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Beyond the Pale: The February 2025 Updates to the Mine Financial Security Program

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Documents Commented on: Mine Financial Security Program Standard [December 2025], AER Manual 024: Guide to the Mine Financial Security Program [February 25, 2025].

AER Bulletin 2025-06 was posted on February 25, 2025, announcing an updated Manual 024: Guide to the Mine Financial Security Program (MFSP). The new Manual 024 was preceded by two rounds of updates to the MFSP Standard in October 2024 and December 2024. The MFSP Standard sets out the rules for the MFSP and is incorporated by reference into the *Conservation and Reclamation Regulation*, Alta Reg 115/1993 (s 16.1). The Manual is intended to assist mine owners in their understanding of its various requirements. The changes to the MFSP made by the updates to the Standard and the Manual are not entirely trivial, but they repair only the more blatant and marginal deficiencies with the MFSP; the overall financial unsoundness of the MFSP – and its counterproductive asset to liability approach in particular – has been left intact. The Guide also remains replete with out-dated references that betray a troubling lack of professionalism and due regard for the public and relevant stakeholders, including downstream Indigenous peoples.

Background: MFSP Problems and MFSP Review

The Mine Financial Security Program (MFSP) is Alberta's system for obtaining financial security for the closure (decommissioning, remediation and reclamation) of oilsands and coal mines. The MFSP currently holds only $1. 71 billion in security against an officially estimated $57.3 billion in mine closure costs. This troubling state of affairs is actually the intended result of the MFSP's design, and more specifically the decision to allow mine owners to defer posting any meaningful security until a mine approaches the end of its life (i.e., the supply of coal or bitumen). This creates a significant risk for taxpayers where mines become uneconomic *before* the planned end of mine life. For these and other reasons further discussed below, the MFSP has long been criticized by Alberta's Auditor General. A detailed discussion of the problems with the MFSP are found in the 2023 paper we coauthored with University of Alberta Professor Andrew Leach, "Not Fit for Purpose: Oil Sands Mines and Alberta's Mine Financial Security Program".

The Alberta government announced a review of the MFSP in May 2021, after suddenly modifying the security calculation method in order to collect *less* security when the COVID pandemic drove oil prices into the ground. From January to October 2022, the Alberta government went through an engagement process with Indigenous communities and industry stakeholders; as in the past, the public was not invited to participate in this review.

In October 2024, we provided [an update on the ongoing mess of the Mine Financial Security Program,] and mentioned that some trivial changes were made to the program in October 2024, which we thought was the government's entire response to the consultation process. Then, oddly, the MFSP Standard was replaced again just two months later in December 2024. What follows is a relatively technical discussion of the most recent changes; readers are directed to our 2023 paper, [published by the University of Calgary School of Public Policy], for an overview of the different types of security and when they are triggered.

The Changes to the MFSP Standard & Manual 024

The October 2024 MFSP Standard changed how Gross Probable Reserves are valued in the MFSP Asset Calculation compared to Gross Proven Reserves. As further discussed below, this change was made in response to the Auditor General's concerns that the MFSP asset calculation treated proven and probable reserves the same. Going forward, where more than 10% of a mine's remaining resources are probable rather than proven, the value of Gross Probable Reserves is now to be calculated based on the mine's "3-year rolling average of Gross Probable Reserves converted to Gross Proven Reserves" or else subject to a 15% reduction (MFSP Standard, October 3, 2024, at schedule 1, section 1(6)).

The December 2024 MFSP Standard also added a requirement for Approval Holders to obtain approval from a Director at Alberta Environment and Protected Areas (AEPA) before including heat integrated *in-situ* reserves in their MFSP reserves and added the requirement to report Gross Revenue and Sales Volume (MFSP Standard, December 13, 2024, s 3(5)). This practice, which made absolutely no sense from a program design perspective, had also been criticized by the Auditor General.

As noted above, the new 2025 version of AER Manual 024: Guide to the Mine Financial Security Program is meant to explain the application of the MFSP Standard. Despite that, the manual actually describes two substantive policy choices about how the AER will be exercising their discretion.

First, and echoing the changes in relation to *in situ* reserves, Manual 024 now says *EPEA* mine approvals cannot be "combined unless otherwise authorized by the director" (2025 Manual 024, at 3). The practice of combining approvals was also criticized by the Auditor General, who noted that it could further delay mine closure.

Second, Manual 024 now contains a clearer description of how rule requiring director's approval for the inclusion of heat integrated *in-situ* reserves will be applied:

> this practice was approved and is already occurring, or where investments, up to and including October 3, 2024, were made to upgrade reserves from an approved *in situ* oil sands project at their mine and where the mine and *in situ* project will be heat integrated. (2025 Manual 024, at 12)

Third, in the faintest nod to improved transparency, the section on public reporting has also been rewritten to specify that "the aggregate MFSP asset value" will be reported to the public each year (at 40).

Finally, in an extremely cosmetic change, the 2025 Manual 024 combines and renumbers sections 6 and 7. Comically, but also tragically (from the perspective of competence and professionalism), the 2025 Manual 024 was not updated to remove, or at least amend, other text that refers to now badly-out-of-date events or developments:

- "New accounting guidelines will take effect in 2011 in Canada, as the country adopts the International Financial Reporting Standards (IFRS). As such, different terms may be used by entities in their financial statements (e.g., provision, reserve, liability for reclamation and remediation activities, etc.) to replace the ARO terminology" (at 15, emphasis added)
- "To establish a conservative number for oil sands ORD calculations, the director has set the reclamation cost at $75 000 per hectare for the 2012, 2013, and 2014 reporting years. The value will be reviewed in the three-year program review in light of completion of reclamation activities within this period…" (at 25, emphasis added) (readers should note that the ORD has never been updated and remains at $75,000)
- "First review of the program will occur no later than 2014..." to address issues with the MFSP design identified when it was first created (at 39, emphasis added).

As a final comment here, we also note that the MFSP Guide 'Summary' (at v) still refers to "enhanced practices" and "new requirements," even those these have been in place since the adoption of the MFSP in 2011. This makes it difficult, if not impossible, for all but the very initiated to understand the changes to the regime over time.

Discussion

Going through the changes to the MFSP Standard and Guide in detail reveals that any optimism that Alberta Energy and Minerals, AEPA, or the AER was making substantial changes with Bulletin 2025-03 would have been misplaced.

The Auditor General has previously identified four problems with the MFSP:

(1) The MFSP treated proven and probable reserves as equally valuable;
(2) The MFSP's resource asset valuation calculation applied a forward price factor based on the average netback from the previous three years, which wrongly assumed that oil prices and operating costs moved proportionally;
(3) the resource asset valuation calculation did not reflect risks associated with the future economic value of the reserves;
(4) Two circumstances could result in inappropriate extension of mine life and unnecessary deferrals in the collection of security under the program:
   (a) some oil sands mine operators were including reserves related to in situ (non-mining) production in their asset value calculations; and

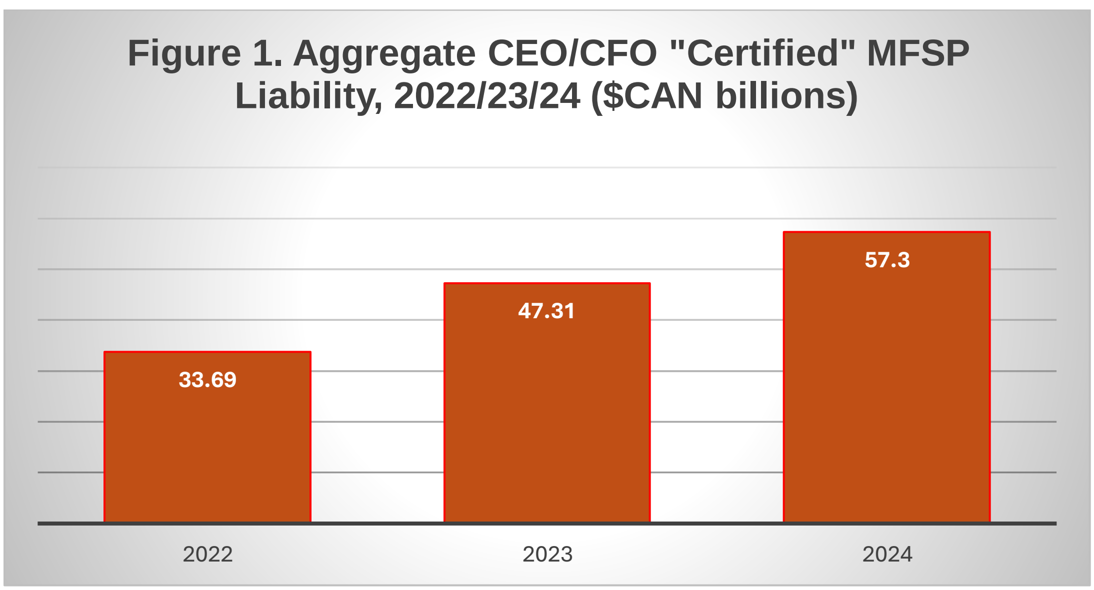
(b) oil sands mine operators could amend the areas covered by their mine approvals or combine multiple mines into one approval, potentially extending the reserve life and size and further delaying closure activity.

(see Auditor General's Progress Report 2021, at 31-32)

The changes to the MFSP only *attempt* to address problems 1 and 4 and their solutions likely do not go far enough: 15% is a small reduction in value for probable reserves; and the artificial prolongation of mine life through expansions is not prohibited outright but rather subject to a Director's discretion.

Problems 2 and 3 are among the largest problems for the MFSP in a world facing climate change and the related attempts to reduce hydrocarbon use (Donald Trump's election notwithstanding, electric vehicle (EV) sales in China are already approaching 50% of all car purchases), and those problems have been left untouched.

The faint attempt at increased transparency (aggregate MFSP asset value) is also wholly inadequate, bearing in mind that the bigger concerns with respect to transparency and reliability are in relation to estimated liabilities. As we previously noted, and notwithstanding a long existing requirement that the "CEO or CFO or…the approval holder's designated financial representative will be required to certify all the liability calculation data provided by the approval holder in respect of the MFSP" (2025 Manual 024, at s 3.2), these estimates have 'officially' increased by a staggering 60% in just the past two years, from roughly $34 billion in 2022 to $57 billion in 2024 (Figure 1, below)). This variation casts significant doubt on the reliability of these estimates and the effectiveness of so-called certification – to say nothing of the still unrefuted 2018 internal AER estimate of $130 billion in oil sands liabilities, which accounting for inflation amounts to almost $160 billion in 2025 terms.



Overall, the changes made to the MFSP to date do not touch the larger program design problems we identify in our 2023 paper coauthored with Andrew Leach, "Not Fit for Purpose: Oil Sands

Mines and Alberta's Mine Financial Security Program". That paper remains a good description of the fundamental problems with the MFSP – problems that will steer oil sands liabilities in the same direction that conventional oil and gas liabilities find themselves today, which is to say the public's lap.

This post may be cited as: Drew Yewchuk & Martin Olszynski, "Beyond the Pale: The February 2025 Updates to the Mine Financial Security Program" (19 March 2025), online: ABlawg, http://ablawg.ca/wp-content/uploads/2025/03/Blog_DYMO_MFSP.pdf

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