

Bulletin 2013-16

April 30, 2013

2013 ERCB Administration Fees (Industry Levy)

Energy Regulation

The Energy Resources Conservation Board (ERCB) regulates energy resource development within Alberta and has a mandate to ensure that the discovery, development, and delivery of Alberta's energy resources take place in a fair and responsible manner that takes into account public safety, environmental protection, and resource conservation.

For 2013/14, the revenue required by the ERCB to support its operations, as approved by the Government of Alberta, is \$154.4 million. In Budget 2013, the Government of Alberta announced that this year's revenue requirement will be 100 per cent funded by an industry levy.

Upon proclamation of the *Responsible Energy Development Act*, expected in June 2013, the ERCB will cease to exist and the Alberta Energy Regulator (AER) will take its place. At that time, all ERCB funding will be transferred to support the AER's operations.

2013 Administration Fees (Industry Levy)

Sector	Allocation (\$000)	
	2013	2012
Oil and gas	112 118	81 443
Oil sands	39 791	29 059
Coal	2 489	2 203
Total	154 398	112 705

The ERCB's revenue requirement affects operator levy invoices. Other factors also contribute to the fee determination at an operator level, including an increase or decrease in wells or entities within the sector, ownership transfer and amalgamations, new entrants, and volume fluctuations. Invoices vary according to individual operations and are based on operating statistics for the calendar year. Invoices to operators detailing the fee calculations will be mailed on April 30, 2013, and payments are due by May 30, 2013.

The *Energy Resources Conservation Act (ERCA)* authorizes the ERCB to make regulations to levy an administration fee on the sectors that it regulates. The *ERCA* also authorizes the imposition of a late-payment penalty, which is set at 20 per cent on any portion of the fee that remains unpaid after the due date. The ERCB may also close producing facilities for failure to pay an invoice or late-payment penalty.

Oil and gas, oil sands, and coal sector invoices for 2013 administration fees are sent to and are payable by the party that was the operator as at December 31, 2012. For conventional wells and oil sands schemes, "operator" means the entity that files well production, injection, and/or disposal data with PETRINEX, Canada's Petroleum Information Network (formerly the Petroleum Registry of

Alberta). If the operator fails to pay the fee, the licensee is responsible for paying the invoiced amount plus any penalty.

Oil and Gas

Determination of Administration Fees

The administration fee in the conventional oil and gas sector is based on individual well production of oil/bitumen or gas and the number of production and service wells for the year ended December 31, 2012.

All operating wells are classified into one of eight base fee classes as set out in the *Energy Resources Conservation Board Administration Fees Regulations (ERCB AFR)* and illustrated in the table below. In addition, an adjustment factor is specified and applied to each base fee. This adjustment factor ensures that the total administration fee collected for the sector satisfies the net revenue requirement for the ERCB with respect to that sector not funded by the Government of Alberta.

Class	Min. production (m ³ /yr)*	Max. production (m ³ /yr)	Base fee
1	Service wells		\$100.00
2	0.01	300.0	\$100.00
3	300.1	600.0	\$125.00
4	600.1	1200.0	\$312.00
5	1200.1	2000.0	\$750.00
6	2000.1	4000.0	\$1250.00
7	4000.1	6000.0	\$1625.00
8	6000.1	>	\$1875.00

* m³/yr: cubic metres per year.

The adjustment factor is set at 2.279718 of the rate specified for wells in all classes in the *ERCB AFR*.

Broad Industry Initiatives (BII)

The Canadian Association of Petroleum Producers (CAPP) and the Explorers and Producers Association of Canada (EPAC) have jointly requested that the ERCB's administration fee process be used to collect \$2 381 691 to fund broad industry initiatives in 2013 (see attached CAPP/EPAC letter). Consistent with prior years, the ERCB has agreed to this request and includes an additional charge for this purpose in the 2013 oil and gas well administration fee invoices, increasing the adjustment factor used for invoicing from 2.279718 to 2.328145. BII funds collected by the ERCB are passed through to CAPP and EPAC.

Payment of the BII is voluntary. Further, the 20 per cent late-payment penalty referred to above does not apply to unpaid BII amounts. The ERCB is not involved in and does not make any decisions regarding the manner in which BII funds are spent or to whom BII funds are disbursed. On request, the ERCB may provide information to CAPP and EPAC regarding paid and unpaid BII amounts by operator.

Oil Sands

Fees are levied in five categories based on operating information for the calendar year 2012. An operator may have activities in more than one category. Each category is subject to an adjustment factor as identified below.

Category	Allocation (\$000)	Adjustment factor
Primary ongoing	4 970	2.395203
Thermal ongoing	15 532	3.907532
Thermal growth	9 454	2.280521
Mining ongoing	5 783	1.442944
Mining growth	<u>4 052</u>	10.077213
Total	39 791	

Coal

The administration fee for coal is based on each mine's share of total production volumes for the year ended December 31, 2012. It is set at 0.087985 per tonne of coal as specified in the *ERCB AFR*.

Contact

If you have questions about the 2013 administration fees, see the attached Frequently Asked Questions or contact:

Anila Kaceli
 Energy Resources Conservation Board
 Finance Branch
 Suite 1000, 250 – 5 Street SW
 Calgary AB T2P 0R4
 Telephone: 403-297-6985
 Fax: 403-297-3195
 E-mail: anila.kaceli@ercb.ca

Appeals

Any appeal must be made in writing (faxes are not acceptable) to:

Tom Heywood
 Energy Resources Conservation Board
 Finance Branch
 Suite 1000, 250 – 5 Street SW
 Calgary AB T2P 0R4
 Telephone: 403-297-2133
 Fax: 403-297-3195
 E-mail: tom.heywood@ercb.ca

Payment of all invoices is required by May 30, 2013, regardless of whether an appeal has been filed. Subsequent adjustments may be applied, if needed, following consideration of the appeal.

Tom Heywood, CA
 Chief Financial Officer

Attachments

Attachment 1



CANADIAN ASSOCIATION
OF PETROLEUM PRODUCERS



March 13, 2013

To All Operators

Dear 2013 ERCB Administrative Levy Recipient,

Re: 2013 Broad Industry Initiatives (BII) Funding

Background

In addition to the annual ERCB administration fee, as in previous years you are being asked to contribute funding for a number of important projects and initiatives that support broad industry interests and policy positions. This Broad Industry Initiatives (BII) program was launched in 1995 by CAPP and EPAC as a means by which to fund programs and projects that are deemed to be of general benefit to the upstream oil and gas industry. BII program funding is limited to non-oil sands initiatives in the province of Alberta. While it has no involvement in and does not make any decisions regarding the manner in which BII funds are spent, the ERCB continues to assist CAPP and EPAC with this program by collecting BII funds on our behalf via its annual well levy invoicing process.

BII Program Scope and Value Proposition

The BII program consists of environmental research projects focused on air, water, biodiversity and surface impacts arising from oil and gas activity. This environmental research provides an important scientific foundation for industry positioning on government policy and regulation. It also facilitates technical collaboration between industry and the Alberta government. The various research projects are managed by Petroleum Technology Alliance Canada (PTAC) on behalf of the industry funders. PTAC is paid a modest fee for project management. Industry representatives are also actively involved in these projects on an ongoing basis.

Please note that for 2013 CAPP is directly funding several of the education and communications programs previously funded via BII. For this reason, the BII program is now focused solely on environmental research and the funding request has been reduced substantially.

BII Governance

The parties requesting funding from the BII program submit proposals in Q4 to CAPP and EPAC, providing accountability for prior funding and proposals for the upcoming year. A BII Panel

CAPP 2100, 350 – 7 Avenue S.W. Calgary, Alberta Canada T2P 3N9 Tel (403) 267-1100 Fax (403) 261-4622	CAPP 1000, 275 Slater Street Ottawa, Ontario Canada K1P 5H9 Tel: 613-288-2126 Fax: 613- 236-4280	CAPP 403, 235 Water Street St. John's, Newfoundland and Labrador Canada A1C 1B6 Tel 709-724-4200 Fax 709-724-4225	EPAC 1040, 717 – 7th Avenue S.W. Calgary, Alberta Canada T2P 0Z3 Tel. (403) 269-3454 Fax (403) 269-3636
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www.capp.ca • communication@capp.ca

comprised of EPAC and CAPP Board Members plus the Presidents of CAPP and EPAC meet annually to review submissions for funding. The BII Panel then makes funding recommendations to the Boards of CAPP and EPAC. Once the projects and the funds are approved by the respective Boards, the request for funding is forwarded to the ERCB. The ERCB then collects the funds for CAPP and EPAC via its annual well levy invoicing process.

BII Program 2013 Project Funding

For 2013, the funding requested by CAPP and EPAC is \$2,381,691 as detailed below:

	<u>2013</u>	<u>2012</u>
Research & Innovation		
Environmental Research Projects	\$ 2,044,370	\$2,110,000
Petroleum Technology Alliance Canada (PTAC)	337,321	320,000
	<u>\$2,381,691</u>	<u>\$2,430,000</u>

The BII well levy represents the amount required to provide the funds noted above. While the BII levy is voluntary, this funding has been firmly endorsed by the CAPP and EPAC Boards. These projects benefit all of the non-oil sands industry in Alberta and we strongly encourage you to remit the BII portion of the well levy along with the required ERCB levy.

Significant leverage is gained for your company's interests through the BII program. We appreciate your assistance in funding those projects that benefit the broader industry in Alberta and would like to thank you for your continued support.

For additional information or if you have any questions, please contact Sylvia Galarneau, the BII Administrator for CAPP and EPAC, at (403) 267-1127 or at sylvia.galarneau@capp.ca.

Sincerely,



Dave Collyer
President
Canadian Association of Petroleum
Producers (CAPP)



Gary Leach
Executive Director
Explorers and Producers
Association of Canada (SEPAC)

Attachment 2

Frequently Asked Questions

Bulletin 2013-16: 2013 ERCB Administration Fees (Industry Levy)

- Q. What is different about this year's industry levy?
- A. This year the Energy Resources Conservation Board's (ERCB's) revenue requirement will be met entirely by industry, representing a shift from joint government/industry funding to 100 per cent industry funding. For 2013, the total administration fees, as approved by the Government of Alberta, is \$154.4 million (compared with \$112.7 million in 2012).
- Q. What caused this change?
- A. The Government of Alberta announced this change in Budget 2013 ([Fiscal Plan 2013–16: Operational Plan](#), p. 28). For more information, visit www.budget2013.alberta.ca or contact the Government of Alberta.
- Q. Does this change affect how the levy is calculated?
- A. No. The same methodology applies to the calculation of the levy.
- Q. After the *Responsible Energy Development Act* is proclaimed, will another industry levy be administered?
- A. The revenue collected from the 2013 ERCB industry levy is in relation to the ERCB's approved 2013/14 budget. An assessment of the funding requirements for the operations of the Alberta Energy Regulator (AER) will be determined after the proclamation of the *Responsible Energy Development Act*.
- Q. When are the administration fees due?
- A. May 30, 2013.
- Q. What are the administration fees for?
- A. The administration fees support the ERCB's operations. The fees are allocated according to industry sector and are based on the ERCB's operational requirements for the specific sector.

Q. Who is responsible for paying the administration fees?

A. The 2013 administration fee invoice is sent to, and is payable by, the operator of the facility at December 31, 2012. If the operator fails to pay the fee, the licensee is responsible for paying the invoiced amount and any assessed penalty.

Q. Who is responsible if wells or facilities were sold after December 31, 2012?

A. The operator at December 31, 2012, is responsible for paying the 2013 administration fee even if it sold the wells or facilities after that date.

Q. Where can I get a copy of my invoice?

A. Invoices will be mailed out on April 30, 2013, and addressed to the Chief Financial Officer or Controller.

To request an extra copy of your invoice, contact Anila Kaceli at 403-297-6985 or anila.kaceli@ercb.ca.

Q. Who can I contact to get an electronic copy of the invoice?

A. Well detail is available in a delimited file format on CD. Contact Information Services:

Angela Bridden Angela.Bridden@ercb.ca

Vicki McTavish Vicki.McTavish@ercb.ca

Q. Can I pay by credit card?

A. The ERCB does not except credit cards; the only method of payment accepted is cheque.

Q. Will I be charged a penalty if I do not pay the invoice by the due date?

A. Payments are due May 30, 2013. A late-payment penalty of 20 per cent will be charged on the portion of the ERCB administration fee that remains unpaid after May 30, 2013.

Q. Will I be charged a penalty if I do not pay the Broad Industry Initiative (BII)?

A. Payment of the BII is voluntary and no penalty will be charged if this portion of the invoice is not paid.

Q. What if I disagree with details on my invoice?

A. Contact

Anila Kaceli
Energy Resources Conservation Board
Finance Branch
1000, 250 – 5 Street SW
Calgary AB T2P 0R4
Telephone: 403-297-6985
Fax: 403-297-3195
E-mail: anila.kaceli@ercb.ca

Q. How do I appeal the administration fees?

A. Any appeal must be made in writing (faxes are not acceptable) to:

Tom Heywood
Chief Financial Officer & Executive Manager
Energy Resources Conservation Board
Finance Branch
1000, 250 – 5 Street SW
Calgary AB T2P 0R4

Payment of all invoices is required by May 30, 2013, regardless of whether an appeal has been filed. Subsequent adjustments will be made, as needed, following consideration of the appeal.

Q. Who can I contact about the Broad Industry Initiatives (BII)?

Contact

Sylvia Galarneau
BII Administrator for CAPP and EPAC
Canadian Association of Petroleum Producers
2100, 350 – 7 Avenue SW
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