



**Alberta
Energy
Regulator**

Area Based Closure: A Regulator's Perspective

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Area Based Closure (ABC)

Principles

- › Flexible
- › Achievable
- › Scalable for all sizes
- › Results focused regulations
- › Transparent
- › Data and information driven decisions
- › Stakeholder collaboration
- › Continuous improvement

Expected Outcomes

- › Reverse liability growth
- › Shortened closure timeline of oil and gas sites
- › Greater understanding and transparency of liabilities
- › Broad industry collaboration
- › Efficient closure operations
- › Effective regulatory framework

Area Based Closure Objective

- » To enable industry-wide area based closure (ABC) of inactive oil and gas infrastructure and sites in a way that mitigates liability exposure to Albertans through timely and efficient movement of inventory to closure, while enhancing the province's reputation as a place to invest for sustainable energy development.

Task Teams

The task of driving success for area based closure in Alberta has been categorized into four tasks:

1. Develop a Communication Strategy
2. Develop a Closure Funding Framework and Performance Measures
3. Identify ABC Field Selection Methodology
4. Develop Operator Non-Performance Options

Task Team 1

› Develop a Communication Strategy

- › Determine the information/data to be shared with stakeholders
- › Foster collaboration between producers and service companies
- › Share best practices and lessons learned
- › Launch and roll-out

Task Team 2

- 》 **Develop a Closure Funding Framework and Performance Measures**
- 》 Develop Common Liability Assessment Model (CLAM)
- 》 Use CLAM to calculate historical closure costs and set minimum closure spending requirement
- 》 Update CLAM annually with industry-reported, actual closure costs
- 》 Monitor success of ABC using performance metrics

Task Team 3

- **Identify ABC Field Selection Methodology**
- Develop area based closure definition
- Analyze economic, risk, and infrastructure considerations
- Evaluate 2016-2017 large scale ABC pilots

Task Team 4

》 Develop Operator Non-Performance Options

- Provide options for behavior modification
 - Information transparency
 - Industry association declared support for program
 - AER corporate health scorecard impacts of non-performance
 - Limitations on new activity authorizations
 - Security deposits for liability
- Challenge: ABC is not a prescribed regulatory requirement

Next Steps for ABC

- 》 Conclude task teams
- 》 Prioritize and execute on recommendations from task teams
- 》 Host joint information sessions
- 》 Solidify joint steering committee to oversee performance regarding principles, outcomes, and objectives



Questions?