

The 2024 Industry-Wide Closure Spend Lowered Without Explanation

By: Drew Yewchuk

Regulatory Bulletin Commented on: [AER Bulletin 2023-31, Industry-Wide Closure Spend Requirement for 2024](#)

The Alberta Energy Regulator’s (AER) Bulletin 2023-31 sets the industry-wide closure spend requirement for 2024 at \$700 million, lower than the \$764 million forecasted last year. This is another post on how poorly and secretively the AER is handling the industry-wide closure spend requirement, following previous posts [here](#) and [here](#).

The industry-wide closure spend requirement is part of the AER’s ‘new’ liability management framework for handling oil and gas closure costs. The ‘new’ liability management framework was announced in [July 2020](#), but has not yet fully replaced the failed approach that preceded it. For a discussion of Alberta’s ongoing problems with oil and gas closure liabilities, see [this post on the Auditor General’s 2023 report](#).

The industry-wide closure spend requirement began in 2022 (although [the name has been modified since then](#) to remove the confusing phrase ‘mandatory target’). The industry-wide closure spend requirement requires industry to spend a set amount of money on asset-retirement obligations each year. It is meant to solve the long running problem of inactive oil and gas assets piling up all over the province, serving as an alternative to fixed timelines for the closure of sites after they cease activity.

Three Years of Closure Spend Bulletins

The industry-wide closure spend requirement was [\\$422 million in 2022](#), [\\$700 million in 2023](#), and now [\\$700 million in 2024](#).

[AER Bulletin 2021-23](#) said that the AER would “annually release by July 31, industry-wide closure spend targets for a five year period on the AER website—the first two years being set, and the final three years forecasted.” This has not happened. The 2022 bulletin only set the closure spend requirement for one year instead of two, and the 2023 bulletin was a month late and only sets one year’s spend requirement and forecasts nothing.

[AER Bulletin 2022-23, from June 2022](#), significantly increased the forecasted closure spends for 2024-2027 due to growth in the oil and gas service sector and high commodity prices. The forecasted amounts were:

Year	Industry-wide closure spend
2023 (set)	\$700 million
2024 (forecasted)	\$764 million
2025 (forecasted)	\$833 million
2026 (forecasted)	\$909 million
2027 (forecasted)	\$992 million

[Bulletin 2023-31](#) does not follow this forecasted schedule, and it provides no forecasting for any future years. The AER has already abandoned the minimal amount of information sharing they promised in 2021. When the AER increased the forecasted amounts in [Bulletin 2022-23](#), they provided some explanation for the increase. In contrast, [Bulletin 2023-31](#) and the accompanying [news release](#) do not even mention the previously forecasted amount and provide only generic information: “The industry-wide closure spend requirement is reviewed annually and subject to change due to a variety of factors, such as market conditions and previous years’ closure spending.” This does not explain or justify the change to people in Alberta.

Is the Spend Requirement Enough? Another Freedom of Information Request

The largest problem with the industry-wide closure spend requirement is that it is still determined by relying on [Directive 011: Licensee Liability Rating \(LLR\) Program; Updated Industry Parameters and Liability Costs, which was](#) last updated in 2015. The estimates in Directive 011 are widely acknowledged to be seriously wrong and misleading, a key part of what made the previous approach to liability management a disaster. It is absurd that Directive 011 remains in use. The AER should have replaced Directive 011 many years ago.

In order for the industry-wide closure spend requirement to be effective, the annual spend requirements must be set high enough to significantly reduce the total remaining cost of closure for Alberta’s oil and gas assets every year. People in Alberta have not been provided the information needed for them to assess the adequacy of the industry-wide closure spend requirement.

As I see it, if the AER had information showing the situation was under control, they would not keep that information secret. Albertans are left with one [dysfunctional option](#): the *Freedom of Information and Protection of Privacy Act*, [RSA 2000, c F-25](#). I submitted a request to the AER for all records relating to the amount of the industry-wide closure spend requirements or Bulletin 2023-31 from July 1, 2022 to August 28, 2023. We will have answers at some point, but do not hold your breath.

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