



Regulatory Update SPEE (Calgary Chapter)

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Introduction

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**).
 - Improve, coordinate and harmonize regulation
- CSA’s lead oil and gas (**O&G**) regulator.

Introduction

Energy Group

- Expertise applied to energy-related matters.
 - “All things energy” approach
 - Ongoing commitment to O&G

Introduction

Energy Group

- Focus includes:
 - O&G
 - exploration and production
 - midstream
 - services
 - helium and hydrogen
 - lithium from oilfield brines
 - carbon capture, utilization and storage
 - environmental sustainability; greenhouse gas emissions
 - renewable energy
 - renewable hydrocarbons
 - electrical generation, transmission and storage
 - related environmental liabilities

Introduction

Energy Group

- In pursuit of compliant 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

Climate Update

Climate Update

Introduction

- The CSA has a climate-related disclosure project.
 - Co-leads are the:
 - ASC
 - Ontario Securities Commission

Climate Update

Key Developments

- October 2021: Proposed National Instrument 51-107 *Disclosure of Climate-related Matters* and its companion policy (**NI 51-107**) was published.
- October 2022: Publication of a news release advising consideration being given to important developments, including:
 - March 2022:
 - Publication of the proposed SEC climate rule; and
 - Publication of the International Sustainability Standards Board’s (**ISSB**) general sustainability and climate-related exposure drafts.

Climate Update

Key Developments

- March 2024: Canadian Sustainability Standards Board’s (**CSSB**) general sustainability and climate-related disclosure exposure drafts were published.
 - Minimal modifications to the ISSB’s exposure draft:
 - Extended the effective date, and
 - Provided some transition relief.
 - Public consultation closed in June 2024, letters published in August.
 - Publication of final standards is expected by the end of 2024.

Climate Update

Takeaways

- The CSA welcomed the CSSB’s exposure draft publication.
 - Encouraged feedback to the public consultation.
- *A revised* proposed NI 51-107 is under development.
 - Expected to be based on the final CSSB standard.
 - Anticipate only adopting provisions needed to support Canadian climate-related disclosure; modifications for Canadian capital markets may occur.
 - A public consultation will follow.
- **Until the CSA adopts a final rule, RI’s have no specific climate-related disclosure requirements.**

SASB Industry-based Metrics & NI 51-101

SASB Industry-based Metrics & NI 51-101

Purpose

- To highlight certain requirements contained in the Industry-based Guidance on Implementing Climate-related Disclosures (**SASB Standards**) referred to in the Canadian Sustainability Disclosure Standard 2, Climate-related Disclosures Exposure Draft (**CSDS 2**), in relation to the requirements under National Instrument 51-101 *Standards of Disclosure For Oil and Gas Activities* (**NI 51-101**).

SASB Industry-based Metrics & NI 51-101

CSDS 2: Industry-based Metrics

- Paragraph 32
 - An entity shall disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterize participation in an industry. In determining the industry-based metrics that the entity discloses, the entity shall refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the *Industry-based Guidance on Implementing Climate-related Disclosures*.¹

¹CSDS 2

SASB Industry-based Metrics & NI 51-101

CSDS 2: Scenario Analysis

- Paragraph 22
 - An entity shall disclose information that enables users of general-purpose financial reports to understand the resilience of the entity’s strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the entity’s identified climate-related risks and opportunities. The entity shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with the entity’s circumstances. In providing quantitative information, the entity may disclose a single amount or a range.¹

SASB Industry-based Metrics & NI 51-101

CSDS 2: Scenario Analysis

- Paragraph 23
 - In preparing disclosures to meet the requirements in paragraphs 13-22, an entity shall refer to and consider the applicability of cross-industry metric categories, as described in paragraph 29, and industry-based metrics associated with disclosure topics defined in the *Industry-based Guidance on Implementing Climate-related Disclosures* as described in paragraph 32.¹

SASB Industry-based Metrics & NI 51-101

SASB Standards

- The SASB Standards were published in 2018 as a set of 77 industry-specific sustainability accounting standards, categorized pursuant to the Sustainable Industry Classification System (SICS).
- The standards are intended to aid entities in disclosing information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.

SASB Industry-based Metrics & NI 51-101

O&G – E&P SASB Standard

- The Oil & Gas – Exploration & Production SASB Standard (**O&G – E&P SASB Standard**) applies to entities that explore for, extract or produce energy products such as crude oil and natural gas, which comprise the upstream operations of the oil and gas value chain.²
- A reporting issuer (**RI**) engaged in oil and gas activities (**O&GA**), as defined in NI 51-101, would likely refer to and consider the O&G – E&P SASB Standard.

²O&G - E&P SASB Standard

SASB Industry-based Metrics & NI 51-101

O&G – E&P SASB Standard

EM-EP-420a.1. Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions

1. The entity shall perform a sensitivity analysis of its reserves to determine how several future scenarios may affect the determination of whether the reserves are proved or probable
2. The entity shall analyze the sensitivity of its current proven and probable reserves using the price trajectories published by the International Energy Agency (**IEA**) in its *World Energy Outlook (WEO)* publication, including:
 - Current Policies Scenario
 - New Policies Scenario
 - Sustainable Development Scenario²

SASB Industry-based Metrics & NI 51-101 Scenario Analysis

- What is a Scenario?³
 - A scenario describes a path of development leading to a particular outcome.
 - Scenarios are not intended to represent a full description of the future, but rather highlight central elements of a possible future.
 - Scenarios are hypothetical constructs, they are not forecasts or predictions nor are they sensitivity analyses.

³Task Force on Climate-Related Financial Disclosures – Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities

SASB Industry-based Metrics & NI 51-101

WEO 2023 Report

- The WEO 2023 Report employs three main scenarios to explore different pathways for the energy sector to 2050.
- None of the scenarios included in the WEO 2023 Report should be considered a forecast.
- The WEO 2023 Report explores three main scenarios in the analysis in the chapters. These scenarios are not predictions – the IEA does not have a single view on the future of the energy system.⁴

⁴IEA – WEO 2023

SASB Industry-based Metrics & NI 51-101

O&G – E&P SASB Standard

EM-EP-420a.1. Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions

3. The entity shall follow the applicable jurisdictional guidance for the following:
 - Classifying reserves as proved and probable
 - Conducting a reserves sensitivity analysis and disclosing, in the aggregate, an estimate of reserves for each product type based on various price and cost criteria, such as a range of prices and costs that may reasonably be achieved, including standardized futures prices or management’s own forecasts
 - The entity shall disclose the price and cost schedules and assumptions on which disclosed values are based
 - Determining current (or base) case of reserve levels²

SASB Industry-based Metrics & NI 51-101

O&G – E&P SASB Standard

EM-EP-420a.1. Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions

4. The entity may use the following table format to summarize its findings:²

Table 3. Sensitivity of reserves to prices by principal product type and price scenario

PRICE CASE	PROVED RESERVES			PROBABLE RESERVES		
(Scenario)	Oil (MMbbls)	Gas (MMscf)	Product:A (measure)	Oil (MMbbls)	Gas (MMscf)	Product:A (measure)
Current Policies Scenario (base)						
New Policies Scenario						
Sustainable Development Scenario						

SASB Industry-based Metrics & NI 51-101

NI 51-101 Requirements

- NI 51-101
 - Applies to RIs engaged directly or indirectly in O&GA.⁵
 - Addresses:
 - general standards, and
 - specific annual requirements.
 - Technical standard: Canadian Oil and Gas Evaluation Handbook (**COGE Handbook**).

⁵Secs.1.1 and 1.3 of NI 51-101

SASB Industry-based Metrics & NI 51-101

NI 51-101 Requirements

- Part 5 of NI 51-101 applies to disclosure made by or on behalf of an RI
 - to the public;
 - in any document filed with a securities regulatory authority; or
 - in other circumstances in which, at the time of making the disclosure, the RI knows or ought reasonably to know, that the disclosure is or will become available to the public.⁶

⁶Sec. 5.1 of NI 51-101

SASB Industry-based Metrics & NI 51-101

NI 51-101 Requirements

- Under section 5.2, if an RI makes disclosure of reserves or other information of a type that is specified in Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information* (**Form 51-101F1**)
 - the estimates must have been prepared or audited in accordance with the COGE Handbook⁷; and
 - the disclosure must be consistent with the corresponding information contained in the RI's most recently filed Form 51-101F1.⁸

⁷Sec. 5.2(1)(a)(iii)

⁸Sec. 5.2(1)(d)

SASB Industry-based Metrics & NI 51-101

COGE Handbook

- Reserves are estimated remaining quantities of commercially recoverable oil, natural gas, and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data, the use of established technology, and specified economic conditions, which are generally accepted as being reasonable.⁹

⁹COGE Handbook Consolidated Third Edition – January 2022

SASB Industry-based Metrics & NI 51-101

Summary

- As currently written, the O&G – E&P SASB Standard metric 420a.1. cannot be disclosed without breaching certain requirements under NI 51-101, as the results of the sensitivity analysis:
 - do not meet the definition of reserves;
 - would not be considered to have been prepared in accordance with the COGE Handbook; and
 - would not be consistent with the information disclosed in Form 51-101F1.

Alberta's Capital Market and Bill C-59

Alberta's Capital Market and Bill C-59

Introduction

- Bill C-59 (**C-59**) implements certain provisions of the November 2023 fall economic statement and the March 2023 budget.
 - Section 236 amends section 74.01(1) of the *Competition Act* (Canada) (**Act**) which addresses deceptive marketing practices (**Amendments**).
 - Intended to address concerns relating to environmental claims about products and services or “greenwashing,” by broadening liability to Competition Tribunal actions and private litigation.
 - Received royal assent on June 20, 2024.

Alberta’s Capital Market and Bill C-59

Public Consultation

- A public consultation concerning Act guidance is underway.
 - Conducted by the Competition Bureau.
 - Intended to “ensure... clarity and predictability.”
 - Feedback is due September 27, 2024.

Alberta's Capital Market and Bill C-59

Amendments of Interest

- Old section 74.01(1) of the Act:
 - A person engages in reviewable conduct who, for the purpose of promoting, directly or indirectly, the supply or use of a product or for the purpose of promoting, directly or indirectly, any business interest, by any means whatever,
 - a) makes a representation to the public that is false or misleading in a material respect;
 - b) makes a representation to the public in the form of a statement, warranty or guarantee of the performance, efficacy or length of life of a product that is not based on an adequate and proper test thereof, the proof of which lies on the person making the representation; or [...]

Alberta's Capital Market and Bill C-59

Amendments of Interest

- Amended section 74.01(1) of the Act:
 - b) makes a representation to the public in the form of a statement, warranty or guarantee of the performance, efficacy or length of life of a product that is not based on an adequate and proper test thereof, the proof of which lies on the person making the representation;

Alberta's Capital Market and Bill C-59

Amendments of Interest

1. makes a representation to the public in the form of a statement, warranty or guarantee of a product's benefits for protecting or restoring the environment or mitigating the environmental, social and ecological causes or effects of climate change that is not based on an adequate and proper test, the proof of which lies on the person making the representation;
2. makes a representation to the public with respect to the benefits of a business or business activity for protecting or restoring the environment or mitigating the environmental and ecological causes or effects of climate change that is not based on adequate and proper substantiation in accordance with internationally recognized methodology, the proof of which lies on the person making the representation; or [...]

Alberta's Capital Market and Bill C-59

Sustainability Disclosure Observations

- Alberta RIs engaged in O&GA:
 - 61 published a sustainability report (**SR**) in recent years.
 - 38 (62%) have removed sustainability disclosure from their websites, including SRs, goals, accomplishments, etc.
 - 22 have cited C-59 as rationale .
 - 15 have not cited C-59.
 - 1 has removed their SR, but some related data remains.

Alberta's Capital Market and Bill C-59

Sustainability Disclosure Observations

- Breakdown by size:
 - 13 seniors (>100,000 BOE/d)¹⁰ published an SR in recent years.
 - 8 have removed sustainability disclosure since June 20.
 - 5 cite C-59 as rationale.
 - 30 intermediates (10,000-100,000) published an SR in recent years.
 - 18 have removed sustainability disclosure.
 - 13 cite C-59 as rationale.

¹⁰Based on a conversion ratio of six thousand cubic feet of gas for one barrel of oil

Alberta's Capital Market and Bill C-59

Sustainability Disclosure Observations

- 18 juniors (<10,000) published an SR in recent years.
 - 12 have removed sustainability disclosure.
 - 4 cite C-59 as rationale.

Alberta's Capital Market and Bill C-59

Takeaways

- We will continue monitoring for impacts on things like:
 - Sustainability disclosure, including removal and return of SR;
 - Plans, objectives and initiatives, including those previously disclosed
 - emissions reduction;
 - technology development, testing and implementation; etc.
 - Capital allocation and needs;
 - Oil and gas resources; etc.
- Your insights are welcome.

Questions

Contact us

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Thank you!