

CRAIG BURNS, P.GEO.  
MAY 2, 2019

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# REGULATORY UPDATE

## INTRODUCTION

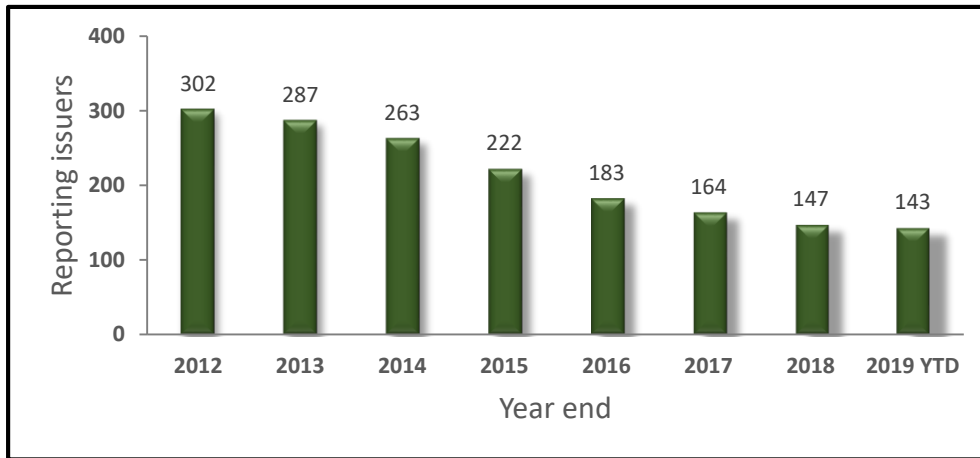
- The Alberta Securities Commission (**ASC**) administers Alberta's securities laws
  - Entrusted to
    - Foster a fair and efficient capital market
    - Protect investors
- Member of the Canadian Securities Administrators (**CSA**)
  - Improves, coordinates and harmonizes regulation
- CSA's lead oil and gas (**O&G**) regulator

## INTRODUCTION

- Petroleum's goal is effective and compliant disclosure, so we
  - Conduct O&G reviews
    - Focus on reporting issuers (**RIs**) principally regulated by the ASC
    - Incorporate disclosure and evaluations
    - Assess compliance with securities requirements
  - Develop and maintain
    - Securities legislation
    - Guidance
  - Communicate effectively with our capital market

## INTRODUCTION

- Alberta capital market
  - Canada's 2nd largest; 22% of Canada's market capitalization<sup>1</sup>
  - O&G RIs are 49% of market capitalization<sup>1</sup>



- Issues behind RI drop
  - Transportation
  - Regulations
  - Economics
  - Government and judiciary etc.

<sup>1</sup>Year end 2017

## INTRODUCTION

- Regulatory cornerstone is National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (**NI 51-101**)
  - Applies to RIs engaged in O&G activities
  - Technical standard is the Canadian Oil and Gas Evaluation Handbook (**COGE Handbook**)
    - Per NI 51-101, amendments are effective upon publication
    - Five related forms for filing with the securities regulatory authority
- Companion Policy 51-101CP *Standards of...*
  - CSA's interpretation and application of NI 51-101 and related forms

## REGULATORY DEVELOPMENTS

- NI 51-101, related forms, etc.
  - Early stages of initiating amendments
    - Expect to initiate CSA process shortly
    - Key objectives
      - Improved clarity
      - Sensitivity to regulatory burden
  - 2021 publication goal

## REGULATORY DEVELOPMENTS

- COGE Handbook
  - 2018 amendments (September, October and December)
    - Specific topics addressed include
      - Abandonment, reclamation and decommissioning costs
      - Development timing for reserves
      - Operating costs
      - Reconciliations
      - Type wells

## REGULATORY DEVELOPMENTS

- 2019 amendments; currently underway
  - Specific topics expected to include
    - IFRS 16 Leases
    - Forecast prices
    - Uneconomic wells and properties in evaluations



## REGULATORY DEVELOPMENTS

- Financial Reporting Bulletin: Adoption of IFRS 16: Non-GAAP Financial Measures and Reserves Reporting Considerations
  - Addresses lessee perspective on recent adoption of IFRS 16 *Leases*
    - For reporting periods beginning on or after January 1, 2019
    - Remedies operating leases previously off balance sheet
    - Requires lease liability and recognition of right of use asset
    - Best estimates of future capital and operating costs will continue to include forecast expenditures on leased assets

## REGULATORY DEVELOPMENTS

- International Accounting Standards Board (**IASB**) is assessing standard setting
  - Revisiting shelved proposals from IASB's 2010 Discussion Paper (**DP**)
    - Remove choice to capitalize exploration and evaluation expenditures
    - Changes to financial statement disclosure could have O&G implications, such as reserves in audited financial statements
      - Reserves estimates may need to be prepared using PRMS

## REGULATORY DEVELOPMENTS

- To help, the Canadian Accounting Standards Board (**AcSB**) drafted a research update
  - Late 2018/early 2019 stakeholder consultations
    - ASC recommendation: due to no significant developments post DP, don't proceed with standard setting activity
  - Results overview published in February 2019
    - AcSB recommendation: proceed with standard setting activity
  - Consultations continue

## CONTACT INFORMATION

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