

Bulletin 2021-23

June 8, 2021

Mandatory Closure Spend Targets

Under section 3.014 of the *Oil and Gas Conservation Rules (OGCR)*, the AER has the authority to establish “closure quotas,” meaning set minimum amounts of closure work, money to be spent on closure activities, or both. Also, the Government of Alberta’s new *Liability Management Framework* requires we implement an Inventory Reduction Program (further described in the proposed new directive announced in [Bulletin 2021-22](#)), which involves us setting industry-wide closure spend targets. Closure spend targets will help increase the amount of closure work that is occurring in the province as licensees will now be required to spend a minimum amount on closure annually.

We will annually release by July 31, industry-wide closure spend targets for a five year period on the AER website—the first two years being set, and the final three years forecasted. The forecasted targets may change due to a variety of factors, such as market conditions and results from previous years’ closure spending.

Year	Industry-wide mandatory target
2022 (Set)	\$422 million
2023 (Set)	\$443 million
2024 (Forecasted)	\$465 million
2025 (Forecasted)	\$489 million
2026 (Forecasted)	\$513 million

Beginning January 1, 2022, each oil and gas licensee with liability associated with inactive infrastructure will be required to meet an individual annual mandatory target determined by the AER. Targets are based on the above liability and historical closure spending and take into consideration financial information as required through our updated [Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals](#). We therefore remind licensees that financial submissions under *Directive 067* must be submitted by 180 days after fiscal year end.

Targets will be visible by July 31 for the following year within the OneStop closure report, which is where all closure spend will be reported. 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 & voluntary), and associated incentives for an increased

spend will be available in the fall. If you have any questions regarding the program, please contact InventoryReduction@aer.ca. Please do not inquire about your individual licensee targets until after July 31, 2021.

To help industry prepare, below are some examples of closure work and whether it will count towards your target.

Eligible

- Surface abandonment of active or inactive well
- SCVF/GM repairs on inactive wells
- Environmental site assessments (ESA) – Phase 1 & 2 on inactive sites
- Remediation work on inactive sites
- Reclamation site work
- Equipment removal on inactive sites
- Facility abandonment work
- Re-abandonment repairs
- Downhole abandonment

Not Eligible

- Wellbore suspensions
- Pipeline discontinuation
- Remediation on active sites
- [Site Rehabilitation Program](#) grant funding portion