

Bulletin 2021-45

December 1, 2021

New Requirements and Guidance Related to Liability Management

Today we released *Directive 088: Licensee Life-Cycle Management* and *Manual 023: Licensee Life-Cycle Management*. The new directive and manual replace requirements and guidance in *Bulletins 2016-10, 2016-16, and 2016-21*. We have also made amendments to *Directive 006: Licensee Liability Rating (LLR) Program* and *Directive 013: Suspension Requirements for Wells*. These new and revised documents come into effect today. The *Oil and Gas Conservation Rules* and *Pipeline Rules* have been changed to include the new directive and reflect the new title of *Directive 006*.

Directive 088

The new directive supports the Government of Alberta's new [Liability Management Framework](#) and is enabled by rule changes announced in [Bulletin 2020-26](#).

This directive

- introduces a holistic assessment of a licensee's capabilities and performance across the energy development life cycle, which will be supported by the licensee capability assessment (LCA);
- introduces the Licensee Management Program, which determines how licensee management will occur across the energy development life cycle;
- introduces the Inventory Reduction Program, which sets mandatory closure spend targets for closure activities and spends by licensees;
- updates application requirements related to the licence transfer process; and
- describes the first phase of improvements to security collection as the AER transitions to a broader security framework to replace liability management rating (LMR) security collection outlined in *Directive 006*.

A draft of this directive was released for public feedback on June 8, 2021 (see [Bulletin 2021 - 22](#)). A summary of the feedback, including our responses, is available on the directive's webpage.

Manual 023

Through the process of responding to public feedback on the draft directive, we decided to create a manual to provide further information.

Amendments to Directive 006

As we continue to implement the new *Liability Management Framework*, further revisions will be made to *Directive 006* in phases as we transition away from the Licensee Liability Rating Program and implement the programs outlined in *Directive 088*. We will continue to use the LMR ratio as described in *Directive 006*, except for circumstances outlined in *Directive 088*. In this first phase, requirements around licence transfer applications are moved from *Directive 006* to *Directive 088*. Subsequent phases will include additional changes to *Directive 006* and other AER directives related to liability management (e.g., *Directive 001*, *Directive 011*, *Directive 024*, *Directive 068*, and *Directive 075*).

Amendments to Directive 013

We removed references to AER-approved closure plans from sections 3.2.1 and 3.2.2 of *Directive 013* regarding the ability to use option 3 to suspend or inspect medium-risk type 6 wells and replaced them with new requirements related to the mandatory closure spend targets established in *Directive 088*.

Current Transfer Applications

Due to the significant change in application requirements for transfers and how applications will be assessed, any applications for transfer of licences submitted to the AER but not yet dispositioned as of December 1, 2021, will be closed and returned, and companies may reapply under the new requirements. This is to ensure completeness of the applications and consistency, fairness, and efficiency. We will directly notify each applicant and any statement of concern filers affected by this process.

Information Sessions

We will host information sessions in early 2022 to ensure that all those who are affected by the new directive, as well as those are interested in learning more, are aware of the new requirements. A general overview of *Directive 088* will be given on January 25 for industry and February 3 for other stakeholders and Indigenous communities. Sessions that outline the specific details of new processes and requirements for licensees will be held on February 8 for the licensee capability assessment, February 10 for the transfer process and security, and February 16 for the inventory reduction program. Registration for each session is now open through [our events page](#).

inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

More information on our various liability management programs is available on our website, www.aer.ca > Regulating Development > Project Closure > [Liability Management Programs and Processes](#). If you have any questions about the new directive, manual, or amendments to the directives, please contact [LiabilityManagement@aer.ca](mailto:LiabilityManagement@ aer.ca).