

Energy & Natural Resources Regulatory Bulletin June 2021



FEDERAL

Oil Sands Pathways to Net Zero Initiative

Canada's largest energy companies formally announced on 9 June the [Oil Sands Pathways to Net Zero initiative](#). The initiative is designed to employ new technology in the oil patch to help Canada achieve its 2050 climate goals while maintaining a necessary level of hydrocarbon production. The largest part of the initiative will be the construction of a Carbon Capture, Utilization and Storage (CCUS) trunkline connected to a carbon sequestration hub.

The CCUS trunkline will extend from Fort McMurray and Cold Lake regions, and possibly Edmonton to a sequestration hub near Cold Lake. Additional elements of the initiative include clean hydrogen, fuel switching, and electrification. There is also the possibility of deploying small modular nuclear reactors to power operations. The initiative is intended to bring new sustainable technology to Alberta's oil industry, helping Canada maintain its position as a global leader in energy production, and an innovator of environmental technology.

Government of Canada Statement on Thermal Coal Projects

On 11 June, the Ministry of Environment and Climate Change announced a [new federal policy on thermal coal projects](#). The statement indicates that thermal coal projects are likely to cause unacceptable environmental effects and are not aligned with Canada's climate change commitments. To aid in the transition, the Federal Government has committed \$964 million over four years to advance renewable energy and grid modernization projects.

By transitioning away from thermal coal produced energy, Canada aims to eliminate 12.8 million tons of carbon emissions by 2030.

Amendments to the Metal and Diamond Mining Effluent Regulations

The new [Metals and Diamond Mining Effluent Regulations \(MDMER\)](#) on effluent concentration limits of ammonia and other chemicals came into effect June 1, 2021, impacting mine planning, permitting, operations and compliance.

The regulations are aimed at both new and existing metal and diamond mine operations with regards to discharge concentration limits of arsenic, cyanide, lead and un-ionized ammonia. This includes new operations commencing after June 1, 2021. Mine operators are strongly advised to confirm compliance with the MDMER and determine how these new amendments impact their current or planned activities. Operators found to be non-compliant may be required to undertake costly retrofits or build new facilities to avoid penalties.



New Surface Water Quality Management Framework

The Government of Alberta (GoA) has announced plans to [develop surface water quality management frameworks](#) for the North Saskatchewan, Battle, and Upper Athabasca rivers. This aims to set clear objectives for surface water management and guide development activities in the watershed. Creating this framework will allow Alberta regulators to set and manage thresholds for water quality and monitor the impacts of development on the water bodies. Alberta currently has similar surface water quality management frameworks on the Lower Athabasca, South Saskatchewan, Bow, Oldman, and Milk rivers.

The GoA is requesting members of the public to provide feedback and input between 22 June to 17 September 2021.

Directives 055 & 058 Invitation for Feedback

The Alberta Energy Regulator (AER) released new editions of [Directives 055: Storage Requirements for the Upstream Petroleum Industry](#) and [058: Oilfield Waste Management Requirements for the Upstream Petroleum Industry](#) and is requesting industry feedback. The new editions were updated to address the storage of large volumes of water waste, including produced water, flowback water, and oilfield landfill leachate.

Updates to Directive 055 include:

- Two new storage systems: Bladder with structural frame and an Engineered containment pond
- Aboveground synthetically lined walled storage systems may be used for a longer period of time

Updates to Directive 058 include:

- Waste storage has been expanded to include storage of water for reuse in hydraulic fracturing operations
- “Disposal by pipeline” and “Spreading oily by-products on roads” have been removed as waste management methods

Feedback on the new directives will be accepted through 25 July 2021.

Directive 040 Draft Package Released

The AER has released a new draft edition of [Directive 040: Pressure and Deliverability Testing Oil and Gas Wells](#) and is [seeking industry feedback](#). The new edition was updated to remove unnecessary oil and gas well test requirements and updating the directive to align with modern well testing practices. Changes made to Directive 040 include:

- Updated guidance for fracture injection tests (DFIT), pressure gauge information, and drill stem tests
- Increased exemption eligibility criteria for the initial pressure test requirements on oil, gas, and step-out wells
- Rescinded the requirement to conduct an absolute open flow (AOF) deliverability test on new gas wells
- Rescinded the requirement to conduct annual pressure tests for oil and gas pools under primary production

Feedback on the new directives will be accepted through 4 July 2021.

Proposed New Licensee Life-Cycle Management Directive

The AER has proposed a new [Directive XXX: Licensee Life-Cycle Management](#) as a part of the GoA's [Liability Management Framework](#). This directive aims to manage the liabilities of licensees during four stages of a project lifecycle: initiation, construction, operation, and close. This directive includes:

- Assessment processes for a licensee's capability and performance during project lifecycle
- Introduction of the Lifetime Management Program, outlining requirements for licensee management during the energy development lifecycle
- Introduction of the Inventory Reduction Program, setting mandatory spending requirements for closure activities
- Updated application requirements for license transfer
- Security collection under this directive

Draft Directive XXX will replace Directive 006: Licensee Liability Rating Program and Licence Transfer Process upon completion.

The AER is seeking feedback on the draft Directive through 25 July 2021.

Integrity Management Program Audit

The BC Oil and Gas Commission has completed the [2020 audits for both Pipeline and Facility Integrity Management Programs \(IMPs\)](#). Auditing of IMP programs allows the Commission to evaluate the compliance of individual programs and identify areas for improvement. If improvement is required, companies are required to implement a Corrective Action Plan, which will be monitored by the commission.

Based on the results of the 2020 audits, the most common areas for improvement consist of scoping of Facility IMPs. The Facility IMP must address all equipment located at the permit holder's facilities and must include measures for contractor oversight to ensure the work is being completed as expected. IMPs must also include plans for management of inactive pipelines and assessments of the effectiveness of training and competency programs.

2021 Updates to Area-Based Analysis

The BC Oil and Gas Commission has released the [2021 updates to the Area-based Analysis \(ABA\)](#), with changes having come into effect on June 1, 2021. The ABA monitors changes in surface land on a yearly basis as an indicator of potential cumulative effects and risk to riparian reserve zones, old forests, wildlife areas, and old growth management areas (OGMA).

With regards to riparian reserve zones:

- 46 water management basins are classified as normal
- 21 are classified as enhanced management
- 2 fall under regulatory policy

There is no significant change to OGMA's. Current analysis shows 193 OGMA's are of normal status and 47 are regulatory policy. This year's assessment included a full update of baseline old forests from the vegetation resource inventory. The update shows an increase in old forest in the Boreal Plains natural disturbance unit. ABA wildlife values remain unchanged this year, with no new Ungulate Winter Range or Wildlife Habitat Areas established in the Peace Region in 2020.

NATIONAL INDIGENOUS HISTORY MONTH

Integrated Sustainability is deeply saddened by the news that the remains of Indigenous children have been discovered at former Residential School sites throughout Canada. While we could never comprehend what the Indigenous communities across Canada are experiencing at this moment, we stand in solidarity. This is a painful reminder of the ongoing impact that residential schools have on Indigenous peoples. Now is a time for grieving and reflection. We encourage all our employees and peers to educate themselves on the history of residential schools and the important work of the [Truth and Reconciliation Commission](#).

June marks National Indigenous History Month. It is our responsibility to learn and celebrate the history, heritage, and diversity of First Nations, Inuit, and Métis peoples in Canada.



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