

Bulletin 2022-09

April 11, 2022

2022/23 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. The results of that review were released in *Bulletin 2021-37* and *Bulletin 2022-01*. This is the first levy issued under the new methodology to include pipelines and facilities.

For 2022/23, the GoA-approved revenue required to support our operations is \$200.7 million. 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. If you have not already done so, please forward your preferred corporate email address or addresses to [AdminLevyReview@aer.ca](mailto:AdminLevyReview@ aer.ca). A generic email address is preferred to avoid changes because of staff turnover.

2022/23 Administration Fees (Industry Levy)

The following table lists the 2022/23 amounts by sector.

Sector	(\$000)	
	2022	2021
Oil and gas	142 157	149 778
Oil sands	45 004	50 818
Coal	8 571	6 996
Pipelines	3 453	n/a
Facilities (<i>Directive 056</i>)	1 385	n/a
Facilities (<i>Directive 023</i>)	160	n/a
Total	200 730	207 592

The amount of each 2022 invoice depends on the AER's revenue requirement, 2021 production volumes, the number and types of wells and schemes, the total km of pipelines on each class, facility inlet rates, and the number of operators in the sector. Any change in these factors will alter the invoice amount for operators depending on the sectors they operate in. Invoices to operators detailing the fee calculations will be emailed on April 11, 2022, with payment due by **May 11, 2022**.

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, 2021. 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 impose Global Refer, and this may result in an AER order issued in accordance with section 22 of the *Oil and Gas Conservation Act*. The Global Refer status indicates the company's inability and unwillingness to comply and will be considered when deciding any pending or future applications to the AER.
- 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, 2021.

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.

Fee class	Min. production (m ³ /yr)*	Max. production (m ³ /yr)	Base fee 2022/23
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 3.721143 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 \$4 100 000 to fund the Alberta Upstream Petroleum Research Fund (AUPRF) in 2022. 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 3.721143 to 3.827589. 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 Sector

Fees are levied in five categories based on operating information for the 2021 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	6 242	4.232472
Thermal ongoing	13 168	2.334535
Thermal growth	4 181	5.695956
Mining ongoing	17 587	2.640234
Mining growth	3 826	12.528503
Total	45 004	

Coal Sector

The administration fee for coal is based on each mine's share of total production volumes for the year ended December 31, 2021. It is set at \$0.861248 per tonne of coal as specified in the *AFR*.

Pipelines Sector

The administration fee for pipelines is based on the segments of a pipeline on each class as at December 31, 2021. Pipelines segments subject to an administration fee are classed into one of the classes as per table below:

Class	Diameter (mm)	Base fee (\$)
A	<168.3	50.00
A (Discontinued)		25.00
B	≥168.3 and <609.6	60.00
B (Discontinued)		30.00
C	≥609.6	100.00
C (Discontinued)		50.00

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. For the 2022/23 fiscal year, the annual adjustment factor is 0.586598.

Facilities (*Directive 056*) – Gas Plants

The administration fees are levied to gas plant facilities with an inlet rate greater than or equal to ten million cubic metres per day as of December 31, 2021, and an active, new, or unknown activity status. The rate is set at \$2.044546 for every thousand cubic metres per day and applied based on the individual facility inlet rate, as specified in the *AFR*.

Facilities (*Directive 023*) – Processing Plants

The administration fees are levied to processing plant facilities approved under the *Oil Sands Conservation Act* with an operating status as of December 31, 2021. The rate is set at \$3.071925 for each cubic metre per day and applied based on the individual facility inlet rate as specified in the *AFR*.

Contact

If you have questions about the 2022/23 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 **May 11, 2022**, regardless of whether an appeal has been filed. Following a decision of the appeal, adjustments will be applied as needed.