

Background

Increases to Industry-Wide Closure Spend Target

June 28, 2022

The AER is increasing the industry-wide spend from \$422 million (2022) to \$700 million (2023), with the forecasted target being \$992 million (2027). Industry-wide spend targets support inventory reduction and are a part of the overall [Liability Management Framework](#) set by the Government of Alberta, which the AER uses to guide its work.

The closure spend program was implemented in 2022 to hold industry accountable for the costs associated with cleaning up their inactive infrastructure. Between 2019 and 2021, companies were given the option to participate in a voluntary closure spend program, the Area-Based Closure (ABC) program, that allowed them to work together to efficiently and cost effectively complete closure work.

While this program has ended, companies can still choose to take the ABC approach to reduce the cost of closure through better planning, industry-wide collaboration, and reduced equipment mobilization. They can also commit to a voluntary spend target and contribute to more closure activity above the minimum amount required in exchange for certain regulatory incentives like surface equipment removal extensions and mineral lease expiry extensions. Information about incentives is outlined in [Manual 023](#).

One year after implementing the program, the AER has made the decision to increase the industry-wide closure spend targets with the rationale that by investing now and incrementally increasing the spend amount, the AER can halt the growth of inactive liability in Alberta in five years. Further, preliminary 2021 closure spend data and current commodity prices support the ability for industry to increase their closure spend beyond the previously announced 2023 target.

Licensee-specific targets will be released by the end of July 2022.

Year	NEW Industry-wide Targets	Previous Targets
2023 (set)	\$700 million	\$443 million
2024 (forecast)	\$764 million	\$465 million
2025 (forecast)	\$833 million	\$489 million
2026 (forecast)	\$909 million	\$513 million
2027 (forecast)	\$992 million	-

The AER ensures the safe, efficient, orderly, and environmentally responsible development of the oil and gas sector throughout their entire life cycle. We operate on behalf of all Albertans.

Please direct media inquiries to Communications at media@aer.ca.