

Bulletin 2021-35

September 7, 2021

Update on AER Review of Administration Fee (Industry Levy)

We are currently funded by industry and authorized to collect funds through administrative fees levied on energy development projects and activities (also referred to as an industry levy).

In 2019, the Government of Alberta (GoA) authorized us to review our administration fees. We launched a two-phased review of how fees are calculated. In early 2020, we established the Levy Methodology Review Committee that included the Canadian Association of Petroleum Producers, the Explorers and Producers Association of Canada, the Coal Association of Canada, and Alberta Energy to garner feedback.

Phase 1 was completed in spring 2020. The base fees for service wells and wells producing less than 600 cubic metres (m³) per year were reduced for the 2020/21 levy and announced in [Bulletin 2021-10](#).

In Phase 2, we reviewed the funding mechanisms of other jurisdictions, released a [narrated presentation](#) and an accompanying survey to collect industry feedback, and evaluated options to change based on the jurisdictional review and survey results. We also held workshops with each industry sector (oil and gas, oil sands, and coal) in March 2021 to review proposed changes.

After considering the feedback from the workshops, the following potential changes appear to be the most effective in achieving the desired outcomes of fairly allocating the levy to the sectors we regulate:

- Base the levy allocation on a three-year rolling average of AER staff effort for each sector (i.e., AER full-time equivalent personnel supporting the sector), starting with the invoices issued in September 2021. Currently, levy allocations are based on the estimated AER staff effort spent supporting each sector. Levies for pipelines, larger facilities, and new industry sectors, such as geothermal, would also be calculated using the three-year rolling average.
- Adjust the rate tables for the oil and gas sector for fall 2021 as follows:
 - Add two additional production classes for wells producing over 8000 m³/year and new base fees for each class.

- Include inactive oil and gas wells in the oil and gas sector levy, charging a base fee of \$42/well before applying an adjustment factor that ensures that the total administration fee collected for the sector satisfies the revenue requirement for the AER.
- Introduce a new levy on pipelines based on pipeline classes determined by pipe diameter. The levy would be phased in for spring 2022 and reflect the full amount of staff effort by 2024 as each year of effort is determined.
- A new larger facility levy. The levy would apply to 26 gas plants with approved inlet rates greater than 10 million m³/day and four standalone oil sands facilities. The larger facility sector allocation would be prorated based on inlet rate for gas plants and by production capacity for standalone facilities. The levy will be phased in for spring 2022 and reflect the full amount of staff effort by 2024 as each year of effort is determined.

The GoA is currently reviewing the proposed changes, and a decision is expected this fall.

For the 2021/22 levy, the GoA approved a total industry levy of \$207.6 million. In April 2021, as an interim billing, we issued invoices to collect fifty per cent of the administration fees using the existing methodology, providing us with operating funds until the proposed changes are approved. In fall 2021, the intent will be to issue the 2021/22 final billing of administration fees using the revised methodology. The invoice amount will be the full-year amount as of April 1, 2021, using the new methodology with credit for amounts paid under the interim billing.

We recognize that impacted licensees will require time to understand the fee implications for pipeline and larger facility levies. We will issue mock invoices to these licensees following the levy to be issued in September 2021. These invoices will provide licensees with an approximation of the 2022 pipeline and larger facility levies for planning purposes. The pipeline and larger facility levies are pending a final decision from the AER board and the AER notifying the GoA under the [*Responsible Energy Development Act*](#).

If you have questions about the 2021/22 administration fees, please contact AdminLevyReview@aer.ca.

Effective April 1, 2022, we will stop mailing paper copies of levy invoices to licensees and will send invoices by email only. Electronic invoice delivery will ensure secure delivery and create efficiencies in approval and payment processing. Please forward your preferred corporate email address or addresses to AdminLevyReview@aer.ca. A generic email address is preferred to avoid changes because of staff turnover.