

## BULLETIN

Date	Subject	Notice
December 12, 2022	New and amended oil and gas liability management regulations in effect January 1, 2023	BT2022-009

On January 1, 2023, *The Financial Security and Site Closure Regulations* (FSSCR) and amended *The Oil and Gas Conservation Regulations, 2021* (OGCR) will come into force.

The new FSSCR and amended OGCR were approved by Cabinet in June 2021 and were intended to come into force at a later date to give time to the Ministry of Energy and Resources (ER) to prepare for their implementation. The approval of recent Orders in Council 523/2022 and 522/2022 bring the FSSCR and revised OGCR into effect from Sunday, January 1, 2023. The FSSCR and the OGCR amendments will support the administration of new and enhanced oil and gas liability management (LM) programs operated by ER.

Please ensure that your organization is aware of and is prepared to follow the requirements outlined in these regulations. Full details on the FSSCR and the amended OGCR can be found in ER Bulletin [BT2021-010](#). Note that these regulations will appear on the Saskatchewan [Publications Centre website](#) on January 1, 2023.

### FEATURED CHANGES

The FSSCR and OGCR feature new provisions and enhancements to ER’s LM rules and programs to ensure that oil and gas companies are attending to and paying the full cost of their environmental liabilities, which has been a long-standing principle of ER’s LM program. Key features include:

- Introduction of New/Enhanced LM Programs:** the FSSCR will support the implementation of:
  - Inactive Liability Reduction Program (ILRP):** Through the ILRP, licensees will now be required to retire a portion of their inactive liabilities each year through an Annual Reduction Target (ART) based on a prescribed Liability Reduction Percentage that increases over time.
  - Proportional Risk Transfer Assessments:** An effective method for determining the additional security deposits required for transfers between licensees that involve a high percentage of inactive wells and facilities.
  - Enhanced Licensee Liability Rating (LLR) Program:** Features an updated LLR formula that better reflects a licensee’s true assets and liabilities in order to calculate a more accurate, licensee-specific netback.



- **Enhanced Licence Eligibility Criteria:** Additional criteria has been added to the OGCR to help ER to assess risks in issuing or transferring a well or facility licence, including the applicant’s compliance history, experience and financial health. A definition of a “closure company” has also been added to the OGCR to allow companies whose primary business is the abandonment and reclamation of inactive oil and gas infrastructure and related sites to be eligible to acquire licences for that purpose.
- **Repeal of Old LM Provisions:** Provision have been repealed from the OGCR dealing with the administration of the Saskatchewan Oil and Gas Orphan Fund and all other matters related to ER’s LM framework. These now appear in the FSSCR. Other obsolete provisions or those that have previously been superseded by technical directives have also been removed.
- **Orphan Fund Fee Removal:** The one-time orphan fund fee for first-time license holders has been removed from the OGCR and is no longer required.
- **Introduction of Administrative Penalty:** The OGCR will support the FSSCR by introducing in the OGCR an administrative penalty for non-compliance with a Minister’s Order made under Section 17.01 of *The Oil and Gas Conservation Act*.
- **Corporate Health Test (CHT):** The FSSCR will require licensees to submit to ER upon request corporate financial information that may be used to assess the financial health of a licensee.

ER engaged industry between 2019 and 2021 in consultations regarding the new FSSCR and OGCR amendments. Furthermore, industry participants were notified of their ART obligations (starting in 2023) through earlier communications sent in the fall of 2022. This was to ensure that industry was aware of the obligations early on and that companies make room for future LM expectations. However, it should be noted that although the FSSCR and OGCR will come into force on January 1, 2023, there are no major obligations for industry until 2024 when historic quarterly financial data will be required by ER through the new CHT framework.

Both the FSSCR and OGCR will strengthen ER’s liability management framework through more effective methods for managing inactive liabilities and security deposits for transfers between licensees with a high percentage of inactive wells and facilities. Please note that ER is also currently finalizing amendments to *Directive PNG025: Licensee Liability Rating Program* (Directive PNG025) that will further clarify and outline requirements to ensure industry is meeting its LM and asset retirement obligations. This amended directive is expected to take effect on January 1, 2023. A Bulletin will be issued upon the release of the revised Directive PNG025.

## Questions?

If you have any questions or concerns, contact the ER Service Desk at 1-855-219-9373 or [ER.servicedesk@gov.sk.ca](mailto:ER.servicedesk@gov.sk.ca).