

November 7, 2019

Public Interest in the Transfer of Licenses from Shell Canada to Pieridae Energy?

By: Shaun Fluker

Matters commented on: AER Public Notice of Applications [1925399](#), [1925400](#), [1925403](#), [1925404](#), [1925405](#), and [1925406](#)

On November 5 the Alberta Energy Regulator (AER) posted notice of six applications made by Shell Canada to transfer well, pipeline and facility licenses to Pieridae Alberta Production Ltd. While it is hard to discern from the AER information portal what is actually proposed, it would appear these license transfers relate to the disposition by Shell of its [foothills sour gas assets](#) to [Pieridae Energy](#). These assets include wells, pipelines, and associated facilities in the Waterton, Jumpingpound and Caroline gas fields west and southwest of Calgary.

This brief comment asks (1) whether the AER should conduct a public interest hearing to assess what measures should be imposed by the AER to eliminate the risk of unfunded liabilities associated with the abandonment and reclamation of these aging sour gas facilities, and (2) should the Attorney General exercise its *parens patriae* jurisdiction in this case.

Unlike the much-publicized cases such as [Redwater Energy](#) where trustees and the AER fight over the scraps left behind by a bankrupt company, this is a scenario with solvent parties and an opportunity for the AER to proactively address the risk of unfunded clean-up liabilities. In this case assets are being transferred from an energy giant, Shell Canada, to a relatively small company with approximately \$75 million in share capitalization which – perhaps ironically - trades as the symbol [PEA](#) on the TSX Venture Exchange. At the time this asset transaction was disclosed in July, it was [reported](#) that Pieridae hopes production from these foothills assets will feed its proposed, and yet-to-be financed, \$10 billion LNG project in Nova Scotia. Pieridae's 2019 third quarter [interim financial statements](#) state the company has a working capital deficit, negative cash flow, and needed to raise capital to make its \$10 million deposit to Shell in July for this transaction (see notes 2 and 3 in the financial statements). One wonders how much money a junior energy company in this financial position will be able to set aside in Alberta to ensure these fields are cleaned up at the end of their productive life? Or will Alberta taxpayers be left with the clean-up bill? As we all know, the [price-tag](#) on the reclamation of existing oil and gas facilities in Alberta is staggering and the number of [orphaned](#) facilities left for taxpayers to clean up continues to grow.

The AER information portal invites persons who believe they may be directly and adversely affected by these applications to file a [statement of concern](#) with the Regulator on or before 4pm on December 5, 2019. In light of the potential financial risk to Alberta taxpayers, and given that

the AER's standing rules effectively make it impossible for an ENGO to qualify, and the dire state of Alberta's current finances, the Attorney General should file a statement of concern to protect the public interest! Statements of concern filed in relation to these applications would assist the AER in deciding whether to conduct a public hearing on these applications. There is no doubt that Alberta needs to find a solution to the problem of unfunded liabilities associated with clean-up in the oil and gas sector, and a quasi-judicial hearing on these applications might be a good start in this regard.

This post may be cited as: Shaun Fluker, "Public Interest in the Transfer of Licenses from Shell Canada to Pieridae Energy?" (November 7, 2019), online: ABlawg, http://ablawg.ca/wp-content/uploads/2019/11/Blog_SF_Pieridae.pdf

To subscribe to ABlawg by email or RSS feed, please go to <http://ablawg.ca>

Follow us on Twitter [@ABlawg](https://twitter.com/ABlawg)

