

Bulletin 2021-10

April 6, 2021

2021/22 AER Interim 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. For 2021/22, the Government of Alberta approved a total industry levy of \$206.6 million. In [Bulletin 2019-33](#), we announced a review of how the levy is calculated. That work, discussed below, is ongoing. As a result, we are levying fifty per cent, or \$103.3 million, of the approved administration fees using the existing methodology as interim billing. This is to provide the AER with funds to operate until the revised methodology has been completed. Once that occurs, we will bill the full-year amounts using the revised methodology, providing credit for amounts paid under the interim billing.

Levy Methodology Review

Our review of the methodology has been divided in two phases: changes that are possible in the near term, and more substantial changes in the long term. In early 2020, we established a joint committee with Alberta Energy and industry representatives from the Canadian Association of Petroleum Producers (CAPP), the Explorers and Producers Association of Canada (EPAC), and the Coal Association of Canada (CAC) to garner feedback.

The committee completed the first phase of the review in spring 2020. Following advice from the committee and approval from the AER's board of directors, the base fees for service wells and wells producing less than 600 cubic metres (m³) per year were reduced for the 2020/21 administration levy.

In October 2020, we issued via [Bulletin 2020-21](#) an open call for feedback on the current methodology for calculating the levy. After collecting this feedback, we identified a number of areas for change and we are now in the process of building a revised model based on the targeted stakeholder feedback.

In March 2021, we held workshops with industry on the potential changes to the methodology. Recommendations from these workshops will be brought to the AER’s board of directors in April for approval. Once the revised methodology is approved by the board, we will work with the Government of Alberta to update provincial legislation and modify our invoicing systems to issue final 2021/22 levy invoices under the revised methodology.

Along with adopting a revised methodology, we are considering sending levy invoices by email in the future. This would speed up the delivery time and ensure safer delivery. At this time, we ask that you send to AdminLevyReview@aer.ca the corporate email address that you would prefer for receiving levy invoices. Ideally, this would be a shared email address that would not require frequent updates due to staff changes.

2021 Interim Administration Fees (Industry Levy)

Sector	(\$000)	
	2021*	2020*
Oil and gas	75 716	83 207
Oil sands	26 031	28 587
Coal	1 549	1 656
Total	103 296	113 450

* The amounts for 2020 and 2021 cover 6 months. In 2020, the provincial government provided a total of \$113 million for the other 6 months. In 2021, the amount represents 50% of the approved administration fees.

The amount of each invoice depends on the AER’s revenue requirement, 2020 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 April 12, 2021, and payments are due by **May 12, 2021**.

The [Responsible Energy Development Act \(REDA\)](#) authorizes us 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, 2020. 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:

- 1) We may close producing wells or facilities.

- 2) 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, and mortgages and other security interests.
- 3) We 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, 2020.

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.

Class	Min. production (m ³ /yr)*	Max. production (m ³ /yr)	Base fee 2021/22
1	Service wells		\$70.00
2	0.01	300	\$90.00
3	300.1	600	\$110.00
4	600.1	1 200	\$312.00
5	1 200.1	2 000	\$750.00
6	2 000.1	4 000	\$1 250.00
7	4 000.1	6 000	\$1 625.00
8	6 000.1	>	\$1 875.00

* The adjustment factor is set at 2.017297 of the base fee specified for wells in all classes in the AFR.

Oil Sands

Fees are levied in five categories based on operating information for the 2020 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	3 087	1.624927
Thermal ongoing	10 083	1.940044
Thermal growth	6 173	6.551358
Mining ongoing	3 807	0.600913
Mining growth	2 881	8.332697
Total	26 031	

Coal

The administration fee for coal is based on each mine's share of total production volumes for the year ended December 31, 2020. It is set at \$0.098912 per tonne of coal as specified in the *AFR*.

Contact

If you have questions about the 2021/22 interim administration fees, please contact

AdminFeeCoordinator@aer.ca

Appeals

Any appeal must be emailed to Mike Dalton, vice president of finance and chief financial officer, at mike.dalton@aer.ca.

Payment of all invoices is required by May 12, 2021, regardless of whether an appeal has been filed. Following a decision of the appeal, adjustments will be applied as needed.