

Harmonization of Flare, Vent and Fuel Definitions – Meeting #2

Wednesday June 27th, 2012

ERCB Offices – 1000, 250 – 5th Street SW, Room VC1268

9:00 – 11:00 am (MDT)

Introductions and attendees:

In Person

Brian Ross, Rod Sikora, Elise Bieche, Robert Elliott, Dan Brownrigg, Kim Deck, Jim Spangelo, Bill Cheung, Robert Elliott, Paul Onunkwor, Alessandra Alaia

By Phone:

Paul Slobodnik, April Hauk, Paul Molloy, Kevin Parsonage, Brad Wagner, Todd Han

1. Comments from Last Meeting

Circulated minutes from last meeting – any comments? None.

Robert in for Andrew: Company is concerned with what is being prescribed here.

Jim: Today is an opportunity to bring forward any discussion you may have. Will put up definitions again to clarify any concerns. Any additions to the agenda? No. ***Additional Note - This is a proposal and we are exploring the benefits and the impacts, it has not been decided on.***

- **Initial feedback on definitions (All):** Walked through definitions again from the previous presentation in April.

Proposed Flaring Definition:

Robert Elliot: concern around changing “acid gas” to “tail gas”, need to be aware AB Energy uses “acid gas” in their documents. Maybe this change isn’t appropriate.

Additional Note– acid gas going to the sulphur plant will still be reported the same way – gas entering sulphur plant is still referred to as acid gas shrinkage – tail gas is referring to the gas that is exiting the sulphur plant and is being sent to an incinerator – this is not considered flared now and we are saying treat it the same.

Will discuss further. *Robert Elliot: will look into impact w/ GCA and definition. Be aware of potential impacts of fuel to flare.*

Proposed Vent Definition: text highlighted in red on the power point slide (ie fugitives) is on the agenda to be discussed later.

Jim: In the last meeting what we heard from industry was generally positive on what we were proposing. The comments we received both in the meeting and in emails following the meeting – it is too early in the process to look at costs, we need to look

at the cost/value of the changes. Wayne had suggested that we examine in detail what the proposed changes would mean at a few facilities. Wayne had volunteered but unfortunately could not make this meeting.

The idea today is to have more discussion around the table and get comments and feedback on these definitions and whether reporting changes make sense.

Brian: There is merit to having separate categories, easier for reporting. Concern is that some of these changes will require a large amount of effort – is it worth it? There is concern with separating out vented from fuel and metering the smaller vented fuel volumes. Jim: Let's leave for when we talk about D17 changes with Bill.

Rod: It is tough when we are doing lots of definition changes. Not sure whether it helps us. There is a desire to improve production accounting (EPAP). Production accounting perspective is favored in this direction. We need to be cautious. If we are adding a bunch of changes, there should be a lot of thought put into that. Is this really something we want to do? There is definitely a bit of a process to make these changes. I am on the fence with this whole thing, I do see some value in the approach – but will the changes payout? Industry has suffered pain in reporting to all the different jurisdictions. Need to be cautious when it comes to making physical changes in the field.

Elise: no comments.

Robert Elliot: It affects GHG reporting – but not familiar with that. Concerned about who this effects – more than GHG reporting. No one has heard of this at CAPP. This idea has merit but it requires further discussion and needs to be properly rolled out, we need additional input. Concerned not just because of the cost, I am not sold on the benefits; training requirements need to be considered. Field data, measurement and production accounting will be more difficult. More fields to populate. I have concern with Alberta following other jurisdictions.

Jim: This is a difficult meeting today. We had generally positive nods before and no heads up on the negativity.

Kim: From a measurement side on field aspect. Using measurement today for fuel – splitting these out will be a chore. A lot more work involved in this. System limitations. There is work involved in being able to populate certain data (production accounting). Need to work on making this transition easier. CAPP might want some input.

Kim: We are already trying to split out volumes on a well level – there is potential for us to do this. Some limitations within our accounting system.

Dan: I am involved because I was at a registry advisory meeting – I am on the committee and no one on the committee is aware of this. This would impact everyone in that group (CAPP accounting committee). No one is aware of what is being proposed here in this group and these changes would affect them the most. All these things have a cost. Merit in this – we just need to figure out how to do it.

Jim: As way of background the people here are the first industry people we have shared this with and we have not communicated this idea widely. We went to the CAPP manager level last November and shared what we were looking at and sought input on to how best to go forward? They suggested that a good starting point would be discussing this with the industry members around this table. In terms of where we go from here, it is always a bit difficult to decide who to approach first.

Jim: How do we move this forward and address the right committees – how do we engage these people and who?

Elise: We have seen some material at CAPP – found one background on this from the AB Regulatory group. Not sure what other groups are aware of. I hear the concern that it will impact production accounting.

Jim: We will follow-up with Elise and talk about next steps.

April: Agreeing with most of the comments heard so far – issues around increased metering and costs to any changes to reporting to a lower-benefit return.

Paul S: The difference from this meeting to the last meeting is that we did not have anyone present from the measurement side in the previous meeting. This is where challenges are arising. Support comments that guys have been making. GHG reporting – might be worth having someone from GHG side to see if it is worth getting this material on the registry.

2. Changes that would be required for Measurement Directive D17 (ERCB) Bill Cheung:

No change to existing measurement is required with this proposal but there will be changes to estimations required for the categories.

Questions around table from Bill's document on changes to D17:

Kim: Knowing what kind of work it will take on the field side, is there an opportunity to have a case study to determine what pieces of equipment are running – is there a way to simplify things?

Bill: One company is already estimating the vent gas coming out of the tanks at 2.5% across the whole company. To some extent this is already being done.

Dan: Is there a way to let the registry to do this for us?

Bill: Maybe look into this at a later point in time.

Robert E.: Kim made a good point – be aware of the extra work being required. Will result in an increase to a lot of peoples work loads. Change in production accounting system. I am encouraged that there is not a lot of changes to D17. Measurement guide is great – biggest challenge is the reporting side.

Jim: How do we address this?

Robert E.: Maybe the ERCB merges the two documents; measurement D17 and reporting D7. This would improve effectiveness of both areas. D17 is already 250 pages, its not a concern if it gets bigger.

Jim: This task should not drive a merging of two directives – it would seem that such a task would effectively prevent us from addressing this proposal. Merging these two directives as part of this proposal (D7 and D17) is likely a bigger task than what we want to address here.

Bill: At what level are we going to introduce these things. May be a lot more difficult than it would first appear.

Jim: What is the proper way to look at changes required to D7 on a go forward basis? Share with registry people? At what point do we engage? Have a similar chat as today?

Dan: Present at the registry advisory committee (Industry Benefits Committee?). Might be the right place.

Jim: Do we have enough information to address questions?

Robert (Andrew): We should have a rigorous stakeholder consultation process before this can go forward.

Jim: What do we need to do?

Robert E.: Dan brought up some interesting points. Addressing this proposal might be further down the road because everything else is pilling on.

Elise: Maybe reach out to a broader audience to get a better understanding around economic impacts vs. benefits. Go to a different group of experts – who will be impacted.

Robert E.: Registry is primary driver.

Jim: Is there no support around this table to move forward? (changes to production accounting system):

3. Other Feedback on Definitions

Brian: Value is still here. Further discussion should include more production accounting people.

Rod: I would echo what Brian is saying. EPAP people. Cautious on this and all the changes (D7 and how registry functions). Bring in more stakeholders.

Elise: Agree with Brian – bring in larger group of stakeholders to understand the economic impact.

Robert E: Great work, but not completely sold on this. Bring in more stakeholders. Need to understand how this impacts everyone. Found slide outlining benefits – not very compelling.

Kim: I like the granularity of where we are trying to go to. Little confidence knowing that it will take a long time to change the production accounting.

Dan: Doesn't want to see it be more complex and more work. This sounds like the royalty simplification project that was tried and didn't work.

Kevin: Operating in BC, industry is already doing a lot of this stuff. Reporting is already dismal. A lot of improvements need to be made to reporting. We are not there yet and don't know when we will be.

Jim: Those who were invited around the table the last time were more environmentally focused – this time we brought in measurement people, next time should we bring in production accountants? Is there value in maintaining the same people around this table?

Todd: Harmonization does not mean duplication. What I think I heard from industry was:

- Industry is saying that harmonization isn't needed and its ok to have different definitions across the provinces.
- We need a broader perspective and consultation – need to bring in production accounting. Needs to be very broad – need to bring in the environmental side also.
- Regulators need to provide a compelling reason why we need this information.
- Conceptually this isn't a bad idea.

Jim: Is what we are hearing is that the reasons we've given aren't compelling enough?

Paul M: This proposal came from our desire to report Canada's numbers to GGFR (Global Gas Flaring Reduction Initiative). Our proposal will have some impact on industry and we are now starting to better understand these impacts. By eliminating different reporting mechanisms across the provinces and making it consistent it should help reduce costs and provide clarity. If everyone is happy with the way it is, it may not need to be changed.

Kevin: We are seeing how different reporting does result in errors. The quality of reporting is not there.

Robert E: Industry is always receptive – if there is errors let us know what they are. Need to work together to identify what the problems are. We need training on the changes to the rules. Company is willing to work on the issues.

Jim: 5 minutes left – I would suggest there is a need to look further at what we have presented and ensure the benefits are there. If we choose to move this forward – next step would be to chat with CAPP again and see if we can involve a wider range of

production accounting people and discuss this further so we can better understand the impacts and benefits.

Elise: We need to clarify why we are doing this.

Phone comment: We need to decide if benefits outweigh the costs.

Elise: You can engage via CAPP to get a better idea on cost.

Any more comments – no.

End of meeting.