

Ask Us Anything

Liability Management

January 24, 2024

Liability Management Framework (LMF) Implementation and Security Framework / Liability Management Rating Replacement

Q1. Will you expand the scope of [Directive 088: Licensee Life-Cycle Management](#) to be applied throughout the life cycle of operations, not just at time of transfer?

A1. The [Liability Management Framework](#) (LMF) policy that was announced by the Government of Alberta in 2020 included assessment of licensees' capability to meet their regulatory and liability obligations throughout the life cycle, as well as prior to receiving regulatory approvals.

We are implementing the policy in stages, so that concept has currently been applied through eligibility and transfer applications, and we're looking to expand to include [Directive 056](#) applications for oil and gas and other sectors the AER regulates. We'll share more information on each of these stages as it becomes available.

Q2. As you continue to implement the [LMF](#) and roll out the new security framework, will you provide industry with more transparency around when security is required and how that amount is determined?

A2. In the fall we released [Bulletin 2023-41](#), which provided an update of the ongoing implementation of the [LMF](#), including that we're developing a new security framework. We are still working on the details and are planning engagement for later this year to provide opportunities for stakeholders to provide input. When they're complete, we'll share those requirements publicly for comment.

Q3. How are you planning to consider total liability, as opposed to just inactive and marginal liability, in the upcoming security framework?

A3. The initial focus of the [LMF](#) has been on inactive liability and how to decrease the amount of inactive infrastructure in Alberta. As we continue with implementation, we are looking at how total liability can be considered within various programs, including the development of the new security framework.

If there are any other specific questions or feedback (e.g., there are specific places in the life cycle total liability should be considered), please feel free to send that to LiabilityManagement@aer.ca.

Q4. What are you doing to update liability estimates, and when do you expect the updates to be completed?

A4. As noted in [Bulletin 2023-41](#), we are looking to update the liability estimates based on data received through closure spend reporting.

The timeline to update the liability estimates is largely dependent on the amount of data that we receive for the many different parts of the province and types of infrastructure. We need to ensure that we have sufficient data that adequately represents what closure costs would be.

We have also recently announced information around liability reductions during reclamation phases ([Bulletin 2023-37](#)). We are looking to make improvements to the systems to support temporary reduction to liability estimates for those sites that are just waiting for vegetation to grow. We will share further information as it's available.

Q5. Why is liability associated with multiwell batteries reflected in the licensee capability assessment when these were proactively removed in 2016? Is this a proactive lever you are using to raise liability until the [Directive 011](#) values have been updated?

A5. Liability estimates were removed for some sweet multiwell batteries in 2016 as temporary relief because there were some concerns raised about facility liability estimates. As we implement the [LME](#), we want to ensure that the liability is being calculated in accordance with our liability management programs, so these liability estimates have been reintroduced.

As we update liability estimates with actual closure spends reported by licensees, multiwell batteries will be assessed and updated when sufficient information is available.

Q6. If you rely solely on submitted data to update liability estimates, you may find it overestimated, since companies might not bother to report their very cheap reclamations (e.g., <5k grassland reclamations). Companies will be motivated to report their high spends to cover mandatory spend but might not bother with small entries.

A6. Section 4.1 of [Directive 088](#) states that “Each licensee must report to the AER in OneStop *all* its closure activities and closure spends for the previous calendar year by March 31 of every year, unless otherwise specified by AER requirements or as directed by the AER” (emphasis added).

Licensee Capability Assessment (LCA)

Q7. Will the spend data estimates be updated before the LCA is used as a routine screening tool?

A7. The LCA is already a key factor that has been used as part of the holistic licensee assessment since it came into effect in December when [Directive 088](#) was first released.

The closure spend parameter was updated in the LCA in late November 2023 to use actual reported spend data as opposed to the estimated spend for each licensee prior to the update.

Q8. In the LCA, why don't factor scores line up with the parameter scores? Will you provide more details on the calculations behind the LCA ratings so that we can see the data that is impacting a parameter or factor score?

A8. In the factor tiering, first every licensee's individual parameter is peer ranked and given a tier score of 1, 2, or 3. The same is true of a licensee's factor rank. To do this, we multiply each individual parameter value by the weighting assigned to that parameter. Those are then totalled to create the licensee's factor value. It is also compared to all the licensees within the peer group and then ranked tier 1, 2, or 3. The weight of each parameter matters, but having a good score and ranking in a parameter that has only a 10% weighting may not outweigh a parameter score and ranking with a 25% weighting.

LCA parameter calculations are listed in [Manual 023: Licensee Life-Cycle Management](#), as are the weightings for each parameter within peer groups, whether it's for producers or non-producers.

If you are unsure of the specific information that AER is using to assess your company, contact us and we will work with you.

Q9. Is it possible for you to publish the maximum and minimum peer scores that a licensee is being rated against in a parameter?

A9. We are constantly looking for ways to enhance the LCA and what we're able to provide to licensees. This suggestion will be added to the list of enhancements.

Q10. Can you explain why you consider well abandonment rate (produced) and well abandonment rate (non-produced) important enough metrics to include in the LCA?

A10. Both the well abandonment rate (produced) and well abandonment (non-produced) parameters have relatively low weightings within the LCA, which indicates the extent of their importance compared to the other parameters within the closure factor. They're weighted at 10 per cent and 5 per cent of the closure factor, respectively, for producer peer groups and 5 per cent for both parameters for non-producer peer groups.

Any discrepancies between a potential inventory of one licensee and another are somewhat lessened by the fact that it is a low weighting and that it is a rate measurement, not a raw total measurement. These two parameters together can show if a licensee's non-produced abandonment ratio is higher than their produced abandonment, which may indicate that the company is focusing on potentially simpler sites that pose less of a risk to the environment.

It's also important to note that we don't look at any parameters in isolation—we look at all of them as part of our holistic licensee assessment. They're always interpreted in combination with other parameters in the LCA.

Q11. With the announced change allowing for a conditional adjustment of assessed liabilities for surface reclaimed but non-rec-certified leases, is this being contemplated as an additional entry in the closure category of the LCA?

A11. No. We're constantly looking at new data sources and better data to improve the LCA and our assessment of licensees. The conditional adjustment would reduce a licensee's total liability, which is already included in LCA calculations. A good parameter is a parameter that applies to a significant portion of licensees.

Q12. If you have not yet set a closure spend quota for a licensee, how is the LCA's closure spend ratio determined?

A12. The closure spend parameter is not dependent upon the licensee having a spend quota. If a licensee submits eligible spend for a specific year and had inactive liability for that year, then the parameter will be calculated.

Q13. How is the mineral lease expiry parameter calculated? Does it include additional noncompliances in the event of a surface casing vent flow? How are licensees who were granted mineral lease extensions under the supplemental closure spend considered for this parameter?

A13. As explained in [Manual 023](#), the mineral lease expiry parameter (part of the administration factor) is a ratio of total mineral lease expiration letters sent by the AER, to average number of inactive wells, for the previous 36 months. It does not include additional compliance letters regarding the site.

Notices of noncompliance continued to be sent to licensees who received extensions to MLEs under the supplemental closure spend. Because the LCA pulls data from systems automatically, we are not able to exclude those sites where an extension was granted. We are aware of this issue and use discretion when considering that parameter. We are considering ways to improve the administration factor and will update licensees when this work has been completed.

Q14. Will you share the names of licensees within the particular peer group?

A14. At present, we do not plan to publish the list of peer groups and their members. According to [Manual 023](#), licensees are only able to see their own LCA data. They can see where they rank relative to their peers, but they cannot see who is included in their peer group or the detailed data for those peers. We will consider this suggestion for future enhancements to the LCA.

Q15. The pipeline abandonment rate is the only parameter within the closure factor that uses active or operating infrastructure in its ratio. Why is this, and do you plan to align it with the other closure parameters?

A15. Unlike for wells and facilities, we do not have a reliable data source that would give us the inactive status of pipelines. As a result, the current best measure of pipeline closure is to use a ratio of total pipeline segments abandoned to average count of total pipeline segments.

We're currently working to better evaluate non-producer licensees in the LCA because it was built to support conventional production.

Q16. How does the release volume of pipeline incidents factor into the pipeline incident rate parameter in the LCA?

A16. Release volumes are not considered as a part of this parameter. The parameter is the number of pipeline incidents per 10 kilometres of operating pipeline lengths, for the previous 36 months.

Q17. The way the closure spend rate metric is calculated appears to penalize licensees who are efficient with their closure work, or who work in an area where closure work costs less than their peers. Can you review this metric to ensure licensees who are efficient or work in lower-cost areas are not being penalized?

A17. The LCA, generally, uses averages because it's very difficult to try to evaluate a licensee-specific inventory to normalize for the multiple different aspects that could impact closure costs. However, how efficiently a licensee uses their required spend quota is being considered as a metric to evaluate licensees.

While the LCA isn't currently measuring efficiency of closure, we expect closure spend requirements will lead to licensees finding more efficient ways to complete this work. Licensees benefit from this efficiency outside of the LCA measurements by reaching closure milestones like abandonment or reclamation sooner and removing more inactive liability from their inventory, reducing their required spend for future years.

Q18. When will you be able to provide changes to current crossover calculations specifically to include bitumen reserves?

A18. We are currently working on how we can better measure bitumen that so that we can have a more accurate crossover within the LCA. If a licensee is currently in the process of a transfer application, we will accept and analyze third-party reserve reports to update your crossover for the process of that application and decision.

Currently, our reserve crossover calculation is generated using reserve data purchased from a vendor in combination with our liability estimates; we don't currently have the resource capacity to override the system once a licensee's crossover has been reevaluated in the course of a transfer application.

Q19. How is the crossover timeline calculated for midstream companies?

A19. The crossover timeline is based on conventional wells, so if a midstream licensee has some producing wells, the crossover parameter is based on those assets.

If a licensee has no wells capable of producing, the LCA does not calculate the crossover. In this case, the parameter is listed as N/A and the weightings of the other parameters in the factor are scaled or prorated to compensate for the missing data.

We are working towards estimating the remaining lifespan and potential revenue generation of midstream assets like pipelines and facilities, but we don't know how long it will take.

Q20. Are marginal wells treated as revenue generators in the crossover calculations?

A20. Yes, the estimated remaining operating cash flow from marginal wells is included in the overall forecasted total for all wells, regardless of whether they're considered marginal.

Closure Quotas

Q21. If a large divestment were to occur in the year, resulting in a significant enough decrease in liability, it might make it difficult to meet the required spend targets. What options would the company have?

A21. We do not recalculate quotas mid-year. Quotas are adjusted the following year based on inactive liability, and a decrease in the quota will occur the following year. We encourage licensees to plan closure spend and spend compliance accordingly.

Q22. Which month in 2024 will 2025 mandatory spend will be based upon?

A22. We plan to base the 2025 mandatory closure spend quotas on early September liability data. We aim to release the industry-wide spend requirement in the summer and the licensee-level mandatory closure spend quotas in September.

Q23. To apply for the supplemental closure spend amounts, OneStop only allows this if you have an area-based closure. Can you still apply for this without having an ABC?

A23. Licensees will no longer be able to commit to a supplemental closure spend (formerly called voluntary spend) as explained in [Bulletin 2023-35](#). [Manual 023](#) was also updated to support the end of the supplemental closure spend. Please see section 4.2.2 of [Manual 023](#) for more information.

Q24. Will you allow licensees to allocate work performed under a reasonable care and measures (RCAM) order to mandatory spend quotas?

A24. If the work completed fits the criteria for the inventory reduction program outlined in section 4.2.4 of [Manual 023](#) (specifically, that the work is completed by the licensee of record and the infrastructure is considered inactive), any closure activity completed in response to an RCAM order would be eligible towards the closure spend quota. However, if the work completed in response to the RCAM order is completed by a working interest participant, is on infrastructure not considered inactive, or is not closure related, it would not be eligible towards the closure spend quota.

Q25. Is inactive well liability that is on an active pad included in the mandatory spend calculation?

A25. Yes.

Q26. If an operator has exceeded its mandatory closure spend amount in a given year, can the overage be used in a future year when commodities prices may dictate spending restraint?

A26. No. Carry over of spend is not allowed. The mandatory closure spends are the minimum amount to be spent by a licensee in a calendar year, not the maximum amount with excess carried over to the following years.

Q27. Is closure spend reconciled against OneStop reports and records of site condition?

A27. Yes. The audit process verifies that the appropriate submissions (i.e., Phase 1 ESA, Phase 2 ESA, remediation report, etc.) have been uploaded to OneStop for licences that have closure spend. Please note that the OneStop submissions must be “submitted” and not in “draft” form.

Q28. We have Site Rehabilitation Program funding showing in our closure spend quota for 2023; however, all of the closure work would have been completed in the previous year. How can this be allocated to the previous year instead?

A28. We received the SRP data from the Government of Alberta. We acknowledge that there may be discrepancies in the dates, particularly for activities that occurred near the end of the calendar year (i.e., closure work was completed in December 2022, but invoices were submitted in January 2023). If a licensee believes its SRP values on OneStop are incorrect, please email InventoryReduction@aer.ca with your corrected annual SRP spend amounts.

Transfers, Security, Refunds

Q29. How are notices of noncompliance or failures to comply weighted within the LCA and upon licence transfers?

A29. There are two parameters in the LCA that are dedicated to noncompliance. The first one is the field noncompliance rate, which specifically looks at higher-risk noncompliances. The second is field noncompliance follow-up rate. This parameter measures which licensees respond to noncompliances within the required follow-up period. As a part of the holistic licensee assessment, these two parameters are used to make transfer application decisions, along with other parameters in the LCA and with information outside of the LCA, such as a licensee's overall compliance rate.

In addition, a licensee's LCA will flag overdue financial submissions required by [Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals](#). At time of application, if a licensee's financial submission is not up to date, the application assessor will send a supplemental information request requiring the updated financial submission within five business days. If the updated information is not provided by the deadline, the application will be closed.

Q30. If a company did not meet mandatory spend in 2022 and paid a security deposit to bridge the gap, and then that company met the 2023 mandatory spend, can the company ask for a refund of the 2022 deposit?

A30. Licensees may request a security refund; however, the licensee must describe in their refund request how they meet AER liability management program or policy-specific criteria for a security refund. Simply meeting the 2023 mandatory spend does not nullify a previous failure to comply, as this would incentivize industry to only meet the mandatory spends every other year. Please refer to [Directive 068: Security Deposits](#), for more details on security refund requests. When a security deposit is collected under [Directive 088](#), we also consider risk as described in [Manual 023](#), table 10.

Q31. Is it possible for marginal wells (<10 BOE/d) to be transferred without a security deposit?

A31. Marginal liability is one of the factors that we look at when determining whether security would be a condition of approval on a transfer. It always plays into the overall calculation of the crossover against your financial risk, as outlined in [Manual 023](#), table 9.

Q32. What are the timelines for licence transfers? How does the liability magnitude or complexity of the transfer impact the timeline?

A32. License transfer applications that do not trigger further holistic review under [Directive 088](#) are processed within 30 business days. Transfer applications must be posted to the Public Notice of Application tool for 30 calendar days before a decision can be made.

Applications that do trigger further scrutiny or review under [Directive 088](#) may take up to 60 business days to be processed.

Questions on licence transfer processing can be directed to Directive088Transfers@acr.ca. Licensees are encouraged to contact us for a preapplication meeting prior to submitting licence transfer applications to review specific questions about [Directive 088](#) or [Manual 023](#).

Q33. Can the AER provide any methodology companies can use to estimate potential security deposits from a transfer?

A33. [Manual 023](#), section 6.1.2, provides guidance to licensees on how the AER may consider collecting security when reviewing a licence transfer application, where security may be a condition of approval. When determining the amount of security to collect, the AER considers a licensee's level of financial distress (as described in section 2.1.1.1 of [Manual 023](#) according to the most recent annual financial submission) and the crossover timeline post-transfer outlined in section 2.1.2.4 of [Manual 023](#). The result is a range of security, determined as a percentage of the estimated inactive and marginal liability from licences within the transfer application. Inactive and marginal liability amounts have been recently added to OneStop. This will allow licensees to determine their financial distress score and post-transfer crossover value (to determine where in table 9 they may be evaluated). From there, you can calculate the percentage values of the inactive and marginal liabilities being transferred.

[Manual 023](#) was updated in November 2023 to provide additional clarity to the security refund process for security collected under [Directive 088](#). Table 10 provides ranges of thresholds that the AER may decide to retain in security to mitigate the risk of a licensee not meeting its closure and liability obligations throughout the life cycle.

Questions on the processing of licence transfers can be directed to Directive088Transfers@aer.ca. Licensees are encouraged to contact us for a preapplication meeting prior to submitting licence transfer applications to review specific questions about [Directive 088](#) or [Manual 023](#).

Q34. A common situation in the industry is to have a well or facility that was missed being transferred in a long-ago-completed transaction. Now, when this is discovered, it seems to be an impossible situation to resolve. The true owner will not accept the transfer as they will not accept paying a deposit to the AER. And it is no longer owned by the original owner, so nothing can be done to resolve the liability attributed to them. Can you work with industry to resolve these one off situations?

A34. Completing a licence transfer application is the responsibility of the applicants. We have limited powers under the *Oil and Gas Conservation Act* to compel a transfer.

This question needs more explanation before we can offer a solution or path forward. Please email Directive088Transfers@aer.ca with your specific situation to be discussed.

Q35. Will you please consider issuing notices during a licence transfer process to both parties? Typically, a transfer involves a financial transaction between the two parties, and it is clearly in the interest of both parties to be aware of anything impeding the review process rather than simply relying on the parties sharing among themselves.

A35. If we lack sufficient information to perform a holistic review, we will not hesitate to send a supplemental information request to the necessary party with a deadline for response. For reasons of confidentiality, we will not communicate supplemental information requests to both parties.

When a decision has been rendered on a licence transfer application and there is an outstanding condition to be met by either the transferor or transferee, we will do the following:

- We will notify the party receiving the condition that a decision has been reached and a conditional approval issued with a deadline to agree.
- The licensee who did not receive the condition is notified that, if the other party does not agree to the condition or respond to the condition, the application will be closed.

This is to ensure transparency that a decision has been reached. We continue to encourage transacting parties to maintain open communication throughout the processing timeline of the application.

Questions on the processing of licence transfers can be directed to Directive088Transfers@aer.ca. Licensees are encouraged to contact us for a preapplication meeting prior to submitting licence transfer applications to review specific questions about [Directive 088](#) or [Manual 023](#).

Q36. When evaluating assets for acquisition, it would be valuable to have access to industry-wide licence-specific deemed liabilities. Are you planning on making this available?

A36. Licensees that currently hold AER licences can access deemed liability information for wells and facilities industry-wide through the Digital Data Submission (DDS) system. Using either the Well Licence Summary or Facility Licence Summary tabs within the View Liability Rating screen, a licensee can look up [Directive 011](#) liability values for a particular licence using the “Click here to look up Asset and Liability amounts for a given licence” tool. A licence number or location is needed, and the system will not provide confidential information such as liabilities determined through a site-specific liability assessment. We will consider how to make this information more transparent within the new framework.

Licensee Management Program

Q37. Are you contacting those companies initially deemed at risk so it can better understand their capabilities before deciding on specific regulatory actions?

A37. All licensees present some level of risk. That level of risk falls on a spectrum, ranging from very low risk to very high risk, and depends on a number of licensee-specific factors. As a part of the Licensee Management Program, we have created licensee profiles, outlined in [Manual 023](#). One of those profiles is referred to as “group 2” licensees who are licensees who have a high financial distress score (66.6 or greater). This information can be found on a licensee’s LCA.

Group 3 licensees are those with potential sustainability concerns. These are licensees who are either a low or medium financial risk score and have a tier 3 in remaining lifespan of resources.

These licensees are currently financially healthy (according to their LCA score), but we do have concern about the longevity of the resources and their ability to generate income in the future to meet all of their liability and regulatory obligations.

Group 1 licensees are licensees with low to low-medium financial distress and either a tier one or tier 2 score for remaining lifespan of resources LCA factor. These are likely lower-risk licensees.

We prioritize the completion of holistic licensee assessments based on a licensee's level of financial distress and the magnitude of total liability. The holistic licensee assessment will assess a licensee's LCA factors, factors listed in section 4.5 of *Directive 067*, and also review any other information as appropriate in the circumstances to determine what actions if any are necessary to mitigate some of the risk a licensee presents.

We look at licensees individually when we do these holistic licensee assessments, and then we determine their risk after that.

Q38. Progressive reclamation spend seems only possible when the site has been abandoned. Is it possible to add progressive reclamation to operating sites?

A38. At this time, individual closure quotas are determined using a licensee's inactive assets only. As a result, liability on an active site isn't considered in closure quotas and, therefore, we're currently not allowing any work on active sites, such as progressive reclamation, to contribute as eligible spend towards those quotas. As the program matures, we may consider additional assessment and analysis when looking at including liability and liability reduction on active sites.

Conditional Adjustment of Reclamation Liability

Q39. Has there been any progress on implementing an intermediate step on reclamations that would recognize when a site has been reclaimed as opposed to having to wait for a reclamation certificate, which can be many years after the major spending on reclamation has been completed?

A39. Last fall we released [Bulletin 2023-37](#) about the Conditional Adjustment of Reclamation Liability (CARL) Program. This program is intended to allow licensees to request a temporary adjustment of reclamation liability estimate value for well sites and associated facilities before a reclamation certificate is issued under the *Environmental Protection and Enhancement Act (EPEA)*. CARL requests can be made when a licensee has completed all required abandonment, remediation, and reclamation work, and the only thing left to do is re-establish vegetative cover. We expect to begin accepting CARL requests from licensees through OneStop in April 2024.

Q40. Can you verify the closure milestones for changing facility liabilities? Right now, it looks like there are only two milestones. Is it only decommissioning and rec cert? What about remediation completion?

A40. Currently there are only two milestones: abandonment/decommissioning and reclamation certification. The CARL program will be implemented in April 2024 which will add a conditional liability adjustment at a stage gate, where the only closure activity remaining is to

re-establish vegetation cover. This is after all required abandonment, environmental site assessment, remediation, and reclamation is completed.

Remediation currently has no liability attached to it through [Directive 011: Licensee Liability Rating \(LLR\) Program: Updated Industry Parameters and Liability Costs](#), so there is no estimated liability that can be reduced.

Liability Management Performance Report

Q41. We understand the Digital Data Submission (DDS) System is being retired, what will be used to replace the reporting functionality, and when will the LLR report be discontinued?

A41. There is not a specific date for retiring DDS. It is very useful for industry and the AER in some of the functions that it performs. We will be replacing the licensee liability rating (LLR) in conjunction with implementing a new approach to liability estimates.

[Bulletin 2023-41](#) noted that the liability rating report in DDS is no longer supported and will eventually be removed as part of our implementation of the *Liability Management Framework*. Licensees should be using that OneStop Liability Assessment report, which will continue to be updated as we implement the *Liability Management Framework*.

Q42. There are differences in decommissioning and reclamation counts between OneStop and the Datahub. Could you provide clarity on this?

A42. This is a function of counting applications versus counting changes to specific inventory life-cycle statuses. For example, in the data hub right now we count reclamation certificate applications, but one application could contain 10 wells or multiple facilities.

In our Liability Management Industry Performance Report released in January 2024, it was based on the inventory changes, whereas in the Datahub it's based on applications. We will be adding this to the list of considerations for the Datahub going forward.

Q43. Can you report on both total and inactive liability in the province?

A43. Section 2 of the [Liability Management Industry Performance Report](#) shows both total and inactive liability information for the province.

Orphaning and Insolvency

Q44. If the Corporate Registry Status is “dissolved,” are the licences associated to the licensee orphaned?

A44. Corporate registry status is not the sole factor we consider when deciding if a site is designated as an orphan. We typically work with the licensee to ensure that all requirements are met. If it is determined that the licensee is no longer able to meet requirements, we look to other responsible parties to execute the remaining closure obligations that are required. If there is no legally responsible party to look after an asset, the AER may designate it as an orphan. The responsibility for an orphaned asset is then transferred to the Orphan Well Association (OWA).

Q45. If an operator becomes insolvent, and left over \$200 000 with the AER to cover the corporate liabilities left behind, can the insolvent company request those funds to be used on wells that have already been abandoned?

A45. Given the case-specific nature of insolvency, please email OrphaningInsolvency@aer.ca with specific details clarifying this question.

Asset Life-Cycle Status Changes

Q46. This question is related to life cycle cleanup. There are circumstances when we have confirmed there had been facility equipment on a site, but now it has been removed by previous company or the facility was abandoned in the past by the previous owner, but we do not know when. What date should we use for our submission?

A46. In the case where a licensee does not know the date that the equipment was removed for a facility, it is recommended that every effort be made to track down the original equipment removal information. The licensee may try obtaining files at the Core Research Centre to see if anything can be found. If there is absolutely no information, there are some steps that may be considered:

- For the equipment removal date, use the date when information was verified that there is no facility equipment on site. We recommend using a date you feel confident that you can confirm the facility was abandoned or equipment was removed. For instance, if a licensee can use imagery to say it was definitely not there on a particular date, then you can use that date. A licensee needs to be confident in telling the regulator that, as of the date used for the submission, the facility status was abandoned or facility equipment removed.

- All documentation, such as site photographs and phase 1 ESA reports, must be maintained in case of an audit and for the use in future management of the site and reclamation process.
- If licensee becomes aware of any contamination at the site, it is required to be reported as per *EPEA* (section 110 to 112), the *Release Reporting Regulation*, and the *Remediation Regulation*.

It should be noted that closure activity and spend can only be submitted by the licensee of record.

Q47. What amounts of budget would we use for initial and revised costs that are required in the OneStop facility decommissioning application?

A47. The initial and revised facility abandonment budget fields are optional fields.

Q48. How can a licensee change a facility status if there is a discrepancy between Petrinex and OneStop?

A48. Some status changes are automatic and some are manual.

The life-cycle status of facilities is determined using data provided by licensees through Petrinex and DDS as well as other AER information, such as site inspections. For facility licences that are linked to multiple Petrinex reporting facility IDs, we apply business rules to determine the facility life-cycle status. The business rules select the reporting facility ID that most likely represents the facility life-cycle status.

In September 2023, as part of the facility life-cycle project, the AER published [Bulletin 2023-34](#), informing licensees of the process available to correct or update facility data. Licensees should use the methods outlined in the bulletin. For further information regarding the facility life-cycle project, please contact FacilityLifeCycle@aer.ca.

Q49. I understand the facility life-cycle status validation project was a one-time request. How will you handle unknown facility statuses moving forward?

A49. As of January 2024, any facilities where the operational life-cycle status cannot be verified and is still unknown, we will incorporate that into a licensee's inactive liability ([Bulletin 2023-34](#)). However, if there are unknown facilities that are active, a licensee can still make those changes. As well, if a facility was never constructed, a licensee could cancel the licence.

We encourage those who have concerns with how their facilities are being incorporated and deemed active or inactive to reach out to us to discuss; however, licensees are expected to maintain accurate records for their facilities and assets. We recommend licensees review

facility status data in OneStop. If it is not accurately reflected in OneStop, a licensee may request an amendment or cancellation.

Q50. What are the business rules to deem facility active or inactive when there are multiple facility production accounting codes?

A50. Facility reporting IDs have a priority to determine active or inactive status. We link facility licences to the highest priority facility reporting ID, which is tied to the highest liability risk. We can review and use discretion in this process.

We are actively working on drafting coding logic to ensure the active facility status properly links within facilities. We are also developing the process flow and logic to share with licensees.

Q51. If a battery compressor station was licensed but was not built, but a pipeline riser was built instead, can the facility licence be cancelled?

A51. [Directive 056](#) includes an FAQ document that outlines some different situations in which a facility licence can be cancelled. A facility licence can be cancelled if the facility was never constructed or also if there are multiple licences for different components at one facility. If this was a facility that was never constructed, but there's something else present on site, you should contact Directive56.help@aer.ca and look at cancelling that facility licence and ensuring the pipeline riser is appropriately licensed.

Q52. If a battery compressor station is built but all the equipment has been removed and the site only functions as a pipeline riser site. Can the facility licence be amended to abandoned?

A52. Please contact Directive56.help@aer.ca because licensing and amendments are under the purview of [Directive 056: Energy Development Applications and Schedules](#).

Q53. For facilities, the operator is often “unknown.” This makes it impossible for the licensee to update the status in Petrinex (as they are not the operator). How can this be resolved?

A53. The facility life-cycle status used by the AER is determined by volumetric activity and not the Petrinex reporting facility status. If you have specific situation that is of concern, contact FacilityLifeCycle@aer.ca.

General Closure or Security

Q54. What is the definition of abandoned for facilities? Is it below-ground infrastructure removed? How does operating infrastructure impact the status (e.g., operating pipeline across a facility).

A54. [Directive 056](#): *Energy Development Applications and Schedules* defines abandonment as, “the permanent dismantlement of a well, pipeline, or facility in the manner prescribed by the regulations; includes any measures required to ensure that the well, pipeline, or facility is left in a permanently safe and secure condition.” An abandoned facility must have all aboveground and underground equipment associated with the facility licence removed, and the site must be left in a permanently safe and secure condition. The only closure work that should remain at an abandoned facility is the environmental assessments, remediation, and reclamation work. Other licensed infrastructure, such as wells or pipelines, may remain on site under their respective licences. For facility abandonment activities, refer to [Directive 001](#): *Requirements for Site-Specific Liability Assessment*, section 4.

Other infrastructure, such as an operating pipeline, would remain active, but the facility licence status would change to abandoned once it is reported as abandoned.

Q55. Is there a process for a licensee to submit a voluntary SSLA for a specific facility where the licensee can demonstrate abandonment liability is significantly lower than the liability estimate without being required to assess the entire asset list?

A55. No, there is not a process that overrides the requirements in [Directive 006](#) for licensee-initiated request for variations of an LLR parameter. This would incentivize industry to only voluntarily submit site-specific liability assessments (SSLAs) on sites that are overestimated, leaving all sites that are underestimated at the regional estimate, skewing the net liability estimate downwards. [Directive 006](#), appendix 6, section 1, states that, “any parameter variation request made under this section must be based upon licensee-specific data for all parameters. This includes both deemed asset and deemed liability for all wells and facilities and prevents licensees from only applying for variation of parameters believed to be high.” This requirement provides an avenue for licensees if they believe the net liability for its entire inventory is significantly lower than the [Directive 011](#) liability estimate.

Q56. Recently, you have requested that SSLAs be conducted to assign liability. What is the process or expectation for assigning liability to a pipeline beyond abandonment?

A56. Liability can be assigned to a pipeline if it is considered a problem site, and this liability can extend beyond abandonment. Any facility, well, or pipeline licence included in the scope of [Directive 006](#) can be nominated as a problem site. We will advise the licensee on whether the scope of the SSLA should include both suspension and abandonment, or remediation and

reclamation, or both. An estimate of costs in the SSLA must include the remediation and reclamation in a predictable and expedient manner of all directly affected land to a state where the site may be eligible for a reclamation certificate.

Section 2.1 of [*Directive 001: Requirements for Site-Specific Liability Assessments*](#) outlines the process and conditions under which we can identify a potential problem site. After a site is identified, the licensee is notified and given an opportunity to respond to the AER's assessment. If a licensee cannot establish that the potential problem site was identified in error, the licensee must conduct a site-specific liability assessment on the site at the licensee's expense and within the time specified by the AER. The costs determined from an SSLA will be used in calculating the deemed liability of the assessed site regardless of whether those costs are higher or lower than those that would ordinarily be determined by the licensee liability rating (LLR) formula outlined in section 2.6.1 of [*Directive 006: Licensee Liability Rating \(LLR\) Program*](#).

Specified lands must be returned to equivalent land capability. If a substance release occurs, companies must manage any contamination. Further information is provided in [*Manual 021: Contamination Management*](#).