

The Alberta Energy Regulator

The **Alberta Energy Regulator**, or AER, ensures the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources over their entire life cycle. This includes allocating and conserving water resources, managing public lands, and protecting the environment while providing economic benefits for all Albertans.

One Province, One Regulator

Energy regulation in Alberta spans more than 75 years and has evolved over time. This evolution continued in 2013 when the AER became a new organization and began taking on regulatory functions related to energy development previously held by Alberta Environment and Sustainable Resource Development (ESRD). Today the AER is the single regulator of energy development—from application and exploration, to construction and development, to abandonment, reclamation, and remediation.

Our Responsibilities

With established reserves of 1.7 billion barrels of bitumen and crude oil, 34.5 trillion cubic feet of natural gas, and 37 billion tons of coal, the AER regulates some of the world's largest hydrocarbon resources. Developing and transporting these resources requires significant

infrastructure; the AER regulates a pipeline network of 415 000 kms, 181 300 operating wells, almost 60 000 oil and gas facilities, over 50 in situ and 200 thermal oil sands projects, and 9 oil sands mines and 11 coal mines.

To ensure that this activity is safe, environmentally responsible, and closely managed, the Government of Alberta has granted the AER authority to

- review and make decisions on proposed energy developments,
- oversee all aspects of energy resource activities in accordance with government policies,
- regularly inspect energy activities to ensure that all applicable requirements are met,
- penalize companies that fail to comply with AER requirements, and
- hold hearings on proposed energy developments.

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As the new single regulator, we have now taken on new regulatory functions, such as responsibility for public lands and geophysical activities under the *Public Lands Act* and the *Mines and Minerals Act*; we have established a Private Surface Agreements Registry for landowners and introduced new rules and processes for public engagement and participation—all this while providing Albertans with more information about applications, decisions, and incidents.

As of March 29, 2014, the AER's authority grew to include—for energy-related development only—the *Environmental Protection and Enhancement Act (EPEA)*, including reclamation and remediation activities, and the *Water Act*. With this authority also comes additional enforcement tools.

Protecting the Environment

Before the AER, the Energy Resources Conservation Board regulated the technical aspects of energy resource development, and ESRD was responsible for environmental regulation and public land dispositions and management.

Today, the AER is responsible for protecting our air, land, water, and biodiversity through strong regulatory oversight of energy development. With these new responsibilities, the AER is now a full life-cycle regulator, from development applications to closure. This includes conservation planning, contamination control management, and reclamation.

As public safety and environmental protection are priorities, we have a team dedicated to emergency preparedness and response. Our inspectors and investigators work to ensure that companies prevent and mitigate potential risks and are able to respond immediately should an incident occur. AER requirements ensure public safety and environmental protection at every stage of energy development and throughout the life cycle of the operation.

Reclamation and Remediation

Overseeing the reclamation and remediation of energy developments—be they wells, pipelines, gas plants, coal mines, or oil sands mines—is another essential part of being a full life-cycle regulator.

Once an energy project has been properly closed and abandoned, reclamation and remediation of the site can begin. The AER must be satisfied that all requirements are met before declaring a site reclaimed.

Under *EPEA*, companies are legally obligated to return the disturbed land to a state functionally equivalent to what it was before development; they remain responsible, in perpetuity, for any infrastructure left beneath the surface.

Conserving and Managing Water

Alberta's *Water Act* supports and promotes the conservation and management of water.

The AER has assumed responsibility for elements of the *Water Act* that relate to energy development activities—specifically two different application processes for the use of water (licences) and for activities that affect water (approvals). ESRD retains the policy-setting responsibilities for the province's water resources.

Enforcing the Rules

To make certain that energy companies follow the rules, the AER is active across the province, holding industry training sessions, conducting inspections, carrying out audits, and completing investigations. The AER's new approach to compliance assurance focuses our inspections on higher-risk activities—for example developments located near populated areas—to make sure they are being operated in a safe fashion.

Enforcement is a key part of ensuring compliance. Now that the AER has authority under *EPEA*, the *Water Act*, and the *Public Lands Act*, the AER has more enforcement options

available to pursue companies that fail to comply with requirements. Simply stated, companies that are allowed to develop Alberta's oil and gas resources must follow all rules, regulations, and requirements. If they don't, they face strong consequences. The AER's enforcement tools can include

- more frequent and detailed inspections,
- more stringent planning requirements,
- enforcement orders,
- shutting down operations,
- the levying of administrative penalties, and
- prosecution.

In addition, the AER informs Albertans about industry's record of meeting our requirements. This includes an easy-to-access incident reporting tool and regular posting of investigation reports and compliance activities on the AER website and in annual performance reports.

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The “Integrated Resource Management System”

The AER is just one part of Alberta's Integrated Resource Management System. In addition to the AER, this system includes the Government of Alberta, which sets policy; the Alberta Environmental Monitoring, Evaluation and Reporting Agency, which provides data and information; the Aboriginal Consultation Office, which manages First Nations consultation on behalf of the Government of Alberta; and the Policy Management Office, which acts as the main interface between government and the AER.

How we are Governed

The AER's governance structure separates the corporate, operational, and governance responsibilities from adjudicative functions (hearings on energy applications).

A chair heads the AER and leads a board of directors; none are involved in the AER's day-to-day operations and decisions. Rather, these directors set the general direction of the regulator's business affairs and are charged with approving regulatory change and setting performance expectations for the AER and its chief executive officer. In this way, the AER's board operates as a truly “corporate style” board.

The CEO, who reports directly to the chair, is accountable for day-to-day operations, which include receiving and making decisions on applications, monitoring and investigating energy resource activities for compliance, and closure of energy developments, including remediation and reclamation.

Hearing commissioners are responsible for conducting all hearings into energy applications and regulatory appeals. Reporting to a chief hearing commissioner, they are independent adjudicators whose decisions may only be reviewed by the Court of Appeal of Alberta.

Stakeholder Engagement

The AER established its Stakeholder and Government Relations Division (SGR) to clearly understand and address stakeholders' concerns and needs related to energy development. SGR's mandate is to help stakeholders understand the changes that have resulted from the transition to a single regulator, to build and sustain sound working relationships with stakeholders, and to ensure that they understand how best to interact with the AER so that their voices are heard. The AER also engages at the national and international levels.



Our Vision:

The Alberta Energy Regulator is recognized as best in class, ensuring the safe, environmentally responsible development of energy resources for the benefit of all Albertans.

Results for Stakeholders

The single regulator brings clear results for stakeholders.

The AER now provides all Albertans with access to applications made to the regulator. The Private Surface Agreements Registry allows landowners and residents to register private agreements signed with companies operating on their property and ask the AER intervene if they feel the terms of the agreement are not being met.

A more effective application process helps industry stakeholders better meet development timelines; the AER continues to ensure that high compliance standards are met.

The AER works closely with the Aboriginal Consultation Office to better meet the needs of aboriginal communities affected by energy development.

For all stakeholders, a single regulatory organization means improved efficiencies from exploration and production, to closure and reclamation, and everything in between.

How We Are Funded

The Government of Alberta determined that the AER would be funded entirely by industry, a model used by other

regulatory agencies in North America, such as the Alberta Utilities Commission and the BC Oil & Gas Commission.

The AER's budget is established through a formal process between the Government of Alberta and the AER. Once the AER's budget is approved by the Government of Alberta, the amount is collected by the AER through an administrative fee. Regardless of the funding model, the AER holds industry accountable for its actions.

Our Vision: "Best in Class"

The AER has embarked on the next era of energy regulation anchored by a new strategic plan, an innovative operational model, and an effective organization structure. With assistance from third-party regulatory experts the world over, the AER will develop a model for a best-in-class regulator and will then work to achieve this ideal.

These efforts are designed to support the AER's vision:

The Alberta Energy Regulator is recognized as best in class, ensuring the safe, environmentally responsible development of energy resources for the benefit of all Albertans.

