

Benchmarking Options for Conventional Oil and Gas Sector






Sector Webinar

Alberta Environment and Parks
July 19, 2021



Alberta 

Agenda

-  Benchmarking Years Approach
-  Treatment of Drilling and Completion Activities
-  Discussion and Feedback
-  Next Steps
-  Closing Remarks

Benchmarking Years Approach

Background

- Initial approach - facility specific benchmark based on three consecutive years of operations, with the first benchmark year being the calendar year prior to the aggregate facility's first year of designation as an aggregate facility.
- Current approach for 2020 compliance year – using either 2019 or 2020 as a benchmark year.
- AEP advised the sector that a finalized approach to benchmarking years for 2021 and onwards will follow.

Reference Years Considerations

- Options considered in respect to:
 - number of reference years to include,
 - first reference year, and
 - consecutiveness of the reference years and other.

Reference Years Considerations

- Starting with the first reference year preceding the year of entering the TIER Regulation aggregates program enables operators to sooner monetize on capital investment projects that resulted in emission intensity reductions for their aggregate.
- With the final reference year not too far from the timing of entering the TIER aggregates program enables operators to understand impacts of changes to emission intensities in their aggregates sooner, and allow to timely plan and invest accordingly.

Reference Years Considerations

- Significantly extending the reference period past the year of acceptance into the program causes the price signal for investments to be lost during this "wait and see" period.
- Providing flexibility to address the uniqueness of individual operational circumstances.

Option under Consideration

Preferred Option

Select 2 or 3 years within a 3 consecutive years period starting with the year prior to being accepted into the TIER aggregates program.

Option under Consideration

Example

For an aggregate facility accepted into the TIER program for 2020 year, the reference benchmark year options year by year would be:

| | | | | |
|---|-------------------------|-------------------|-------------------|-------------------|
| Selected reference years: | 2019, 2020, 2021 | 2019, 2020 | 2019, 2021 | 2020, 2021 |
| For 2021 compliance use: | 2019, 2020 | 2019, 2020 | 2019 | 2020 |
| For 2022 compliance year and onward use: | 2019, 2020, 2021 | 2019, 2020 | 2019, 2021 | 2020, 2021 |

Treatment of Drilling and Completion Activities

Background

- Current treatment:
 - Emissions associated with drilling and completion activities during reference years are included in facility specific benchmarks calculations.
 - Emissions associated with drilling and completion activities are treated the same as other operational facilities during which a production is taking place.
- Potential downsides depending on the intensity of drilling activities:
 - Inflated benchmark
 - Might create a disincentive to conduct significant drilling in consequent years

Drilling and Completions Considerations

- Sector wide drilling and completion benchmark
 - Developing a benchmark representative of the whole sector would be challenging due to number of well configurations.
- Facility-specific benchmarks for drilling and completion
 - Developing, verifying, and administering an additional benchmark for individual facilities would be quite resource intensive.
- The fraction of drilling and completion emissions might not be significant compared to the overall emissions at the aggregate facility.

Option under Consideration

Preferred Option

**No change to the current treatment of drilling and completion.
Continue to include these emissions in both benchmarking and
compliance reporting as is the case right now.**

Discussion and Feedback

Questions for Discussion

- **Benchmarking Years**

1. What do you see as the benefits and challenges with applying the AEP preferred benchmark approach?
2. Is there any other option AEP should be considering?

- **Treatment of Drilling and Completion**

1. What do you see as the benefits and challenges with applying the AEP preferred approach to drilling and completion?
2. Is there any other option AEP should be considering?

Next Steps

Next Steps

- Provide written feedback to engagement@gov.ab.ca by Aug. 3, 2021.
 - The form is located at <https://www.alberta.ca/conventional-oil-and-gas.aspx#jumplinks-12> under the "Draft For Comment" section.
- Communicating the final decision to aggregate facility reporters, certifying officials and subscribers of the Oil and Gas mailing list. Timing TBD.
- Updating the Standard for Developing Benchmarks.

Closing Remarks
