

# Bulletin 2020-18

September 10, 2020

## 2020/21 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.

We are funded by an industry levy. In December 2019, we issued [Bulletin 2019-33](#) announcing that we would be reviewing the methodology used to calculate the levy. We then established a joint committee with representatives from the Canadian Association of Petroleum Producers (CAPP), the Explorers and Producers Association of Canada (EPAC), and the Coal Association of Canada (CAC), as well as Alberta Energy, to garner feedback. The committee's work has been divided into two phases: changes that are possible in the near term, and more substantial changes in the long term.

The committee completed the first phase of the review in spring 2020. Based on its advice, the AER's board of directors has approved reducing the base fees for service wells and wells producing less than 600 cubic metres (m<sup>3</sup>) per year for the 2020/21 industry levy. These revised fees are provided in the section "Oil and Gas."

The AER will provide details about the second phase of the review of the levy methodology in a separate communication to industry.

For 2020/21, the Government of Alberta approved a total industry levy of \$226.5 million. In March 2020, the government announced that it would provide \$113 million to cover the industry levy for six months (April to September). This relief was in response to the economic impacts of COVID-19 and record low commodity prices. We are now issuing the administration fees to collect the remaining \$113.5 million.

## 2020 Administration Fees (Industry Levy)

Sector	(\$000)	
	2020*	2019
Oil and gas	83 207	171 052
Oil sands	28 587	58 767
Coal	1 656	3 403
<b>Total</b>	<b>113 450</b>	<b>233 222</b>

\* The amounts for 2020 cover 6 months. The provincial government provided a total of \$113 million for the other 6 months.

The amount of each invoice depends on the AER's revenue requirement, 2019 production volumes, the number of wells and schemes, and the number of operators within the sector. Any change in the above factors changes the invoice amount for each operator. Invoices to operators detailing the fee calculations will be mailed on September 15, 2020, and payments are due by October 15, 2020.

*Responsible Energy Development Act (REDA)* authorizes the AER to levy an administration fee on the oil and gas, oil sands, and coal sectors, and to 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 are payable by the party that was the operator on record (as defined in section 29 of *REDA*) as of December 31, 2019. For conventional wells and oil sands schemes, "operator" means the entity that files well production, injection, or disposal data, or all three, with Petrinex, Canada's Petroleum Information Network. If the operator fails to pay the fee, the late-payment penalty will be added and the AER 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, the AER may use various enforcement tools to collect payment:

- 1) The AER may close producing wells or facilities.
- 2) The AER 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, and pipelines and on land or interests in land, including mines and minerals, equipment, and petroleum substances. The AER's lien has priority over all other liens, charges, rights of set-off, and mortgages and other security interests.
- 3) The AER may use other enforcement tools, as set out in legislation.

## Oil and Gas

The administration fee in the conventional oil and gas sector is based on individual well production of oil/bitumen or gas and the number of production and service wells for the year ended December 31, 2019.

All operating wells are classified into one of eight base fee classes, as set out in the [Alberta Energy Regulator Administration Fees Rules \(AFR\)](#), and illustrated in the table below. 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 the revenue requirement for the AER.

The table also shows the decrease in the base fees for service wells and wells producing less than 600 m<sup>3</sup> per year for the 2020/21 industry levy.

Class	Min. production (m <sup>3</sup> /yr)*	Max. production (m <sup>3</sup> /yr)	Base fee 2020/21	Base fee prior years
1	Service wells		\$70.00	\$100.00
2	0.01	300	\$90.00	\$100.00
3	300.1	600	\$110.00	\$125.00
4	600.1	1 200	\$312.00	\$312.00
5	1 200.1	2 000	\$750.00	\$750.00
6	2 000.1	4 000	\$1 250.00	\$1 250.00
7	4 000.1	6 000	\$1 625.00	\$1 625.00
8	6 000.1	>	\$1 875.00	\$1 875.00

\* The adjustment factor is set at 2.152445 of the base fee specified for wells in all classes in the AFR.

## Alberta Upstream Petroleum Research Fund

CAPP and EPAC have jointly requested that the AER's administration fee process be used to collect \$4 078 000 to fund the Alberta Upstream Petroleum Research Fund (AUPRF) in 2020. We have agreed to assist and have 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 2.152445 to 2.256598. Payment of the AUPRF is voluntary. Funds that we collect will be passed to the Petroleum Technology Alliance of Canada (PTAC). We are not involved in and do not make any decisions regarding the manner in which these funds are spent or to whom the funds are disbursed. On request, we may provide information to PTAC regarding paid and unpaid AUPRF amounts by operator.

## Oil Sands

Fees are levied in five categories based on operating information for the 2019 calendar year. An operator may have activities in more than one category. Each category is subject to an adjustment factor as identified below.

Category	Allocation (\$000)	Adjustment factor
Primary ongoing	3 390	2.291800
Thermal ongoing	11 073	2.023116
Thermal growth	6 779	5.299832
Mining ongoing	4 181	0.636310
Mining growth	3 164	3.489996
<b>Total</b>	<b>28 587</b>	

## Coal

The administration fee for coal is based on each mine's share of total production volumes for the year ended December 31, 2019. It is set at \$0.088061 per tonne of coal as specified in the *AFR*.

## Contact

If you have questions about the 2020/21 administration fees, please contact

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Finance Branch  
Alberta Energy Regulator

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Calgary, AB T2P 0R4  
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## Appeals

Any appeal must be made in writing to

Mike Dalton, CA  
Vice President  
Finance Branch  
Alberta Energy Regulator

Suite 1000, 250 – 5 Street SW  
Calgary, AB T2P 0R4  
Telephone: 587-794-4374  
Email: [mike.dalton@aer.ca](mailto:mike.dalton@aer.ca)

Payment of all invoices is required by October 15, 2020, regardless of whether an appeal has been filed. Following a decision of the appeal, adjustments will be applied as needed.