



May 12, 2021

INFORMATION LETTER 2021-19

Subject: Carbon Sequestration Tenure Management

The Government of Alberta sees carbon capture utilization and storage (CCUS) as an integral part of our environmental and economic future. Injecting carbon dioxide underground is a proven process and has occurred in Alberta for decades. However, as a means to address greenhouse gas emissions and recognize the environmental benefit of CCUS, a strong regulatory system must exist. The regulatory system is especially important with the large volumes of carbon dioxide that need to be captured and injected to meet global climate targets. The system must establish a high level of rigour that accounts for and demonstrates the permanent storage of every tonne of carbon dioxide.

Alberta Energy has received a very large number of inquiries related to carbon sequestration tenure (i.e. projects that will undertake dedicated geologic storage, without associated oil or gas recovery). This form of tenure is very non-routine, can require sizeable areas, and government must manage it in a manner that considers current and future resource activities. As such, government has examined the most appropriate path forward to manage carbon sequestration tenure.

Carbon Sequestration Hubs

Moving forward, government will issue carbon sequestration rights through a competitive process, advancing the development of strategically located carbon storage hubs. A hub operator will provide carbon sequestration services to a number of industrial facilities. The intent is to enhance Alberta's carbon management system by providing confidence to industry investors and Albertans that CCUS will be deployed in a responsible and strategic manner.

Countries around the world are developing CCUS hubs and cluster models with dedicated storage as a means to achieve greater economies of scale, and connect sources of carbon emissions with sustained storage operations. Further, government's approach serves to preserve the integrity of Alberta's pore space by limiting perforations and development in storage zones. It also enables a more efficient and effective system for managing pore space and carbon sequestration operations alongside other resource development activities that, in turn, leads to stronger risk management practices.

Government intends to consider industry proposals for a carbon storage hub through a competitive selection process. A competitive process will result in the selection of a highly qualified proponent – one that has the technical, financial, and operational capacity to undertake the development and management of an essential component of Alberta’s low-carbon future. The intention is that the successful proponent, granted carbon sequestration rights, must adhere to legislative and regulatory requirements and obtain necessary approvals from the Alberta Energy Regulator. Alberta Energy is not contemplating changes to existing legislation and regulations, but may in the future, if necessary.

The competitive process is under development, but it is expected that proposals should identify approximate geographic and geologic locations for the injection operation as well as a system for transporting the captured carbon dioxide. It is also intended that the operator will ensure open access to the hub, provide fair service rates, account for carbon offsets or future credits, and provide opportunity for Albertans to realize a fair economic benefit as operations advance. The successful proponent will be expected to enter into further discussions with Alberta Energy to explore these aspects in more detail and establish the conditions and agreement under which the hub will operate. The Government of Alberta may approve additional storage hubs in the future in response to market demand.

The competitive process is intended for dedicated geologic storage hubs only, and does not refer to, or preclude, projects that will inject and store carbon dioxide for enhanced oil or gas recovery. Such operations will continue to operate under the appropriate mineral rights tenure system.

Alberta has a strong regulatory system for carbon sequestration that is often referenced around the world as a leading example. Government will continue to enhance the framework to meet the growing demand and establishing a consistent, transparent process for managing pore space is part of that effort. The enhancement is one of several areas being considered to advance CCUS in Alberta. For example, discussions are also underway through the Alberta–Canada Carbon Capture, Utilization and Storage (CCUS) Steering Committee that can explore other aspects key to the deployment of this important technology.

We appreciate the interest that has come forward around carbon sequestration, and we encourage our industry partners to consider submitting a proposal when the competitive process is put forward in late spring.

Please send inquiries or requests for addition information to carboncapture.energy@gov.ab.ca