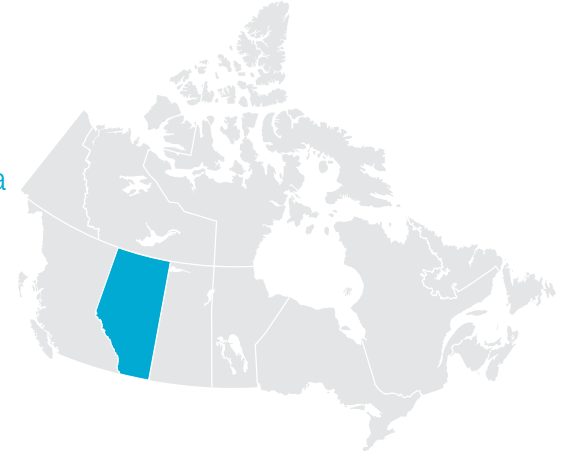


# Supporting small producers in Alberta

The energy sector – including hundreds of small producers operating in the province – remains vitally important to Alberta and to the country. For that reason, government has taken a number of significant steps that support small producers.



## Site Rehabilitation Program

- The \$1-billion Site Rehabilitation Program (SRP) is leading to significant cost savings for small producers.
- Grants are provided to oil field service contractors to conduct clean-up work – costs that would otherwise be fully covered by producers.
- The full \$1 billion has been made available to fund clean-up work, with approximately \$500 million in grant funding already approved. This directly represents savings to industry, including small producers.
- In some instances, grants cover up to 100 per cent of the value of work being conducted. For example, incentives for Indigenous oil field service companies enable grants of up to 100 per cent of the project costs for qualified Indigenous businesses.

## Red Tape Reduction

- Government has made substantial progress in addressing industry concerns about regulatory burdens, leading to millions of dollars in anticipated savings for small producers.
- Overall, government has seen \$500 million in savings through Red Tape Reduction and economic recovery initiatives, with an additional \$1 billion in savings expected by the end of 2022.
- We have also directed agencies to prioritize red tape reduction. For example, by adding additional functionality to the OneStop online application service, the Alberta Energy Regulator (AER) has dramatically reduced application processing timelines and wait times for companies – including small producers – while improving regulatory oversight.
- By amending Section 9 of the *Mines and Minerals Act*, Alberta Energy streamlined the process to regulate innovative processes or activities that are not outlined under the act.
- The elimination of drilling and completion cost estimates under the Modernized Royalty Framework means that industry will no longer have to submit estimates for each well they drill. As well, industry will only have to submit cost data once for every licence, instead of every well event.
- The AER modernized Directive 056 for energy development applications and aligned the process with OneStop, the AER's IT system, giving more clarity to industry on the well application process and reducing the regulatory burden.
- The AER improved the wording of Directive 060 – Upstream Petroleum Industry Flaring, Incinerating, and Venting – by amending or deleting obsolete and duplicative requirements to reduce regulatory burden on industry.
- Changes to Directive 081 – Water Disposal Limits and Reporting Requirements for Thermal In Situ Oil Sands Schemes – will remove significant barriers to greenfield investment by reducing costs, as well as reducing costs on existing projects, which is estimated to collectively save industry \$273 million plus an additional annual incremental savings of \$3.75 million.

## Other support measures

- Government waived six months of the 2020-21 AER levy, saving industry, including small producers, \$113 million.
- The government offered to grant requests for extensions on mineral agreements that were to expire in 2020 by one year, providing small producers additional time to raise capital and plan future activities.
- In 2020, in order to provide some relief during the economic downturn, government deferred certain industry reporting requirements and extended the deadline of certain payments.
- To further stimulate new drilling activity – including drilling by small producers – we eliminated the Well Drilling Equipment Tax beginning in January 2021.
- The government is now recognizing approved research projects for escalating rental offsets under the Oil Sands Tenure Regulation, 2020.



# Supporting small producers in Alberta

## Liability Management Framework

- The Liability Management Framework, announced in July 2020, will help small producers by providing certainty for investors and help ensure they are able to bear the costs of site clean-up.
- All viable producers – including small producers – will be able to meet the requirements of the new framework.
- The Licensee Special Action function, operated by the AER provides practical, proactive guidance for struggling operators – many of which are small producers.
- Through this function, the AER will help licensees manage their liabilities, maximize their assets and maintain their operations.
- Companies are encouraged to contact the AER directly about the service available.
- The AER completed the first phase of its Commingled Abandonment program, which expands the criteria used in the risk-based management approach for abandoning wells. CAPP estimates that the savings from expanding the criteria are in excess of \$600 million.

## Production Limits

- Before government stopped setting monthly production limits in December 2020, it made several changes to the curtailment policy to benefit small producers.
- In August 2019, the base deduction limit was increased from 10,000 to 20,000 barrels-per-day, meaning small producers were not subject to production limits. As a result, only 16 of more than 300 producers were subject to production limits.
- In November 2019, government exempted new conventional oil wells from production limits.

## Municipal Tax Relief

- Government provided municipal property tax relief through an exemption on property taxes for new wells, pipelines and new equipment.
- The province will also lower assessments for less productive oil and gas wells and keep assessments it recently lowered for shale gas wells, an estimated \$80 million in savings.

## Helium

- In 2020, government established a competitive royalty rate for helium, helping to attract investment and create jobs.
- Several small producers have expressed an interest in exploring the helium potential in southeast Alberta, with some production already underway.

## Water Conservation Policy for Upstream Oil and Gas

- Alberta's revised water conservation policy for upstream oil and gas protects Alberta's valuable water resources by making it easier for the energy industry – including small producers – to use alternative water sources.

## Carbon Capture, Utilization and Storage

- Alberta's Technology Innovation and Emissions Reduction – or TIER – fund is providing \$9.5 million through Emissions Reduction Alberta to support several carbon capture, utilization and storage projects that are creating jobs and reducing emissions.

## Methane Reduction

- Alberta worked with conventional oil and gas stakeholders to develop a methane emissions reduction policy that will save industry about \$600 million between 2020 and 2024.
- Since January 2020, more than \$300 million has been made available for methane reduction projects in Alberta, including \$52 million from the TIER fund for methane reduction programs.

## Temporary Service Protocol

- The Alberta government has been supportive of the Temporary Service Protocol, which, in 2020, allowed natural gas producers to access previously unavailable storage and created more balance on our pipelines and helps to reduce price volatility.
- The Temporary Service Protocol provided an effective insurance policy against potentially damaging seasonal price changes, while also ensuring Alberta's natural gas market remained well connected to other North American markets during unplanned outages.