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# Introduction



## **Royalty and Related Information Review Task Force Recommendations**

January 26, 1998



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## The administration of Crown Royalties for natural gas and the gathering of volumetric data has evolved over a number of years

- 1990:
  - “Royalty Simplification” project initiated by Minister of Energy and industry to streamline Crown Royalty calculation and processing
- 1992:
  - Project continued through 1992 with ADOE and industry CEO steering committee in place
  - Working committee initiated to develop guidelines with CAPP member participation
- 1994:
  - Initiated implementation of the new royalty system - industry submitted estimated royalty payments; Department estimated Allowable Costs
- 1995:
  - Invoice portion implemented - large industry/government backlog and cleanup began
- 1997
  - Current period invoicing commenced
  - Industry feedback indicated that royalty and related administration cost are approximately one third of the pre ‘94 level
  - Industry and royalty business rules and business practices continue to evolve

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## It is important to continue to improve the administration of the natural gas royalty regime and related information and the time is right

There is evidence of a need to make additional improvements to the royalty regime

- Industry leaders continue to lobby the government to optimize compliance and royalty reporting processes
- Industry leaders believe the cost of Crown royalty compliance is too high
- Problems include: fluctuating Unit Operating Cost Rates (UOCR); royalty only use of the Owner Activity Statements (OAS), large provisional assessments; uncertainty around year-end accruals, complexity in filing for custom process claims, etc.

The timing is right because the Minister has asked for recommendations from industry leaders and has offered resources to support an industry led initiative

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The project was initiated to recommend changes to gas royalty administration and volumetric reporting which could be accepted by all interested parties

The project is intended to determine where the industry wants to be in 5 years and beyond

- Project scope was to recommend how to:
  - Simplify calculation and reporting for royalties
  - Reduce overhead associated with data submission
  - Confirm roles and responsibilities of industry, and government regulatory bodies
  - Improve common access to data by industry and government

The project has a clear mission

- Develop a plan to increase administrative efficiencies and reduce associated costs applicable to royalties, common information and related business processes.

The project has very few non negotiable topics

- The recommendations must adhere to the Principles of Royalty
  - Crown retains share of production which it may keep, sell or transfer
  - Rights continue to be sold through a competitive bid process
  - Royalty formulas should be sensitive to price and productivity, appropriate to the value of the resource

The project is open to all suggestions

- Engage in consultation with representation from all stakeholders
  - Be open to bold change
  - Evaluate all suggestions

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## This project was an industry led initiative

Supported by executives from industry, the AEUB and the DOE

- Steering Committee

Stephen Savidant, (Chair)

President, Canadian Hunter Exploration Ltd.

David Laws,

President, Mutiny Oil & Gas Ltd.

Charlie Fischer,

Executive VP & COO, Canadian Occidental Petroleum Ltd.

Celine Belanger,

Chair, Alberta Energy & Utilities Board

Bob King,

Deputy Minister, Department of Energy

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This project was staffed by knowledgeable representatives from all segments of the industry

Project Team -  
seconded to project  
for 17 weeks

- Al Balfour
- Jacky Daunhauer
- Brian Nowak
- Dale Pederson
- Carl Potter
- Russ Purdy
- Jim Wallace
- Bob Weaver
- Duncan Baird
- Graham Jenkinson
- Michael Ekelund
- Clif Hetherington
- Carol Anne Pasutto
- Peter Colbeck
- Wes Stanbridge

- Amoco Canada Petroleum Company Ltd.
- Beau Canada Explorations Ltd.
- Imperial Oil Resources Limited
- Wascana Energy Inc.
- Shell Canada Limited
- Gulf Canada Resources Ltd.
- Canadian Hunter Exploration Ltd.
- Husky Oil Ltd.
- Alberta Energy & Utilities Board
- Alberta Energy & Utilities Board
- Department of Energy
- Department of Energy
- Department of Energy
- IBM Canada Ltd.
- IBM Canada Ltd.

Sub - Committee -  
worked one afternoon  
per week for 17 weeks

- Mike Bunch
- Anne Hagadorn
- John Kingsbury
- Jacquie Kolesar
- Bill Rabatich
- Garth Schultz

- Talisman Energy Inc.
- Prism Petroleum Ltd.
- Tekerra Gas Inc.
- AEC West Ltd.
- SEPAC Finance Committee
- Comstate Resources Ltd.

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The project had five steps with specific deliverables from each step

	<b>Key Activities</b>	<b>Key Deliverables</b>
<b>Identify Issues &amp; Solutions</b>	Industry consultation re. issues and solutions Team brainstorming Documentation & Categorization	Documented issues and suggested solutions
<b>Organize Solutions for Analysis and Selection</b>	Develop model to organize solutions into regimes. Develop criteria for evaluating solutions and regimes	A decision model for identifying and evaluating regimes and their features
<b>Analyze and Recommend</b>	For each solution/regime: Expand description Identify ramifications Calculate distribution impact, Costs & benefits Recommend action	Detailed analysis of each alternate solution Recommendation for each solution
<b>Plan Implementation</b>	Assemble recommended solutions into a single plan Identify strategies to mitigate impact of plan	An implementation plan of recommended solutions with supporting transition strategies
<b>Task Force Recommendation Paper</b>	Document recommendation for public consumption	A recommendation paper ready for distribution