Oil Sands Lease Continuations

In January 2018, AWA and other environmental groups met with Alberta Energy to discuss oil sands lease continuation rules. This was a part of the department's review of the *Oil Sands Tenure Regulation*, 2010, which expires in 2019.

Under existing rules, oil sands leases are auctioned by Alberta Energy for an initial term of 15 years. After paying the auction price, which varies according to what auction participants are prepared to pay, leaseholders pay an annual rental fee of $3.50 per hectare. To 'continue' a lease beyond 15 years, lease holders must either go through an approvals process to begin production, or must perform a minimum level of evaluation (MLE). The MLE describes the bitumen resource on their lease by providing the government with drilling and seismic data.

If leaseholders meet MLE requirements, under current practice the leases continue indefinitely with a small rental fee if they remain non-producing. That fee, called 'Escalating Rent', ranges between $3 and $224 per hectare, depending on the location, the number of years the lease is non-producing, and the deductible expenses that can offset the fees. We believe this system is too permissive. For a very low cost, this arrangement enables leaseholders to sit on their land holdings and speculate on oil prices indefinitely.

About 5,000 oil sands leases have been sold at auction to date. Oil sands leasing activity was highest from about 2005 to 2009, so deadlines for satisfying the initial 15-year term conditions will peak between now and 2024. If the leases expire or if companies return leases early, they 'revert' back to the government and can generally be re-auctioned upon industry request. To its credit, the Alberta government has not sold any new oil, gas, or oil sands leases in the overly industrialized home ranges of threatened caribou since summer 2015, and AWA believes that this restriction should continue.

In our submission on the lease review, AWA requested that Alberta Energy retain the ground rules for MLE on existing oil sands leases, rather than remove them. Alberta Energy should also use its existing regulatory powers to set a clear deadline for continued leases to expire if they are not producing. For any new oil sands leases that may be sold, we believe that, from the outset, the government should set a 10-year deadline for production.

The benefit of retaining MLE on existing leases and establishing clear production deadlines is that leases with lower bitumen values, and likely a high carbon footprint for extraction, would tend to revert back to the government. This would help Alberta choose much more sustainable activities for public lands in northern Alberta in a carbon-constrained world. This also would give significantly more opportunity to restore forests and wetlands to achieve minimum habitat requirements in caribou ranges. Don't forget that successive Alberta governments have committed, and so far failed, to do this. Fulfilling this commitment is required by the federal *Species at Risk Act*.

If oil sands leases revert to the government, companies can still apply to have the lands re-nominated for auction. AWA believes that the interdepartmental tenure committee should only allow re-listing for bidding if consistent with biodiversity and carbon emission commitments, indigenous rights, water security, landscape management plans, and caribou and other at-risk species' recovery plans.

- Carolyn Campbell