

REPORT TO ALBERTANS

Our First Year of Operations

The Alberta Energy Regulator (AER) is the single regulator for oil, natural gas, oil sands, and coal development in Alberta.

The AER provides for the safe, efficient, orderly, and environmentally responsible development of energy resources. This includes allocating and conserving water, managing public lands, and protecting the environment, while delivering economic benefits for all Albertans.



Energy regulation in Alberta spans 76

years and has evolved over time. This evolution continued in June 2013 when the AER became a new organization with an entirely new governance structure and took over responsibilities for energy regulation previously held by the Energy Resources Conservation Board (ERCB).

This journey began with the Government of Alberta's Regulatory Enhancement Project, which was designed to ensure that Alberta's resource policy development, public consultations, and energy development regulations are efficient and competitive while supporting public safety, environmental management, and resource conservation.

From this process the government passed the *Responsible Energy Development Act (REDA)* in 2012, and on June 17, 2013, the AER was launched.

The AER immediately took on regulatory responsibilities previously conducted by the ERCB. Over the next nine months, the AER took on new responsibilities from Alberta Environment and Sustainable Resource Development (ESRD), including public land and geophysical jurisdiction, as well as



Alberta Energy Regulator

sections of the *Environmental Protection and Enhancement Act* and the *Water Act* as they relate to energy resource development.

All of this took place while the AER continued to provide regulatory oversight for energy development in Alberta, processing of energy development applications, conducting inspections and investigations, and ensuring that all of our requirements were followed.

To increase transparency, the AER also began publishing notices of applications on our website, enhancing the notification requirements already in place. Our transition is now complete and the AER is now Alberta's single regulator for upstream oil, oil sands, natural gas, and coal development.

Learn more about the AER online at www.aer.ca.

A New Approach to Compliance and Enforcement

Our new approach to compliance puts our focus on higher-risk activities, such as developments near populated or environmentally sensitive areas. In those cases, we inspect more frequently to make sure that all of our requirements are followed.

When companies fail to follow our rules and requirements, the AER has the authority to take strong action, including shutting down their facilities.

With new authority under the *Environmental Protection and Enhancement Act*, the *Water Act*, and the *Public Lands Act*, the AER has more enforcement tools available to respond to companies that fail to comply with requirements. Simply stated, companies that develop Alberta's oil and gas resources must follow all rules, regulations, and requirements. If they don't, there are serious consequences. The AER's enforcement tools include

- more frequent and detailed inspections,
- more stringent planning requirements,
- enforcement orders,
- shutting down operations,
- the levying of administrative penalties, and
- prosecution.

The AER will provide Albertans with information about industry's performance record, including our easy-to-access incident reporting tool and regular posting of investigation reports and compliance activities on our website.

The AER Regulates

MORE THAN
50
thermal/enhanced
in situ projects

9
oil sands
mines

5
bitumen
upgraders

4
coal processing
plants



11
producing
coal mines

OVER **200** AND **16**
primary/enhanced
recovery projects
(in situ) experimental
projects



OVER **415 000**
kilometres of pipelines

782
gas processing plants



OVER **180 000**
operating natural gas and oil wells

MORE THAN **29 000** AND CLOSE TO

21 000
gas facilities

May 1, 2014

Original graphic provided by Oilweek Magazine

Becoming Best In Class – Our Plan

Regulating the world's third-largest energy resource comes with high expectations and draws a lot of attention and scrutiny. This is fair. After all, Alberta offers some of the most majestic landscapes on the planet, is home to four million people, and is a major energy producer. From the Canadian Rocky Mountains to rivers of glacier water, Alberta and the people who call it home are worth protecting.

So when it came time for the AER to develop its first strategic plan, we knew we needed one that would allow us to achieve our vision by being **protective, effective, efficient, and credible**, while meeting the expectations of Albertans and reporting on our results.

The **AER 2014-17 Strategic Plan** plots a roadmap that helps us select projects and initiatives that go beyond our day-to-day regulatory work to improve safety, become more effective and efficient, and build stronger relationships with stakeholders; it's about making the most of our resources.

"The AER is already a strong regulator," said president and CEO Jim Ellis, "but it's not enough for us to simply say we're strong. We need to be recognized by our stakeholders and peers as among the best there is. This is

important work, and our strategic plan will make sure we stay on track and deliver results for Albertans."

The strategic plan includes our desired outcomes, areas of focus, and performance measures and targets. This allows us to monitor our progress and report on our results.

We're taking the purposeful steps required to uphold our responsibilities to Albertans, and with the new strategic plan in place, the AER continues to lead the next era of energy regulation in Alberta.

You can learn more about the AER 2014-17 Strategic Plan at aer.ca.

Our Vision

The Alberta Energy Regulator is recognized as best in class, ensuring the safe, environmentally responsible development of energy resources for the benefit of all Albertans.

Our Mandate

The AER's mandate is to ensure the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources over their entire life cycle. This includes allocating and conserving water resources, managing public lands, and protecting the environment, while providing economic benefits for all Albertans.

› Taking Action in Peace River

In July 2013, president and CEO Jim Ellis called for a proceeding to examine odours and emissions generated by heavy oil operations in the Peace River area. The proceeding allowed residents and industry to express their concerns in a public forum. The proceeding included a review of industry practices and explored possible solutions to this important issue.

The independent AER hearing panel released its recommendations on March 31, 2014.

The AER acted immediately to address the recommendations, accepting all those in our jurisdiction on April 15, 2014.

That same day, the AER released a revised version of *Directive 060: Upstream Petroleum*

Industry Flaring, Incinerating, and Venting. These revisions require companies to conserve gas, regardless of the economics of an energy operation, and give the AER enforcement tools to address off-lease hydrocarbon odours.

In early May, the AER made further revisions to *Directive 060* and released a revised *Directive 056: Energy Development Applications and Schedules*. The changes will ensure that casing and tank-top gas are conserved in the Peace River area. Companies that fail to meet these new requirements will face enforcement action.

"We are developing a strategy to meet the panel's remaining recommendations that are

within our jurisdiction," said Carol Crowfoot, vice president of the Regulatory Operations and Economics Branch. "This includes strategies to reduce emergency flaring and fugitive emissions and to increase gas conservation in the Peace River area."

The AER is also exploring opportunities with the Government of Alberta to establish and expand a regional air quality monitoring program in the Peace River region.

We are working on long-term strategies to reduce flaring, venting, and incineration and to increase gas conservation in Alberta. We will continue to find ways to improve our approach to addressing air emissions and protecting the environment while ensuring the conservation of our oil and gas resources.

Employee Community

SENSE OF COMMUNITY

The AER has close to 1200 employees working in 15 locations across Alberta — from Medicine Hat to High Level.

Our staff serve Albertans through their daily work, but it rarely ends there. Even in their off-hours, many offer their time and talents to support worthy causes in the rural and urban communities they call home — below are just two examples.

Like other AER employees, they are ultimately driven by their sense of community.

› Tanis Bryson

To say that Tanis Bryson, who works in the AER Strategy and Regulatory Division in Edmonton, is busy is an understatement. By day, Tanis works on collaborative projects between the AER and the Government of Alberta, having recently joined the AER from Environment and Sustainable Resource Development. By night, she's a mom to two small kids and an active member of her west Edmonton community. Whether it's helping with community league projects, her children's preschool or sports, there's not much down time.

"I try to be involved in my community as much as possible," said Tanis. "I really believe there is strong value in knowing your neighbours, relating to those who live close to us, and making our community the best we can."

These values are reflected in her work. Tanis believes in the work the AER is doing to make the regulatory environment more accessible to its stakeholders, but most of all, to Albertans.

"I really believe that we are efficient, effective, transparent, fair, and adaptable," said Tanis. "We are creating a system that is easier to access and understand."

› Lawrence Newby

Lawrence is passionate about making sure that oil and gas companies are following the AER's rules. The AER field inspector is equally passionate about ensuring that his community remains vibrant.

"I think you have to give something back, because if you don't participate in your community — especially in a rural community — it won't survive. You need to volunteer to help sustain the community," Lawrence said. "Plus it's extremely rewarding."

Although Lawrence works in the Wainwright Field Centre, his roots in his home town of Viking run deep. Lawrence has volunteered with Viking Minor Hockey for six years and gives his time to local high-school students by teaching outdoor education programming at Viking School.

He has also been heavily involved with his local Lions Club since 1997. Currently serving as the mentor for the Lions Quest youth program, Lawrence works with young people in Viking, teaching them the importance of serving in their community.

"We do local service projects like a highway clean-up and raise money for local charities, like the food bank," he said.



We are in 15 locations across Alberta.



Tanis Bryson



Lawrence Newby



The AER's air monitoring unit.



A pipeline inspection.

Having Your Say

Over the past year, the AER has made it easier for Albertans to learn about the energy resource development happening around the province.

Applications submitted to the AER are posted online using the Public Notice of Application tool. This includes applications for oil and gas wells, pipelines, coal mines, oil sands developments (both mines and in situ), facilities, and many applications submitted under the *Public Lands Act*, the *Environmental Protection and Enhancement Act*, and the *Water Act*. When a decision is made on an application, whether it's approved, closed, withdrawn, or denied, it's also posted online.

If you have a concern with an application, you may submit a statement of concern, which may be filed by anyone who believes they may be directly and adversely affected by an application.

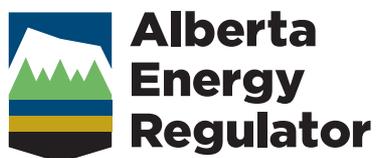
The statement must be in written form and include the filer's name and contact information, the company's name, the type of project, the location of the filer's land and residence in relation to the proposed project, and a summary of concerns that include how the filer may be directly and adversely affected. The AER reviews and responds to all statements of concern.

We've also made it possible to stay informed about energy resource development in Alberta from anywhere by providing live audio streaming of all AER hearings, where logistically possible.

More information on these informative tools can be found online at www.aer.ca.



Govier Hall, the AER's main hearing room, located in Calgary.



The AER On Call: Responding to an Energy Incident

With 415 000 kilometres of pipeline, more than 180 000 operating wells, more than 50 000 oil and gas facilities, and 9 oil sands mines within our jurisdiction, the AER must be able to respond to energy-related incidents 24 hours a day, seven days a week.

When an energy-related incident occurs, the AER ensures that companies respond appropriately to prevent or minimize impacts to people, property, and the environment.

"The AER has specialized staff who are trained in emergency response, environmental protection, air quality, and investigation," said Al Montpellier, vice president of Environment and Operational Performance. "During an incident, the AER works with all appropriate operators, local municipalities, and other provincial and federal responders to ensure a timely and effective response."

To ensure a coordinated response, the AER's mobile incident command trailer is deployed to incident sites across Alberta and serves as a base of operations for government agencies working to respond to an emergency.

In June 2013, the AER also launched a new online incident reporting tool. The tool, which is updated daily, is available at www.aer.ca and posts public notice of all incidents that may impact the public or the environment.

"The incident reporting tool is just one example of how Albertans will be kept informed about the AER's role during incident response," added Al.

To report an energy or environmental emergency or to file a complaint (such as odour or noise) about the operation of an energy development, contact the AER's 24-hour emergency line at 1-800-222-6514.

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