

# Site Rehabilitation Program

Energy and Minerals

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Report of the Auditor General  
December 2023

**Assessment of  
Implementation Report**

**Auditor  
General**  
OF ALBERTA

The logo for the Auditor General of Alberta, featuring a stylized orange and white graphic element resembling a corner or a bracket.

# About our Assessment of Implementation Report

Management is responsible for implementing our recommendations. We examine implementation plans and perform procedures to determine whether management has implemented our recommendations when management has asserted they have been implemented. We repeat our recommendations if we do not find evidence they have been implemented. We may also issue new recommendations for matters that come to our attention during our assessment.

Our assessments of implementation are conducted under the authority of the *Auditor General Act*. The Office of the Auditor General applies Canadian Standard on Quality Management 1. Accordingly, we have maintained a comprehensive system of quality control, including documented policies and procedures regarding compliance with applicable professional standards and applicable ethical, legal, and regulatory requirements.

Our office complies with the independence and other ethical requirements of the Chartered Professional Accountants of Alberta Rules of Professional Conduct, which are founded on fundamental principles of integrity and due care, objectivity, professional competence, confidentiality, and professional behaviour.

# Assessment of Implementation Report

## Site Rehabilitation Program

### *Energy and Minerals*

(March 2022)

#### Summary of Recommendations

**IMPLEMENTED** Recommendation:  
Formalize risk management process

#### Introduction

In 2022, we audited whether the Department of Energy and Minerals (the department) had designed and implemented the Site Rehabilitation Program (SRP) to achieve the program's objectives of job creation and cleanup of inactive oil and gas wells and sites. Based on our audit, we found that the department had successfully designed and implemented the SRP. We identified one area that required improvement: the department lacked a sufficiently robust risk management process for the SRP, given its magnitude. As a result, we recommended that the department formalize the risk management process.

Our current assessment found that the department implemented a formal risk management process for the SRP and our testing confirmed its effectiveness. However, as of December 2022, an estimated \$125 million remained unspent at the end of the SRP. The department is awaiting a response from the Government of Canada on transferring the unused funds to the Alberta Orphan Well Association and/or the Indian Resource Council.

# Recommendation: **Formalize Risk Management Process** **IMPLEMENTED**

## Context

### About the SRP

The Government of Alberta received \$1 billion from the Government of Canada on September 30, 2020. The funding was a component of Canada's COVID-19 Economic Response Plan, aimed at helping to generate employment opportunities within Alberta's energy services industry. Alberta was directed to develop a program with the goal of generating job opportunities for oilfield contractors, supporting the decommissioning of inactive oil and gas wells, and promoting environmental benefits. The responsibility of managing the SRP was assigned to the department. The department, in conjunction with the Government of Canada, designed the program.

The SRP stipulated that grants must be distributed by March 31, 2022, and that all work funded by the grants must be completed by December 31, 2022. Furthermore, any unused funds by March 31, 2023, must be returned to the Government of Canada.

Funding was distributed based on application submissions by oil field service contractors over eight distinct periods, each with a focus on different priorities for site closure activities. These priorities included wells situated on First Nations and Métis Settlement lands, sites where the Government of Alberta was providing landowner compensation, and locations inhabited by species at risk.

### Our original audit

In our 2022 audit, we found that while the department had succeeded in designing and implementing the SRP to meet the program's goals, it lacked a thorough process for identifying, analyzing, and addressing significant risks to the program. Specifically, we found a lack of evidence that the department conducted sufficient risk analysis or documented decisions related to the full utilization of available funds. The department was unable to provide evidence of how it had evaluated risks such as contractors' actual costs being lower than the approved application amounts, contractors and licensees failing to fully utilize available funding, and contractors not proceeding with work in a timely manner. Failure to effectively manage these risks could potentially hinder the SRP from fully maximizing the allocated \$1 billion.

We recommended that the department formalize its process to identify, analyze and respond to key risks to the SRP.

### SRP status at April 2023

The SRP has concluded. According to the department's internal reports, over 35,000 applications were approved, resulting in funding of \$864 million paid to over 560 service contractors based in Alberta. The funding led to the creation of close to 4,200 jobs. Additionally, the SRP facilitated the funding of closure activities for over 37,000 inactive wells.

## Our current findings

The department has established a formalized risk management process for the SRP, which is detailed in the SRP Guide. The guide outlines the processes, roles, responsibilities, and reporting requirements related to risk management. To evaluate the likelihood and impact of identified risks, criteria for assessment has been defined.

To record and monitor identified risks, the department used a risk register, which included risk rankings and mitigation actions. Management regularly reviewed and updated the register and reported significant risks or changes to executive management.

One of the 29 risks that the department monitored was the risk of not maximizing the use of available federal funding, which our 2022 audit had identified as an area of concern. To mitigate this risk, the department implemented several actions, including monitoring and reallocating unused funds from previous periods, providing monthly status reports to applicants, tracking and informing licensees of their allocations, continuously assessing the SRP requirements that may limit allocations, and continuing to seek stakeholder input on potential barriers to the program.

In the spring of 2022, the department added seeking an extension from the federal government as a further mitigation action. The extension was granted and provided additional time to process already approved applications, and to complete the work and submit invoices towards the end of the program.<sup>18</sup>

Despite the risk mitigation actions taken, the department identified in December 2022 that an estimated \$125 million may remain unspent and would have to be returned to the Government of Canada. This balance is due to several factors, including contractors' actual costs being lower than the approved application amounts, contractors not fully utilizing the available funding, and cancelled applications due to contractors not proceeding with the work in a timely manner. The first two factors are mainly the result of the SRP design, which was a shared decision by the two governments.<sup>19</sup>

We evaluated the mitigation actions designed to manage these three factors and found them to be appropriate and effective. However, due to the inherent nature of the program and the shared decision-making around its design, some level of unspent funding was always a possibility. Despite this, the department has worked diligently to maximize the use of available funding and reduce the risk of underutilization. Overall, the department's risk management approach has been effective in ensuring that the objectives of the SRP were met within the constraints of the program design.

The department had proposed transferring all unused funds to the Alberta Orphan Well Association and/or the Indian Resource Council to create and sustain jobs while advancing sites towards closure, which were the objectives of the SRP. However, the Government of Canada has not responded to the proposal at the conclusion of our assessment.

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<sup>18</sup> The Government of Canada has extended the deadline for work completion until February 14, 2023.

<sup>19</sup> The SRP was designed to distribute funds over eight distinct periods, each with its targeted objectives and eligibility criteria. The determination and reallocation of any remaining funds could only occur after the conclusion of each period. Furthermore, the application deadline for the last three periods coincided with the program's end on March 31, 2022, which made reallocation of unused funds difficult.