Saskatchewan’s Methane Action Plan: Year 1 Update

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Prairie Resilience

✓ *Prairie Resilience* sets out Saskatchewan’s climate change strategy.

✓ These commitments were re-affirmed in *Saskatchewan’s Growth Plan 2020-2030*

✓ The Growth Plan contemplates growing oil production to 600,000 bpd by 2030

✓ Affirms that commitment to reduce CO2e by 40% by 2025 with a cumulative reduction of 38.2 MMT CO2e by 2030
Methane Action Plan

- Tech Fund
- Information and Reporting
- Emissions Management Regulations
- Joint Planning Areas
- Crown Utility Procurement
- Royalty/Moratorium
- Royalty/Tax Incentives
The Oil and Gas Emissions Management Regulations

- Oil focused
- Results-based (intensity)
- Both flaring and venting
- Corporate-level targets
- Play-based

Effective January 1, 2019
Year 1: Emission Reduction Planning

• Required by 43 operators in 2019 (98% emissions)

• Emissions reduction to be achieved by:
  – Drilling new wells and conserving associated gas
  – Conserving existing flared and vented gas
  – Combusting vented gas
  – Power generation
Compliance and Enforcement

Existing Programs

Measurement and Reporting
- Directive PNG032
- Directive PNG017
- Directive PNG076

Administrative Penalties (exceedances)
- Tech Fund

Mandatory Actions
Other Regulatory Measures

✓ Updating Directive PNG17 (measurement) to clarify reporting
✓ Additional resources for measurement compliance and audit
✓ Implemented new IRIS functionality for managing emissions
✓ Building new estimation guidelines and tools for volumetric reporting
✓ Developing a new flaring and venting directive to replace S10 (completions, venting limit)
Equivalency?

- Discussions are on-going
- Remain optimistic that an agreement can be reached
- Unlikely to achieve agreement before federal regulations are imposed over the existing provincial regulations unless the Government of Canada delays its program
Royalty/Tax Transferable Credits

• 22 applications to date
• Ten applications focus on new production techniques (SPII) and 12 applications on gathering and processing (OGPII)
• *Saskatchewan Petroleum Innovation Incentive* (SPII) provides up to $5M per project
• *Oil and Gas Processing Investment Incentive* (OGPII) provides up to $75 million per project
OGPII and SPII

Saskatchewan Petroleum Innovation Incentive (SPII)
• Offers transferable royalty/freehold production tax credits for qualified innovation commercialization projects at a rate of 25 per cent of eligible project costs.
• SPII has a credit cap of $5 million per project (i.e., 25 per cent of a $20 million project) and a total program royalty credit cap of $30 million.
• Projects typically relate to new production techniques or deal with production co-products

Oil and Gas Processing Investment Incentive (OGPII)
• Offers transferable royalty/freehold production tax credits for qualified value-added projects at a rate of 15 per cent of eligible project costs
• OGPII has a royalty credit cap of $75 million per project (i.e., 15 per cent of a $500 million project) and a total program royalty credit cap of $300 million.
• Typical projects relate to oil and gas processing