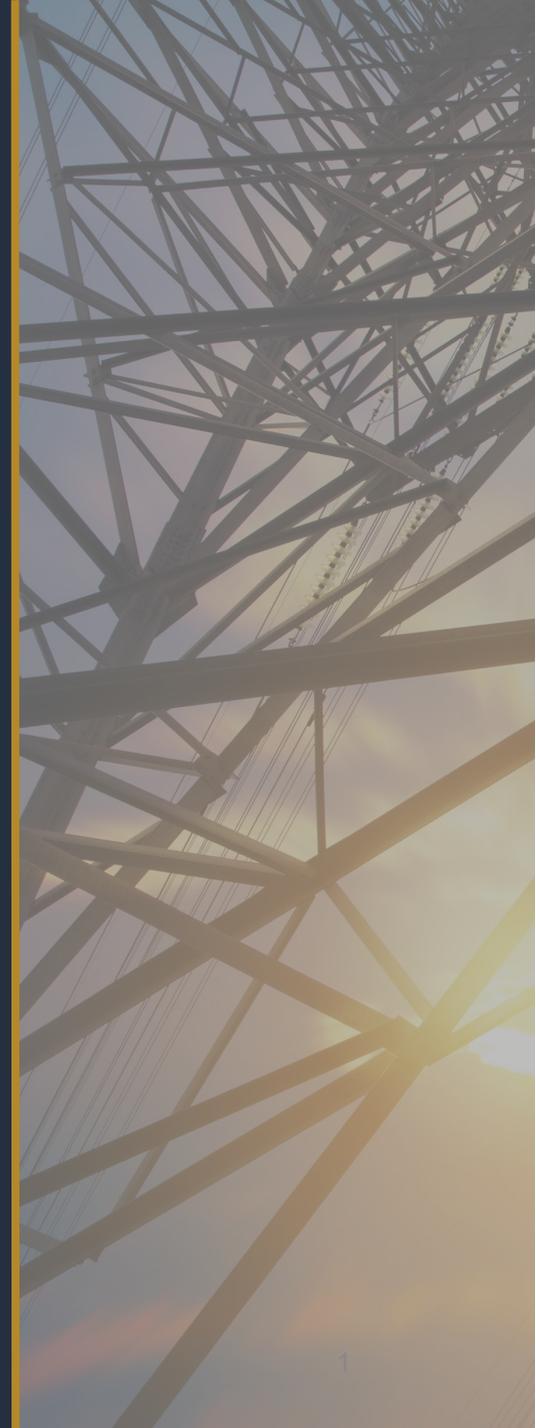


# Energy Group

Alberta Securities Commission

January 20, 2022



# Agenda

- 1. Introduction**
- 2. Regulatory framework**
- 3. Reviews**
- 4. ESG disclosure**
- 5. Energy and the Alberta capital market**
- 6. Q&A**

# Introduction: Alberta Securities Commission

- Administers Alberta's securities laws
  - Entrusted to:
    - foster a fair and efficient capital market
    - protect investors
- Member of the Canadian Securities Administrators (**CSA**)
  - Improves, coordinates and harmonizes regulation
- CSA's lead oil and gas (**O&G**) regulator

# Introduction: Energy

- As our energy landscape and capital market evolve, so do we.
  - We now apply our expertise to all energy-related matters
    - “All things energy” approach
    - Continued commitment to O&G

# Introduction: Energy

- Focus includes:
  - Oil and gas
    - Exploration and production
    - Midstream (includes pipelines)
    - Services
  - Helium and hydrogen
  - Lithium from oilfield brines
  - Carbon capture, utilization and storage
  - Greenhouse gas emissions
  - Renewable energy
  - Green hydrocarbons
  - Electrical generation, transmission and storage
  - Environmental liabilities

# Introduction: Energy

- In pursuit of effective and compliant energy disclosure, we:
  - Conduct reviews
    - incorporate disclosure and technical evaluations
    - assess compliance with securities legislation
  - Develop and maintain
    - securities legislation
    - technical guidance
  - Communicate with Alberta capital market participants

# Introduction: Energy

- Our team:
  - Craig Burns, P.Geo., Manager
  - Staci Rollefstad, P.Eng., Senior Evaluation Engineer
  - Michelle Turner, P.Eng., Evaluation Engineer
  - Ramsey Yuen, P.Eng., Evaluation Engineer
  - Richard Bush, C.E.T., Analyst

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# Regulatory framework

# Regulatory framework: O&G Legislation

- National Instrument 51-101 *Standards of Disclosure For Oil and Gas Activities* (**NI 51-101**)
  - Applies to RIs engaged in O&G activities (**O&GA**)
  - Addresses general standards and specific annual requirements
  - Technical standard: Canadian Oil and Gas Evaluation Handbook (**COGE Handbook**)

# Regulatory framework: O&G Legislation

- Related forms for filing on SEDAR<sup>1</sup> include:
  - 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*<sup>2</sup> (F1)
  - 51-101F2 *Report on [Reserves Data][,] [Contingent Resources Data] [and] [Prospective Resources Data] by Independent Qualified Reserves Evaluator or Auditor*<sup>2</sup> (F2)
    - Affirms COGE Handbook compliance
  - 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure*<sup>2</sup> (F3)
    - Affirms content and filing of F1, filing of F2 and content and filing of F3

<sup>1</sup>System for Electronic Document Analysis and Retrieval (SEDAR.com).

<sup>2</sup>Per section 2.1 of NI 51-101, to be filed not later than the date required to file audited financial statements for the most recent financial year then ended.

# Regulatory framework: O&G Guidance

- Companion Policy 51-101CP *Standards of Disclosure For Oil and Gas Activities*
- CSA staff notices including:
  - SN 51-324 *Revised Glossary to NI 51-101*
  - SN 51-327 *Revised Guidance on Oil and Gas Disclosure*
- COGE Handbook
  - Society of Petroleum Evaluation Engineers (Calgary Chapter)

# Regulatory framework: Other

- Includes:
  - *Securities Act (Alberta)*
  - Proposed National Instrument 51-107 *Disclosure of Climate-related Matters*
  - Energy Matters Report<sup>3</sup>
  - Corporate Finance Disclosure Report<sup>3</sup>
  - Financial reporting bulletins<sup>4</sup>
    - Office of the Chief Accountant

<sup>3</sup>2021 editions published in December; available at [albertasecurities.com](http://albertasecurities.com).

<sup>4</sup>Available at [albertasecurities.com](http://albertasecurities.com).

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# Reviews

# Reviews: Process

- Incorporate disclosure and specific support material
  - Prioritize reporting issuers (**RI**s) for which the ASC is the principal regulator (**PR**)
  - Assess disclosure where other jurisdictions are the principal regulator
    - Proactively assist with O&G matters
    - Assist as requested with other energy matters

# Reviews: Types

- Includes:
  - Screening
    - O&G
      - For RIs engaged in O&GA
      - Incorporate F1, F2 and F3
    - Press Release
    - Environmental, Social and Governance (**ESG**) Technical
      - Assess specific baseline and environmental information
  - Press Release

# Reviews: Types

- Continuous Disclosure
  - Incorporate all disclosure
- Technical
  - Incorporate evaluations and related disclosure
- Prospectus (short form (**SF**), long form (**LF**) and shelf (**SH**))
  - RIs engaged in O&GA:
    - ASC: 7 SF & 4 SH / other jurisdictions: 1 SF (to Sept. 30)
  - Other energy-related RIs:
    - ASC: 3 LF & 1 SH / other jurisdictions: 2 SF & 2 LF (to Sept. 30)
  - Good prospectus flow in last three months of 2021

# Reviews: Outcomes



- No action
- Advisory comment(s)
- Identification of deficiencies
  - requirement to correct and refile
  - RI placed in default
  - management cease trade order
  - cease trade order
  - referral to ASC Enforcement division

# Reviews: O&G

## Introduction

- We'll discuss disclosure from RIs engaged in O&GA
- Disclosure remains pretty good
  - Few RIs have consistently problematic disclosure
    - Small RIs are of concern, including new RIs and those for which other jurisdictions are principal regulator
  - Most issues are addressed via awareness
  - Several prospectuses had major, yet preventable deficiencies
    - Significant challenges resulted for the affected RIs

# Reviews: O&G

## Introduction

- We'll address concerns involving:
  - Qualified reserves evaluators (**QREs**) and qualified reserves auditors (**QRAs**)
  - Form 51-101F2
  - Form 51-101F4

# Reviews: O&G

## Qualified reserves evaluators and qualified reserves auditors

- **Concern: Inadequate understanding of qualifications for QREs and QRAs, sometimes resulting in disclosure issues.**
- Per NI 51-101:
  - Disclosure must be prepared or audited by a QRE or QRA, respectively.
  - RIs need to ensure that those they appoint satisfy the requirements<sup>5</sup>.

<sup>5</sup>Section 1.1(6) of 51-101CP.

# Reviews: O&G

## Qualified reserves evaluators and qualified reserves auditors

- Per section 1.1:

- A QRE is an individual who:

- a) in respect of particular *reserves data, resources* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation* and *review* of the *reserves data, resources* and related information; and
    - b) is a member in good standing of a *professional organization*; [Emphasis added]

- A QRA is an individual who:

- a) in respect of particular *reserves data, resources* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation, review* and *audit* of the *reserves data, resources* and related information; and
    - b) is a member in good standing of a *professional organization*;

# Reviews: O&G

## Qualified reserves evaluators and qualified reserves auditors

- Per section 5.4.3.1 of the COGE Handbook:
  - A QRE must have a minimum of five years of practical petroleum experience, with at least three recent years of evaluation experience.
  - A QRA must have a minimum of 10 years of practical petroleum experience, with at least five recent years of evaluation experience.

# Reviews: O&G

## Qualified reserves evaluators and qualified reserves auditors

- Per section 5.6, evaluation reports are to be prepared by or under a QRE's supervision.
- Per section 1.1.4, the main evaluation steps include:
  - Determining volumes and values;
  - Classifying these per the COGE Handbook; and
  - Reporting on evaluation results per regulatory requirements.

# Reviews: O&G

## Qualified reserves evaluators and qualified reserves auditors

- Key points:
  - Per NI 51-101, QREs and QRAs have qualifications and experience in the estimation, evaluation and review of reserves data, resources and related information.
  - Per the COGE Handbook, the majority of practical petroleum experience involves evaluations.
  - Very few petroleum professionals satisfy the QRE qualifications; fewer satisfy the QRA qualifications.
  - QREs and QRAs are specialists in their fields.

# Reviews: O&G

## Form 51-101F2

- **Concern: Reports filed in accordance with the F2 don't meet requirements due to material modification or errors.**
- Section 2.1 of NI 51-101 requires annual filing of a:
  - Statement of the reserves data and other information specified in the F1, and
  - Report in accordance with the F2.
- The F2 must in all material respects be in the specified form.

# Reviews: O&G

## Form 51-101F2

- Key points:
  - Avoid modification, removal or supplementation of representations.
  - Don't file for reasons unrelated to section 2.1.
  - Avoid errors.

# Reviews: O&G

## Form 51-101F4

- **Concern: Absence of a notice of filing in accordance with Form 51-101F4 *Notice of Filing of 51-101F1 Information (F4)*.**
- Per section 2.3 of NI 51-101, section 2.1 can be satisfied by:
  - Including the specified information in an annual information form, and
  - Concurrently filing a notice of filing in accordance with the F4.

# Reviews: O&G

## Form 51-101F4

- If a notice isn't filed, the filings required by section 2.1 can be:
  - Difficult to find
  - Incorrectly assumed to have not been filed

# Reviews: Other

## Introduction

- We'll address concerns involving:
  - Helium
    - NI 51-101 may apply
  - Lithium from oilfield brines
    - NI 51-101 doesn't apply, so what does?

# Reviews: Other Helium

- NI 51-101 only applies to RIs engaged in O&GA.
  - Only applies to material information prior to first point of sale (**FPS**).
- Per NI 51-101:
  - Helium (**He**) is:
    - Not a product type (**PT**)
    - A by-product (**BP**) if recovered from a PT before FPS
  - Only PT can have resources or future net revenue attributed.
  - BP are addressed in sections 5.4 and 5.5, plus item 2.1.3(c) of F1

# Reviews: Other Helium

- If He is a BP:
  - Prepare its disclosure under NI 51-101 as follows:
    - Use the COGE Handbook for estimation methodology.
    - Don't use the COGE Handbook for terminology regarding resource categories and classification, like proved reserves, etc.; apply to PT only.
    - Ensure technical terminology is defined and explained.

# Reviews: Other Helium

- If He isn't a BP:
  - Don't disclose it under NI 51-101; prepare its disclosure as follows:
    - Consider NI 51-101's principles as a guideline.
    - Use the COGE Handbook for estimation methodology.
    - Don't use COGE Handbook terminology regarding resource categories and classification, like proved reserves, etc.; apply only under NI 51-101.
    - Ensure technical terminology is defined and explained.
    - Adhere to applicable securities requirements.
      - Ensure material information is disclosed.

# Reviews: Other

## Lithium from oilfield brines

- See NI 43-101 *Standards of Disclosure for Mineral Projects*.
  - Also see:
    - OSC Staff Notice 43-704 *Mineral Brine Projects* and National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.
    - Canadian Institute of Mining, Metallurgy and Petroleum's CIM Best Practice Guidelines for Resource and Reserve Estimation for Lithium.
- Adhere to applicable securities requirements.
  - Ensure material information is disclosed.

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# ESG disclosure

# ESG disclosure

## Introduction

- There's growing demand for disclosure concerning:
  - Greenhouse gas (**GHG**) emissions
  - Environmental, social and governance
  - Sustainability
- The CSA doesn't currently mandate GHG emissions disclosure.
- On October 18, 2021, the CSA published Proposed NI 51-107 and its companion policy for a 90-day comment period.

# ESG disclosure

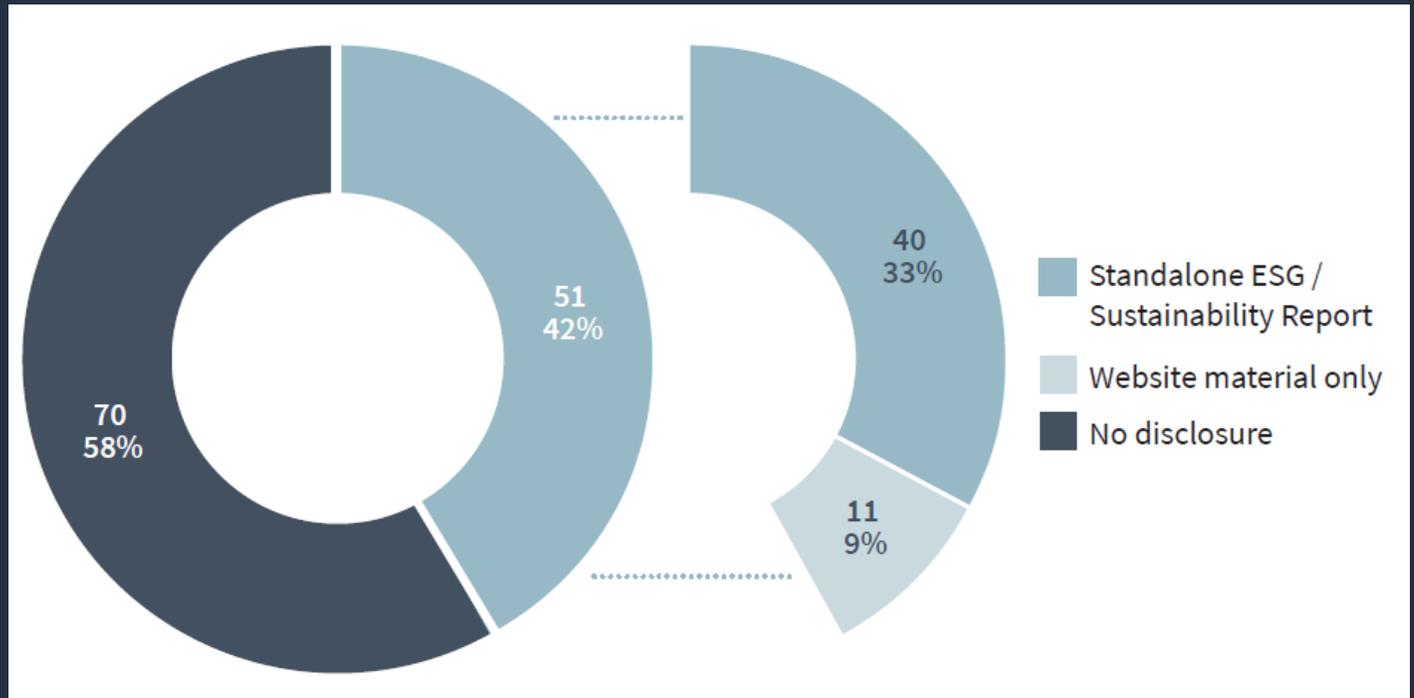
## Introduction

- We conduct ESG Technical Screening Reviews for energy-related AB RIs; includes those engaged in O&GA.
- These assess basic information, such as:
  - Whether disclosure has occurred
  - The disclosure method (report or website)
  - How the disclosure has been prepared (reporting frameworks)
  - Whether specific environmental information has been disclosed
- Reviews don't assess social or governance disclosure.

# ESG disclosure

## Occurrences and method

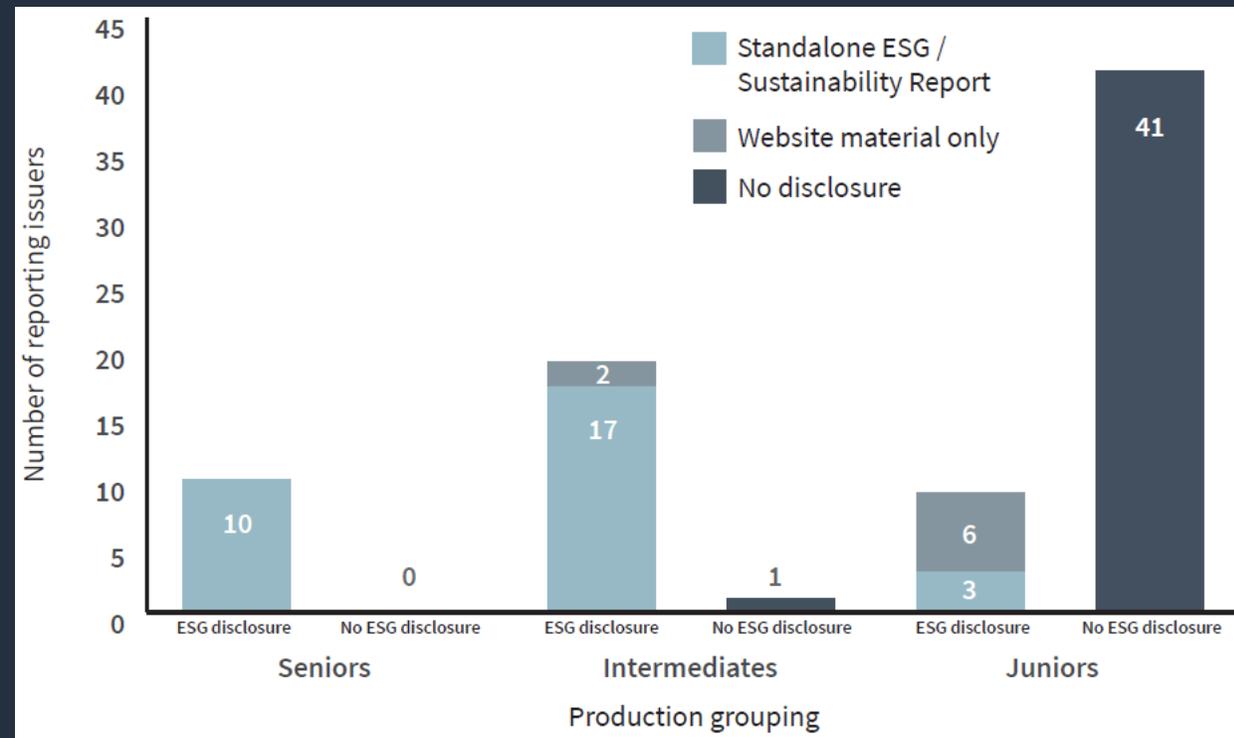
- 42% of RIs engaged in O&GA have recent ESG disclosure.
  - 33% have a report.
  - 9% have website disclosure only; limited analysis, mostly aspirational.



# ESG disclosure

## Occurrences and method by production grouping

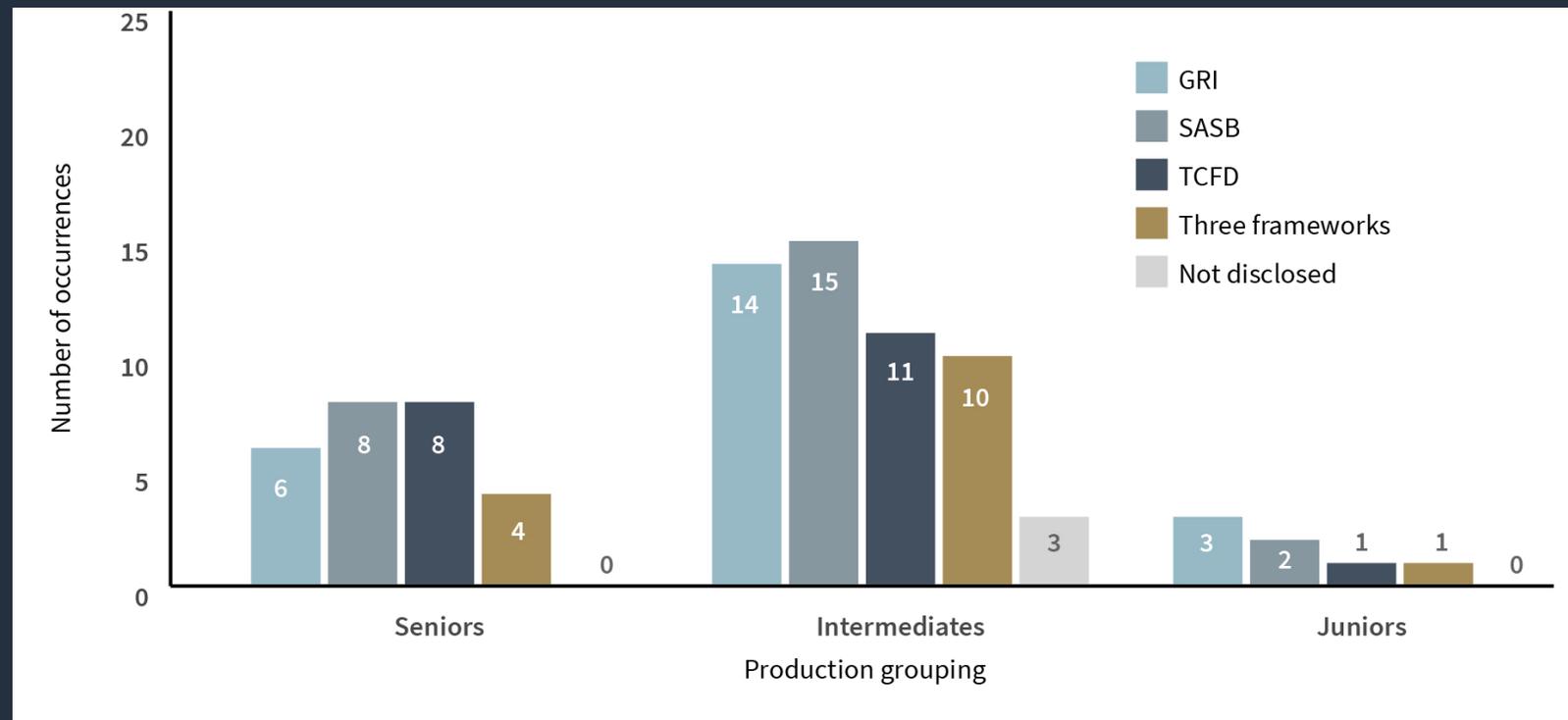
- All senior and the majority of intermediate RIs have a report.



# ESG disclosure

## Occurrences of reporting frameworks by production grouping

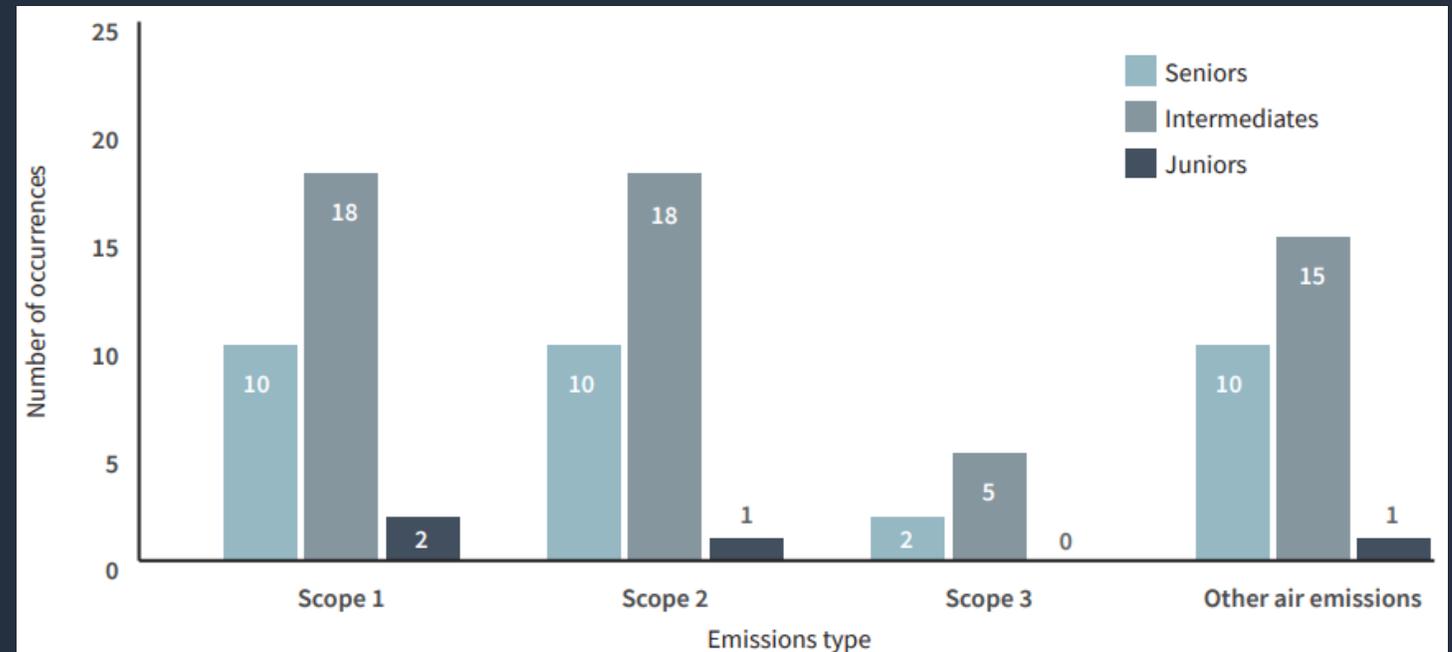
- Three main frameworks are used; many use all.



# ESG disclosure

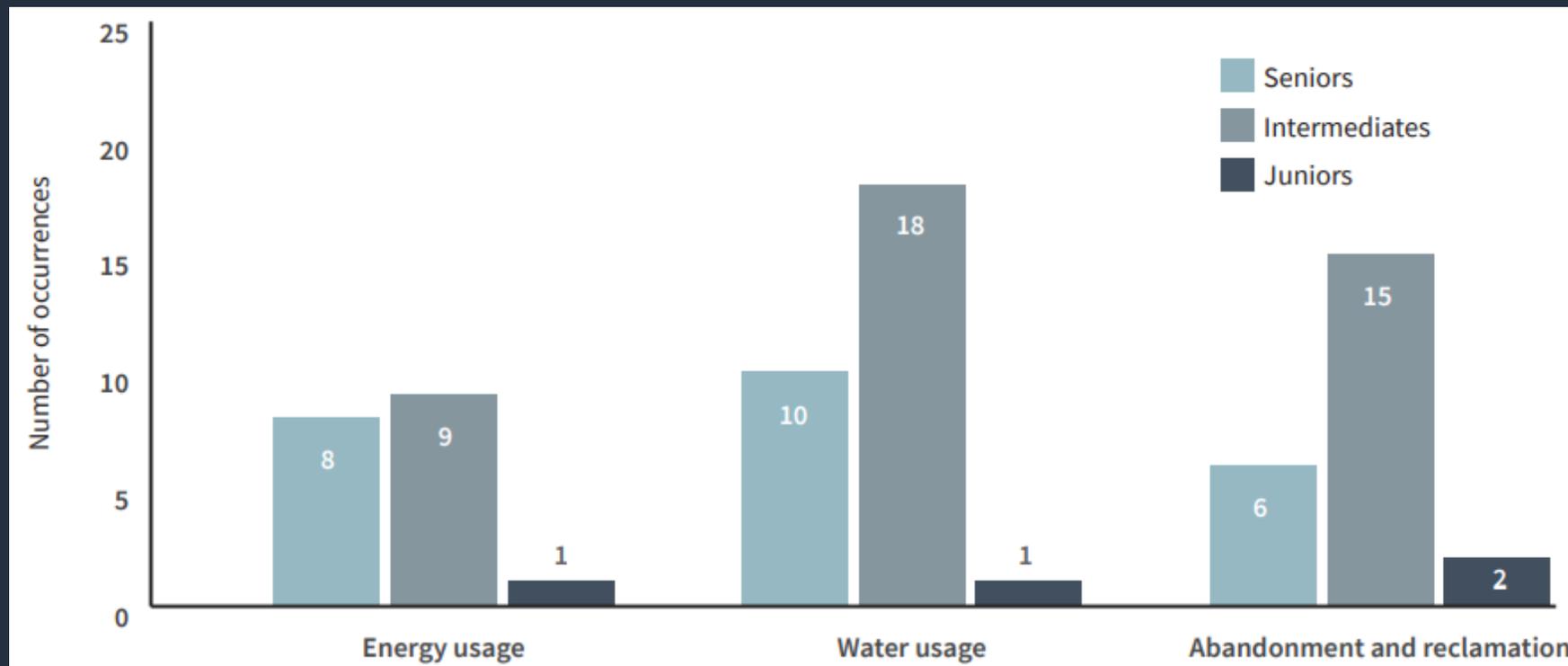
## Occurrences of emissions disclosure by production grouping

- All senior and most intermediate RIs disclose scope 1 and scope 2 GHG emissions, plus other air emissions.
  - Some disclose scope 3; what's included differs.



# ESG disclosure

## Occurrences of other environmental disclosure by grouping

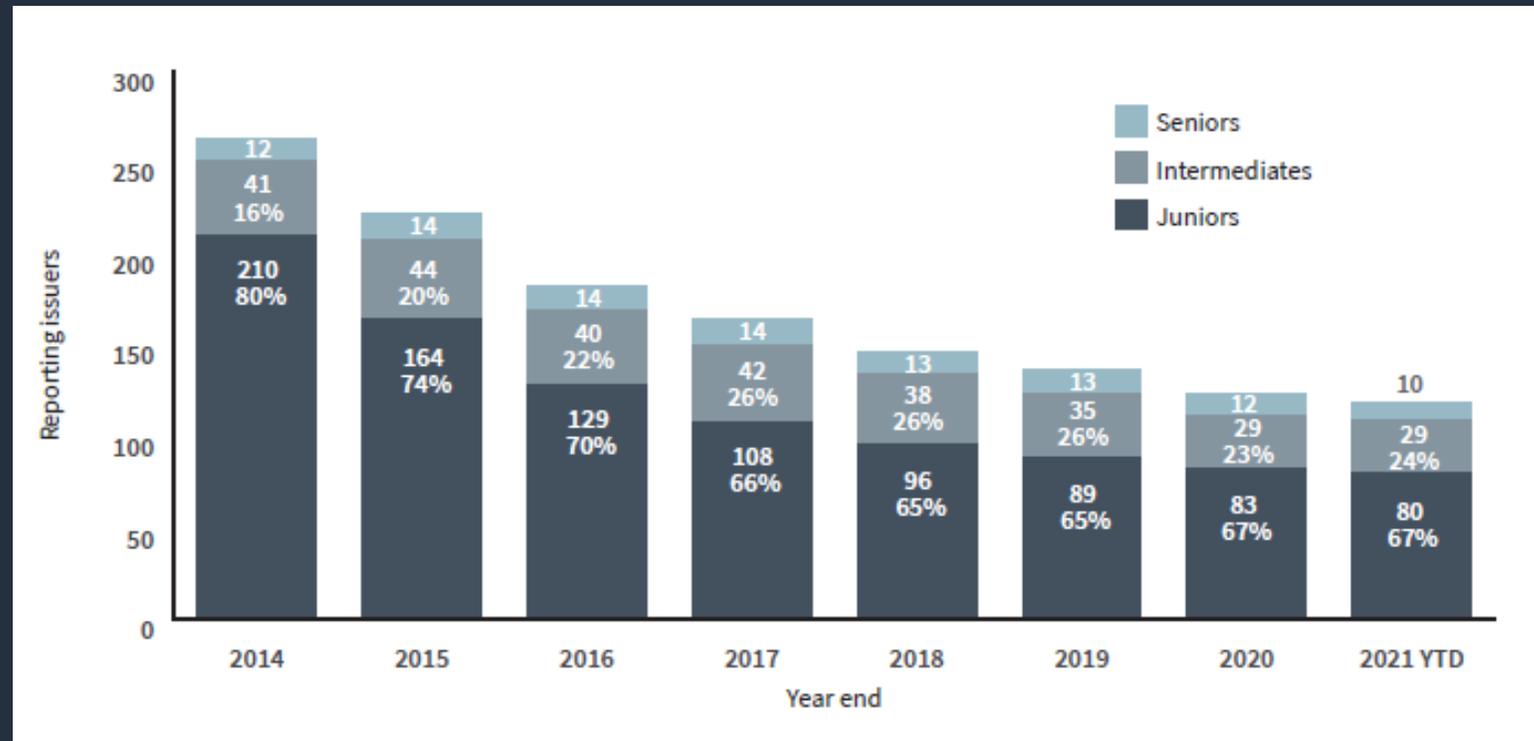


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# Energy and the Alberta capital market

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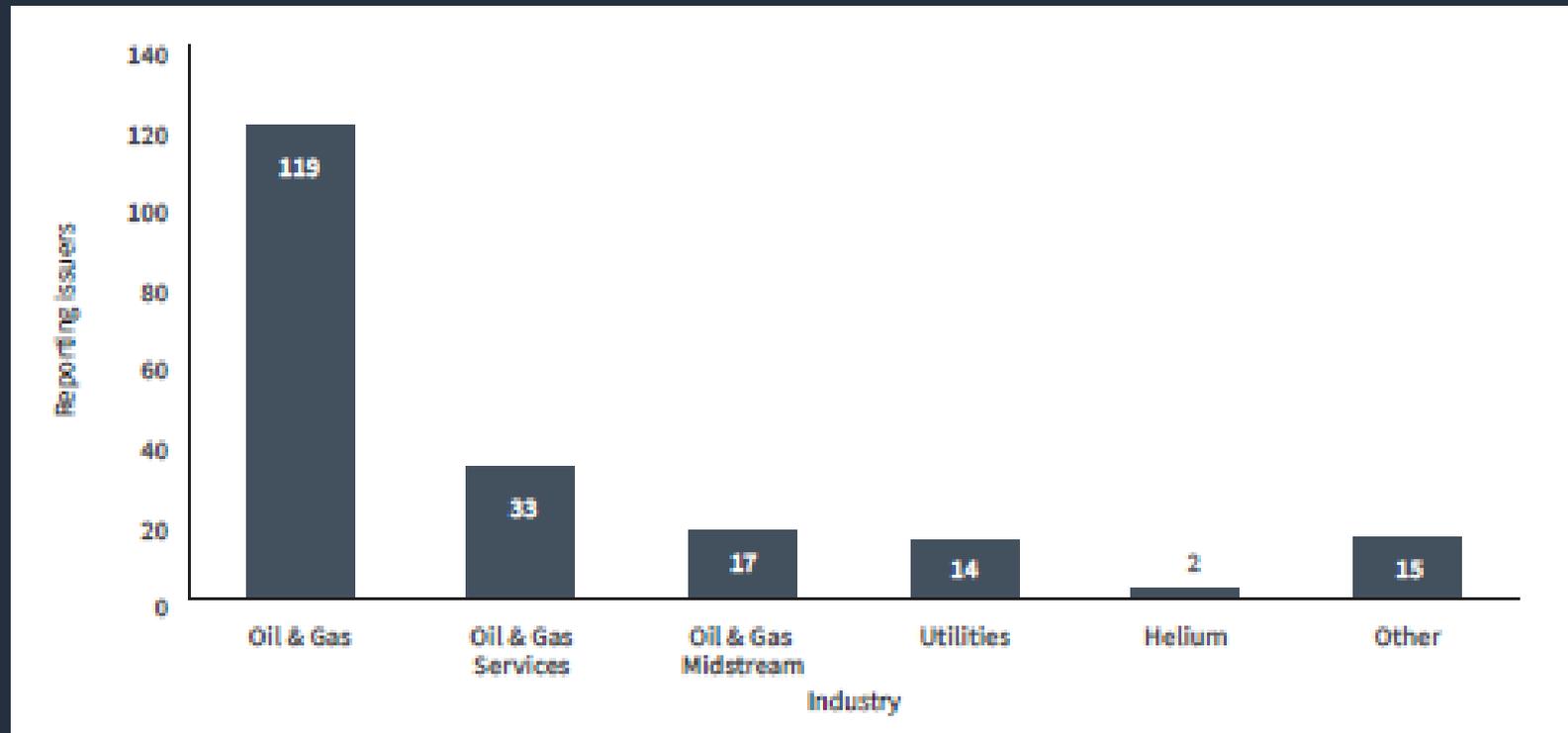
## Number of AB RIs engaged in O&GA



YTD is September 30, 2021

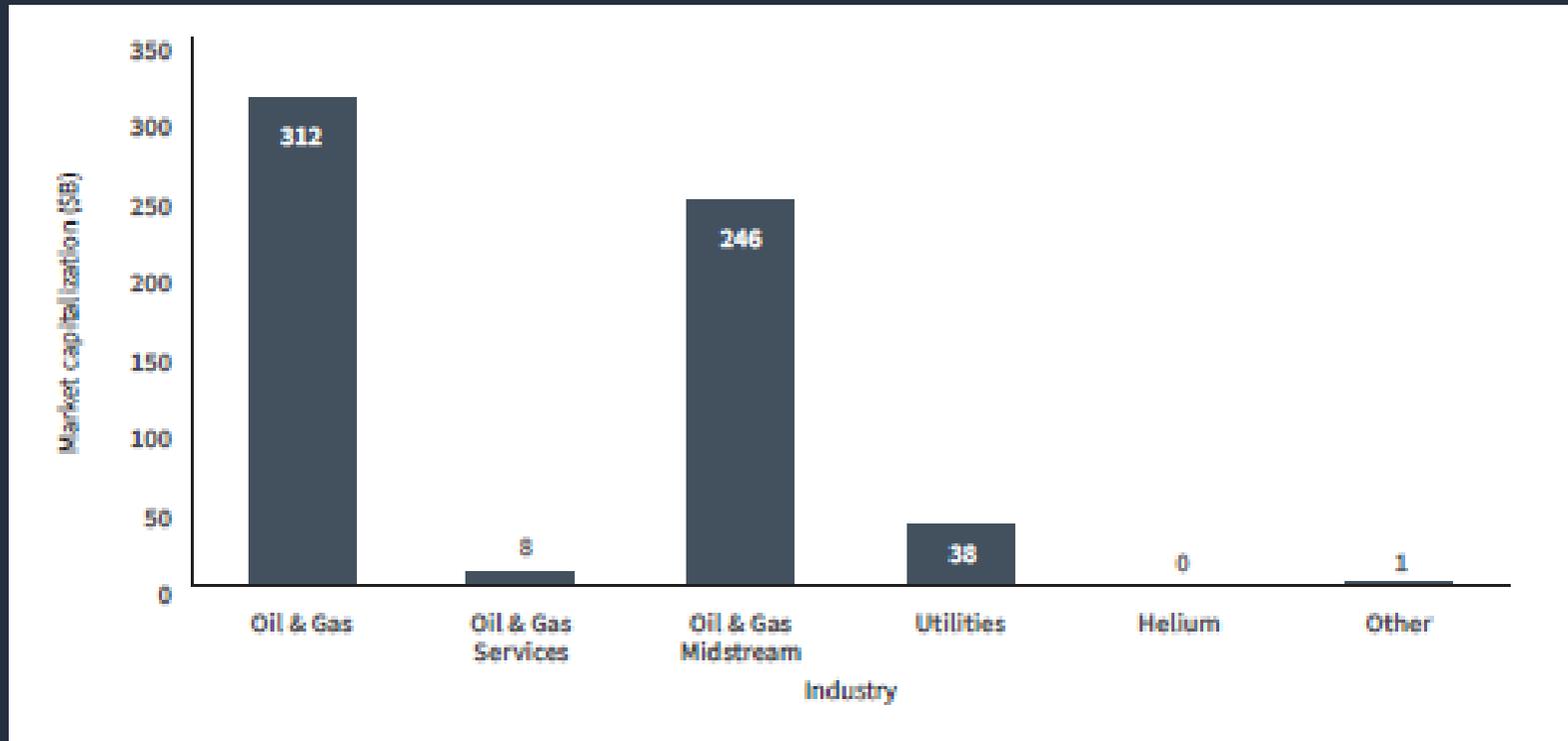
# Energy and the Alberta capital market

## Number of energy-related AB RIs by industry



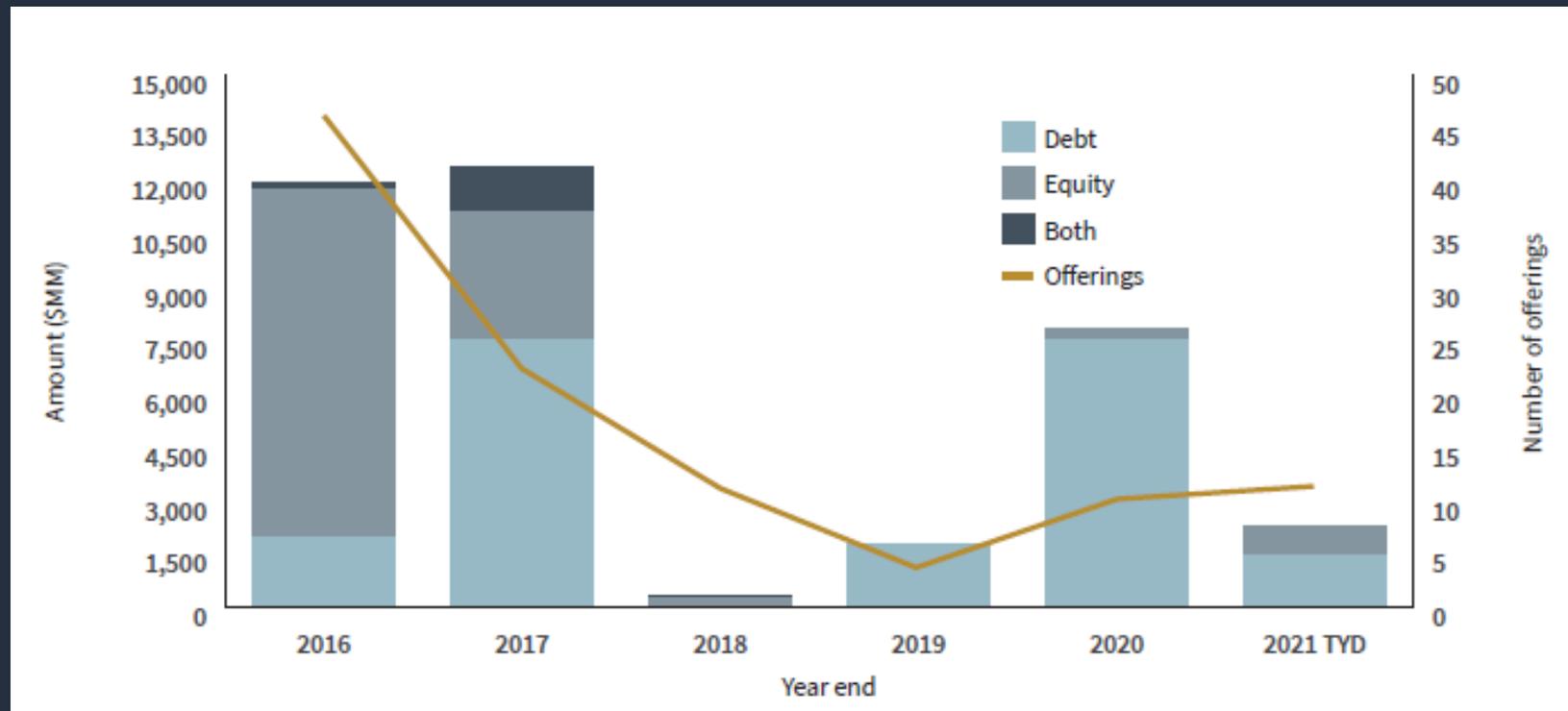
# Energy and the Alberta capital market

## Market capitalization of energy-related AB RIs by industry



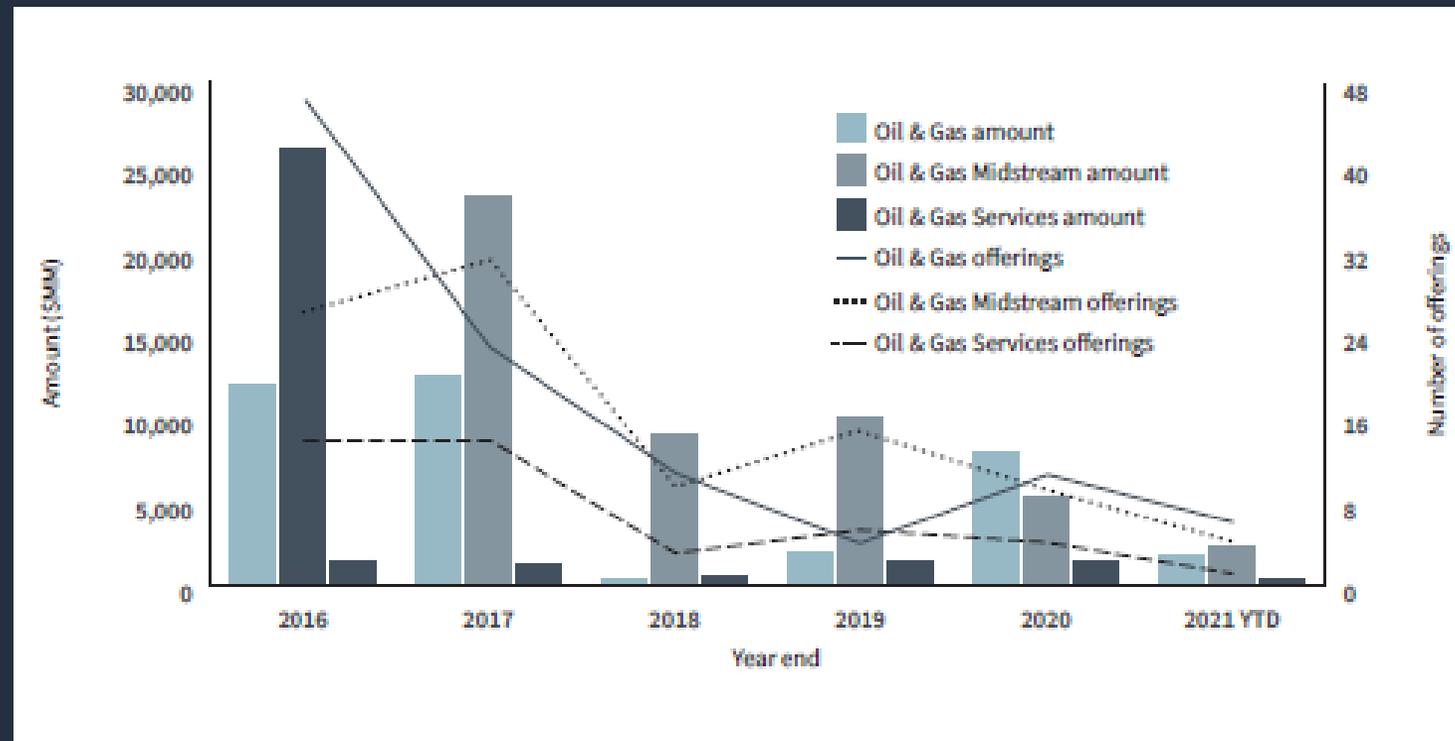
# Energy and the Alberta capital market

## Capital raised by prospectus by AB RIs engaged in O&GA



# Energy and the Alberta capital market

## Capital raised by prospectus by AB O&G RIs





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# Questions?



# Thank You



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