Reviewing Alberta's Absurd Mine Financial Security Program

Exactly one dollar. That's the increase in financial security held by the Alberta government for oil sands mine sites cleanup as of September 2021 (the latest figures), compared to what it held in December 2010.* Under Alberta's Mine Financial Security Program (MFSP), introduced in 2011, Alberta holds $913 million for tar sands mine reclamation financial security. Since 2010, the buying power of that financial security has markedly dropped, by a third to a half depending if you check industrial product prices in September 2021 or June 2022.

Has Alberta's total active tar sands mine footprint similarly shrunk by a third to half, or even stayed the same? Not at all: it's grown seven-fold, from 140 km^2 in 2010 to 1,055 km^2 in 2020, the latest figures available. Only one km^2 of those mine sites is certified as reclaimed.

What about the costs required to reclaim the 1,055 km^2? The Alberta Energy Regulator (AER) publishes an annual lump sum of what oil sands and coal companies estimate for what it would cost to pay a third party to reclaim their mines. That estimate was $33.2 billion in September 2021, of which AWA estimates about $32.6 billion for oil sands mines, $600 million for coal mines.

These published MFSP cost estimates for third-party reclamation lack transparency and are likely far too low. There are no identified unit or total costs for challenging tailings and infrastructure remediation, for tricky watershed and wetlands re-construction, for monitoring or contingencies. MFSP regulations do not require any supporting document from operators, unless requested. Most revealing are 2018 internal AER documents obtained by National Observer journalists: these estimated it would cost $130 billion to reclaim oil sands mine sites. That's four times higher than companies' 2021 reclamation liability estimates, and 140 times higher than financial security funds held by the Alberta government.

MFSP logic is that Alberta will collect the rest of the reclamation payments that are still owed across a period from the last 15 to last six years of mine life; meanwhile, it monitors companies' Asset-Liability ratios to manage risks. This is absurd. AWA believes investors in a sunset industry are unlikely to finance multi-billion-dollar clean-up costs long after a mine's main profit-earning years are over. They are only likely to do so if their anticipated returns outweigh their extensive clean-up responsibilities, otherwise they are likely to default on their obligations to avoid losses. Albertans face a high risk of stranded liabilities in both the oil sands and coal sectors if Alberta fails to shift to collecting full mine financial security for mine reclamation, as both Quebec and Yukon governments do.

This situation is avoidable. The MFSP is under active government review in 2022. AWA has urged Alberta to act while considerable profits are still ahead for these mines. Rather than tinker with a flawed Asset-Liability ratio approach that masks the looming risks of stranded assets, Alberta regulators must act to transition MFSP requirements in the next few years so reclamation liabilities are transparently costed, and government holds full financial security for mine reclamation liabilities as they are incurred.

*We thank University of Calgary's Drew Yewchuk for pointing this out in his October 2021 ABLawg post.

- By Carolyn Campbell