

Oil Infrastructure Investment Program

Program Overview and Application Instructions

The Oil Infrastructure Investment Program (OIIIP) is a transferable royalty/freehold production tax credit program available to qualifying companies that demonstrate new or expanded oil pipeline projects in Saskatchewan.

Ministry of Energy and Resources
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Program Overview

The *Oil Infrastructure Investment Program* (OIIIP) is a transferable royalty/freehold production tax credit program available to qualifying companies that demonstrate new or expanded oil pipeline projects in Saskatchewan. Launched in April 2020, OIIIP is open to a variety of value-added pipeline projects, including transmission pipelines, feeder pipelines, pipeline terminals and enabling infrastructure, as outlined in *The Oil Infrastructure Investment Program Regulations* and the *Oil Infrastructure Investment Program Policy Guidelines*. Applications to the program will be accepted from April 8, 2020, until March 31, 2025.

Applicants that successfully meet all OIIIP requirements will receive transferable royalty/freehold production tax credits equal to 20 per cent of approved eligible costs, as outlined in an agreement between the applicant and the Ministry of Energy and Resources. To be considered as an eligible project, the eligible costs must be at least \$10 million. Once an applicant has successfully completed the application process and has entered into an agreement with the Ministry of Energy and Resources, they will begin, or continue, to carry out the eligible project's construction. Once the project has become commercially operational, the OIIIP-eligible corporation will be eligible for the following:

- Earn the appropriate amount of credits (at a rate of: 20% - Year 1; 30% - Year 2; 50% - Year 3) by providing the Ministry of Energy and Resources with documentation showing that eligible costs have been incurred as well as an expert third-party verification of incurred costs; then
 - Credits will be distributed in calendar years, relative to the project's completion date.
- Transfer earned credits to other corporate entities with an *Integrated Resource Information System* (IRIS) Business Associate Identifier (BAID); and/or
- The Ministry of Energy and Resources will automatically apply the earned credits toward the remission of any royalties/freehold production taxes owed in Saskatchewan; and
- Claim other eligible royalty/tax credits or grants the Government of Saskatchewan may offer.

Qualifying Criteria

Before making an application to OIIIP, the applicant must thoroughly review:

- [The Oil Infrastructure Investment Program Regulations](#);
- [The Financial Administration Act, 1993](#) – section 24; and
- All materials contained on the OIIIP [webpage](#).

Note: All information and forms pertaining to OIIIP can be accessed on the program's webpage.

To qualify for OIIP, an applicant must complete and submit an application form demonstrating that the company's proposed project meets all of the following eligibility requirements. Additional details regarding each of the eligibility requirements can be found in the *Oil Infrastructure Investment Program Policy Guidelines*.

- a) **Directly increases pipeline capacity in Saskatchewan;**
- b) **Is not considered to be a redundant service;**
- c) **Has not become operational, as determined by the Minister, before the eligible project application is submitted; and,**
- d) **Involves a minimum investment of \$10 million in eligible costs.**

Application Steps

1. The applicant downloads the [Oil Infrastructure Investment Program Policy Guidelines](#) and [Application Form](#) from the OIIP [website](#).
2. Once the applicant is prepared to submit the application form, they e-mail the completed form and any supporting documents to the Ministry of Energy and Resources at oiip@gov.sk.ca.
3. The Ministry of Energy and Resources will confirm receipt of the completed application form or indicate the form as being incomplete by e-mailing the address provided in the Application Form's Section 1: Contact Person Information.
4. The Ministry of Energy and Resources will process the completed application form and assess the proposed project against the eligibility requirements established in *The Oil Infrastructure Investment Program Regulations*.
5. Once the application assessment has concluded, successful applicants will receive a *Letter of Conditional Approval* to the OIIP program via e-mail to the address provided in the Application Form's Section 1: Contact Person Information.
6. Following a Conditional Approval, the applicant and the Ministry of Energy and Resources will enter into a formal agreement. The agreement will detail the proposed project's description and operational plan, an itemized listing of estimated eligible costs, construction/operational timelines, and any other relevant project-specific information. For the purposes of improving a third-party's ability to verify eligible costs, it is recommended that the applicant's auditor be engaged during the agreement drafting phase.
7. After an agreement is finalized, the applicant will execute the proposed project in accordance with the parameters outlined in the agreement.

For the OIIP program process overview flow chart, see page 7.

Application Review

An applicant may submit an application form to the OIIP any time between April 8, 2020, and March 31, 2025. Applications may be submitted prior to an applicant's final decision to construct the project. Upon receiving a *Letter of Conditional Approval* and entering into a formal agreement with the Ministry of Energy

and Resources, the applicant may begin, or continue, executing the eligible project knowing that the project, as proposed, meets the OIIP requirements and is eligible to earn credits (assuming that the conditions outlined within the agreement accurately reflect the initial proposal and comply with *The Oil Infrastructure Investment Program Regulations*).

The Ministry of Energy and Resources will assess the application to ensure that the proposed project meets all eligibility requirements.

- a. If it is found that the applicant's proposed project does not meet the eligibility requirements, the applicant will be advised via e-mail, detailing which criteria was not met.
- b. Where an applicant's proposed project does meet the eligibility requirements, they will be issued a *Letter of Conditional Approval* via e-mail.

Upon receiving a *Letter of Conditional Approval*, the applicant will be advised of the steps required to be fully admitted into the OIIP program; the *Letter of Conditional Approval* will also outline steps necessary to earn credits.

Final Eligibility Review

Once the eligible project's construction is complete and the project has become commercially operational, the applicant must submit a Royalty Credit Application via IRIS with an attached *Eligible Cost Submission Form*, along with all required supporting documentation (including a Compliance Report issued by a third-party Chartered Professional Accountant), to verify that eligible costs were incurred in accordance with the agreement.

- a. This form and the supporting documentation will be assessed to ensure that the project and eligible costs meet the conditions of approval (eligibility requirements). If ineligible, in whole or in part, the applicant will receive a letter detailing the Ministry of Energy and Resource's rationale.
- b. If eligible, the applicant will receive a *Certificate of Approval*, and the earned credits will be automatically applied against royalties/freehold production taxes owed in Saskatchewan. Additionally, successful participants will be given an opportunity to transfer credits at any point in time after receiving a *Certificate of Approval*.

Attachments that must be submitted with the Royalty Credit Application and *Eligible Cost Submission Form* include:

- Compliance Report, providing limited assurance in accordance with the Canadian Standards on Assurance Engagements 3531, issued by a third-party Chartered Professional Accountant.

Attachments that may be required to be submitted with the Royalty Credit Application and *Eligible Cost Submission Form* include:

- If requested, a report issued by a licensed engineer verifying eligible costs were made for the purpose of expanding productive capacity and not capital asset turnover or routine maintenance, and
- If requested, an Appraisal, issued by a licensed real estate appraiser.

Earning Credits

The OIIP is a transferable royalty/freehold production tax credit program, where credits will be automatically applied against the owner's royalties/freehold production taxes in Saskatchewan or, if requested, be transferred to any other corporate entity with a BAID in Saskatchewan. All unused credits will expire on March 31, 2035. Once a *Certificate of Approval* is issued, the applicant will have earned credits in association with the eligible costs recognized.

Following the receipt of a *Certificate of Approval*, the applicant may submit a Royalty Credit Transfer Application(s) to the Ministry of Energy and Resources in order to transfer their credits via the online IRIS platform.

Definitions

Applicant – The corporate entity that submits an application to the OIIP program.

Application Form – An applicant submits this form as the first step of the OIIP qualification process. This contains contact person information, company information, details of the planned project and the applicant's declaration. If eligible, an applicant will receive a *Letter of Conditional Approval* for their project.

Certificate of Approval – A participant may receive this certificate once their eligible project is commercially operational, once they have incurred at least \$10 million in eligible costs, and once they have submitted a complete Royalty Credit Application with an attached *Eligible Cost Submission Form* to the Ministry of Energy and Resources. This certificate will identify the amount of eligible costs recognized by the Ministry of Energy and Resources, and entitles the participant to transferable royalty credits valued at 20 per cent of eligible costs, to be claimed over a three-year period.

Eligible Costs – Please refer to *The Oil Infrastructure Investment Program's supporting OIIP Policy Guidelines* on the OIIP website.

Eligible Cost Submission Form – A participant submits this form to earn credits. This form contains information that will confirm that the applicant incurred costs in compliance with the agreement, and has completed the eligible project. At this point in time, the Ministry of Energy and Resources will review the submissions and, if confirmed, provide the applicant with a Certificate of Approval that allows them to claim their royalty credits.

Letter of Conditional Approval - This letter will be issued if an *OIIP Application Form* is considered successful. After an applicant receives a *Letter of Conditional Approval*, they must enter into a formal agreement with the Ministry of Energy and Resources to confirm their approval into the OIIP program.

Participant – The corporate entity that has entered into a OIIP agreement with the Ministry of Energy and Resources.

Qualified Third-Party - An auditor, engineer, or real estate appraiser who is a member in good standing of a professional association recognized by the Ministry of Energy and Resources. The qualified person must be arm's-length from the applicant/participant. Details regarding this can be found in the *OIIP Policy Guidelines*.

Real Estate Appraisal – A common report issued by an Accredited Appraiser Canadian Institute (AACI™), which for the purpose of this program, will assess and document the land purchased, if any, and confirm that the entire lot of land purchased – or portion thereof – that is being used for the purpose of the new or expanded value-added agriculture facility. This report will also verify the fair market value of the purchased land.

Frequently Asked Questions

Can our company apply for this program, even if we are receiving tax credits and rebates from other provincial programs?

Yes. OIIP eligibility is not affected by eligibility for any other existing provincial programs.

What are some examples of eligible pipeline projects?

Examples would include but are not limited to long-haul oil transmission pipelines, feeder pipelines (new trunk and/or branch) carrying sales quality oil from the field to long-distance transmission pipelines, pipelines carrying refined petroleum products and natural gas liquids, pipeline terminals and enabling infrastructure (such as, tankage). Enabling infrastructure may be considered eligible if it is directly linked and dedicated to an OIIP eligible project and is required to bring that project into service.

What are not considered to be eligible projects?

Natural gas pipelines, crude-by-rail infrastructure, and emulsion flow lines. Any enabling infrastructure investments not directly linked and dedicated to an OIIP eligible project. Projects that provide redundant service are not considered as eligible. Any project that does not directly increase pipeline capacity in Saskatchewan, or that is already operational prior to an OIIP application being submitted will not be eligible.

Who can I contact with questions in respect to this program?

You may send any questions via email to oiip@gov.sk.ca. A program administrator will respond, or call you to discuss your inquiry.

Efficiency/Productivity Analysis Summary

Existing infrastructure in projects applying for the OIIP may have a baseline and final Efficiency/Productivity Analysis Summary prepared. The baseline report, if requested, must include the following components:

- Current pipeline capacity
 - Nameplate and functional if the capacities differ.
 - Include a schematic/map of the current infrastructure.
- Current issue(s)
 - Identify all areas where significant improvements can be achieved.
- Proposed solution(s)
 - How the issue(s) could be solved
 - Explain the infrastructure improvements that can be implemented.

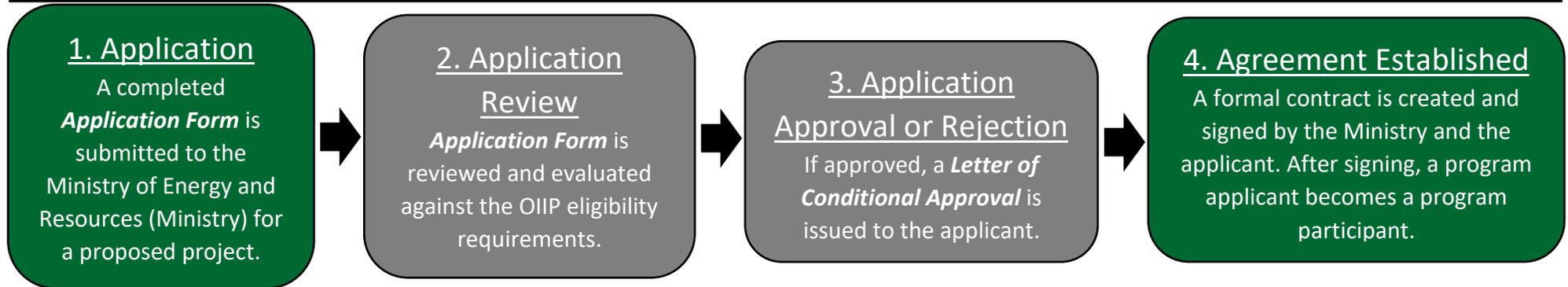
- Efficiency/productivity gains
 - Substantiate pipeline capacity gains that will be achieved as a result of the proposed solutions
 - Per cent capacity increase
 - Measurement of increase of pipeline capacity achieved.

Once the planned investment project is completed and the project is ready to begin operation, the following table must be prepared, which will describe the increases to efficiency/productivity. The submitted report does not need to be in this format, but must include all of the same information.

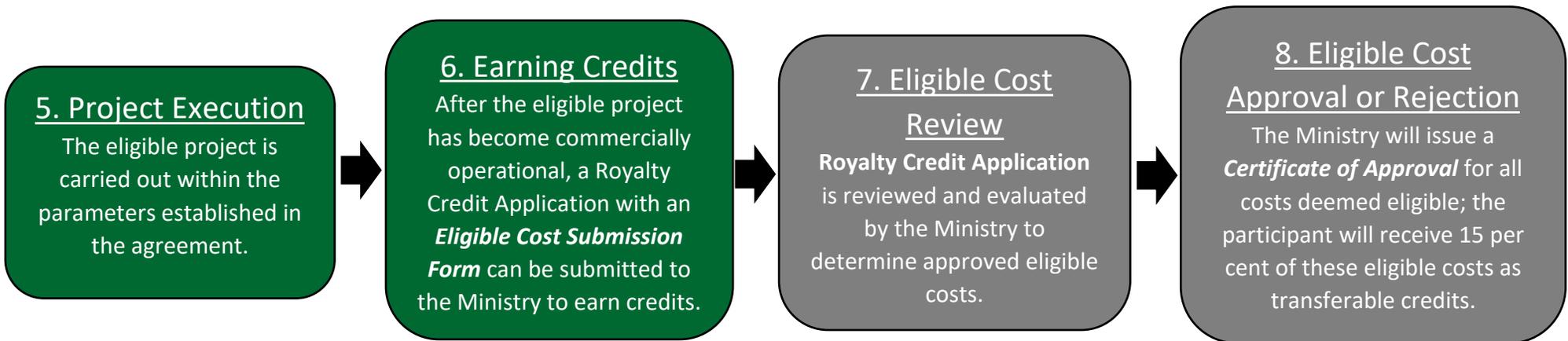
Work Plan - Existing Infrastructure - Infrastructure Modification	Example: Pipeline Expansion
Estimated Budget - (\$\$ including installation)	\$15 million
Identify & Explain - Capacity Improvement	- Improved pipeline capacity to handle increase volumes - Build pipeline terminal
Efficiency/Productivity Gain - (Expressed in dollars, per cent or volume) - Increase pipeline capacity	- Pipeline capacity increased by 15%, or 10,000 barrels per day. - Additional route expansion West by 8 km

In the case of **new infrastructure**, and only upon the request of program officials, an applicant may be requested to provide this information, which would mostly describe the current pipeline capacity in Saskatchewan.

Stage 1: Application and Approval to the OIIP Program



Stage 2: Executing the Project, Incurring Costs, and Earning Credits



Stage 3: Using Earned Credits

