, the growing inventory of orphaned and inactive wells is an issue across North America and the world – exacerbated in recent years by low commodity prices and the resulting economic downturn.

Alberta's current approach to governing the clean-up of these wells was put in place decades ago, when the oil and gas industry was largely focused on growing production and building new infrastructure. As the province's oil and gas sector has matured, a new approach to more actively manage the reclamation of sites throughout their life cycle is long overdue. This means working on the existing sites that require clean up and keeping new sites from joining the inactive and orphan inventories in the future.

The Alberta government is improving its liability management framework – which includes a series of mechanisms and requirements to improve and expedite reclamation efforts – to enable industry to better manage clean-up of oil and gas wells, pipelines and facilities at every step of the process, from exploration and licensing, through operations, reclamation, and post-closure. Taken together, the new framework will shrink the inventory of inactive and orphaned wells across the province, ensure more timely restoration of land to its original state, and protect future generations from experiencing a backlog of sites needing clean-up.

Roles

Under the liability management framework, the Alberta government sets the policy direction and provides oversight, while the Alberta Energy Regulator (AER) is responsible for administration – including monitoring progress, working with industry, and enforcement.

In addition, through authority delegated by the AER, the industry-funded Orphan Well Association (OWA) manages oil and gas sites that do not have a legally responsible and financially capable owner. This updated approach will ensure everyone who benefits from development also addresses their ongoing responsibility to clean up after themselves in a way that is fair and achievable.

Framework Improvements

The new framework will include several components:

Licensee Special Action

This action provides practical guidance and proactive support for individual or distressed operators, helping them to manage and maximize their assets, and maintain their operations. Doing so will protect Albertans from the financial and environmental burden of more inactive or orphaned sites, while ensuring operators meet their environmental responsibilities.

Licensee Capability Assessment System

Replacing the AER's current Licensee Liability Rating program, this improved system assesses the capabilities of oil and gas operators to meet their regulatory liabilities obligations, prior to receiving regulatory approvals, and enables the regulator to

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reach out proactively to provide support, through the Licensee Special Action, before operators are struggling.

The new system will be a more comprehensive and accurate corporate health assessment by taking into account a wider variety of assessment parameters.

Inventory Reduction Program

This initiative will establish annual industry site closure spending targets over a five-year rolling period to help reduce inactive well inventories, while providing flexibility to account for operator-specific circumstances.

This initiative includes the area-based closure program, where companies work together to share the cost of cleaning up multiple sites in an area. With cost savings of up to 40 per cent, this program is an example of how effective and efficient site closure can be achieved.

A new opt-in mechanism will also be implemented, allowing landowners to nominate sites for clean-up. These sites must then be reviewed by the regulator, with operators responsible for justifying why a site should not be immediately brought through closure stages. As the owner of public land, government will receive requests from Albertans for concerns on public lands and will submit them to the AER.

Addressing Legacy and Post-closure Sites

Implements a process to address legacy and post-closure sites, or sites that were abandoned, remediated or reclaimed before current standards were put in place and sites that have received reclamation certificates and the operator's liability period has lapsed. A panel will be established to consider how to address this gap, bringing these sites up-to-date with the current environmental requirements.

Expanding the Mandate of the Orphan Well Association

This framework includes the expanded role of the Orphan Well Association set out in *The Liabilities Management Statutes Amendment Act*, which came into effect June 15, 2020, enabling the association to better manage and accelerate the clean-up of wells, infrastructure and pipelines that do not have a responsible owner.

With this expanded scope the OWA will have more delegated authority to:

- protect the value of producing assets;
- protect jobs;
- protect public safety; and
- mitigate the risk of a growing inventory of orphan sites.

Implementing this new framework will accelerate the responsible reclamation of oil and gas sites, ensuring a cleaner environment for current and future generations, as well as clarifying the rules – improving Alberta's competitiveness to attract oil and gas investment.

More Information

More information about the liability management framework is available on the Alberta government's [website](#).