

Bulletin 2019-17

July 11, 2019

2019/20 AER Administration Fees (Industry Levy)

Energy Regulation Program

The Alberta Energy Regulator (AER) regulates energy resource development within Alberta and has a mandate to ensure the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources over their entire life cycle. This includes allocating and conserving water resources, managing public lands, and protecting the environment while providing economic benefits for all Albertans.

The AER's 2019/20 budget has not yet been approved. As a result, we will issue two sets of administrative fees for 2019/20. The first set of administrative fees will allow us to operate until an approved budget is provided by the Government of Alberta, at which point we will issue a second set of administrative fees to collect the remaining approved amount.

2019 Administration Fees (Industry Levy)

Sector	(\$000)		
	2019A	2019B	2018
Oil and gas	112 948	TBD	185 440
Oil sands	38 805	TBD	63 711
Coal	2 247	TBD	3 690
Total	154 000	TBD	252 841

The amount of each invoice depends on the AER's revenue requirement, 2018 production volumes, the number of wells and schemes, and the number of operators within the sector. Any change in the above factors changes the invoice amount for each operator. Invoices to operators detailing the fee calculations will be mailed on July 12, 2019, and payments are due by August 12, 2019.

The *Responsible Energy Development Act (REDA)* authorizes the AER to make rules to levy an administration fee on the oil and gas, oil sands, and coal sectors, and the imposition of a late-payment penalty, which is set at 20 per cent on any portion of the fee that remains unpaid after the due date. Invoices for administration fees are sent to and are payable by the party that was the operator on record (as defined in section 29 of *REDA*) as of December 31, 2018. For conventional wells and oil sands

schemes, “operator” means the entity that files well production, injection, or disposal data, or all three, with Petrinex, Canada’s Petroleum Information Network. If the operator fails to pay the fee, the late-payment penalty will be added and the AER will pursue the approval holder (if the actual operator and approval holder are two different parties) for payment of the full amount.

If the administration fees or penalty is not paid, the AER may use various enforcement tools to collect payment:

- 1) The AER may close producing wells or facilities.
- 2) The AER may garnish production from operating wells and facilities to collect any outstanding debts. Under section 103 of the *Oil and Gas Conservation Act*, if an approval holder has failed to pay debts to the AER, the AER has a lien on its wells, facilities, and pipelines and on land or interests in land, including mines and minerals, equipment, and petroleum substances. The AER’s lien has priority over all other liens, charges, rights of set-off, and mortgages and other security interests.
- 3) The AER may use other enforcement tools, as set out in legislation.

Oil and Gas

The administration fee in the conventional oil and gas sector is based on individual well production of oil/bitumen or gas and the number of production and service wells for the year ended December 31, 2018.

All operating wells are classified into one of eight base fee classes, as set out in the *Alberta Energy Regulator Administration Fees Rules (AFR)* and illustrated in the table below. In addition, an adjustment factor is specified and applied to each base fee. This adjustment factor ensures that the total administration fee collected for the sector satisfies the revenue requirement for the AER.

Class	Min. production (m ³ /yr)*	Max. production (m ³ /yr)	Base fee
1	Service wells		\$100.00
2	0.01	300	\$100.00
3	300.1	600	\$125.00
4	600.1	1 200	\$312.00
5	1 200.1	2 000	\$750.00
6	2 000.1	4 000	\$1 250.00
7	4 000.1	6 000	\$1 625.00
8	6 000.1	>	\$1 875.00

The adjustment factor is set at 2.722005 of the base fee specified for wells in all classes in the *AFR*.

Alberta Upstream Petroleum Research Fund (AUPRF)

The Canadian Association of Petroleum Producers (CAPP) and the Explorers and Producers Association of Canada (EPAC) have jointly requested that the AER’s administration fee process be used to collect \$4 194 000 to fund the Alberta Upstream Petroleum Research Fund (AUPRF) in 2019. The AER has agreed to assist and has included an amount for this funding in the oil and gas well administration fee invoices. As a result, the adjustment factor used for invoicing has increased from 2.722005 to 2.821377. Payment of the AUPRF is voluntary. Funds collected by the AER will be passed to Petroleum Technology Alliance of Canada (PTAC). The AER is not involved in and does not make any decisions regarding the manner in which these funds are spent or to whom the funds are disbursed. On request, the AER may provide information to PTAC regarding paid and unpaid AUPRF amounts by operator.

Oil Sands

Fees are levied in five categories based on operating information for the 2018 calendar year. An operator may have activities in more than one category. Each category is subject to an adjustment factor as identified below.

Category	Allocation (\$000)	Adjustment factor
Primary ongoing	4 602	2.911084
Thermal ongoing	15 031	2.659463
Thermal growth	9 203	4.900255
Mining ongoing	5 675	0.902981
Mining growth	4 294	14.479941
Total	38 805	

Coal

The administration fee for coal is based on each mine’s share of total production volumes for the year ended December 31, 2018. It is set at \$ 0.118462 per tonne of coal as specified in the *AFR*.

Contact

If you have questions about the 2019/20 administration fees, please contact

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Appeals

Any appeal must be made in writing to

Tom Heywood, CA
Vice President of Finance & Chief Financial Officer
Finance Branch
Alberta Energy Regulator

Suite 1000, 250 – 5 Street SW
Calgary, AB T2P 0R4
Telephone: 403-297-2133
Email: tom.heywood@aer.ca

Payment of all invoices is required by August 12, 2019, regardless of whether an appeal has been filed. Following a decision of the appeal, adjustments will be applied as needed.