

Bulletin 2022-23

June 28, 2022

Mandatory Closure Spend Target Set for 2023

Under the Government of Alberta’s new [Liability Management Framework](#), we have implemented an Inventory Reduction Program (described in [Directive 088: Licensee Life-Cycle Management](#)), which involves setting industry-wide closure spend targets. Closure spend targets increase the amount of closure work that is occurring in the province as licensees are required to spend a minimum amount annually on abandoning, remediating, and reclaiming their oil and gas sites. (These targets are referred to as closure quotas in section 3.014 of the [Oil and Gas Conservation Rules](#).)

To determine closure targets, we use liability associated with inactive wells (as per [Directive 013: Suspension Requirements for Wells](#)) and inactive facilities (no activity for 12 months), collectively referred to as “inactive liability.”

Every year, we release by July 31 industry-wide closure spend targets for a five-year period on our website, [www.aer.ca](#) > Regulating Development > Project Closure > Liability Management Programs and Processes > [Inventory Reduction Program](#). The next year’s target is set, while the remaining four years are forecast. This is a change from what we did last year. In [Bulletin 2021-23](#), targets were set for both 2022 and 2023.

Targets are reviewed annually and are subject to change due to a variety of factors, such as market conditions and previous years’ closure spending. When reviewing the 2023 closure target, we opted to increase the target based on three considerations:

- Our preliminary data indicate that in 2021 about \$628 million was spent on closure activity, funded by industry and grants received from the Government of Alberta’s [Site Rehabilitation Program](#). This amount represents a closure expenditure that is 48 per cent higher than the industry-wide mandatory target set for 2022.
- Higher commodity prices are creating the financial conditions where licensees are able to increase closure spending.
- The oil and gas service sector is experiencing growth for the first time since 2014, supported by the Site Rehabilitation Program. Increasing the closure target helps maintain that growth.

Year	Industry-wide mandatory target
2023 (set)	\$700 million
2024 (forecast)	\$764 million
2025 (forecast)	\$833 million
2026 (forecast)	\$909 million
2027 (forecast)	\$992 million

Licensee-Specific Targets

Each oil and gas licensee with inactive wells and facilities is required to meet an individual annual mandatory target.

In setting licensee-specific targets, we consider the licensee's proportion of the total industry inactive liability and the licensee's financial health, determined using financial information provided under [Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals](#). Licensees are reminded that financial submissions under *Directive 067* (Schedule 3) must be submitted within 180 days after fiscal year end.

Licensee-specific targets for 2023 will be visible by July 31 within OneStop. Licensees may still commit to a voluntary closure spend target that is more than their mandatory target to qualify for incentives. Further information about the Inventory Reduction Program, closure targets (mandatory and voluntary), and incentives for committing to a voluntary target is available in *Directive 088* and [Manual 023: Licensee Life-Cycle Management](#).

If you have any questions regarding the program, contact [InventoryReduction@aer.ca](mailto:InventoryReduction@ aer.ca). Please do not inquire about licensee-specific targets until after July 31, 2022.