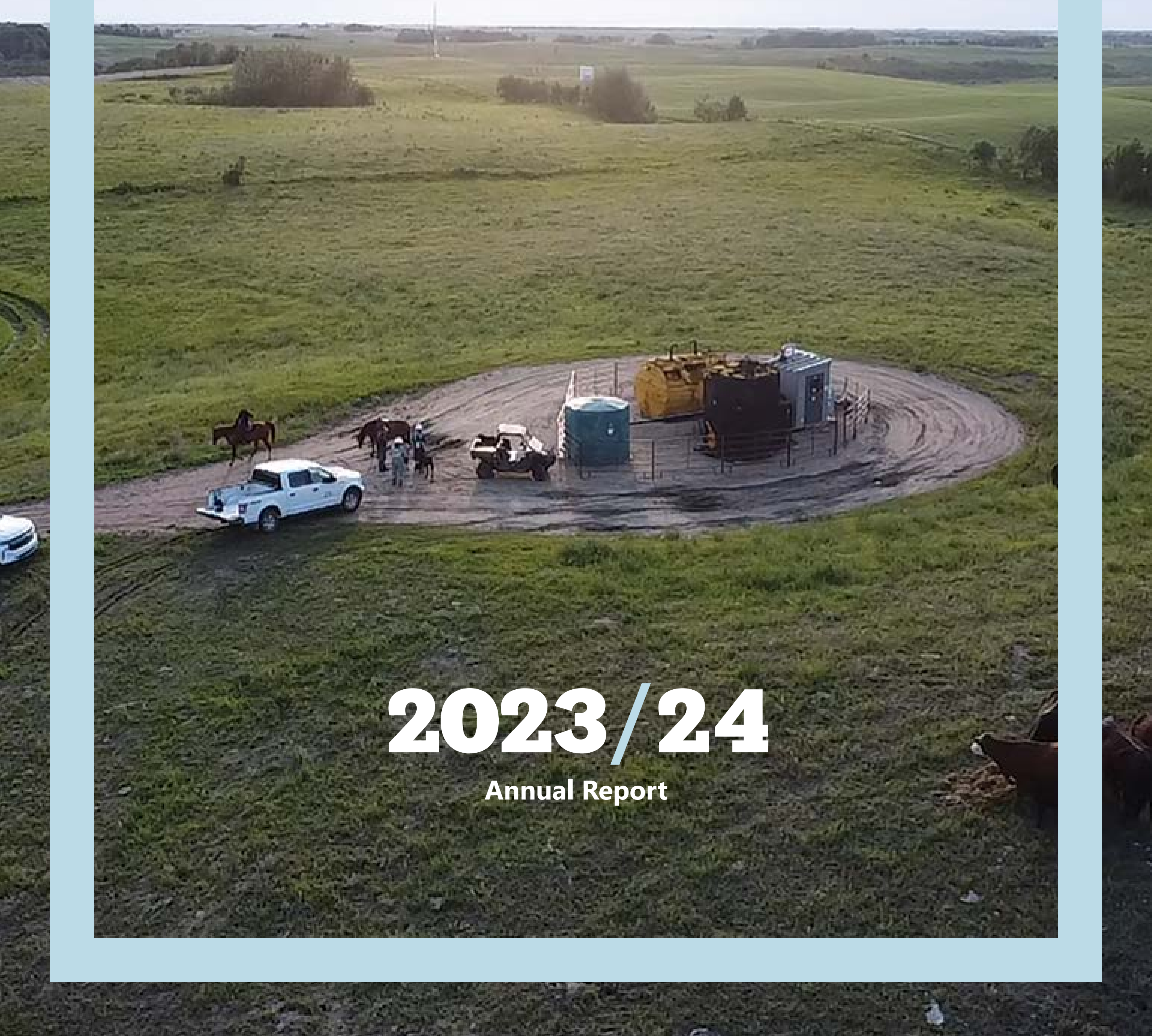
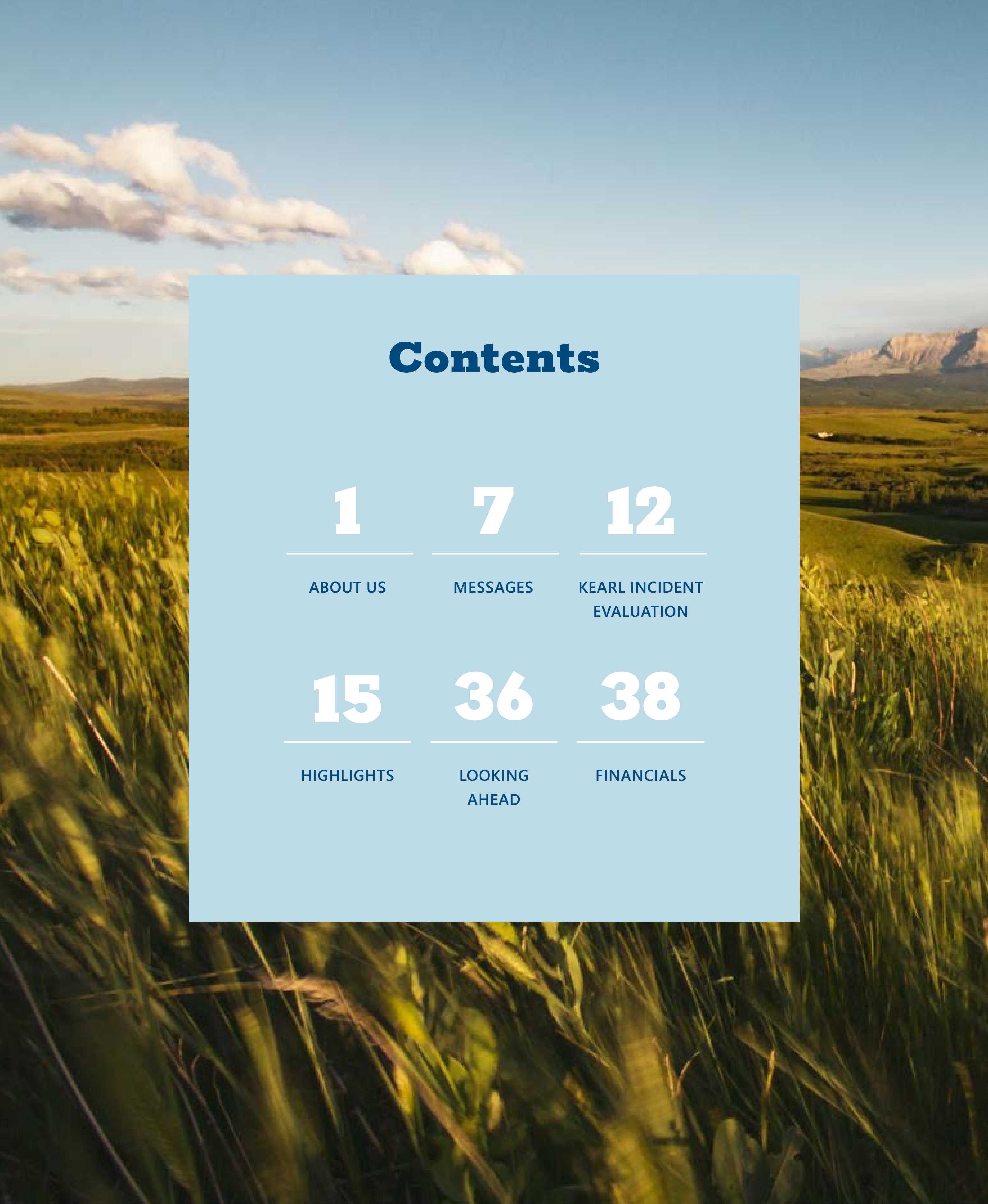
Alberta Energy Regulator



2023/24

Annual Report



Contents

AN ACKNOWLEDGEMENT

In the spirit of reconciliation, the AER acknowledges that our head office is in the traditional territories of the peoples of the Treaty 7 region in Southern Alberta. This includes the Blackfoot Confederacy: the Siksika, Piikani, and Kainai First Nations. Treaty 7 also includes the Tsuut'ina Nation and the Stoney Nakoda: the Chiniki, Bearspaw, and Wesley First Nations. The City of Calgary proper, Mohkinstis, is also home to the Métis Peoples of the Battle River Territory, Métis District 5, Calgary Nose Hill, and Métis District 6, Calgary Elbow.

We also have field centres on the traditional territories of Treaty 6 and Treaty 8, and all other territories of the Métis Nation of Alberta.

Our Vision

The AER is a trusted regulator that delivers effective and efficient oversight of resource development.

Our Mandate

Our mandate is to provide for the efficient, safe, orderly, and environmentally responsible development of energy and mineral resources in Alberta through our regulatory activities. This includes allocating and conserving water resources, managing public lands, and protecting the environment while providing economic benefits for all Albertans.

What We Regulate

nearly **447 000** kilometres of pipelines*

over **157 000** operating natural gas and oil wells

over **26 000** oil facilities

over **460** operating gas processing plants

over **18 000** gas facilities

157 operating oilfield waste management facilities

26 thermal recovery in situ projects

over **160** primary/enhanced recovery in situ projects

8 operating oil sands mines

5 operating bitumen upgraders

5 operating coal mines

5 decommissioned coal mines

1 decommissioned coal processing plant

1 geothermal well

6 brine-hosted mineral facilities and wells

35 rock-hosted mineral surface mines

What We Don't

- gasoline
- pipelines that cross borders
- electricity
- regulated natural gas rate

*Operating, permitted, abandoned, and discontinued. We also provide inspection and incident response support for 12 000 kilometres of pipelines regulated by the Alberta Utilities Commission.

AS OF MAY 2024

About Us

ABOUT US

The sector the AER regulates is vast, complex and the largest contributor to Alberta's economy; it includes crude oil, natural gas, coal resources, geothermal, minerals, and an extensive pipeline network that moves these resources to markets. Ensuring that companies operate in a safe, efficient, orderly, and environmentally responsible manner is no simple task. Enter the AER, the primary regulator for energy and mineral resource development in Alberta. Few organizations anywhere are responsible for regulating as large and varied a mix of energy and mineral resources.

We oversee extensive established reserves:

- 1.8 billion barrels of conventional oil
- 158 billion barrels of bitumen
- 24.3 trillion cubic feet of natural gas
- 36 billion tons of coal

In 2023, the production value of Alberta's energy sector totalled $136 billion.

Our mandate officially expanded in 2022 and again in 2023. And with that, new rules and requirements were released to support the life-cycle regulation of deep geothermal resource development and brine-hosted mineral resources (minerals, such as lithium, extracted

Around the Province

980 employees

10 locations

Permanent employees. Does not include students, contingent workers, or limited term employees.

Established Reserves

1.8B bbl	158B bbl	24.3Tcf	36B tons	$136B Cdn
conventional oil	bitumen	natural gas	coal	production value

ABOUT US

through well infrastructure). In 2024, we also became the regulator of mineable minerals known as rock-hosted minerals (e.g., limestone). This included the transition of 35 quarries, 170 metallic and industrial mineral exploration approvals, and 5 brine-hosted facilities from other government agencies.

To produce and move energy to market requires more than 157 000 natural gas and oil wells, nearly 447 000 kilometres of pipelines (about half of Canada's entire pipeline network), over 44 000 oil and gas facilities, 5 operating oil upgraders, as well as 5 operating coal mines. We are a full-life-cycle regulator, responsible for all stages of development—from exploration and production to closure and reclamation.

The Government of Alberta created the AER in 2013 when it proclaimed the *Responsible Energy Development Act*. We are accountable to the ministers of Alberta Energy and Minerals and Alberta Environment and Protected Areas and work closely with other government departments on regulatory and policy issues, including Alberta Municipal Affairs, Alberta Indigenous Relations, and the Aboriginal Consultation Office. Our statutory powers, mandate, and functions are governed under two ministries, who establish policies that we implement. We also assist government with policy development, providing analysis, advice, and technical expertise as required.

Through legislation, the Government of Alberta gives us the authority to ensure that the province's energy resources are developed safely and in an environmentally responsible manner, minimizing waste. We're involved at every stage of an energy resource development's life cycle.

Since 1938, Alberta has relied on strong regulation to ensure that our energy resources are developed responsibly. Our regulatory decisions are always based on evidence and supported by science, and we strive to balance the needs of many Indigenous communities and stakeholders. The AER works to protect what matters to Albertans—public safety, the environment, orderly energy development, and providing economic benefit for Albertans and all Canadians.

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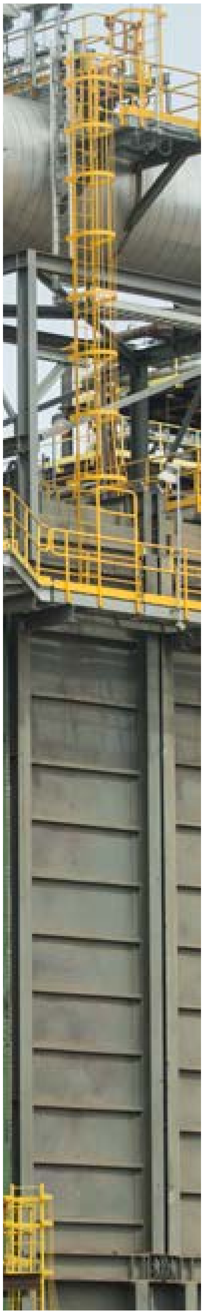
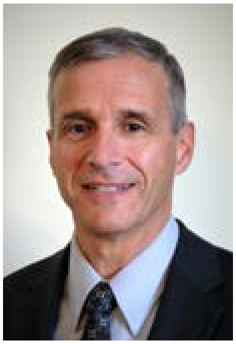
Board of Directors



David Goldie, Board Chair
David Goldie is a director and independent consultant with over 35 years of experience in the energy industry. He holds a B.Sc. in Geophysics from the University of Waterloo, a MBA from the University of Calgary, is a member of the Institute of Corporate Directors (ICD) and holds the designation of ICD, Director (ICD.D.).



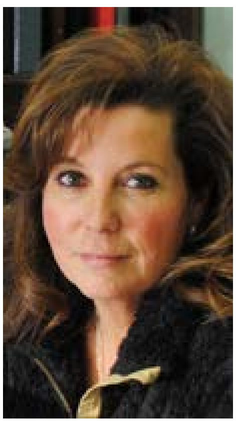
Corrina Bryson, Board Director
Corrina Bryson has over 25 years of experience in the energy industry and currently serves on the Boards of the Canada-Nova Scotia Offshore Petroleum Board and the Alberta Petroleum Marketing Commission. She holds a B.Eng. and M.Eng. in Chemical Engineering with Management from the University of Bradford in England and is a P.Eng. in Alberta, is a member of the Institute of Corporate Directors (ICD) and holds the designation of ICD, Director (ICD.D.).

Jude Daniels, Board Director
Jude Daniels has extensive experience as an oil and gas lawyer, Aboriginal consultation advisor, and has worked in the oil and gas sector since 1998. Ms. Daniels has her own consulting company, which specializes in mediation, employment, and regulatory matters.

Georgette Habib, Board Director
Georgette Habib has a long record of public service and brings over 30 years of experience in the regulation of the energy industry. Ms. Habib currently serves as an independent corporate director of the Alberta Electric System Operator.

ABOUT US

Gary Leach, Board Director
Gary Leach has over 25 years of senior executive level experience in the oil and gas industry, including serving as president of The Explorers and Producers Association of Canada (EPAC). His background in law supports a deep understanding of regulatory issues affecting the energy industry.



Tracey McCrimmon, Board Director
Tracey McCrimmon has over 25 years of experience working in the Alberta oil and gas industry. After obtaining her designation in Petroleum Land Management, Ms. McCrimmon's career began in the land industry, where she worked as a surface landman for several years. This led her into fields such as public consultation, aboriginal affairs, and stakeholder engagement.

Kasha Piquette, Board Director **(until February 2024)**
Kasha Piquette served as Deputy Minister, Environment and Protected Areas for the Government of Alberta. She was entrusted with leading the work on Alberta Emission Reduction and Energy Development Plan alongside Alberta ESG Secretariat.

Allison Rippin Armstrong, Board Director
Allison Rippin Armstrong is a biologist and environmental scientist with over 25 years of experience in permitting, regulatory processes and environmental compliance, working with indigenous organizations, resource companies, regulatory agencies, indigenous, territorial, and federal governments.

Executive Leadership Team

Laurie Pushor, President and Chief Executive Officer
Prior to joining the AER, Laurie Pushor served as Deputy Minister for the Saskatchewan Ministry of Energy and Resources from 2018 until 2020. He served as the Deputy Minister for the former Ministry of the Economy from 2014 to 2018, and served four years as Chief of Staff for several government departments in Saskatchewan, including Social Services, Energy, and Health.

Martin Foy, Chief Operations Officer
In June 2020, Martin Foy became the AER's Chief Operations Officer, having previously served as vice president of both the Environment and Operational Performance, and Industry Operations branches. He has 34 years of regulatory experience leading people and managing natural resources. The Operations Division is responsible for regulating the full life cycle of energy resource development, from issuing approvals to managing closure and liability

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Sean Sexton, Executive Vice President, Law Branch, and Counsel General
In May 2022, Sean Sexton became the executive vice president of the Law Branch and general counsel of the AER. He was previously the vice president of the Law Branch, starting in 2018. He has extensive knowledge of the AER's legal and regulatory environment.

Mike Dalton, Vice President, Finance, and Chief Financial Officer
Mike Dalton joined the AER in 2020, and is responsible for financial management, supply chain, and real estate. Mike's former employers include ATCO, Raytheon Canada, Canadian Natural Resources and PricewaterhouseCoopers. Mike served 24 years with the Canadian Armed Forces.

Erin Kurchina, Vice President, People, Culture and Learning
Erin Kurchina joined the AER in 2020 as the Vice President, People, Culture and Learning. In this role, she is accountable for aligning business and people strategies, adding value, and fostering corporate performance. Through human-centric leadership and strategic partnership, she oversees the development of talent programs and creates a safe, inclusive, and empowering culture so that all employees can reach their full potential and contribute to AER's success.

Energy Outlook 2023

Crude Oil

Total crude oil production	Wells placed on production	WTI crude oil price
↑ 5%	↓ 20%	↓ 18%
(81.4 10^3 m^3/d)	(2760)	(US $77.62/bbl)

Deliveries of total oil (including bitumen)

85% Removals from Alberta

15% Remains in Alberta

Natural Gas

Marketable gas production	Wells placed on production	AECO-C natural gas price
↑ 2%	↓ 3%	↓ 46%
(315.0 10^6 m^3/d)	(921)	(Cdn $2.74/GJ)

Deliveries of gas

40% Removals from Alberta

60% Remains in Alberta

Crude Bitumen

Mineable production	In situ production	Number of operating mines	Number of operating thermal in situ schemes
↑ 3%	↑ 4%	8	26
(266.0 10^3 m^3/d)	(281.0 10^3 m^3/d)		

Natural Gas Liquids

Ethane	Propane	Butane	Pentanes plus
↑ 3%	↓ 1%	↓ 1%	↑ 1%
(36.3 10^3 m^3/d)	(37.4 10^3 m^3/d)	(22.9 10^3 m^3/d)	(58.9 10^3 m^3/d)

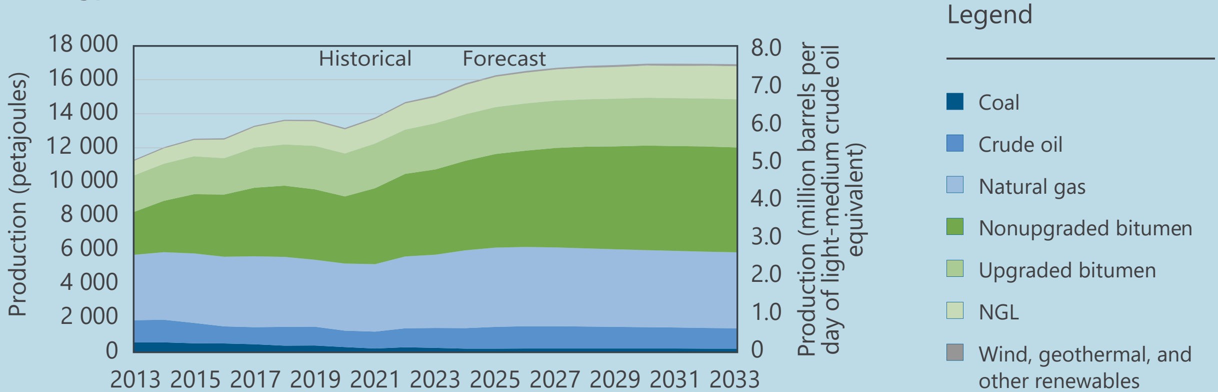
Emerging Resources

Hydrogen production	Geothermal electricity generation	Lithium production	Helium production
↑ 2%	↑ 204%	0%	0%
(2.5 10^6 t)	(21.9 GWh)	(0.0 10^3 t)	(2.1 10^3 m^3/d)

Capital Expenditures

Oil sands investment	Oil & gas investment	Total investment	Total value of production
↑ 11%	↓ 6%	↑ 2%	↓ 19%
(Cdn $13.2 billion)	(Cdn $15.6 billion)	(Cdn $29.5 billion)	(Cdn $136 billion)

Energy Production Forecast



Messages

MESSAGES

Hello,

As my term as Board Chair nears its end, I am very pleased to reflect on almost five years with AER. It has been a great honour to serve on the AER Board.

When I joined in September 2019, I did so during a time of unprecedented change and uncertainty for this organization and AER employees. We were given a mandate to reform the AER's governance, streamline the organization, and make it more efficient.

I am proud to say these goals have been accomplished.

Under the Board's direction, we reviewed the industry funding level that supports the AER, hired a new CEO, initiated a major corporate-wide restructuring to streamline operations, updated the board's mandate and the organization's governance roles documents for clarity and proper oversight, and sharpened our focus on four key priorities.

1. **Taking care of our people**
2. **Strengthening our credibility and trust**
3. **Enhancing our regulatory framework**
4. **Leading operational effectiveness and innovation**

It is a credit to our talented team, exceptional leadership, and highly committed Board members that the AER has progressed so successfully through this period of extraordinary change.

In 2023-24, we stayed focused on ensuring our regulatory framework is efficient, adaptive, and innovative while supporting the energy transition with our expanded mandate to regulate emerging resources.

We also acknowledge that in some areas we haven't met our own high standards.

Last year's events at Kearl Lake, and the subsequent Deloitte report on improvements we can make at the AER, served as a reminder that creating an even stronger and more effective regulatory system is an ongoing continuous improvement journey.

We will learn and grow from these events, and the outcome will be an even better regulator that serves all Albertans. And that's my greatest hope for the AER.

As I draw near on the end of my time as Board Chair on September 1, 2024, I want to say that serving in this role has been a privilege. I wish the team and the Board continued success under the leadership of our incoming Board Chair Duncan Au, whose term begins on September 1, 2024.

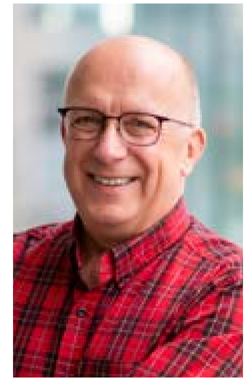
We've come a long way, and I know the AER is up for the challenge of what comes next.

David Goldie CHAIR, BOARD OF DIRECTORS

Greetings,

We can characterize the past year at the AER as being equal parts progress and growth.

Through the dedication, skill, and passion of our people and driven by our values of accountability, transparency, trust and respect, and collaboration, we have achieved several milestones.



You'll read about many of those on the pages that follow, but they include the Government of Alberta expanding our mandate to include regulating Alberta's burgeoning minerals sector and the publishing of our first ever liability management performance report as we continue to bend the curve on industry's outstanding inactive liability in the province.

Data from our industry performance program demonstrate that our regulatory activities on behalf of Albertans are delivering positive results:

- Across Alberta's energy industry, companies are using less water today than what is allocated to them to produce oil and gas.
- The total amount spent by oil and gas companies on closure in recent years has nearly doubled, from a target of $422 million in 2022 to $700 million in 2023, exceeding the *Directive 088* requirements by 65%.
- The Government of Alberta set out to reduce oil and gas methane emissions by 45% from a 2014 baseline by 2025. Reported and estimated emissions from 2022 show a 45% reduction in methane emissions from 2014 levels, well ahead of the planned timeline.

It was also a year of listening to Indigenous communities and stakeholders across the province to take in valuable lessons about our incident and emergency management systems as well as the approaches and tools we use to engage and inform.

In September 2023, we accepted and began acting on recommendations from an independent third-party review by Deloitte of our internal processes and response to events at Imperial's Kearl oil sands facility in 2022 and 2023.

I am confident these improvements will clarify and mature our processes while preparing us to better meet the expectations of Indigenous communities and stakeholders across the province. We continue to actively engage to strengthen these important relationships through listening, conversation, and engagement. This ongoing dialogue helps inform our decisions and fosters better understanding of our approach to responsible energy resource development.

I'll close with a note of sincere thanks to our high-performing team for their continued dedication in service of the AER mandate. Thanks also to our many partners and stakeholders across the province for being a part of our journey. Rest assured that we are committed to working every day to building—and rebuilding—credibility and trust with all of you.

Laurie Pushor **PRESIDENT & CEO**

FEATURE

BUILDING RELATIONSHIPS

As we look to continue to renew and rebuild our relationship with First Nations and Métis communities, we will also continue to evolve as an organization. We will take every opportunity to learn and grow from the two incidents that led to the February 2023 filing of an environmental protection order against Imperial Oil at its Kearl Lake oil sands operation, and we will be more transparent about our actions.

Central to our approach is recognition of the significance of Indigenous knowledge, values, and perspectives. This acknowledgement is rooted in the landmark publication *Voices of Understanding*, which is premised on the guidance and insights provided by Dr. Reg Crowshoe, an esteemed Indigenous elder. The book serves not only as a guide, but as a testament to the AER's commitment to listening and learning from Indigenous communities.

And guided by the principles outlined in *Voices of Understanding*, the AER's 2022–25 strategic plan identified the development of an Indigenous relations plan as a top priority. Since then, the organization has been diligently working to translate these principles into tangible actions aimed at building trust and fostering collaboration.

One notable achievement was the completion of foundational training in Indigenous Relations by 99% of our employee population. This initiative underscores the organization's commitment to fostering cultural competence among its workforce, laying the groundwork for authentic interactions with Indigenous communities.

Another highlight was the hosting of an Elders Circle, with Elders from Treaties 6, 7, and 8 in Alberta. Through these gatherings, we sought to expand our relationships with Indigenous communities, leading to shared understanding and respect.

We implemented initiatives within our Indigenous relations plan, identifying formal and experiential learning opportunities to deepen

FEATURE

our understanding of Indigenous worldviews and enhance intercultural competencies, such as the blanket exercise and reconciliation-focused panel discussions featuring Indigenous employees, Indigenous elders, and Indigenous leaders. We observed culturally significant days such as Red Dress Day, the Moose Hide campaign, National Indigenous Peoples Day, and National Truth and Reconciliation Day.

Executive engagement with Indigenous leaders further underscores our commitment to meaningful dialogue and collaboration. Our executives actively participated in cultural celebrations, such as Fort McKay Treaty Days and Treaty 8 Celebration, and engaged with Indigenous communities across Alberta, from the northern reaches to the southern expanse of the province.

In tandem with these efforts, we extended our outreach to Indigenous communities and rural municipalities, recognizing the importance of ongoing dialogue and collaboration. Through face-to-face interactions, and virtual meetings, we will continue to address the issues and needs of these communities, ensuring that their voices are heard and valued.

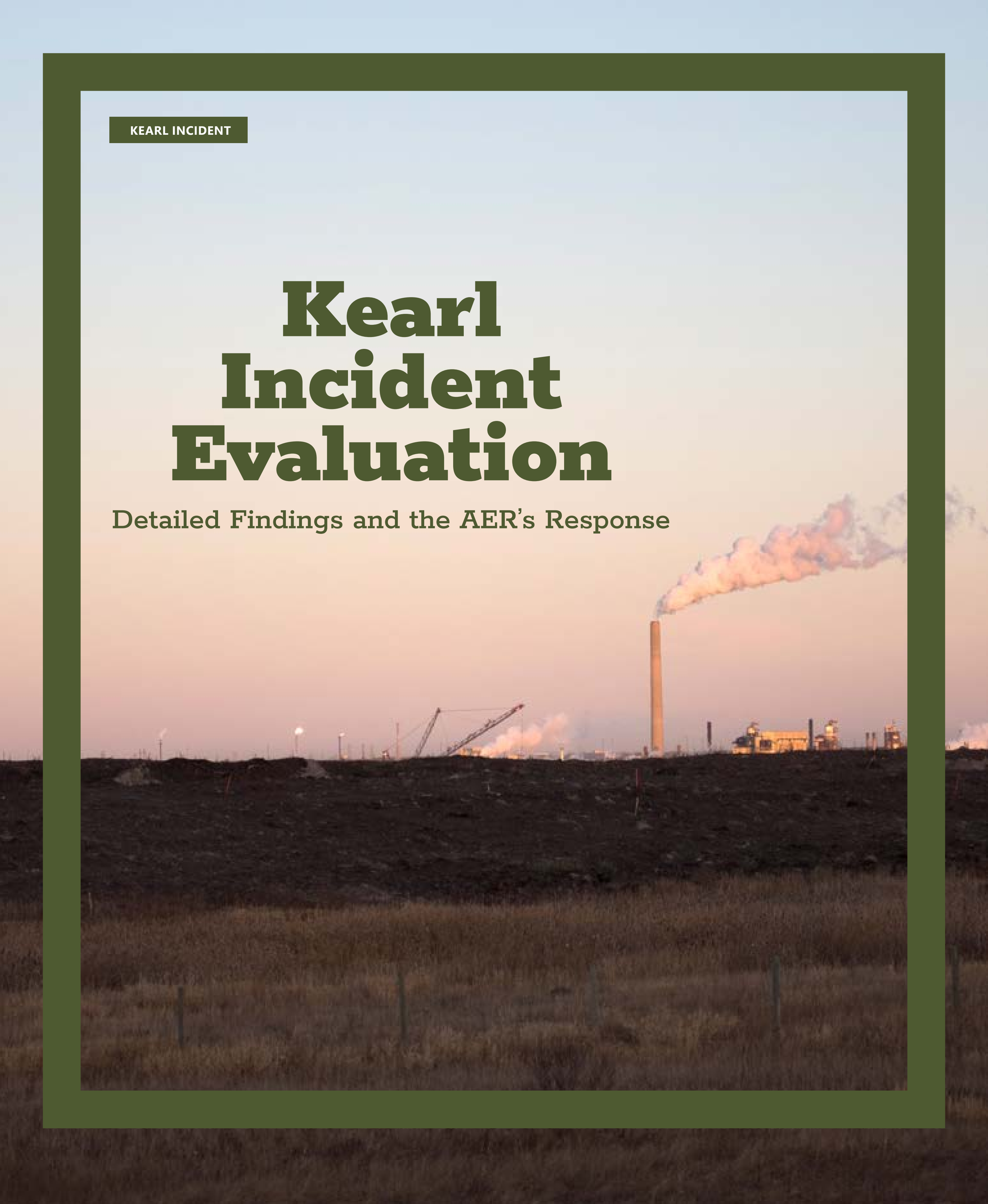
We continue to strengthen our partnership with the Indian Resource Council (IRC) through a memorandum of understanding—a testament to the organization's commitment to fostering meaningful partnerships grounded in mutual trust and respect.

At the AER, we will continue to build on what we learn to support informed decision making, demonstrate our approach to responsible energy resource development, and help strengthen relationships and understanding with Alberta's First Nations and the Métis within their interaction with energy resource development.

KEARL INCIDENT

Kearl Incident Evaluation

Detailed Findings and the AER's Response



On February 6, 2023, our board of directors engaged an independent third-party, Deloitte LLP, to conduct a comprehensive review of the AER's actions leading up to and following the incident, to better understand the concerns expressed by Indigenous communities, Regional Municipality of Wood Buffalo, and other interested groups after the environmental protection order was issued.Deloitte's review encompassed the AER's incident response processes, communication activities, emergency response procedures, incident investigation protocols, and compliance and enforcement processes.

Deloitte's report recommended key areas for improvement within the AER's incident response and communication frameworks. In response, our board of directors has fully accepted all findings and recommendations. AER management is currently working on a robust implementation plan, actively responding to recommendations while continuing to fortify regulatory oversight and ensure the safety and well-being of Alberta's communities and environment.

Deloitte will continue to work with the AER to track progress and provide external oversight with a target completion date of December 2024 for all recommendations. The board of directors remain accountable for internal oversight.

The scope of the Deloitte review included only the AER's internal incident response. With respect to the incident itself, the AER is conducting an investigation in accordance with its statutory authority, which is ongoing.

Deloitte's Findings and Our Response

Incident and Emergency Response

This workstream is enhancing internal documentation that guides our activities and actions during incident and emergency response, including process mapping, call-down procedures, escalation criteria, and consistent use of the incident and emergency definitions are applied in all regulatory contexts.

Compliance and Enforcement

In this focus area, the AER is working on the Statutory Decision Making Guide and the Order Procedure to clarify the definition of significant impacts and standard timelines for Environmental Protection Orders (EPOs).

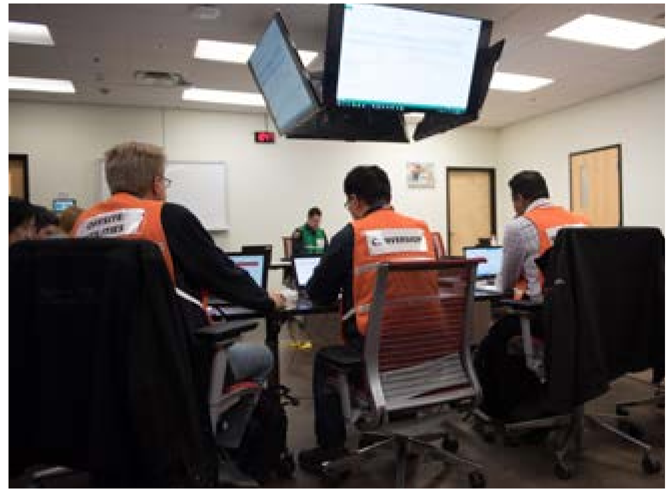
Response

Feb. 6, 2023	Mar. - Sept. 2023	Nov. 2023 - 2024
environmental protection order issued	independent third-party review	continued work to track progress and external oversight

KEARL INCIDENT

Engagement and Communication

This workstream is improving the AER's incident response communication. Focus is on updating information-sharing guidelines and defining communication incident roles, responsibilities, and internal protocols. A risk-informed decision-making process, informed by engagements to better understand how incidents may impact Albertans, is being established in addition to defining internal communication escalation protocols, such as when to bring in our Board of Directors.



Oil Sands Oversight

The Deloitte review identified a need to increase the AER's capacity in areas such as additional review and field inspection of oil sands mining approvals, community education, and joint inspections with Indigenous communities. As that work continues, we have recruited a new Director of Field Operations & Response, Oil Sands Mining, added inspector capacity to increase our field presence with focus on inspecting oil sands development and its related activities, as well as adding additional technical specialists in hydro-geology, limnology, and wetlands.

Communication and Engagement Protocols

- **Relevant, effective, streamlined**
- **More risk-informed understanding of impacts on Albertans**
- **Define higher-level decision escalations**
- **Define when board informed**

Increase Review Capacity

- **Additional review of oil sands mining approvals**
- **Approval conditions**
- **Community education**
- **Joint inspections with Indigenous communities**

Highlights

HIGHLIGHTS

To keep Albertans informed, we report on how well industry complies with our requirements, our management of liabilities and inventory reduction, and our application processing metrics.

Overseeing Industry Compliance

Inspections and Compliance Rate

We regularly monitor and inspect thousands of wells, production and processing facilities, pipelines, and coal and oil sands mines annually to ensure that companies follow our requirements and safely develop energy resources in a manner that protects the environment. We do this by visiting energy sites to inspect a company's activities and auditing the information they provide.

In 2023/24, we conducted 9500 inspections, of which 72% resulted in a satisfactory compliance finding, with 2646 notices of noncompliance issued. In addition, we audit all aspects of energy development to confirm that industry follows specific operational and reporting requirements. In 2023/24, we performed 4300 audits and issued an additional 1585 notices of noncompliance. Regular inspections and audits provide us with important information that strategically focuses our attention where it's needed most.

Investigations and Enforcement

If we find that a company is not following our requirements, we'll apply one or more of our compliance and enforcement tools to educate the company and correct the noncompliance. These tools range from notices of noncompliance to orders. Orders are important tools to prevent, stop, or minimize environmental effects or risks to public safety. During 2023/24, we issued 235 orders.

Major investigations are formal evidence collection processes that must follow established legal procedures to ensure the integrity of the investigation. Investigations can take anywhere from three months to two years to complete. When noncompliance is deemed serious, it is triaged for investigation. When an investigation is completed and if there is a finding of noncompliance, an appropriate enforcement action is selected. Enforcement tools range from warning letters to prosecution. The tools we use vary depending on the significance of the noncompliance. In 2023/24, fines from creative sentences and penalties totalled $718 000. Since 2017, administrative penalties and prosecution creative sentencings fines have totalled $4 727 850.

Regardless of the compliance and enforcement action we take, our goal is to work with companies to bring them back into compliance, to ensure public safety, and to protect the environment. We publicly report on energy incidents and enforcement actions through our Compliance Dashboard on aer.ca.

Investigation Results 2023/24

23 investigations opened

15 enforcement actions

4 administrative penalties

4 prosecutions with fines

7 warning letters

HIGHLIGHTS

Emergency Management

We have staff on call to support incident response 24 hours a day, 7 days a week, 365 days a year. Emergencies are ranked, as outlined in *Directive 071*, as an alert or a level 1, 2, or 3 emergency based on the risk level to members of the public or the environment.

In 2023/24, the following occurred:

- 56 energy-related emergencies were reported to the AER: 51 level 1, 3 level 2, and 2 level 3.
- Emergency response staff were deployed to 14 emergencies (emergency response staff are deployed to some level 1 emergencies and to all level 2 and level 3 emergencies), which included approximately 36 days of deployment to the provincial emergency coordination centre to support the 2023 Alberta wildfires.
- We evaluated 21 emergency response plan exercises and completed 106 emergency response plan audits, resulting in 54 notices of noncompliance issued.
- We conducted extensive engagement to understand the multiple perspectives on emergency preparedness and response needs related to energy development. This engagement will inform the implementation of our newly revised requirements in *Directive 071: Emergency Preparedness and Response*.

Methane Emission Reduction

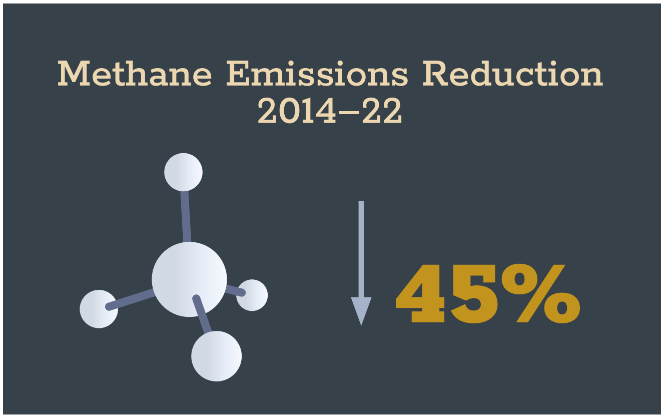
The Government of Alberta set out to reduce oil and gas methane emissions by 45% from a 2014 baseline by 2025.

New methane emissions reduction requirements established in 2020 by the AER set industry on a path to achieve that target. Our effective regulation along with industry compliance resulted in the target being achieved three years early, as the Government of Alberta was able to announce November 28, 2023.

Reported and estimated emissions from 2022 show a 45% reduction in methane emissions from 2014 levels.

In 2023/24, we achieved the following:

- conducted aerial surveillance on 388 facilities (making a total of 6271 facilities surveyed since the start of the aerial surveillance program)
- inspected 1219 facilities, of which 82% were compliant
- conducted 345 methane audits, of which 52% were compliant. Audits target and prioritize the highest risk sites, equipment, and/or companies, therefore it is more likely to result in a notice of noncompliance.



HIGHLIGHTS

Managing Energy Liabilities

Energy companies in Alberta are responsible for ensuring their infrastructure and sites are safely closed and cleaned up. The closure work required to meet end-of-life obligations and the costs associated with it are called "liability."

We continue to implement the Government of Alberta's liability management framework and update our requirements to ensure the oil and gas industry meets its end-of-life obligations. This includes the following:

- *Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals* includes financial requirements that allow us to assess the capabilities of oil and gas operators to meet their regulatory and liability obligations throughout the energy resource development life cycle.
- *Directive 088: Licensee Life-Cycle Management* introduced the licensee management program, the inventory reduction program, and the holistic licensee assessment that considers more than 40 different factors, including the company's financial and liability risk; the company's administrative, operational, and closure performance; and the remaining lifespan of the resource.
- *Manual 023: Licensee Life-Cycle Management* was developed alongside *Directive 088* to provide details and clarity around the new programs.

In January 2024, we published the [2022 Liability Management Performance Report]. The online report is the first of what will be an annual publication on how the conventional oil and gas sector manages the closure and cleanup of oil and gas wells, pipelines, and other facilities across the province.

The report shares how specific licensees and industry as a whole are meeting their end-of-life obligations.

Stages of Closure

1. **Inactive** Well/facility has not produced for 6–12 months.
2. **Decommission** Permanently plug and cut/cap wellbore. Remove equipment.
3. **Environmental Site Assessment** Review historical information and assess soil and groundwater.
4. **Remediate (if needed)** Clean up any contaminated soil and groundwater.
5. **Reclaim** Redistribute soils and revegetate the site for eventual return to equivalent state.

End-of-Life Obligations

Directive 067
financial requirements

Directive 088
licensee management and assessment, inventory reduction

Manual 023
details and clarity on new programs

HIGHLIGHTS

HIGHLIGHTS

Reducing Inactive Inventory

A minimum mandatory closure spend for all oil and gas companies with inactive liability is part of *Directive 088* and the Inventory Reduction Program to facilitate the closure of inactive wells, pipelines, and facilities. This program increases the amount of closure work occurring in Alberta, reduces liability, and ensures more timely land restoration to original or alternative uses.

All licensees with inactive inventory must meet an annual minimum mandatory closure spend. The closure spend specifies the minimum amount of money that licensees are required to spend on oil and gas closure work each year. Companies are encouraged to collaborate using an area-based closure approach to increase efficiency of development closure and complete more closure work.

Between January and December 2022, industry reported spending $696 million, which exceeded the requirement of $422 million by 65%. A further $185 million in closure work was completed by the industry-funded Orphan Well Association, and an estimated $383 million in grant funding came from the Government of Alberta's Site Rehabilitation Program. Altogether, over $1.2 billion was spent on closure work in Alberta in 2022.

In 2023 and 2024, the industry-wide closure spend requirements were set at $700 million for each year, and the orphan fund levy was set at $135 million. The 2025 closure spend requirement will be announced in the summer of 2024.

Closure Activities

Completing closure activities is the primary method of reducing liability from inactive infrastructure and involves decommissioning infrastructure and site remediation and reclamation. All infrastructure and energy development sites must be permanently and safely decommissioned, assessed, remediated if necessary, and reclaimed, and the costs and responsibility for this work rests with industry.

There has been a significant increase in decommissioning activity during the past two calendar years. In 2022, 11 080 wells were decommissioned and 7323 in 2023. The increased closure activity is partly attributable to the new AER minimum mandatory closure spend, the Government of Alberta's Site Rehabilitation Program,

Minimum Mandatory Closure Spend Requirements

$422 million	$700 million	$700 million
2022	2023	2024

Actual industry spend in 2022 was $696 million, exceeding requirements by 65%.

which ended in 2023, and AER changes to allow some routine abandonment of commingled wells. We issued over 4100 reclamation certificates on wells and facilities in 2023.

Orphaning and Insolvency

When an energy company ceases operations without having properly closed its infrastructure, the AER will order any party with a legal or beneficial interest in that infrastructure to close it. These parties are known as working interest participants. If there are no working interest participants, the AER may designate the well, facility, or pipeline as an orphan to the Orphan Well Association's (OWA) care to be suspended, abandoned, remediated, and reclaimed. More information on the OWA can be found on their website.

The AER monitors the closure of sites where the licensee is no longer active. This includes monitoring active insolvencies, closure of orphan sites, and closure of defunct licensee sites by responsible parties.

As of March 31, 2024

- **7440 wells** that remain subject to active insolvency proceedings that could be sold to a new responsible party or may remain with the licensee if successfully restructuring to continue operations.
- **2752 defunct licensee wells** where AER has ordered the remaining active responsible parties (working interest participants) to complete closure work that the licensee failed to close.
- **10 558 orphan wells** designated to be closed by the OWA.
- **684 reclamation certificates** obtained by the OWA and working interest participants on defunct licensee wells.

Closure Activity

increased decommissioning activity in the last **2** years

7323
wells decommissioned in 2023

nearly **4500**
reclamation certificates issued in 2023

HIGHLIGHTS

Processing Applications and Submissions

We have established application processing targets to ensure we review applications in a timely and diligent manner. We review over 90 different types of applications, and each type receives a target that reflects the complexity of the application process. Of the 34 744 applications processed in 2023/24, 21 389 were classified routine and 13 355 nonroutine (high risk and more complex). We met our processing targets for 98% of routine applications and almost 96% of nonroutine applications.

Activity Breakdown by Application Type in 2023/24

10 563
record of site condition (RoSC) submissions received

2013
RoSCs requiring review

9900
Public Lands Act applications received

8
coal mines inspected

1
geothermal well licence issued (the AER's first under *GRDA*)

over **250**
Oil Sands Conservation Act and *Environment Protection and Enhancement Act* applications reviewed

133
waste management and storage applications reviewed

72
waste management and storage audits conducted

3225
temporary diversion licences issued

313
Water Act approval applications reviewed

47
new *Water Act* term licences issued

HIGHLIGHTS

In 2023/24, we received nearly 2600 applications related to the subsurface requirements specified in the *Oil and Gas Conservation Act* and the *Oil Sands Conservation Act*. We met our application timelines even though volumes increased by relying on process improvements, collaborative support, and enhanced data usage.

We provide regulatory oversight of contamination management submissions using the OneStop Record of Site Condition (RoSC) form. In 2023/2024 we received 10 563 RoSC submissions, with 2013 (20%) classified as nonroutine (high-risk and more complex) and 80% routine submissions.

Our regulatory oversight includes ensuring contaminated sites are adequately understood and that remedial measures are satisfactory. Remedial measures include source control, environmental site assessments, risk assessment, and contamination management, including remediation.

We made process enhancements to improve intake efficiency, data quality, and baseline responses through OneStop. Our most recent improvements include refinements for further baseline conditions, improving wording for industry clarity, and developing a RoSC Submission Summary Report in OneStop to provide compliance-related RoSC data.

We also enhanced our regulatory framework for carbon capture, utilization, and storage (CCUS), including *Directive 065* application requirement updates. All CCUS projects must meet our regulatory requirements before being allowed to inject CO_2 into the deep subsurface.

Of the 34 744 applications processed in 2023/24, 21 389 were classified routine and 13 355 nonroutine (high risk and more complex). We met our processing targets for 98% of routine applications and almost 96% of nonroutine applications.

HIGHLIGHTS

Statement of Concern

Anyone who believes they may be directly or adversely affected by a proposed energy or mineral development project—be it a well on their land or a pipeline running through their community—may file a statement of concern (SOC). SOCs help the AER to understand the concerns of Albertans, Indigenous communities and industry potentially impacted by energy development and, where possible, provide an opportunity for the applicant to mitigate those concerns. SOC filers can submit the form and supporting documents online through aer.ca or by email or regular mail. The AER also offers dispute resolution services at any time over the energy development life cycle to support relationship building between involved parties and assist in resolving concerns outside of the SOC process.

Statement Of Concern Application Review Files Completed In 2023/24

32

Applications closed or withdrawn (28 SOC files closed or withdrawn due to application being closed or withdrawn)

13

SOCs withdrawn (12 SOC files withdrawn due to SOC being withdrawn)

51

SOC files completed with no hearing

7

SOC files completed with a hearing recommendation

Hearings

We may refer files to the Hearing Commissioners' Office to decide on disputed energy resource activities. The Hearing Commissioners' Office includes nine commissioners, acting as independent decision makers operating at arm's length from the AER. Commissioners come from many backgrounds and are appointed by Orders in Council by the Lieutenant Governor of Alberta.

The Hearing Services team supports commissioners as they perform their work. The Hearing Commissioners' Office may hold public hearings on applications, regulatory appeals of AER decisions, and reconsiderations of previous AER decisions.

A hearing is quasi-judicial and can feel like a formal court proceeding. It involves hearing evidence and legal arguments for and against proposed and approved energy resource activities and disputed AER enforcement actions. But not all disputed activities or regulatory appeals require a hearing.

The hearing commissioners adhere to a Code of Conduct. The code was updated in July 2023. It identifies the values and responsibilities that hearing commissioners demonstrate in their work. It outlines what the public, governments, stakeholders, Indigenous communities, and other parties can expect from the hearing commissioners.

Hearing commissioners can also use Alternative Dispute Resolution (ADR) processes to help parties resolve disputes. A hearing may be cancelled if the participants withdraw their statement of concern or request for regulatory appeal or the proponent withdraws its application. The Hearing Commissioners' Office may also issue a costs order requiring a company to pay for some expenses incurred by hearing participants.

In 2023/24, sixteen new files were referred to the Hearing Commissioners' Office, while twelve proceedings continued from previous years. Four hearings were held, and twelve were cancelled. Hearing commissioners issued two hearing decisions. No costs orders were issued.

As of March 31, 2024, ten proceedings were ongoing, and three were adjourned. Eight ADR files were closed, and four remain active. More information on hearings, the hearing process, decisions, and the ADR process is available on aer.ca.

2023/24 Hearing Files

9
regulatory appeals

6
applications

1
reconsideration

Municipal Property Taxes

Near the end of our fiscal year on March 20, 2023, the Minister of Energy directed the AER to receive evidence from energy companies that confirms that they have paid any outstanding municipal property taxes above a set threshold amount prior to us approving applications for new well licences or well transfers. The AER developed and implemented a process to meet that direction by April 30, 2023.

Our Expanded Mandate

Under the direction of the Government of Alberta, the AER's mandate expanded from oil, oil sands, natural gas, and coal to include additional areas of resource development, such as geothermal and minerals. This work is part of the government's economic recovery effort to relaunch and diversify Alberta's economy. This will in part, create a clear, predictable, and robust regulatory regime and support a renewed mineral strategy and action plan.

Minerals

We assumed regulatory oversight of mineral resources development in the province with the full proclamation of the *Mineral Resource Development Act* (*MRDA*) on Feb. 28, 2024. The MRDA expanded our mandate to include responsibility for the development of rock-hosted mineral resources, throughout their life cycle. Brine-hosted minerals came under our authority in March 2023 with the release of *Directive 90: Brine-Hosted Mineral Resource Development*.

HIGHLIGHTS

Throughout 2023/24, we began planning and executing this next phase of regulation to support the development of mineable minerals known as rock-hosted minerals (e.g., limestone). This included a robust engagement strategy that obtained input to inform future regulatory decisions as well as geoscience resources and tools.

On March 1, 2024, we released *Directive 091: Rock-hosted Mineral Resource Development*, which sets out our requirements throughout a development's life cycle, and in the coming year, in collaboration with the Government of Alberta, we will make amendments to existing regulations, rules, and directives to incorporate rock-hosted mineral resource development.

We now accept applications for brine- and rock-hosted mineral resource development. Additionally, we transitioned existing mineral operators into our regulatory oversight from other Government of Alberta ministries.

Geothermal

Alberta's foray into geothermal energy marks a significant step towards a more diversified energy portfolio. The establishment of the *Geothermal Resource Development Act* (*GRDA*) and subsequent regulations, including *Directive 089: Geothermal Resource Development*, provide a clear framework for industry stakeholders, ensuring regulatory certainty while promoting safe and efficient project development. This framework underscores Alberta's commitment to harnessing deep geothermal potential for sustainable energy production. As of August 2022, the AER began accepting geothermal applications that operate below the base of groundwater protection.

Mineral Mapping

Mineral resource development is part of the Government of Alberta's strategy to diversify the energy and resource sector. As such, the Alberta Geological Survey (AGS), a branch within the AER, and the Government of Alberta partnered on one of the largest mineral mapping programs in Alberta's history, supported by a $25 million grant from the Government of Alberta.

This data collaboration is part of a multiyear program initiated in 2021 to provide critical information on mineral characterization and potential throughout the province. These data will inform future regulatory decisions regarding mineral applications and unlock critical information to inform industry operations.

Additionally, these data will support information sharing with non-industry groups on areas where minerals are present in Alberta. They will also inform discussions on where future mineral development may occur. In 2023, the AGS released the first data sets from this extensive collection and conducted several engagement sessions with Indigenous communities, as well as both industry and non-industry stakeholders.

Evaluating Mineral Potential

The AGS has collected data related to the following:

- airborne geophysics
- brine geochemical data
- core scanning
- digitization of mineral assessment reports
- electron microprobe analysis of minerals in Alberta
- indicator mineral sample processing
- magnetotelluric (MT) study
- powder x-ray diffraction analysis of rock samples
- remote sensing
- rock sampling
- till and stream sediment sampling

HIGHLIGHTS

Updating Our Requirements

Our red tape reduction initiative was formed in May 2019 in response to the Government of Alberta's *Red Tape Reduction Implementation Act*. The government set a goal to reduce regulatory requirements by one-third, cut costs and inefficient processes, and speed up approvals.

During 2023/24, we continued to reduce regulatory requirements in regulatory instruments such as directives, forms, and manuals. At the same time, we have upheld our environmental and public safety mandate and conducted Indigenous, stakeholder, and public engagement where appropriate.

When the red-tape initiative launched, the AER had a red tape count of 41 146 requirements across 204 regulatory instruments. In 2023/24, the AER updated 52 regulatory instruments and reduced the total count by 1488 requirements, which helps energy companies and stakeholders to understand our requirements and more easily navigate our regulatory instruments.

Since 2019, we have reduced the cumulative red tape count by 22.2% (or 9154 requirements) and provided industry-verified cost savings of over $1.6 billion while maintaining levels of environmental and safety oversight.

HIGHLIGHTS

Keeping A Pulse On the Subsurface

Groundwater Inventory

The AGS's groundwater team provided key information about groundwater quality, quantity, and availability at local and regional scales in strategic locations across the province, including four hydrogeological maps highlighting water quality and groundwater flow.

A study was also completed on the suitability for commingled well abandonment in central Alberta, which examined how to gain regulatory efficiencies while maintaining protection of groundwater resources.

The AGS also participated in two Alberta Innovates Water Innovation Program projects, as an important contributor to groundwater resource research.

Seismic Monitoring

AGS experts observe and characterize earthquakes throughout the province with the goal of earthquake forensics, mitigation, and industry compliance.

The AGS continues to expand and maintain its seismic monitoring network and added one station to its inventory in 2023 (over 60 stations, 24 of which it owns). Additionally, land and equipment were procured for a sizeable network expansion project planned for the second half of 2024.

HIGHLIGHTS

Carbon Capture Utilization and Storage (CCUS)

CCUS is emerging as a pivotal piece in Alberta's pursuit of emissions reduction and sustainable energy practices. By capturing carbon dioxide emissions from large stationary sources such as gas-fired generating units and petroleum refineries, CCUS redirects CO_2 before it enters the atmosphere, contributing to climate mitigation efforts.

Monitoring, Measurement, and Verification (MMV)

Effective MMV is integral to ensuring the safe and reliable operation of CCUS projects. Alberta's rigorous oversight includes the delegation of MMV oversight to the AER, with updated guidelines and requirements to enhance risk management and accountability. Through continual monitoring and verification, Alberta maintains the integrity and effectiveness of CCUS activities, mitigating environmental risks and advancing sustainable energy practices.

Socioeconomics

In 2023/24, we provided a standard and consistent economic and socioeconomic approach when reviewing regulatory applications and statements of concern. We developed and rolled out a socioeconomic impact assessment to complement our existing regulatory impact assessment, enabling us to make more informed decisions and consider all Albertans when reviewing proposed projects.

HIGHLIGHTS

Disclosure

In 2023/24, we did not receive any disclosures of wrongdoing under our Whistleblower Protection Policy.

Integrated Decision Approach

OneStop

We recognize the critical role technology plays in improving both processes and data. During 2023/24, we continued to migrate our technology infrastructure to cloud technologies, enabling us to share data more effectively across our organization and accelerate innovative solutions, such as OneStop.

OneStop uses a complex set of rules to automate routine (low-risk) applications and forward nonroutine (high-risk and more-complex) applications to technical experts for review.

We continue to add new functionality to OneStop. In 2023/24, the platform was updated to include functionality for public lands objections and cancellations, *Water Act* borrow pit applications, updated pipeline rules and enhancements, and reclamation liability reduction initiatives.

We have also increased the amount of data available from OneStop to improve transparency.

OneStop Technology Platform

Through OneStop, we received:

- **385 164 submissions**
- **26 294 applications**
- **21 171 notifications**

HIGHLIGHTS

Our Reporting

At the AER, we take reporting seriously as a means to ensure transparency and accountability. Our suite of reports provides Indigenous communities and stakeholders with detailed insights into various aspects of energy development and regulation in Alberta.

Liability Management Performance Report

Our Liability Management Performance Report offers a comprehensive view of our efforts to manage oil and gas liabilities effectively. It tracks progress in addressing orphaned wells, facilities, and pipelines, outlining our actions to mitigate associated risks and ensure compliance with regulatory requirements.

Water Use Performance Report

Water is a critical resource in energy extraction, and our Water Use Performance Report provides stakeholders with data on water usage by the energy industry in Alberta. This report covers withdrawals, consumption, and recycling practices, aiming to promote sustainable water management and minimize environmental impact.

Closure Quota Highlight Report

Timely closure of inactive and abandoned energy infrastructure is crucial for environmental protection and public safety. Our Closure Quota Highlight Report tracks progress in meeting closure targets for wells, facilities, and pipelines, demonstrating our commitment to responsible resource management and remediation.

State of Fluid Tailings Management for Mineable Oil Sands Report

Alberta has eight operating oil sands mines, and each site has an approved tailings management plan (TMP) in place. Each year since 2015, the AER reports on the volume of tailings at each oil sands mine and the technologies that companies use to treat them. This report summarizes fluid tailings volumes, water volumes stored in tailings facilities, tailings volumes reaching ready to reclaim status, whether operators are within approved fluid tailings profiles, site-wide tailings management activities, alignment with approved TMPs, and continual improvement of tailings treatment technologies.

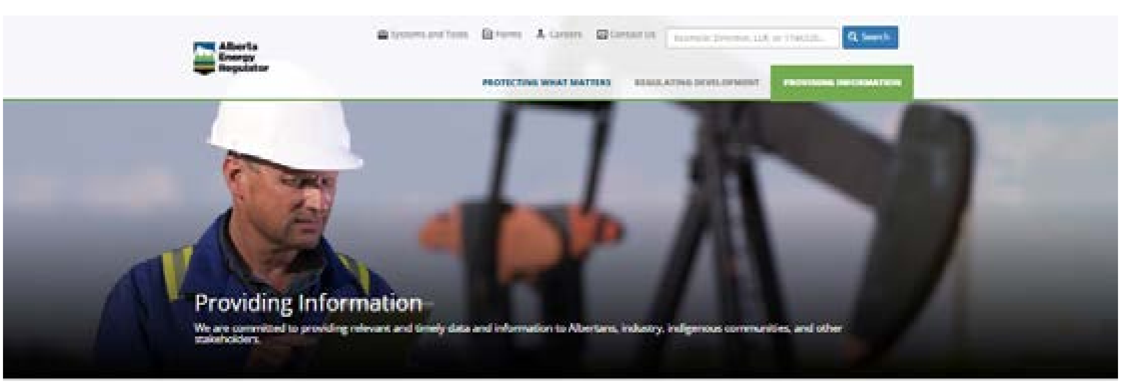
Pipeline Performance Report

Pipelines are integral to Alberta's energy infrastructure, and our Pipeline Performance Report focuses on their integrity and reliability. It provides data on key performance indicators, incidents, and maintenance activities, ensuring the safe operation of Alberta's pipeline network.

Alberta Energy Outlook Report

Our Alberta Energy Outlook Report offers forecasts and analysis of energy production, market trends, and policy developments. This report serves as a valuable resource for industry stakeholders and policymakers, informing strategic decision making and fostering a deeper understanding of Alberta's energy and mineral landscape.

Through these reports, we aim to provide stakeholders with transparent and reliable information, enabling informed decision making and contributing to the responsible development of Alberta's energy and mineral resources.



FEATURE

CREATING MORE TRANSPARENCY THROUGH OUR ONLINE PRESENCE

We are committed to transparently reporting on industry—and our own—performance, clearly and in a timely manner.

Aer.ca is the Alberta Energy Regulator's central access point for information about Alberta's energy industry. It's also a tool for industry to submit applications, data, and performance information to us. We provide application notices, hearing notices, incident and compliance information, and a host of other opportunities to learn more about regulating the energy industry in Alberta.

An improved, central access point to key metrics about Alberta's upstream oil and gas industry and our work to oversee resource development now provides always accessible, up to date information. The Data Hub is one way we are working to increase and simplify access to our data. We'll continue to add to this platform over time.

Our Products and Services Catalogue is a highly used tool found within aer.ca. In 2023/24, we responded to 6000 requests for data or reports and provided self-service access to 151 data products and reports.

The Alberta Geological Survey website (ags.aer.ca) is another trusted and accessible source of geoscience information for Albertans, providing publications, interactive data products and tools, as well as information on the AGS's many research initiatives.

Within ags.aer.ca is a new interactive mapping application. In 2024, the AGS published the Alberta Geology, Minerals, and Energy Infrastructure Interactive Mapping Application. The application increases

aer.ca **ags.aer.ca**

FEATURE

data accessibility by combining spatial data sets from the AGS and the AER. It enables Indigenous communities, municipalities, landowners, and other interested parties to select, integrate, share, communicate, and interact with a wide variety of energy resource developments and metallic and industrial mineral potential data across Alberta.

This year, we began improvements to both websites that will launch during our next fiscal year (2024/25). Our objectives include streamlining information, improving search functionality, and allowing for better user experience through a more intuitive design and navigation. We are also working to increase and simplify access to the information we understand is important to Albertans. We have already implemented 20 of the 51 recommendations identified in a third-party audit to improve navigation and information access and more efficiently track, locate, and update broken links.

Most visited pages on AER.ca in 2023/24

- OneStop
- Systems and Tools
- Directives
- Careers

Most visited pages on AGS.aer.ca in 2023/24

- All Publications
- Conversion Tools
- ATS Geographic Degrees
- Dig 2013-0002, Surficial Geology of Alberta generalized digital mosaic

Looking Ahead

As much as we are focused on the priority work in front of us today at the AER, we are also diligently preparing for the future.

Our path forward is carefully laid out in the 2024–27 Strategic Plan, which guides our work in the years ahead in four key focus areas (Taking care of people; Enabling our operational effectiveness and innovation; Enhancing our regulatory framework; Strengthening our credibility and trust).

Over the coming year (2024/25), we will continue to prioritize these focus areas so we can establish a more efficient way of regulating, strengthening a safe and inclusive culture, and meeting the expectations of Albertans, Indigenous communities, and other stakeholders.

We will continue to implement recommendations from the Deloitte-led review of our internal processes and response to events at Imperial's Kearl oil sands facility in 2022 and 2023. This includes engaging with Indigenous communities and key stakeholders to develop specific notification and communication protocols, processes, and procedures tailored to meet their needs.

We will also focus on other key pieces of work in 2024/25:

- **EMERGING RESOURCES.** We will continue to advance new regulations on energy and mineral resources. This includes amending existing regulations, rules, and directives to incorporate rock-hosted mineral resource development. The AGS constantly monitors and evaluates updates to national and global emerging resources of interest to ensure their Mineral Mapping Program is providing relevant and timely information and data on Alberta's mineral potential. The team continues to explore new ways to share information that reflects the current interests of Albertans and collect data in strategic locations on emerging commodities.
- **LONG-TERM REDUCTIONS IN THE LIABILITIES OF AER-REGULATED ASSETS.** We will continue to implement the Liability Management Framework and *Directive 088: Licensee Life-Cycle Management* to hold the industry accountable for end-of-life closure activities such as reclamation and remediation.
- **ADVANCING OUR CULTURE.** We will continue to develop and empower our people with a framework that helps us retain engaged, diverse, and contributing employees who align with our values and culture and feel comfortable voicing their opinions.
- **TECHNOLOGY ENABLEMENT.** Our data management strategies will support improved access to information as well as the seamless sharing of information with our Government of Alberta partners through cloud-based technologies.

As we look ahead to the coming year, we remain focused on what matters—public safety, the environment, responsible energy and mineral development, and providing economic benefit for Albertans.

1. **Protecting the public and environment**
2. **Responsible development**
3. **Economic benefit for Albertans**

Financials

Consolidated Financial Highlights

Consolidated Summary of Annual Highlights

	2024				2023
	Budget	Adjustments	Adjusted budget	Actual	Actual
			(in thousands)		
Revenues					
Administration fees	$ 217 419	$ 833	$ 218 252	$ 218 234	$ 201 429
Orphan fund levies and transfers	135 000	665	135 665	150 241	80 294
Government of Alberta grant	12 356	7 039	19 395	14 185	16 754
Other revenue	3 999	4 422	8 421	9 924	6 661
	368 774	12 959	381 733	392 584	305 138
Expenses					
Energy regulation	231 274	12 294	243 568	237 132	223 496
Orphan well abandonment	135 000	665	135 665	150 241	80 294
	366 274	12 959	379 233	387 373	303 790
Operating surplus	2 500	-	2 500	5 211	1 348
Capital					
Capital investment	14 500		14 500	14 114	12 808
Less: Amortization of tangible capital assets	(12 000)		(12 000)	(12 903)	(13 114)
Net loss on disposal and write-down of tangible capital assets	-		-	(148)	(418)
Proceeds on disposal of tangible capital assets	-		-	(12)	(47)
Net capital investment	2 500	-	2 500	1 051	(771)
Surplus	$ -	$ -	$ -	$ 4 160	$ 2 119

All amounts are expressed in thousands of Canadian dollars.

FINANCIALS

The AER is an industry-funded regulator accountable to the Government of Alberta. The AER's operating expenses and capital investment are from the following revenue sources: administration fees (referred to as the administrative levy), government grants, and other revenue (e.g., the sale of products). The AER collects orphan fund levies, which are paid directly to the Orphan Well Association (OWA).

The previous table summarizes the results of our operations and net capital investment for the year ended March 31, 2024.

Administration Fees

Alberta's *Responsible Energy Development Act* authorizes the AER to levy an administration fee on the following regulated sectors—the province's oil and gas, oil sands, coal, pipeline sectors and facilities. The funds collected from administration fees are used to fulfil the AER's mandate to ensure the safe, efficient, orderly, and environmentally responsible development of energy and mineral resources in Alberta through our regulatory activities. For the year ended March 31, 2024, administration fees increased by $16 805 or 8.3% to support the AER's operational needs. In the fiscal year ended March 31, 2024, the AER collected:

- 71.0% (2022/23 – 70.8%) of industry levies from oil and gas,
- 19.9% (2022/23 – 22.4%) from oil sands,
- 4.0% (2022/23 – 4.3%) from coal operations,
- 3.4% (2022/23 – 1.7%) from pipelines, and
- 1.7% (2022/23 – 0.8%) from facilities in the form of administration fees.

Additionally, administration fees for the 2023/24 fiscal year include $341 (2022/23 – $54) in issued late payment penalties.

Government of Alberta Grant

The AER received $12 356 in grant funding to support its mandate expansion work related to mineral resource regulation. The grant revenue is recognized as expenses pertaining to the agreement are incurred, and unspent funds are carried over from year to year and expensed in accordance with accounting standards. For the year ended March 31, 2024, the AER recognized $14 185. $5 210 will be carried over into 2025/26 to support the continued development and operationalization of the various mandate expansion workstreams.

Orphan Fund Levy and Transfers

Under Part 11 of the *Oil and Gas Conservation Act*, the AER is required to prescribe an orphan fund levy. This levy is based on the revenue requirements identified by the OWA board and approved by the Government of Alberta. In 2023/24, the AER issued an orphan fund levy of $135 000, an increase of $63 000 compared with 2022/23. This increase was necessary to maintain the pace of closure activity. In 2023/24, the AER did not issue a large facility program orphan levy, a decrease of $6 000 compared with 2022/23. Additionally, the AER collected and transferred $14 260 (2022/23 – $1 535) in forfeited security deposits, $465 in application fees (2022/23 – $669) and $103 (2022/23 – $90) in penalties.

All amounts are expressed in thousands of Canadian dollars.

Other Revenue

Other revenue consists of data subscriptions, enforcement revenue, electronic data and publications sales, revenue from projects performed on a cost-recovery basis, and investment income. In 2023/24, other revenue increased by $3 263 or 49.0%, primarily driven by higher investment income due to higher interest rates.

Energy Regulation

Expenses increased by $13 636 or 6.1% in 2023/24 due to increased salary costs, inflationary pressures, and continued IT modernization as the AER is currently supporting multiple aging technology platforms. Overall, the AER continues to exercise financial prudence and seeks opportunities to reduce costs where possible.

Capital Investment

Developing and acquiring tangible capital assets, predominately investments in information technology, is critical in helping the AER achieve its mandate at the lowest possible cost. Investments in information technology ensures that the AER remains relevant and responsive.

In 2023/24, the AER made capital investments totalling $14 114. These investments focused on continued IT infrastructure improvement, OneStop, AERs Integrated Decision Approach (IDA) technology, leasehold improvements aimed at reducing office space, and safety-related building improvements at the Core Research Centre. Additionally, the AER transitioned from leasing to purchasing fleet vehicles to mitigate the impact of higher interest rates.

Budget Management

In 2023/24, the AER planned for a balanced budget, and, despite facing nondiscretionary pressures throughout the year, continued to forecast a balanced position. Nondiscretionary pressures were more than offset by increased investment revenue and effective cost management, which included prioritizing funding initiatives and focusing on savings opportunities. Consequently, the AER completed the year with a surplus of $4 160 (2022/23 – $2 119), 1.1% of total revenues.

All amounts are expressed in thousands of Canadian dollars.

Alberta Energy Regulator
Consolidated Financial Statements
For the Year Ended March 31, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Alberta Energy Regulator and all other information relating to the AER contained in this annual report have been prepared and presented by management, who is responsible for the integrity and fair presentation of the information.

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The consolidated financial statements necessarily include some amounts that are based on informed judgments and best estimates of management. The financial information contained elsewhere in this annual report is consistent with that in the consolidated financial statements.

Management is responsible for maintaining an effective system of internal controls designed to provide reasonable assurance that financial information is reliable, transactions are properly authorized, assets are safeguarded and liabilities are recognized.

The Auditor General of Alberta, the AER's external auditor appointed under the Auditor General Act, performed an independent external audit of these consolidated financial statements in accordance with Canadian generally accepted auditing standards, and has expressed his opinion in the accompanying Independent Auditor's Report.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors exercises this responsibility through the Audit and Finance Committee, composed of Directors who are not employees of the regulator. The Audit and Finance Committee meets with the internal auditors and the external auditors-both in the presence and in the absence of management to discuss their audit, including any findings as to the integrity of financial reporting processes and the adequacy of our systems of internal controls. The internal and external auditors have full and unrestricted access to the Audit and Finance Committee.

[Original signed by Laurie Pushor]

President and Chief Executive Officer

[Original signed by Mike Dalton]

Vice-President, Finance and Chief Financial Officer

Date: May 16, 2024

Auditor General OF ALBERTA

Independent Auditor’s Report

To the Board of Directors of the Alberta Energy Regulator

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Alberta Energy Regulator (the Group), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and the results of its operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the consolidated financial statements and my auditor’s report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor’s report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

May 16, 2024
Edmonton, Alberta

ALBERTA ENERGY REGULATOR
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2024

	2024		2023
	Budget (Note 5, Schedule 3)	Actual	Actual
		(in thousands)	
Revenues			
Administration fees	$ 217,419	$ 218,234	$ 201,429
Orphan fund levies and transfers (Note 6)	135,000	150,241	80,294
Government of Alberta grants	12,356	14,185	16,754
Information, services and fees	1,299	2,701	2,576
Investment income	2,700	7,223	4,085
	368,774	392,584	305,138
Expenses			
Energy regulation (Schedule 1)	231,274	237,132	223,496
Orphan well abandonment (Note 6)	135,000	150,241	80,294
	366,274	387,373	303,790
Annual operating surplus	2,500	5,211	1,348
Accumulated surplus at beginning of year	74,935	74,935	73,587
Accumulated surplus at end of year	$ 77,435	$ 80,146	$ 74,935

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA ENERGY REGULATOR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2024

	2024	2023
	(in thousands)	
Financial assets		
Cash and cash equivalents (Note 7)	$ 19,142	$ 43,171
Accounts receivable (Note 8)	2,641	2,927
Portfolio investments (Note 9)	19,902	-
Pension assets (Note 16)	13,737	9,903
	55,422	56,001
Liabilities		
Accounts payable and other accrued liabilities (Note 10)	25,317	26,017
Payable to Orphan Well Association	1,459	2,419
Deferred revenue (Note 11)	6,588	7,657
Deferred lease incentives (Note 13)	8,387	9,849
	41,751	45,942
Net financial assets	13,671	10,059
Non-financial assets		
Tangible capital assets (Note 17)	57,723	56,672
Prepaid expenses and other assets	8,752	8,204
	66,475	64,876
Net assets		
Accumulated surplus (Note 18)	$ 80,146	$ 74,935

Asset Retirement Obligation (Note 15)
Contractual rights (Note 19)
Contingent liabilities (Note 20)
Contractual obligations (Note 21)

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA ENERGY REGULATOR
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2024

	2024		2023
	Budget (Note 5, Schedule 3)	Actual	Actual
		(in thousands)	
Annual operating surplus	$ 2,500	$ 5,211	$ 1,348
Acquisition of tangible capital assets (Note 17)	(14,500)	(14,114)	(12,808)
Amortization of tangible capital assets (Note 17)	12,000	12,903	13,114
Net loss on disposal and write-down of tangible capital assets		148	418
Proceeds on disposal of tangible capital assets		12	47
(Increase)/decrease in prepaid expenses and other assets		(548)	438
Decrease in spent deferred capital contributions (Note 11)		-	(240)
Increase in net financial assets	-	3,612	2,317
Net financial assets at beginning of year	10,059	10,059	7,742
Net financial assets at end of year	$ 10,059	$ 13,671	$ 10,059

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA ENERGY REGULATOR
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2024

	2024	2023
	(in thousands)	
Operating transactions		
Annual operating surplus	$ 5,211	$ 1,348
Non-cash items included in annual operating surplus:		
Amortization of tangible capital assets (Note 17)	12,903	13,114
Change in pension assets	(3,834)	(5,945)
Net loss on disposal and write-down of tangible capital assets (Note 17)	148	418
Bad debt expense	1,325	34
Amortization of deferred lease incentives (Note 13)	(1,462)	(1,466)
	14,291	7,503
Increase in accounts receivable	(1,039)	(1,277)
(Increase)/decrease in prepaid expenses and other assets	(548)	438
Decrease in accounts payable and other accrued liabilities	(700)	(708)
(Decrease)/increase in payable to Orphan Well Association	(960)	1,355
Decrease in deferred revenue	(1,069)	(3,705)
Cash provided by operating transactions	9,975	3,606
Capital transactions		
Acquisition of tangible capital assets (Note 17)	(14,114)	(12,808)
Proceeds on disposal of tangible capital assets	12	47
Cash applied to capital transactions	(14,102)	(12,761)
Investing transactions		
Purchase of portfolio investments (Note 9)	(19,902)	-
Cash applied to investing transactions	(19,902)	-
Financing transactions		
Decrease in spent deferred capital contributions (Note 11)	-	(240)
Cash applied to financing transactions	-	(240)
Decrease in cash and cash equivalents	(24,029)	(9,395)
Cash and cash equivalents at beginning of year	43,171	52,566
Cash and cash equivalents at end of year	$ 19,142	$ 43,171

The accompanying notes and schedules are part of these consolidated financial statements.

Note 1 AUTHORITY

The Alberta Energy Regulator (AER) is an independent and quasi-judicial organization of the Government of Alberta. The AER operates under the *Responsible Energy Development Act.* The AER's mandate provides for the efficient, safe, orderly and environmentally responsible development of energy and mineral resources in Alberta through regulatory activities. This includes allocating and conserving water resources, managing public lands, and protecting the environment while providing economic benefits for all Albertans. The AER is exempt from income taxes under the *Income Tax Act.*

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

Reporting Entity and Method of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the AER, which is composed of all components controlled by the AER. The Orphan Fund is a fund retained and administered by the AER. The AER collects an orphan fund levy and a large facility program orphan levy, and transfers the funds to the Orphan Well Association through the orphan fund. The AER also transfers funds for first time licensee application fees, including regulator directed transfer fees, and forfeited security deposits through the orphan fund. The AER and the orphan fund are consolidated using the line-by-line method.

Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting.

The AER recognizes revenue from transactions with no performance obligations, such as administration fees and orphan fund levies, at their realizable value. Revenue from transactions with performance obligations, including information, services and fees, is recognized when the AER provides the promised goods and/or service to a payor.

Cash received for goods and/or services not yet provided before year end is recognized as deferred revenue and recorded in accounts payable and other accrued liabilities.

Government of Alberta grants

Transfers from the Government of Alberta are referred to as provincial grants.

Provincial grants without stipulations for the use of the transfer are recognized as revenue when the transfer is authorized and the AER meets the eligibility criteria (if any). Provincial grants with stipulations for the use of the transfer are recognized as deferred revenue and subsequently recognized when the AER meets the stipulations.

Investment income

Investment income includes interest income and realized gains and losses on the sale of portfolio investments. Once realized, these gains or losses are recognized in the Consolidated Statement of Operations.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Employee future benefits

The AER maintains its own defined benefit Senior Employees Pension Plan (SEPP) and two supplementary pension plans to compensate senior staff who do not participate in the government management pension plans. Retirement benefits are based on each employee's years of service and remuneration.

Pension assets represent the sum of the accumulated cash contributions less the sum of the current and prior years' pension expense.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

Basis of Financial Reporting (continued)

Employee future benefits (continued)

Accrued benefit obligations are actuarially determined using the projected benefit method prorated on length of service and management's best estimate of expected plan investment performance, projected employees' compensation levels and retirement age of employees.

Accrued benefit obligations and pension benefit costs for the year are calculated using the expected rate of return on plan assets as the discount rate, which is determined using market values of plan assets.

Actuarial gains and losses are amortized over the average remaining service period of the active employees, which is 11.1 years (2023 - 11.2 years).

Past service cost arising from plan amendments is accounted for in the period of the plan amendments.

Gains and losses determined upon a plan curtailment are accounted for in the period of curtailment.

The AER participates in the Government of Alberta's multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. Defined contribution plan accounting is applied to these plans as the AER has insufficient information to apply defined benefit plan accounting. Accordingly, pension expense comprises employer contributions to the plans that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plans' future benefits.

Valuation of financial assets and liabilities

The AER's financial assets and liabilities are generally measured as follows:

Financial Statement Component	Measurement
Cash and cash equivalents	Cost
Accounts receivable	Lower of cost or net recoverable value
Portfolio investments	Amortized cost
Pension assets	Lower of cost or net recoverable value
Accounts payable and other accrued liabilities	Cost
Payable to the Orphan Well Association	Cost
Environmental Liabilities	Cost
Deferred lease incentives	Amortized cost

The AER has not designated any financial assets or liabilities in the fair value category, does not have any significant foreign currency transactions and does not hold any derivative contracts. The AER has no significant remeasurement gains or losses and consequently has not presented a Consolidated Statement of Remeasurement Gains and Losses.

Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets include cash and the AER's financial claims on external organizations and individuals at year end.

Cash and cash equivalents

Cash comprises cash on hand, externally restricted cash and demand deposits.

Accounts receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

Basis of Financial Reporting (continued)

Portfolio investments

Portfolio investments are recognized at amortized cost. Investment premiums and discounts are amortized proportionately over the term of the respective investments using an effective interest method. Any declines in market value below costs are considered to be temporary and therefore no write-downs have been recorded.

Liabilities

Liabilities are present obligations of the AER to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts. Liabilities include all financial claims payable by the AER at fiscal year end.

Deferred lease incentives

Deferred lease incentives, consisting of leasehold improvement costs, reduced rent benefits and rent-free periods, are amortized on a straight-line basis over the term of the leases.

Environmental liabilities

Liability for Contaminated Sites:

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment.

A liability for remediation of a contaminated site may arise from an operation that is either in productive use or no longer in productive use and may also arise from an unexpected event resulting in contamination. The resulting liability is recognized when all of the following criteria are met:

i. an environmental standard exists;
ii. contamination exceeds the environmental standard;
iii. the AER is directly responsible or accepts responsibility;
iv. it is expected that future economic benefits will be given up; and
v. a reasonable estimate of the amount can be made.

Contingent liabilities

A contingent liability is recognized when:

i. there is an existing condition or situation;
ii. there is an expected future event that will resolve the uncertainty as to whether a present obligation to sacrifice economic benefits exists;
iii. it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and
iv. a reasonable estimate of the amount can be made.

Non-financial assets

Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

(a) are normally employed to deliver AER services;
(b) may be consumed in the normal course of operations; and
(c) are not for sale in the normal course of operations.

Non-financial assets of the AER include tangible capital assets, prepaid expenses and other assets.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

Basis of Financial Reporting (continued)

Tangible capital assets

Tangible capital assets are recognized at cost less accumulated amortization, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development of the asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized over their estimated useful lives as follows:

Leasehold improvements	Straight line	Term of the lease
Furniture and equipment	Straight line	3 - 10 years
Vehicle	Straight line	5 - 15 years
Computer hardware	Straight line	3 - 10 years
Computer software - purchased	Straight line	3 - 10 years
Computer software - developed	Straight line	3 - 10 years

Amortization is only expensed when the tangible capital asset is put into service.

Work-in-progress, which may include developed computer software and leasehold improvements, is not amortized until a project is complete and the asset is put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the AER's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The net write-downs are accounted for as an expense in the Consolidated Statement of Operations.

Prepaid expenses

Prepaid expenses are recognized at cost and amortized based on the terms of the agreements.

Measurement uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount, whenever estimates are used. The amounts recognized for amortization of tangible capital assets are based on estimates of the useful life of the related assets. Accrued defined benefit obligations are subject to measurement uncertainty due to the use of actuarial assumptions. The resulting estimates are within reasonable limits of materiality and are in accordance with the AER's significant accounting policies.

Estimates of contingent liabilities for contaminated sites are subject to measurement uncertainty because the existence and extent of contamination, the responsibility for clean-up, and the timing and costs of remediation cannot be reasonably estimated in all circumstances. The degree of measurement uncertainty cannot be reasonably determined.

Note 3 CHANGE IN ACCOUNTING STANDARDS

Effective April 1, 2023, the AER adopted the new accounting standard PS 3400 Revenue. There were no changes to the measurement of revenues on adoption of the new standard.

At the beginning of the same fiscal reporting period, the AER also adopted the PSG-8 Purchased Intangibles Guideline. There was no impact on the Consolidated Financial Statements as a result of adoption of the new guideline.

Note 4 FUTURE CHANGES IN ACCOUNTING STANDARDS

The Public Sector Accounting Board has approved the following accounting standards, which are effective for fiscal years starting on or after April 1, 2026:

The Conceptual Framework for Financial Reporting in the Public Sector

The Conceptual Framework is the foundation for public sector financial reporting standard setting. It replaces the conceptual aspects of Section PS 1000 Financial Statement Concepts and Section PS 1100 Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.

PS 1202 Financial Statement Presentation

Section PS 1202 sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework.

Management is currently assessing the impact of the conceptual framework and the standard on the Consolidated Financial Statements.

Note 5 BUDGET

The budget and budget adjustments reflected on Schedule 3 have been approved by the Government of Alberta.

Note 6 ORPHAN WELL ABANDONMENT

(in thousands)

The Government of Alberta has delegated the authority to manage the abandonment and reclamation of wells, facilities, and pipelines that are licensed to defunct licensees to the Orphan Well Association. The AER collects an orphan fund levy and a large facility program orphan levy, and transfers the funds to the Orphan Well Association through the orphan fund. The AER also transfers funds for first time licensee application fees, including regulator directed transfer fees, and forfeited security deposits through the orphan fund. During the year ended March 31, 2024, the AER invoiced $135,516 (2023 - $78,090) in levies and penalties. Additionally, the AER collected and transferred $14,260 (2023 - $1,535) in forfeited security deposits and $465 (2023 - $669) in application fees.

Note 7 CASH AND CASH EQUIVALENTS

(in thousands, unless otherwise noted)

Cash and cash equivalents are held in an account with a Canadian chartered bank and earn interest calculated based on the average monthly cash balance. The funds are available to be withdrawn upon request. During the year ended March 31, 2024, the AER earned interest at an annual average rate of 5.5% (2023 - 3.5%).

Cash and cash equivalents includes restricted funds of $6,411 (2023 - $7,447), as reflected in deferred revenue (discussed in Note 11).

Note 8 ACCOUNTS RECEIVABLE

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	2024			2023
	Gross amount	**Allowance for doubtful accounts**	**Net recoverable value**	**Net recoverable value**
Accounts receivable	$ 4,091	$ (1,450)	$ 2,641	$ 2,927

Note 9 PORTFOLIO INVESTMENTS

(in thousands)

	2024		2023	
	Book value	Fair value	Book value	Fair value
Bonds	$ 19,869	$ 19,621	-	-
Other	33	33	-	-
	$ 19,902	$ 19,654	$ -	$ -

The bonds are intended to be held long term with interest rates from 2.0% to 6.2% and maturity dates between 2026 and 2034. Any declines in market value below costs are considered to be temporary and therefore no write-downs have been recorded.

Note 10 ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

(in thousands)

	2024	2023
Trade and other accrued liabilities	$ 11,839	$ 9,743
Lease termination payable	3,716	5,820
Accrued salaries and benefits	9,762	10,454
	$ 25,317	$ 26,017

Note 11 DEFERRED REVENUE

(in thousands)

Deferred revenue consists of the following:

	2024	2023
Deferred contributions(1)	$ 6,411	$ 7,447
Unearned revenue	177	210
	$ 6,588	$ 7,657

(1) Deferred contributions

	2024			2023
	Government of Alberta	Other	Total	Total
Balance at beginning of year	$ 7,134	$ 313	$ 7,447	$ 11,159
Cash contributions received/receivable during year	12,928	627	13,555	13,158
Less: amounts recognized as revenue	(14,185)	(311)	(14,496)	(16,870)
Less: unused amounts returned	(95)	-	(95)	-
Balance at end of year	$ 5,782	$ 629	$ 6,411	$ 7,447

Note 12 FINANCIAL INSTRUMENTS

The AER has the following financial instruments: cash and cash equivalents, accounts receivable, portfolio investments, accounts payable and other accrued liabilities, and payable to the Orphan Well Association.

Note 12 FINANCIAL INSTRUMENTS (continued)

Financial Risk Management

The AER has exposure to the following risks from its use of financial instruments:

(a) Liquidity risk

Liquidity risk is the risk that the AER will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the AER are met primarily through the collection of funding at the beginning of the year to fund operating expenses and capital expenditures throughout the year. The AER manages liquidity risk by having established budget processes and regularly monitoring cash flows to ensure the necessary funds are on hand to fulfill upcoming obligations. In addition, the AER maintains a revolving line of credit which provides financial flexibility to allow the AER to meet its obligations if funding cannot be collected on a timely basis.

(b) Credit risk

The AER is exposed to credit risk from potential non-payment of accounts receivable and from the failure of a counterparty to fully honour its financial obligations with the AER. A substantial portion of the AER's accounts receivable include balances due from operators in the oil and gas industry, and are subject to normal industry credit risk. The AER regularly monitors the financial status of operators and assesses the collectability of accounts receivable. The AER's maximum exposure to credit risk is limited to the carrying amount of accounts receivable presented in the Consolidated Statement of Financial Position at the reporting date. The AER established a valuation allowance that corresponds to the specific credit risk of operators, historical trends and economic circumstances.

The AER is exposed to credit risk associated with the underlying debt securities held in investment funds managed by the Canadian Imperial Bank of Commerce (CIBC). All of the AER's investments in bonds are with counterparties considered to be investment grade (AAA to BBB-) at March 31, 2024.

(c) Interest Rate Risk

The AER is exposed to interest rate associated with the underlying interest-bearing securities held in the investment funds. Interest rate risk relates to the possibility that the fair value of investments will change due to future fluctuations in market interest rates. In general, investment returns from bonds are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the AER would be approximately 6.4% of total investments.

The following table summarizes the terms to maturity of interest-bearing securities held in bond investments at March 31, 2024.

Class	< 1 year	1-5 years	Over 5 years	Average effective market
Bonds	-	4	5	5.4%

Note 13 DEFERRED LEASE INCENTIVES

(in thousands)

The AER has entered into various lease agreements which provide for lease incentives comprising reduced rent benefits, rent-free periods and leasehold improvement costs. These amounts are amortized on a straight-line basis over the term of the lease.

	2024			2023
	Leasehold improvement costs	Reduced rent benefits and rent-free periods	Total	Total
Balance at beginning of year	$ 8,234	$ 1,615	$ 9,849	$ 11,315
Amortization	(1,133)	(329)	(1,462)	(1,466)
Balance at end of year	$ 7,101	$ 1,286	$ 8,387	$ 9,849

Note 14 ENVIRONMENTAL LIABILITIES

(in thousands, unless otherwise noted)

The AER has a mandate to protect public safety and the environment. As at March 31, 2024, the AER is administering 30 (2023 – 29) legacy sites on behalf of the Government of Alberta. Of these sites, during the year ended March 31, 2024, the AER identified one (2023 – one) site as having immediate public safety and environmental risk, and the AER needed to take appropriate action to mitigate these risks. During the year ended March 31, 2024, the AER incurred $4 (2023 - $3) in costs to mitigate immediate public safety and environmental risks. Costs to mitigate immediate public safety or environmental risks are costs where the AER has completed protective or remediation work at legacy sites. Costs for ongoing assessment and monitoring are included.

As at March 31, 2024, the AER is not responsible, nor has it accepted responsibility, for performing remediation and reclamation work at contaminated sites. The AER has $nil (2023 - $nil) environmental liabilities recorded.

Note 15 ASSET RETIREMENT OBLIGATION

Tangible capital assets are assessed for asset retirement obligations annually. Asset retirement obligations are initially measured as of the date the legal obligation was incurred, based on management's best estimate of the amount required to retire tangible capital assets and subsequently re-measured taking into account any new information and the appropriateness of assumptions used. At March 31, 2024, the estimate of the liability is insignificant and therefore no liability was recognized. During the year ended March 31, 2024, the AER incurred $nil (2023 - $nil) in costs to settle the obligation.

Note 16 EMPLOYEE FUTURE BENEFITS

(in thousands, unless otherwise noted)

The AER participates in the Government of Alberta's multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. For the year ended March 31, 2024, the expense for these pension plans is equal to the contributions of $12,357 (2023 - $12,207) and is included in salaries, wages and employee benefits on Schedule 1. The AER is not responsible for future funding of the plan deficit other than through contribution increases.

In addition, the AER maintains its own defined benefit Senior Employees Pension Plan (SEPP) and two supplementary pension plans to compensate senior staff who do not participate in the government management pension plans. Retirement benefits are based on each employee's years of service and remuneration.

All the information presented in the note below is related to the AER's defined benefit pension plans.

The effective date of the most recent actuarial funding valuation for SEPP was December 31, 2021. The accrued benefit obligation as at March 31, 2024 is based on the extrapolation of the results of this valuation. The effective date of the next required funding valuation for SEPP is December 31, 2024.

Pension plan assets are valued at market values. During the year ended March 31, 2024, the weighted average actual return on plan assets was 6.6% (-1.9% in 2023).

Significant weighted average actuarial and economic assumptions used to value accrued benefit obligations and pension benefit costs were as follows:

Accrued benefit obligations	2024	2023
Discount rate	5.3%	5.4%
Rate of compensation increase	6.0% until March 31, 2024, 3.0% thereafter	4.0% until March 31, 2023, 6.0% until March 31, 2024, 3.0% thereafter
Long-term inflation rate	2.0%	2.0%
Pension benefit costs for the year	**2024**	**2023**
Discount rate	5.4%	4.5%
Expected rate of return on plan assets	5.4%	4.5%
Rate of compensation increase	6.0% until March 31, 2024, 3.0% thereafter	4.0% until March 31, 2023, 3.0% thereafter

Note 16 EMPLOYEE FUTURE BENEFITS (continued)

(in thousands, unless otherwise noted)

The funded status and amounts recognized in the Consolidated Statement of Financial Position were as follows:

	2024	2023
Market value of plan assets	$ 90,265	$ 81,577
Accrued benefit obligations	(72,374)	(67,126)
Plan surplus	17,891	14,451
Unamortized actuarial gains	(4,154)	(4,548)
Pension assets	$ 13,737	$ 9,903

The pension benefit costs for the year included the following components:

	2024	2023
Current period benefit cost	$ 2,421	$ 3,921
Interest cost	3,705	3,277
Expected return on plan assets	(4,549)	(3,462)
Amortization of actuarial gains	(280)	(67)
	$ 1,297	$ 3,669

Additional information about the defined benefit pension plans is as follows:

	2024	2023
Benefits paid	$ 2,756	$ 4,189
AER contributions	5,134	9,615
Employees' contributions	850	751

The asset allocation of the defined benefit pension plans' investments was as follows:

	2024	2023
Equity securities	44.9%	45.4%
Debt securities	24.6%	24.3%
Alternatives	19.7%	18.5%
Other	10.8%	11.8%
	100.0%	100.0%

Note 17 TANGIBLE CAPITAL ASSETS

(in thousands)

	2024						2023
	Land	**Leasehold improvements**	**Furniture and equipment**	**Vehicle** (1)	**Computer hardware and software**	**Total**	**Total**
Estimated useful life	Indefinite	Term of the lease	3-10 years (2)	5-15 years	3-10 years (2)		
Historical cost (3)							
Beginning of year	$ 282	$ 47,623	$ 12,902	$ -	$ 140,256	$ 201,063	$ 197,386
Additions	-	1,477	257	584	11,796	14,114	12,808
Disposals, including write-downs	-	-	(660)	-	(4,275)	(4,935)	(9,131)
	282	49,100	12,499	584	147,777	210,242	201,063
Accumulated amortization							
Beginning of year	$ -	$ 26,989	$ 10,029	$ -	$ 107,373	$ 144,391	$ 139,943
Amortization expense	-	2,646	941	74	8,287	$ 11,948	13,114
Effect of disposals, including write-downs	-	-	(590)	-	(4,185)	$ (4,775)	(8,666)
Transfers and adjustments (4)	-	-	576	-	379	$ 955	-
	-	29,635	10,956	74	111,854	152,519	144,391
Net book value at March 31, 2024	$ 282	$ 19,465	$ 1,543	$ 510	$ 35,923	$ 57,723	
Net book value at March 31, 2023	$ 282	$ 20,634	$ 2,873	$ -	$ 32,883		$ 56,672

(1) A new tangible capital asset class has been added effective April 1, 2023 prospectively for purchased vehicles.

(2) The estimated useful lives for furniture and equipment, and computer hardware and software have changed to 3-10 years following a policy review. These changes in accounting estimate have been accounted for prospectively, effective April 1, 2023.

(3) Historical costs include work-in-progress at March 31, 2024 totalling $12,055 (2023 - $6,381) comprised of: computer hardware and software of $10,896 (2023 - $6,369) and leasehold improvements of $1,159 (2023 - $12).

(4) Transfers and adjustments solely relate to accounting policy alignments and reclassifications between capital asset categories.

Note 18 ACCUMULATED SURPLUS

(in thousands)

Accumulated surplus is comprised of the following:

	2024			2023
	Investments in tangible capital assets (1)	**Unrestricted net assets**	**Total**	**Total**
Balance at beginning of year	$ 48,438	$ 26,497	$ 74,935	$ 73,587
Annual operating surplus	-	5,211	5,211	1,348
Net investment in tangible capital assets (1)	2,184	(2,184)	-	-
Balance at end of year	$ 50,622	$ 29,524	$ 80,146	$ 74,935

(1) Excludes leasehold improvement costs received by the AER as a lease incentive and related amortization.

Note 19 CONTRACTUAL RIGHTS

(in thousands)

Contractual rights are rights of the AER to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

During the year ended March 31, the AER collected the following amounts for its contractual rights under operating subleases:

	2024	2023
Contractual rights from operating subleases	$ 592	$ 543

As at March 31, 2024, estimated amounts that will be received or receivable for each of the next five years are as follows:

2024-25	433
2025-26	439
2026-27	182
2027-28	-
2028-29	-
	$ 1,054

Note 20 CONTINGENT LIABILITIES

(in thousands, unless otherwise noted)

The AER is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at March 31, 2024, accruals totalling $25 (2023 - $1,312) have been recognized as a liability. The AER has been jointly named with the Government of Alberta in Athabasca Chipewyan First Nation claim that has a total amount claimed of $500 million in March 2024, the outcome of which is not determinable.

The AER has identified various sites where contamination may exist and the level of contamination is unknown at this time. As at March 31, 2024, no liability has been recognized for these sites as the AER is acting as an administrator on behalf of the Government of Alberta. No liability for remediation on other sites has been recognized as the AER becoming responsible for these sites is unlikely. The AER's ongoing efforts to monitor contaminated sites may result in environmental remediation liabilities related to newly identified sites, change in the assessment or intended use of existing sites, or change in responsibility. Any change to the environmental liabilities will be accrued in the year in which they are assessed as likely and measurable if they are deemed to be the AER's responsibility.

Note 21 CONTRACTUAL OBLIGATIONS

(in thousands)

As at March 31, 2024, the AER had contractual obligations totalling $146,267 (2023 - $125,189).

Contractual obligations are obligations of the AER to others that will become liabilities in the future when the terms of those contracts or agreements are met.

As at March 31, 2024, estimated payment requirements for obligations under operating leases and contracts for each of the next five years and thereafter are as follows:

2024-25	$ 54,575
2025-26	24,762
2026-27	18,238
2027-28	14,122
2028-29	11,704
Thereafter	22,866
	$ 146,267

Note 22 ASSETS UNDER ADMINISTRATION

(in thousands)

The AER administers security deposits in accordance with specified acts and regulations. Security deposits are held on behalf of depositors with no power of appropriation and therefore are not reported in these Consolidated Financial Statements. The AER does not have any financial risk associated with security collected. Security, along with any interest earned, will be returned to the depositors upon meeting specified refund criteria. Security may be forfeited and transferred to the Orphan Well Association for the cost of suspension, abandonment, site decontamination and surface land reclamation.

As at March 31, assets under administration included the following types of security deposits:

	2024				2023
	Cash	Letters of credit	Surety Bond	Total	Total
Liability Management Rating programs and landfills	$ 107,155	$ 319,472	$ -	$ 426,627	$ 384,328
Mine Financial Security program	118,461	1,007,981	561,422	1,687,864	1,559,734
Other programs	11,869	13,523	5,628	31,020	21,984
	$ 237,485	$ 1,340,976	$ 567,050	$ 2,145,511	$ 1,966,046

Note 23 COMPARATIVE FIGURES

Certain 2023 figures have been reclassified, where necessary, to conform to the 2024 presentation.

Note 24 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These Consolidated Financial Statements were approved by the AER Board of Directors on May 16, 2024.

ALBERTA ENERGY REGULATOR **Schedule 1**

ENERGY REGULATION EXPENSES - DETAILED BY OBJECT

YEAR ENDED MARCH 31, 2024

	2024	2023
	(in thousands)	
Salaries, wages and employee benefits	$ 155,370	$ 147,068
Consulting services	23,380	22,608
Computer services	20,668	17,801
Buildings	19,056	18,848
Amortization of tangible capital assets	12,903	13,114
Administrative	2,798	1,703
Travel and transportation	2,511	1,640
Equipment rent and maintenance	298	296
Loss on disposal and write-down of tangible capital assets	148	418
	$ 237,132	$ 223,496

ALBERTA ENERGY REGULATOR **Schedule 2**
SALARY AND BENEFITS DISCLOSURE
YEAR ENDED MARCH 31, 2024

	2024				2023 Restated [(4)]
	Base salary [(1)]	Other cash benefits [(2)]	Other non-cash benefits [(3)]	Total	Total
			(in thousands)		
Position					
Board Members [(5)]	$ 500	$ -	$ 34	$ 534	$ 498
President and Chief Executive Officer	341	36	88	465	465
Chief Hearing Commissioner [(4)]	247	12	64	323	301
Chief Operations Officer [(4)]	285	15	88	388	374
Executive Vice-President, Law and General Counsel [(4)]	281	12	98	391	328
Vice-President of Finance and Chief Financial Officer [(4)]	252	10	92	354	338
Vice-President of People, Culture and Learning [(4)]	241	5	74	320	316
Former Executive Vice-President, Law and General Counsel	-	-	-	-	72

(1) Includes retainers and per diems for Board Directors and regular salary and acting pay for Executives.

(2) Other cash benefits include payments in lieu of vacation, pension and health benefits, as well as vehicle allowances and other cash reimbursements. There were no bonuses paid in 2024.

(3) Other non-cash benefits include contributions to all benefits as applicable, including employer's share of all employee benefits and contributions or payments made on behalf of employees, including pension, supplementary retirement plans, health care and payments made for professional memberships, tuition fees, parking and other taxable benefits.

(4) The 2023 figures have been restated to include the retroactive application of salary increases.

(5) As at March 31, 2024, the Board of Directors consisted of seven members.

SEPP AND SRP RETIREMENT BENEFITS

(in thousands)

The costs detailed below are only for those employees, included in Schedule 2, who were employed during the years ended March 31, 2023 and 2024, and participated in the SEPP and SRP maintained by the AER. The SEPP and SRP provide retirement benefits to compensate senior staff who do not participate in the Government of Alberta's management pension plans.

	2024			2023
Position	**Current service cost**	**Prior service and other costs**	**Total**	**Total**
Executive Vice-President, Law and General Counsel	$ 22	$ (5)	$ 17	$ 23
Vice-President of Finance and Chief Financial Officer	29	(2)	27	32
Vice-President of People, Culture and Learning	21	(2)	19	28

The SEPP and SRP accrued obligation for each executive employed by the AER during the years ended March 31, 2023 and 2024 is outlined in the following table:

Position	Accrued obligation April 1, 2023	Changes in accrued obligation	Accrued obligation March 31, 2024	Accrued obligation March 31, 2023
Executive Vice-President, Law and General Counsel	$ 198	$ 46	$ 244	$ 198
Vice-President of Finance and Chief Financial Officer	93	46	139	93
Vice-President of People, Culture and Learning	70	30	100	70

ALBERTA ENERGY REGULATOR **Schedule 3**

CONSOLIDATED ACTUAL RESULTS COMPARED WITH BUDGET

YEAR ENDED MARCH 31, 2024

	Budget (Note 5)	Adjustments [1]	Adjusted budget	Actual
		(in thousands)		
Revenues				
Administration fees	$ 217,419	$ 833	$ 218,252	$ 218,234
Orphan fund levies and transfers	135,000	665	135,665	150,241
Government of Alberta grants	12,356	7,039	19,395	14,185
Information, services and fees	1,299	-	1,299	2,701
Investment income	2,700	4,422	7,122	7,223
	368,774	12,959	381,733	392,584
Expenses				
Energy regulation	231,274	12,294	243,568	237,132
Orphan well abandonment	135,000	665	135,665	150,241
	366,274	12,959	379,233	387,373
	2,500	-	2,500	5,211
Capital				
Capital investment	14,500		14,500	14,114
Less: Amortization of tangible capital assets	(12,000)		(12,000)	(12,903)
Net loss on disposal and write-down of tangible capital				(148)
Proceeds on disposal of tangible capital assets				(12)
Net capital investment	2,500	-	2,500	1,051
Surplus	$ -	$ -	$ -	$ 4,160

[1] Adjustments reflect changes to the original budget approved by the Treasury Board. The adjustments reflect the utilization of grant funding received in 2023 to accommodate work completed in 2024 related to mandate expansion activities, higher investment income resulting from the AER issuing the levies earlier than initially planned and rising interest rates, adjustments to reflect administration fee penalties issued, along with projected first-time license fees which were transferred to the Orphan Well Association.

ALBERTA ENERGY REGULATOR **Schedule 4**
RELATED PARTY TRANSACTIONS
YEAR ENDED MARCH 31, 2024

The AER, in the normal course of business, entered into various transactions with entities consolidated or accounted for on the modified equity basis in the Government of Alberta's Consolidated Financial Statements. These entities are considered to be related parties of the AER. Related parties also include key management personnel and close family members of those individuals in the AER. In 2024, there were no amounts or transactions, other than compensation, between the AER and its key management personnel. Key management personnel compensation is disclosed in Schedule 2.

Related Party Transactions with Government of Alberta Entities

The AER recognized the following transactions with Government of Alberta entities in the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry of Energy		Other entities	
	2024	2023	2024	2023
	(in thousands)		*(in thousands)*	
Revenues				
Government of Alberta grants	$ 14,185	$ 16,754	$ -	$ -
Information, services and fees	346	333	700	671
	$ 14,531	$ 17,087	$ 700	$ 671

	Entities in the Ministry of Energy		Other entities	
	2024	2023	2024	2023
	(in thousands)		*(in thousands)*	
Expenses				
Computer services	$ 414	$ 341	$ 3,006	$ 3,441
Buildings	-	-	505	433
Administrative	-	-	476	515
Consulting services	-	-	182	174
	$ 414	$ 341	$ 4,169	$ 4,563
Receivable from	$ 145	$ 130	$ 14	$ 13
Prepaid expenses and other assets	$ -	$ -	$ 38	$ 36
Payable to	$ -	$ -	$ 1,216	$ 1,987
Deferred revenue	$ 5,782	$ 7,134	$ 133	$ 200
Contractual obligations (1)	$ -	$ -	$ 6,210	$ 3,869

(1) Contractual obligations are obligations of the AER to related parties that will become liabilities in the future when the terms of those contracts or agreements are met.

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