

Bulletin 2022-10

April 11, 2022

2022/23 Orphan Fund Levy – LLR and OWL Programs

In accordance with Part 11 of the *Oil and Gas Conservation Act*, the Alberta Energy Regulator (AER) is prescribing an orphan fund levy in the amount of \$72 million.

The Government of Alberta has approved this levy of \$72 million to fund the Orphan Well Association's (OWA's) operating budget for fiscal year 2022/23. The AER will allocate the orphan fund levy among licensees and approval holders included within the Licensee Liability Rating (LLR) and Oilfield Waste Liability (OWL) programs based on the April 2022 liability management rating assessment. Information on these programs is contained in [Directive 006: Licensee Liability Rating \(LLR\) Program and Licence Transfer Process](#), [Directive 011: Licensee Liability Rating \(LLR\) Program – Updated Industry Parameters and Liability Costs](#), and [Directive 075: Oilfield Waste Liability \(OWL\) Program](#).

The calculation for the levy is outlined in Part 16.5 of the [Oil and Gas Conservation Rules](#). Neither the new holistic assessment nor the licensee capability assessment (LCA), outlined in [Directive 088](#) and [Manual 023](#) as part of the new liability management framework, has any impact on the levy calculation at this time.

Levy Formula

Each licensee or approval holder included within the LLR, and OWL programs will be invoiced for its proportionate share of the orphan fund levy in accordance with the following formula:

$$\text{Levy} = \frac{A}{B} \times \$72\,000\,000$$

where

- *A* is the licensee's or approval holder's deemed liabilities on April 2, 2022, for all of its facilities, wells, and unreclaimed sites included in the LLR and OWL programs, as calculated in accordance with *Directive 006*, *Directive 011*, and *Directive 075*; and
- *B* is the sum of the industry's deemed liabilities on April 2, 2022, for all facilities, wells, and unreclaimed sites included in the LLR and OWL programs, as calculated in accordance with *Directive 006*, *Directive 011*, and *Directive 075*.

Each licensee's or approval holder's portion of the orphan fund levy is based on its licensed and approved properties as of April 2, 2022, according to AER records.

A licensee or approval holder may review its deemed liabilities in the LLR and OWL programs at any time through the Digital Data Submission (DDS) system on the AER website at www.aer.ca.

Notification and Payment

An orphan fund levy invoice will be sent to the attention of each licensee's or approval holder's chief financial officer by email to the address the AER has on file.

In the event the AER does not have an email address on file, or an emailed invoice has been returned as "undeliverable," the AER will send a hard copy of the invoice to the corporate mailing address provided under *Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals*.

Licensees and approval holders are reminded that it is their responsibility to ensure that *Directive 067* records are kept up to date. To update corporate email or mailing addresses, contact [Directive067@aer.ca](mailto:Directive067@ aer.ca).

Orphan fund levy invoices will be emailed by April 11, 2022. It is the licensee's or approval holder's responsibility to ensure that the invoice is directed to the appropriate person. If the licensee or approval holder does not receive their orphan fund levy invoice by April 11, 2022, they must contact OrphanLevy@aer.ca to request a copy.

All orphan fund levy invoices must be paid in full by the licensee or approval holder and received by the AER by **May 11, 2022**. Payment must be made payable to the "Alberta Energy Regulator" in Canadian currency using an acceptable financial instrument, such as a cheque, money order, or bank draft. We cannot accept cash or electronic fund transfers at this time.

Failure to pay the full invoiced amount by May 11, 2022, will result in a penalty of 20 per cent of the original invoiced amount being assessed to the licensee or approval holder pursuant to section 74(2) of the *Oil and Gas Conservation Act*. Additional compliance measures may also be applied in accordance with the AER's compliance assurance program, such as the issuance of a corporate-wide closure order.

Furthermore, the information regarding nonpayment of debt may be used in a licensee capability assessment, which involves determining a company's ability to meet its financial obligations throughout the life cycle of its energy projects. For more information about the licensee capability assessment, see www.aer.ca > Providing Information > By Topic > [Liability Management](#).

Appeal

Section 76 of the *Oil and Gas Conservation Act* sets out the grounds for an appeal. The written appeal may be either emailed to the attention of Finance at OrphanLevy@aer.ca or mailed to the following address:

Attention: Finance
Alberta Energy Regulator
Suite 1000, 250 – 5th Street
Calgary, Alberta T2P 0R4

Even if an appeal is filed, payment in full of the original invoiced amount is required by **May 11, 2022**, to avoid an automatic notice of noncompliance and 20 per cent penalty. The AER will refund any overpayment resulting from a successful appeal within 30 days of the result of the appeal.

For questions about this bulletin, contact OrphanLevy@aer.ca.