

FEDERAL AID PACKAGE FOR ENERGY SECTOR AND ALBERTA'S PLAN TO SPEND IT

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Federal Aid Package to Oil and Gas Industry

On April 17, 2020, the Federal Government released details of the long-awaited aid package to help the oil and gas industry, which has been hit hard by all-time low oil prices caused by a surge in global crude oil supply with no available storage and a decline in demand due to the economic effects of the COVID-19 pandemic.

The relief measures include:

1. Clean-up Funds

Providing up to \$1.72 billion in funding to the governments of Alberta, Saskatchewan and British Columbia and the Alberta Orphan Well Association (“**OWA**”) to clean-up orphan and/or inactive oil and gas wells. **Of this amount, up to \$1 billion will be given to the Alberta Government and the government’s plans for these funds are discussed in more detail below.** Of the remaining amount, the Saskatchewan Government will receive up to \$400 million, the British Columbia Government will receive up to \$120 million and the Alberta Orphan Well Association will receive \$200 million in the form of a repayable loan.

2. New Emission Reduction Fund

Providing up to \$750 million to create a new Emission Reduction Fund (“**ERF**”) to be managed by Natural Resources Canada to reduce emissions in Canada’s oil and gas sector, with a focus on methane. The ERF will provide repayable contributions to conventional and offshore oil and gas firms to support their investments to reduce greenhouse gas emissions and is aimed to assist companies in meeting their methane reduction targets. Of this amount, \$75 million will be allocated to the offshore sector.

3. Expanded Business Credit Availability Program

Expanding eligibility for the [Business Credit Availability Program](#) previously announced on March 13, 2020, to help medium-sized businesses, starting with companies in Canada’s energy sector, maintain operations and keep their employees on the job. Through the Business Credit Availability Program, Export Development

Canada and the Business Development Bank of Canada are providing \$65 billion in direct lending and other types of financial support like loan guarantees and co-lending programs at market rates to viable small and medium enterprises whose access to financing would otherwise be restricted. Details posted on the Business Development Bank of Canada's website provide that the expanded program will provide loans to at-risk medium-sized oil and gas companies ranging from \$15 million to \$60 million per company and will be offered at commercial rates and repayable within four years with further details to be finalized shortly.

The Federal Government has further advised that it is continuing to monitor this evolving situation closely, and will take additional actions as needed to protect our health and safety, and stabilize the economy. In talking about the possible need for further action, Finance Minister Bill Morneau stated that, as a next step, the Federal Government is looking at some potential aid to larger oil and gas companies to help provide them with a bridge to the future.

Alberta's Plan for its \$1 Billion Share

On April 24, 2020 the Alberta Government provided the public with details on its plan to spend the \$1 billion it will receive from the Federal Government as clean-up funds for orphan and/or inactive oil and gas wells and announced its Site Rehabilitation Program.

This program will be funded with the \$1 billion Federal aid money and will provide grants to oilfield service companies to perform well, pipeline and oil and gas site reclamation work. It is expected to create approximately 5,300 direct jobs and clean-up thousands of orphan well sites in Alberta.

The Site Rehabilitation Program is set to launch this Friday, May 1, 2020 and looks like this:

Quick Facts:

- Funding of the Site Rehabilitation Program will be phased-in through \$100 million increments.
- Oilfield service companies may apply for grants of between 25% and 100% of total project costs, depending on the ability of the oil and gas company responsible for the site, to help pay for cleanup.
- Approved grants will be paid directly to the oilfield service company completing the work with the company receiving 10% of the grant amount once their application is approved, up to another 60% after submitting interim invoicing and reports and the remainder of the grant when the work is completed and professionally attested.
- **Oilfield service companies can apply for a grant starting May 1, 2020 through the online [Application Portal](#) during the following dates, but must meet all eligibility requirements (as set out below):**
 - May 1 to May 31: Online applications for these projects will be open to oilfield service companies significantly impacted by the economic downturn for contracts of up to \$30,000 per application

across Alberta. This first \$100 million increment will focus on projects that are eligible for 100% government funding.

- May 15 to June 15: Online applications for these projects will be open to all oilfield service companies for contracts of up to \$30,000 and eligible for 100% government funding. This second \$100 million increment will focus on sites where oil and gas companies have breached their obligation to landowners by not making lease payments, leaving the government to pay compensation to landowners as required under the Surface Rights Act (Alberta).
- Future increments to be developed and announced.

Eligibility Requirements:

Company Eligibility:

- Oilfield service companies who do work such as: (1) upstream oil and gas infrastructure abandonment, including wellsite abandonment, pipeline abandonment, pipeline segment removal, facility abandonment; (2) environmental work, including Phase 1 and Phase 2 environmental site assessments; (3) remediation; and (4) reclamation.

Project Eligibility:

- Oil and gas sites must be located in Alberta.
- All laws, regulations, directives, and environmental and occupational health and safety standards, including social distancing and COVID-19 related health orders and guidelines must be followed in carrying out the work.
- Oilfield service companies must seek out and obtain a valid contract with an Alberta oil and gas licensee and that contract must be fully executed, with no 'subject to' clauses. One resource for where oilfield services companies can look to find available projects is the Alberta Energy Regulator's [website](#) where it has posted a list of 94,000 inactive wells that may qualify for the Site Rehabilitation Program.

Eligible Activities:

- closure work on inactive wells and pipelines
- Phase 1 and Phase 2 environmental site assessments
- remediation
- reclamation
- preparation of applications for remediation and reclamation certificates

Ineligible activities:

- suspension (wells and facilities) and discontinuation (pipelines) costs that are not part of abandonment and reclamation projects
- work on producing sites (for example, spill remediation)
- closure work outside of Alberta
- work completed before the program comes into effect on May 1, 2020

Eligible costs:

- materials and supplies
- wages
- equipment rentals
- laboratory analyses
- transportation of equipment and workers to and from sites

Contact Julia Loney at julia.loney@mcmillan.ca or (403) 531-4717 or any member of McMillan's Oil and Gas Group to help you navigate your way through this information and how it may be applicable to your company. We would be happy to help. We will continue to monitor developments and provide further updates on the details of the Federal aid package as they are released.

by Jody Wivcharuk

A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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