

Bulletin 2021-37

September 23, 2021

2021/22 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.

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 and led to rate reductions for service wells and wells producing less than 600 cubic metres (m³) per year for the 2020/21 industry 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.

The AER board of directors and GoA examined the results of the review and approved the following changes for the 2021/22 administration fees:

- Allocate the levy using a three-year rolling average based on the AER staff effort by sector (oil and gas, oil sands, and coal). This is a change from basing allocations on AER staff effort spent supporting each sector using only the previous calendar year.
- Revise the oil and gas sector rate table as follows:
 - Add two new production classes for wells producing over 8000 m³/year.

- Apply a revised base fee for each production class.
- Add inactive oil and gas wells to the oil and gas sector levy. A \$42 fee per inactive well will be charged before applying the adjustment factor.

These changes were announced in early September by the AER in [Bulletin 2021-35](#).

For 2021/22, the GoA-approved revenue required to support our operations is \$207.6 million. In April 2021, we issued an interim billing to collect \$103.3 million of the approved administration fees using the existing methodology, as announced in [Bulletin 2021-10](#). This interim billing was to provide us with funds to operate until the revised methodology was completed and approved. The 2021/22 final billing has been issued using the revised methodology for the full-year amount as of April 1, 2021, and companies have been provided credit for amounts paid under the interim billing.

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.

2021/22 Administration Fees (Industry Levy)

The following table lists the 2021/22 full-year amounts by sector.

Sector	(\$000)	
	2021	2020 ¹
Oil and gas	149 778	166 414
Oil sands	50 818	57 174
Coal	6 996	3 312
Total	207 592	226 900

¹In 2020, the GoA provided 50 per cent (\$113 million) of the AER's funding requirement because of COVID-19.

The amount of each 2021 invoice depends on the AER's revenue requirement, 2020 production volumes, the number and types of wells and schemes, and the number of operators in the sector. Any change in these factors will alter the invoice amount for each operator. Invoices to operators detailing the fee calculations will be emailed on September 23, 2021, with payment due by **October 25, 2021**.

The [Responsible Energy Development Act \(REDA\)](#) authorizes us to levy an administration fee on the oil and gas, oil sands, and coal sectors and impose a late-payment penalty, which is 20 per cent on any portion of the fee that remains unpaid after the due date. Invoices for administration fees are sent to and payable by the party that was the operator on record (as defined in section 29 of REDA) as of

December 31, 2020. For conventional wells and oil sands schemes, “operator” means the entity that files well production, injection, or disposal data, or all three, with [Petrinex](#). If the operator fails to pay the fee, the late-payment penalty will be added, and we 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, we may use various enforcement tools to collect payment:

- We may close producing wells or facilities.
- We 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, pipelines, and land or interests in land, including mines and minerals, equipment, and petroleum substances. Our lien has priority over all other liens, charges, rights of set-off, mortgages, and other security interests.
- We may use other enforcement tools set out in legislation.

Oil and Gas Sector

The administration fee in the conventional oil and gas sector is based on individual well production of oil and bitumen or gas and the number of inactive, service, and production wells for the year ended December 31, 2020.

All wells are classified into one of ten base fee classes set out in the [Alberta Energy Regulator Administration Fees Rules \(AFR\)](#) and shown in the following table. 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 our revenue requirement. The table also shows the new base fees implemented under the revised levy methodology and the two new fee classes for wells producing over 8000 m³/year. In addition, we now include inactive oil and gas wells in the oil and gas sector levy. A \$42 fee per inactive well will be charged before applying the adjustment factor.

Fee class	Min. production (m ³ /yr)*	Max. production (m ³ /yr)	Base fee 2021/22
0	Inactive wells	Not applicable	\$42.00
1	Service wells	Not applicable	\$50.00
2	0.01	300	\$42.00
3	300.1	600	\$102.00
4	600.1	1 200	\$240.00
5	1 200.1	2 000	\$460.00
6	2 000.1	4 000	\$1 040.00
7	4 000.1	6 000	\$1 740.00

8	6 000.1	8 000	\$2 560.00
9	8 000.1	10 000	\$3 500.00
10	10 000.1	>	\$3 800.00

* The adjustment factor is set at 3.934119 of the base fee specified for wells in all classes in the *AFR*.

Oil Sands Sector

Fees are levied in five categories based on operating information for the 2020 calendar year. An operator may have activities in more than one category. Each category is subject to an adjustment factor as shown in the following table.

Category	Allocation (\$000)	Adjustment factor
Primary ongoing	6 967	5.162912
Thermal ongoing	15 855	2.991896
Thermal growth	7 536	8.047694
Mining ongoing	14 702	2.320594
Mining growth	5 758	16.653068
Total	50 818	

Coal Sector

The administration fee for coal is based on each mine's share of total production volumes for the year ended December 31, 2020. It is set at \$0.446721 per tonne of coal as specified in the *AFR*.

Contact

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

Appeals

Any appeal must be made in writing and sent to AdminFeeCoordinator@aer.ca.

Payment of all invoices is required by **October 25, 2021**, regardless of whether an appeal has been filed. Following a decision of the appeal, adjustments will be applied as needed.