

Site Rehabilitation Program



Application Information and Guidelines

Site Rehabilitation Program Application Information and Guidelines

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Introduction

The Site Rehabilitation Program (SRP) is an Alberta Department of Energy (the “Department”) administered program that provides funding in the form of grant payments to the oil field services sector to abandon, and/or reclaim upstream oil and gas infrastructure. The program objectives are to increase employment in this sector, while also decreasing the environmental liability associated with oil and gas development.

Principles

- Applications to the SRP for site rehabilitation of upstream oil and gas infrastructure in Alberta will be accepted from May 1, 2020 to March 31, 2022, or until the program is fully subscribed, whichever occurs first.
- The SRP will provide grant funding to successful applicants in the oilfield services sector (the “Contractor”) who have entered into, and comply with, an oil field service (OFS) contract with an oil and gas company (the “Licensee”), who has a business associate (BA) code with Alberta Energy.
- Successful applicants will be offered grant funding for site rehabilitation work up to a maximum level of funding that the Department determines for a specific service within the contracted amount.
- The Department has full discretion to determine applicant eligibility, approve applications, determine eligible funding, and decline incomplete or inaccurate applications under the SRP.

Program Overview

- Focused on abandonment and reclamation activities of upstream oil and gas wells, pipelines and associated facilities.
- The funding cap is set at \$1 billion in grant payments to be distributed in \$100 million increments by program periods with targeted priorities.
- Sites where a Licensee has not made surface lease payments are considered high priority sites under the program.¹
- The program will be offered over a 23 month period, allowing companies to complete staged work such as Phase 1 and Phase 2 Environmental Site Assessments (ESA), re-applying at each stage when site conditions are better understood.
- Site rehabilitation work must be completed and invoiced by December 31, 2022.
- Contractors that have OFS contracts with Licensees, signed and executed on or after the program effective date, may apply for direct grants for the contracted site rehabilitation work.

¹ The *Surface Rights Act*, section 36 provides for the Surface Rights Board to direct the Minister of Environment and Parks to pay compensation if a Licensee has defaulted on payments.

- Grant amounts applied for may be for all or part of the contracted amount of site rehabilitation work.
- Landowners may nominate an inactive site on their land by completing a Landowner Nomination Form. The final decision on whether the work is executed remains with the Licensee.
- The Department may use information at its disposal, including the range of current costs for individual tasks maintained by the AER and Orphan Well Association (OWA), to assess the reasonableness of the grant amount requested.
- Contractors may receive a percentage of the value of the OFS contract through the grant program based on the Department's assessment of the Licensee's current capabilities:
 - Grants of up to 100 per cent of the value of the OFS contract, excluding GST, will be provided for work done on licensed sites held by Licensees with limited ability, either financial or otherwise, to contribute to costs of site rehabilitation work.
 - Grants of up to 25 and 50 per cent of the value of the OFS contract, excluding GST, will be provided for work done on licensed sites held by Licensees with ability to pay the costs of site rehabilitation work.
 - If the OFS contract exceeds the value for an activity, the applicant may receive a grant for a lesser amount. The Licensee's capability to contribute to the costs of the activity will be used to determine the grant amount.
- Increments of the program may target contracts that are eligible to receive one or more of these percentages.
- Grant payments are made directly from Government to the Contractor; Licensees will be ineligible to receive grant payments.
- After the grant is awarded, no additional grant funds will be allocated to that specific project in the case of cost overruns.
- The Contractor will receive a greater percentage of the grant amount in the first payment if municipal taxes due are paid for all the sites identified in the Application for SRP Grant.
- The grant payments will be disbursed according to the following structure:
 - **First Grant Payment – Municipal Taxes Paid:** If the Licensee's tax account for the current tax year is paid in full for the site(s), the first payment to the Contractor will equal 30 percent of grant amount upon approval of the Application for SRP Grant and electronic receipt of the signed SRP Grant Agreement.
 - **First Grant Payment – Municipal Taxes Unpaid:** If the Licensee has municipal taxes in arrears for the site(s), the first payment to the Contractor will equal 10 percent of grant amount upon approval of the Application for SRP Grant and electronic receipt of the signed SRP Grant Agreement.
 - **Interim Grant Payment** - Up to 60 per cent of grant amount upon the Contractor completing and submitting an Interim Invoice Report.
 - **Final Grant Payment** - Balance of grant amount upon the Contractor completing a Final Installment Invoice Report.
- Licensees are responsible for ensuring work at their site under the SRP meets all of the Alberta Energy Regulator's (AER) requirements, and other provincial requirements for operational health and safety, etc. All liabilities associated with the site remain with the Licensee.

Program Periods

- Program funds will be distributed in \$100 million increments by program period with targeted priorities, application acceptance criteria, and timelines.
- [Regional land-use planning boundaries](#) may be used to target site rehabilitation work in certain areas of the province as part of SRP application acceptance criteria.

SRP Application Acceptance Criteria			
Program Period	Description	OFS Contract Limit Amount	Proposed Timeline
Period 1	Province-wide program applications are accepted, and \$100MM increment is directed towards zero-contribution contracts (i.e. 100% of OFS contract value)	\$30,000	May 1 to 31, 2020 (may be extended if not fully subscribed)
Period 2	Applications are limited to section 36 lands, and \$100MM increment is directed towards zero-contribution contracts (i.e. 100% of OFS contract value)	\$30,000	May 15 to June 15, 2020
Future Periods TBD	SRP application acceptance criteria for future increments will be communicated on the SRP website.		June 15, 2020 to March 31, 2022

Program Eligibility Criteria

Please check the following eligibility criteria before starting the application process. You must meet all of the eligibility criteria in order to qualify for and apply to the program.

1. Site Location and Status

- The site must be located in Alberta, and it must require abandonment of the infrastructure and/or reclamation.
- Eligible sites may be active and require abandonment or, inactive and not producing, or suspended.
- The site must not be designated an orphan under the Orphan Well Program.

2. Energy Infrastructure

- The infrastructure eligible for site rehabilitation work includes upstream oil and gas wells, pipelines and associated facilities.
- Abandoned-in-place pipeline segments are eligible if the Licensee has received approval from the AER to remove the specific segments.

3. Scope of Proposed Activities

The following activities are within the scope of eligible site rehabilitation work and align with the AER's Area Based Closure: Industry Reporting Submissions in OneStop:

- Well abandonment
 - Includes abandonment submission, re-entry and abandonment
- Facility Abandonment
- Pipeline Abandonment
- Environmental Site Assessments
 - Includes Phase 1 ESAs and Phase 2 ESAs
- Remediation
- Progressive Reclamation leading to Reclamation Certification
- Spend
 - Purchase of materials and supplies, equipment rentals, and transportation of equipment and workers to and from sites to support site rehabilitation work are within scope.

Ineligible site rehabilitation work includes:

- Suspension (wells and facilities) and discontinuation (pipelines) costs that are not part of abandonment and reclamation projects.
- Non-closure work on producing sites (e.g. spills remediation).
- Closure work done outside Alberta.
- Work already completed or in progress before the effective date of the grant program.

4. Contractor Location

- The Contractor must be based in Alberta, with registration, an office and operations in Alberta.

5. Contractor Capacity

- The Contractor must be prequalified (skills, experience, capability, health and safety requirements etc.) by the Licensee to perform the site rehabilitation work.

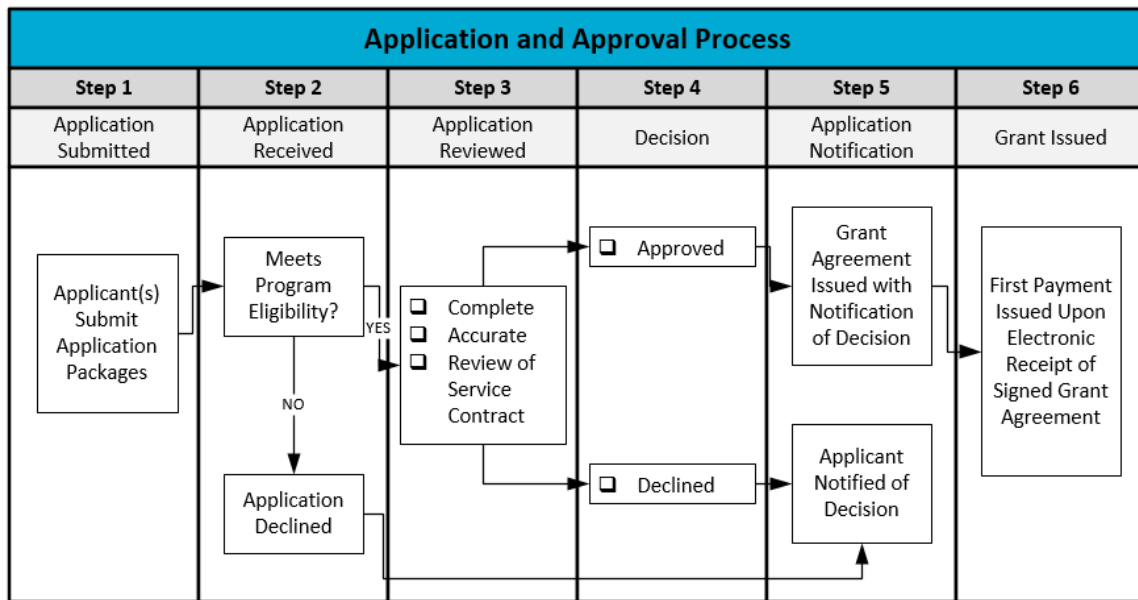
6. Licensee Contract

- The OFS contract relied upon in the Application for SRP Grant must be fully-executed by the parties, without any "subject to" clauses, and the only remaining performance is the provision of the contracted services by the Contractor.
- The OFS contract must include the scope of services, value of contract including cost breakdown by work activity, schedule for completion of work including milestones, and deliverables.
- If the OFS contract is not with the Licensee or operator, then authorization is required by the Licensee as part of the Application for SRP Grant.

7. Timing of Site Rehabilitation Work

- The OFS contract submitted as part of the Application for SRP Grant must be dated on or after the effective date of the grant program.
- All of the site rehabilitation work described in the contract must take place on or after the effective date of the grant program.

Application and Approval Process



Applying to the Program

- Application information can be found on the SRP website.
- Applicants should review the eligibility criteria in full before applying.
- The Application for SRP Grant is structured by infrastructure type (well, pipeline segment, facility) and work activity (abandonment, phase 1 ESA, phase 2 ESA, remediation, reclamation).
- Applicants can apply to the SRP for a single site or multiple sites in the context of a project or program in a specific sub-region to ensure timely and efficient site rehabilitation work depending on the program period funding.
- Grant amounts applied for may be for all or part of the contracted amount of work.
- The Application for a SRP Grant must be completed accurately, and in its entirety, to be considered for the program. Deficient applications will be declined and applicants will be required to reapply. Missing information can be provided in the resubmission.
- If the Licensee has paid the municipal taxes for all the site(s) for the current tax year, the receipt(s) from the municipality must be provided to obtain the initial payment of 30 per cent. If the receipt(s) are not provided, the initial payment will equal 10 percent of grant

amount upon approval of the Application for SRP Grant and electronic receipt of the signed SRP Grant Agreement.

- If the Licensee has paid surface lease payments for the site(s) for the current year, provide a copy of the cheque issued to the landowner, leaseholder or Crown.
- Staged work, such as well abandonment followed by a Phase 1 ESA, will not require an application for each activity if the costs to complete all activities can be accurately estimated.
- Separate applications will be required for Phase 1 ESA and Phase 2 ESAs, as the costs of conducting a Phase 2 ESA are typically unknown until the Phase 1 ESA is complete. Similarly, Phase 2 ESA and remediation activities will require separate applications to ensure the grant amount requested is necessary, and reasonable to allow for completion of the work.
- For removal of abandoned-in-place pipelines, the Licensee must apply to the AER and receive approval before applying for a grant. The Application for SRP Grant must include the AER's approval document.

Application Review and Approval

- Application information will be assessed for completeness and accuracy, including review of the OFS contract used in the Application for SRP Grant.
- Grant applications must include the contract signed by the Licensee or their agent and the applicant to conduct the site rehabilitation work.
- Agents acting on behalf of the Licensee must provide documentation indicating the Licensee's consent.
- The OFS Contract must include a Scope of Work section that includes the site location(s), a detailed description of all proposed work activities, a cost breakdown by work activity, and a project schedule with estimated timelines for completion of milestone activities and deliverables.
- Review of the OFS Contract:
 - If price and job scope identified in the Application for SRP Grant and OFS contract do not match the Department's assessment of value using AER and OWA data for similar work activity, the grant amount may be reduced by an equivalent amount of the difference. An assessment of the Licensee will occur in order to determine the grant amount:
 - Grants of up to 100 per cent of the assessed value of the OFS contract, excluding GST, will be provided for work done on licensed sites held by Licensees with limited ability, either financial or otherwise, to contribute to costs of site rehabilitation work.
 - Grants of up to 25 and 50 per cent of the assessed value of the OFS contract, excluding GST, will be provided for work done on licensed sites held by Licensees with some ability to pay the costs of site rehabilitation work.
- When the application review is complete, the applicant will be notified whether it has been approved and the grant amount, or declined. If declined, details will be provided.

- The first payment will be issued in accordance with Government's payment processes upon electronic receipt of the signed SRP grant agreement.

Awarding Grants and Payment System

- The three grant payments will be disbursed according to the following structure:
 - **First Grant Payment – Municipal Taxes Paid:** If the Licensee's tax account for the current tax year is paid in full for the site(s), the first payment to the Contractor will equal 30 percent of grant amount upon approval of the Application for SRP Grant and electronic receipt of the signed SRP Grant Agreement.
 - **First Grant Payment – Municipal Taxes Unpaid:** If the Licensee has municipal taxes in arrears for the site(s), the first payment to the Contractor will equal 10 percent of grant amount upon approval of the Application for SRP Grant and electronic receipt of the signed SRP Grant Agreement.
 - **Interim Grant Payment** - up to 60 per cent of grant amount (based on up to 70 per cent of OFS contract costs) upon the Contractor completing and submitting an Interim Invoice Report.
 - **Final Grant Payment** - balance of grant amount upon the Contractor completing a Final Installment Invoice Report.

Example: The OFS contract is for \$100,000. The Department reviews the contract scope of work and costs and determines that they are reasonable. A receipt issued by the municipality indicates the current year's municipal taxes have been paid on the site. An assessment of the Licensee warrants a maximum total grant amount of 50 per cent of the contract face value, which is \$50,000. The first grant payment is issued to the OFS Contractor for \$15,000, which is 30 per cent of the eligible \$50,000 grant amount, upon receipt of the signed SRP Grant Agreement.

- The grant payments will be allocated and processed as per Department procedures.
- Payments will be made to grant recipients by electronic funds transfer (EFT) to the recipient's bank account, or by cheque issued by the Department, whichever is appropriate. The grant recipient must complete the Application for EFT Direct Deposit Form when they sign the grant agreement to receive payment by EFT.
- Grant recipients should ensure that their contact information is accurate and current in order to receive payment, and complete the Vendor Maintenance Request Form, if required.

Information and Requests for Clarification

- The Department will post program information, including updates or amendments to the SRP Guidelines on the SRP website.
- Requests for clarification and questions concerning the program must be submitted to:

Site Rehabilitation Program (SRP)

Program Design Implementation and Monitoring Section

Email Address: Energy.SRP@gov.ab.ca

Alberta Energy, 9945 108 St NW, Edmonton, AB T5K 2G6

Confidentiality

- All information and communications related to an SRP application package are confidential, and shall be maintained in confidence and kept secure by the Department.
- Information may be shared within departments of the Government of Alberta, the AER, with cabinet, the Government of Canada and others supporting the program (e.g. third party consultants if involved in the evaluation process under confidentiality agreements).
- The amounts paid to the Contractor will be publicly disclosed on the Government's [Grant Payments Disclosure website](#).

Freedom of Information and Protection of Privacy

- Notwithstanding the confidentiality of the information, the provisions of the *Freedom of Information and Protection of Privacy (FOIP) Act* are applicable to all information submitted through the application process and may be subject to an access request under the FOIP Act.
- In the event of a request for access under FOIP, the Department will observe the provisions of that Act governing harm to business interests related to commercial or financial information provided in confidence, including the requirement that prior to disclosure the third party will be provided with notice and an opportunity to object to disclosure of any confidential information.

Invoice Reporting and Payment

- All grant payments are subject to the terms and conditions of the SRP Grant Agreement.
- The Invoice and Reporting Form must be complete, with all required supporting documents submitted to the Department for an interim or final grant payment to be issued.
 - Supporting documents may include supplier's invoices, Contractor's receipts, or any other auditable documents.

- A declaration with a signature of the Licensee, or their agent, certifying work completion described in the SRP Grant Agreement is required in order to receive interim and final grant payments. The Licensee, or their agent, must also certify that the work activity has been entered in AER's OneStop tool for the final grant payment. Incorrect or untruthful certification may result in the Licensee's sites no longer being eligible for grants under the SRP. The existing regulatory requirements under the [Professional Sign-Off Policy](#) and AER Rules/Directives regarding professional sign-off on remediation and reclamation work still apply.
- Contractors are required to provide the number of hours worked for that contract period when submitting interim and final installment invoice reports.

Interim Invoice Report

- The interim grant payment of up to 60 per cent of the grant amount will be paid to the Contractor upon receipt of a complete Interim Invoice Report that includes:
 - an Invoice and Reporting Form,
 - the Licensee, or their agent, certifying completion of the site rehabilitation work and milestone activity, and
 - all invoices for services, supplies and equipment received for the site rehabilitation work up to and including the milestone activity.

Final Installment Invoice Report

- The Final Installment Invoice Report requires all of the following to be submitted:
 - an Invoice and Reporting Form,
 - the Licensee, or their agent, certifying completion of the site rehabilitation work described in the SRP Grant Agreement, and entry of the work activity in AER's OneStop tool, and
 - all invoices for services, supplies and equipment received following the milestone activity.

Compliance

- Failure to meet the terms and conditions of the SRP Grant Agreement may affect the level of grant support provided, may lead to termination of the agreement, or eligibility to apply for future grants under the SRP.
- The Department may terminate a SRP Grant Agreement if it is not satisfied with the recipient's performance under the terms of the agreement.
- In the event of non-compliance, the Department has full discretion in accepting *force majeure*, including circumstances that the Department considers unforeseeable and beyond the recipient's control that do not relate to financing, the economy and markets.

Program Administration

- The program is administered by the Department of Energy.
- The Government of Alberta reserves the right to amend the SRP Guidelines, as required.
- Receipt of funding for closure work is subject to the terms and conditions of a SRP Grant Agreement with the Government of Alberta, issued in accordance with the [Energy Grants Regulation](#).
- Applicants or their authorized agents must complete the Application for SRP Grant and supply any documents which are required in accordance with the timelines set out in the SRP Grant Agreement, or as requested by the Department.
- Successful grant recipients are responsible for submitting reports as required under their SRP Grant Agreement. The Department is not responsible for reviewing and notifying the grant recipient prior to the reporting deadline of any incomplete or missing form(s).
- All grants may be subject to a provincial audit.
- Any information obtained under an SRP Grant Agreement will be subject to the provisions of the FOIP Act.
- Program results will be published and updated at least annually. Applicant name (company), Licensee, grant amount, facility location, and aggregate data on payment and performance measures may be published.

Performance Measures and Reporting

The following performance measures and indicators may be used to monitor program performance and report on results:

- **Number of Hours of Work Generated** – hours of work for each reporting period, to be submitted on invoice reports under the SRP Grant Agreement
- **Number of Sites with Remediation Completed** (private vs crown land) – sites that were contaminated and have been remediated
- **Number of Sites with Reclamation Completed** (private vs crown land) – sites that have completed the reclamation process but are not reclamation certified
- **Number of Section 36 Sites with Reclamation Completed** – number of sites subject to the *Surface Rights Act*, section 36 orders, that have completed the reclamation process and are reclamation certified
- **Number of Well Abandonments Completed** (private vs crown land) – well abandonment/decommissioning completed including cut and cap and regulatory submissions
- **Number of Pipeline Abandonments Completed** (private vs crown land) – pipeline segment abandonment/decommissioning completed including regulatory submissions

Definitions

Abandonment (well or facility) means the permanent dismantlement of a well or facility in the manner prescribed by the regulations or rules and includes any measures required to ensure that the well or facility is left in a permanently safe and secure condition.

Abandonment (pipeline) means the permanent deactivation of a pipeline or part of a pipeline in the manner prescribed by the rules, whether or not the pipeline or part of the pipeline is removed.

Battery means a system or arrangement of tanks or other surface equipment receiving the effluents of one or more wells prior to delivery to market or other disposition, and may include equipment or devices for separating the effluents into oil, gas or water and for measurement.

Facility for the purposes of the SRP, means any building, structure, installation, equipment or appurtenance over which the Alberta Energy Regulator has jurisdiction that is connected to or associated with the recovery, development, production, handling, or disposal of hydrocarbon-based resource and includes gas and oil batteries, single or multi-well; compressor stations, except those that are part of an oil or gas transmission pipeline; and custom treating facilities.

Full-Time Equivalent (FTE) is calculated by converting the total hours reported for all periods to an annual average and dividing the result by 2000 (average hours worked in a year).

Inactive well means

- A) Critical sour wells (perforated or not) that have not reported any type of volumetric activity (production, injection, or disposal) for six consecutive months
- B) All other wells that have not reported any type of volumetric activity (production, injection, or disposal) for 12 consecutive months

Licensee means the holder of a licence according to the records of the Regulator and includes a trustee or receiver-manager of property of a licensee.

Professional Regulatory Organization means a Professional Regulatory Organization approved by the Director of Alberta Environment and Parks, and in accordance with the [Professional Sign-Off Policy](#).

Oilfield Services Sector for the purposes of the SRP, means companies that abandon wells and pipelines, decommission facilities, conduct Phase 1 environmental site assessments, Phase 2 environmental site assessments, remediation, reclamation, and reclamation site assessments.

Orphan means a well, pipeline, or facility that does not have any legally responsible and/or financially able party to conduct abandonment, reclamation, and remediation responsibilities.

Pipeline for the purposes of the SRP, means oil and gas pipelines other than transmission lines.

Reclamation means any or all of the following:

- (i) the removal of equipment or buildings or other structures or appurtenances;
- (ii) the decontamination of buildings or other structures or other appurtenances, or land or water;
- (iii) the stabilization, contouring, maintenance, conditioning or reconstruction of the surface of land; and
- (iv) any other procedure, operation or requirement specified in the regulations.

Reclamation Certificate means a reclamation certificate issued under Part 6 of the *Environmental Protection and Enhancement Act*.

Reclamation Certified: Sites that have been assessed for contamination, remediated if contamination was present, and reclaimed to meet the regulatory standards and received a reclamation certificate.

Remediation means reducing, removing or destroying substances in soil, water or groundwater through the application of physical, chemical or biological processes.

Suspension for the purposes of the SRP, means the temporary cessation of operations at a well or facility in the manner prescribed by the regulations, rules, or directives and includes any measures required to ensure that the well or facility is left in a safe and secure condition.