

## Industry Update: AER Releases Draft Directives Targeting Methane Emission Reductions

By Fraser Wayne

On April 24, 2018, the Alberta Energy Regulator (**AER**) released draft regulations aimed at reducing methane gas emissions from upstream operations in Alberta's oil and gas sector (**Draft Directive 060 and Draft Directive 017**, which are proposed to replace the existing Directives of the same numbers). The government of Alberta made the ambitious goal of reducing methane gas emissions by 45% (relative to 2014 levels) by 2025 in its Climate Leadership Plan.

Methane emissions from the upstream oil and gas industry predominantly emanate from fugitive emissions and venting from sources such as compressors, glycol dehydrators and pneumatic devices. The draft regulations, which were produced with input from a multi-stakeholder committee, address these and other primary sources.

*Directive 060: Upstream Petroleum Industry Flaring, Incinerating, and Venting*, sets out the requirements for flaring, incinerating and venting in Alberta at all upstream petroleum wells and facilities. The requirements also apply to AER licensed pipeline installations and, with limited exceptions, to all schemes and operations approved under Section 10 of the *Oil Sands Conservation Act*. Draft Directive 060 contains, what the government believes to be, the needed changes to Directive 060 to meet the emission reduction goals, including updated limits on flaring and venting gas. Interested parties should pay particular attention to the changes in Section 8 - Vent Gas Limits and Fugitive Emissions Management.

*Directive 017: Measurement Requirements for Oil and Gas Operations*, sets out the requirements for measurement points used for AER accounting and reporting purposes, as well as measurement points required for upstream petroleum facilities and certain downstream pipeline operations. Draft Directive 017 reflects changes made to align with the new requirements under Draft Directive 060 regarding methane emission reductions, quantification, reporting and record keeping.

As part of its efforts to balance the economic viability of the energy sector with the need to reduce emissions, the government of Alberta also announced it will provide significant financial incentives in conjunction with implementing the requirements under the draft regulations. The financial incentives include exemptions from carbon levy costs and financial offsets rewards for early action, with the idea being that companies can use these savings to invest in finding new ways to reduce methane emissions.

The AER will receive feedback from the public on the Draft Directives until May 28, 2018. All feedback will be reviewed and may be used in finalizing the directives. Feedback may be submitted using the online feedback forms available at:

<http://aer.ca/about-aer/spotlight-on/provide-feedback>

On a related note, on April 26, 2018 the federal government also announced new regulations aimed at reducing methane emissions in the oil and gas sector by 40-45% (relative to 2012 levels) by 2025. This follows the federal government's methane-reduction commitment similar to the commitment in Alberta's Climate Leadership Plan. The government of Alberta has indicated it will seek an equivalency agreement pursuant to the *Canadian Environmental Protection Act (CEPA)* that replaces

the federal government's methane regulations with Alberta's proposed methane regulations. In accordance with *CEPA*, provincial governments will be able to implement methane regulations in lieu of the federal government's regulations provided that the provincial regulations require equivalent emission reductions.

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