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By email only

April 14, 2026

Canpar Holdings Ltd.

Attention: Jason Okrusko /
Stephen Sauder

Blake, Cassels & Graydon LLP

Attention: Terri-Lee Oleniuk /
Jordan Prestie

Dear Parties:

**RE: Request for Regulatory Appeal by Canpar Holdings Ltd. (Canpar)
Enhance Energy Inc. (Enhance)
Application No.: 1956215 (Application);
CO₂ Sequestration Approval No.: 13463 (Approval)
Request for Regulatory Appeal No.: 1959101 (Request)**

The Alberta Energy Regulator (AER) has considered Canpar's Request under section 38 of the *Responsible Energy Development Act (REDA)* for a regulatory appeal of the AER's decision to approve Application No. 1956215 and issue the CO₂ Sequestration Approval No. 13463 to Enhance on July 30, 2025 (the Decision). The AER has carefully considered all submissions related to the Request.¹ The absence of a reference to a particular aspect of a submission should not be construed as a failure by the AER to consider it. The entirety of all submissions was considered.

For the reasons that follow, the AER has decided that Canpar is not eligible to request a regulatory appeal in this matter. Therefore, the request for a Regulatory Appeal is dismissed.

The starting point for considering Canpar's Request is section 38 of *REDA* which states:

38(1) An eligible person may request a regulatory appeal of an appealable decision by filing a request for regulatory appeal with the Regulator in accordance with the rules.

¹ On August 29, 2025, Canpar submitted a request for a Regulatory Appeal in relation to the Approval. On October 2, 2025, Enhance's response to the Request was submitted to the AER. Canpar did not file a reply submission.

[emphasis added]

The term “eligible person” is defined in section 36(b)(ii) of *REDA* to include:

a person who is directly and adversely affected by a[n appealable] decision ...

and “appealable decision” includes:

A decision of the Regulator that was made under an energy resource enactment [including the *Oil and Gas Conservation Act*]... if that decision was made without a hearing. [*REDA* section 36(a)(iv)]

Background

In 2024, through an agreement, the Government of Alberta granted Enhance the right to inject carbon dioxide (CO₂) into the Leduc Formation within the Woodbend Group (Sequestration Agreement). Enhance plans to inject CO₂ over its carbon capture and sequestration (CCS) project's estimated 17.5-year injection period. Enhance anticipates the sequestered CO₂ to result in a 4km plume radius, up to a maximum radius of 5.6km. Enhance refers to this CCS project as the Origins Project.

Subsequently, Enhance applied under the *Oil and Gas Conservation Act (OGCA)* to the AER for approval of a Class III Scheme in the Lacombe Field and surrounding areas, for sequestration of CO₂ in the Leduc Formation at 100/04-36-039-25W4/00 (the Application).

In January 2025, the AER received a Statement of Concern (SOC) from Canpar in relation to the Application.

On July 30, 2025, the AER issued the Approval for the sequestration scheme and an associated well, located at 00/04-36-039-25W4/0 (the 04-36 Well). The 04-36 Well is the only one for which Enhance has approval to inject CO₂. By way of a letter of the same date, the AER advised Canpar that it had determined a hearing was not required to consider the concerns raised in Canpar’s SOC (the SOC letter). Also in the SOC letter, the AER advised Canpar that the Approval had been issued to Enhance and provided Canpar with a copy of the Approval.

Submissions

Canpar’s Request

Canpar submitted:

Canpar owns fee simple mineral rights in the Leduc Formation in S/2 26-039-25W4M and NW/4 26-039-25W4M, which are located immediately adjacent to Enhance’s 04-36 Well

and within the projected CO₂ plume for the Origins Project.² Injection of CO₂ into the Leduc Formation will sterilize these mineral rights and constitutes a direct and adverse effect under *REDA*.

The injection of CO₂ into the Leduc Formation will reside longer than the terms of the lease held between Enhance and Alberta. The CO₂ sequestration will perpetually impact Canpar's ability to develop its land for mineral production far into the future.

The economic viability of lithium development in proximity to the Origins Project is not in the evaluation phase or speculative. While commercial lithium production has not commenced, it is inevitable and represents a far more significant financial opportunity (royalties) for citizens of Alberta than does CCS sequestration.

Alberta Geological Survey (AGS) data has confirmed lithium concentrations in the Devonian system up to 135 mg/L. E3 Lithium Ltd. (E3) has spent considerable capital on its Clearwater Project to demonstrate resource and technical capability of lithium extraction and commerciality. Canpar has been negotiating with developers for lithium activity on its mineral rights and is reviewing leasing of the Leduc Formation in S/2 26-039-25W4M and NW/4 26-039-25W4M with E3.

Permanent sequestration of CO₂ will eliminate opportunities to lease and develop Canpar's mineral rights, resulting in measurable economic loss. The need for orderly and efficient development of resources is engaged in this matter.

Canpar has detailed volumetric, recovery and valuation data for its lithium resource in the Leduc Formation in the CO₂ plume.³ Enhance is required by AER *Directive 065: Resource Applications for Oil and Gas Reservoirs (Directive 065)* to obtain the consent from freehold mineral holders. The Sequestration Agreement between Enhance and Alberta requires that any sequestration must conserve minerals and ensure any impairment of recovery of minerals be only to the extent necessary for sequestration; sequestration into zones containing lithium may not be aligned with this requirement.

Canpar's SOC is attached to its Request. In addition to the above arguments, the SOC also refers to various E3 related documents in support of its position that injection of CO₂ will sterilize Canpar's lithium mineral rights in the CO₂ plume area.

² Canpar's January 13, 2025, SOC [at page 2] indicates it has royalty interests related to PNG and fee simple title ownership for other minerals (excluding coal).

³ Lithium in place: 1 613 tonnes; Recoverable lithium carbonate equivalent (LCE) by E3 process: 7 762 tonnes; Recoverable lithium hydroxide: 8 816 tonnes; Market value: USD \$155M (at USD \$20 000.00/tonne); Potential royalty revenue loss (8% lessor royalty = USD \$12.4M) based on E3 technical recovery factors, AGS data, and forecasted market pricing for LCE.

Enhance's Response

Enhance submitted:

Canpar has not demonstrated it is eligible for a regulatory appeal (per section 38 of *REDA*) because:

- Canpar's Request contains no new information.
- Canpar fails to demonstrate the Approval will impact its mineral interests.
- Canpar fails to establish Enhance's application was deficient in its risk management plans, modelling or consultation.

Even if Canpar has demonstrated it is eligible for a regulatory appeal because it may be directly and adversely affected by the Approval, the AER should dismiss the Request because it is without merit (per s. 39(4) of *REDA*).

Canpar has not demonstrated a "reasonable probability" that it is directly and adversely affected and the Canpar request is meritless. Its concerns are general and speculative. There is no evidence to support the allegation the Origins Project will sterilize Canpar's mineral rights and eliminate opportunities to lease and develop them.

Canpar has no licences to produce its minerals. It is not producing them now. It has provided no evidence of advanced plans to commercially produce brine-hosted mineral resources in the future. It is insufficient to merely show Canpar has invested capital to study brine-hosted mineral extraction. Negotiations with developers for lithium are also not sufficient to demonstrate directly and adversely affected.

The Approval is fully aligned with the requirement in the agreement between Enhance and the Government of Alberta that Enhance only impair mineral resources to the extent necessary.

There is no requirement in *Directive 065* to obtain Canpar's consent to the project; Canpar has no veto over Alberta granting Enhance the right to inject CO₂. Enhance only had to provide Canpar with evidence it had the right to inject into the Origins Project lands.

Reasons for Decision

As noted above, the first task in considering Canpar's request for regulatory appeal is, per section 38 of *REDA*, to determine if Canpar is "eligible" for a regulatory appeal because it is "directly and adversely affected" by an "appealable decision".

Appealable Decision

The decision to approve the Application and issue the Approval was made pursuant to the *OGCA*, an energy resource enactment, without the AER holding a public hearing to consider the matter. This satisfies the definition of appealable decision found in section 36(a)(iv) of *REDA*. As such, the Decision is an “appealable decision.”

Directly and Adversely Affected

To conclude Canpar is or may be directly and adversely affected by the Decision, we must satisfy ourselves that there is a sufficient degree of location or connection with the Decision or its effects on Canpar⁴ and we must conclude the impact is “direct.” This means harms that we find are indirect do not satisfy the section 38 test. Adverse effect which will satisfy the test will almost always be prospective, but some types of harm may be too remote or too speculative.⁵

As noted by the Court of Appeal of Alberta:

... adverse effect is a *matter of degree*. At some point the Board must decide whether the *magnitude of risk* is such that the applicant has become “directly and adversely affected.”⁶ [emphasis added]

Enhance suggests that to grant the Request, we need to be satisfied it is more likely than not that Canpar will or may be directly and adversely affected by the Decision. However, even when we apply a *prima facie* standard of proof that is lower than the balance of probabilities, we still conclude the information before us is insufficient to demonstrate Canpar may be directly and adversely affected by the Decision for the reasons described below.

The information provided demonstrates Canpar has rights to minerals in the Leduc Formation in S/2 26-039-25W4M and NW/4 26-039-25W4M locations. The information also indicates the presence of lithium in brine in the Devonian system (including within the Leduc) and concentrations of lithium in brine within the area of the Origins Project as defined in the Application. However, the modelled plume, which relates in part to activities and facilities not currently authorized by the Approval, is predicted to not be reached for a number of years. The modelled plume relates to the full extent of the Origins Project. That full extent is

⁴ *Dene Tha' First Nation v Alberta (Energy Utilities Board)* 2005 ABCA 68 at paragraph 14. This decision includes a “first step” in the analysis which requires the party requesting “standing” demonstrate they have a “legal right” which may be affected. The requirement relates to the standing test in section 26 of the *Energy Resources Conservation Act* which specifically referenced an impacted right to meet that standing test. Section 38 of *REDA* does not contain the same requirement.

⁵ *Normtek Radiation Services Ltd v Alberta Environmental Appeal Board* 2020 ABCA 456 at paragraph 81.

⁶ *Kelly v ERCB* 2011 ABCA 325 at paragraph 26.

not approved by the current Approval. To reach that full extent, Enhance will require additional approvals for which it will have to apply to the AER and in relation to which Canpar will have the opportunity to participate by filing an SOC. In addition, before Canpar can commercially extract lithium in the Leduc Formation in locations that could be impacted by the Origins Project, significant steps must occur. First, Canpar will need to identify the existence of and quantify that resource. It must then determine if extraction is commercially viable, and if so, it will need to obtain the technology to extract the lithium. And finally, Canpar will need to obtain a number of regulatory approvals from various agencies, including the AER. Included in these significant steps will be completion of engineering and procurement to support a full-scale commercial project. We therefore do not consider the alleged adverse impact, which may only occur if these significant hurdles are overcome by Canpar, to be a direct impact arising from Enhance's Approval.

We do note that Canpar's statements that it is negotiating regarding development of minerals in which it has interests; but this does not establish that those are in fact developable. Further, Canpar's reliance on statements made by E3 in this or another proceeding about physical impacts E3 says could occur to lithium from CO₂ injection, is too speculative to establish that the Origins Project and 04-36 Well "may sterilize" Canpar's lithium mineral rights. Similarly, E3's preliminary work (on which Canpar is relying) to develop its project is not persuasive regarding quantities of lithium. We noted above, the full extent of the plume discussed (4 km) will not be reached for a number of years and will require further approvals. The information from AGS relates to lithium in the Devonian system as a whole which is much larger than the Leduc Formation and does not demonstrate the presence of lithium in the lands in which Canpar has mineral interests at all or in amounts which could be commercially developed. Having regard to all contingencies built into Canpar's allegation it could be harmed, we cannot conclude Canpar will or may be directly harmed by the decision to issue the Approval.

Concerns raised by Canpar regarding the requirements of the Sequestration Agreement between Enhance and the Government of Alberta do not bear on our factual conclusions regarding direct and adverse impact on Canpar. Similarly, *Directive 065* requirements and their meaning do not relate to whether Canpar may be directly and adversely affected by the Approval. Canpar's submissions regarding resource conservation and orderly development do not demonstrate the alleged impact to Canpar. While we do not see a basis for saying Enhance was required to obtain Canpar's consent, we do not believe that issue bears on whether Canpar is eligible to request a regulatory appeal.

Conclusion

In light of the above, we conclude that Canpar is not eligible to request a regulatory appeal of the decision to issue the Approval and the Request is dismissed.

Sincerely,

On behalf of the AER Adjudicative Committee

< **Original signed by** >

Martin Foy
Chief Operations Officer