

Bulletin 2023-41

November 16, 2023

Ongoing Implementation of the *Liability Management Framework*

As previously noted in [Bulletin 2021-45: New Requirements and Guidance Related to Liability Management](#), we are implementing the Government of Alberta's new [Liability Management Framework](#) in phases. This includes replacing the Licensee Liability Rating (LLR) Program, including the Liability Management Rating (LMR), and establishing a new security framework under the [Oil and Gas Conservation Act](#).

The LLR program works together with the large facility and oilfield waste liability programs. With the replacement of the LLR program, it is expected that these programs, along with other regulatory instruments, will likely need to be updated. While this work is underway, we will look for opportunities to consolidate or remove duplicative requirements and reorganize information to make our requirements and information clearer for our stakeholders. Some of the regulatory instruments likely to be affected include the following:

- *Oil and Gas Conservations Rules*
- [Directive 001](#): *Requirements for Site-Specific Liability Assessments in Support of the ERCB's Liability Management Programs*
- [Directive 006](#): *Licensee Liability Rating Program*
- [Directive 011](#): *Licensee Liability Rating (LLR) Program – Updated Licensee Parameters and Liability Estimates*
- [Directive 024](#): *Large Facility Liability Management Program*
- [Directive 068](#): *Security Deposits*
- [Directive 075](#): *Oilfield Waste Liability Program*
- [Directive 088](#): *Licensee Life-Cycle Management*
- [Manual 023](#): *Licensee Life-Cycle Management*

We will engage with stakeholders in 2024. This engagement will occur before the draft documents are provided for public comment.

The LLR program defines “deemed liability,” which is used in the calculation of the orphan fund levy. The definition of deemed liability and the calculation formula will *not* change for the issuance of the 2024 orphan fund levy.

Security Framework

The current method of collecting security when a licensee’s ratio of deemed assets to deemed liabilities (its LMR) is less than 1.0 is not the best indicator of risk. Analysis of past insolvent licensees showed that many of them had an LMR greater than 1.0. To address these issues and to align with the Government of Alberta’s *Liability Management Framework*, we will replace the current security framework with one that considers the following guiding principles:

- Risk-based, using components of the holistic licensee assessment described in [Directive 088](#) to determine when and how much security needs to be collected.
- Applies throughout the entire energy development life cycle (application, construction, operation, and closure).
- Complements our Inventory Reduction Program, which aims to increase the amount of closure work occurring in Alberta and reinforces a licensee’s regulatory obligation to clean up and close inactive and abandoned sites.
- Upholds the polluter-pay principle in a way that is fair and manageable.
- Financially and administratively feasible for industry and the AER, with requirements and processes that are explicit and defined.

This new framework will be implemented in phases, the first of which is targeted for late 2024. As more information becomes available about the requirements, it will be shared.

Liability Estimates

[Directive 011: Licensee Liability Rating \(LLR\) Program; Updated Licensee Parameters and Liability Estimates](#) was last updated in 2015. As a result, the estimated costs for abandonment and reclamation are outdated. The AER is assessing the actual closure costs collected through the mandatory closure spend quotas and the prior Area-Based Closure (ABC) Program, which we will then use to determine how best to update the estimated liability costs.

Liability Management Reporting

The Liability Rating Report in the Digital Data Submission (DDS) system is no longer supported and will eventually be removed as part of the changes described in this bulletin. Licensees should instead use the OneStop Liability Assessment Report, which will continue to be updated to align with the changes being made as a result of the liability management framework.

We are assessing the information and performance metrics that we can provide related to closure and liability. More information on reporting will be shared as it becomes available.

For general inquiries or assistance with OneStop, please contact our Customer Contact Centre at 403-297-8311 (toll-free 1-855-297-8311) or inquiries@acr.ca. For questions related to the ongoing implementation of the *Liability Management Framework* or for general liability-related questions, please contact LiabilityManagement@acr.ca.