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Oil and gas liabilities explained

Understanding rights and responsibilities

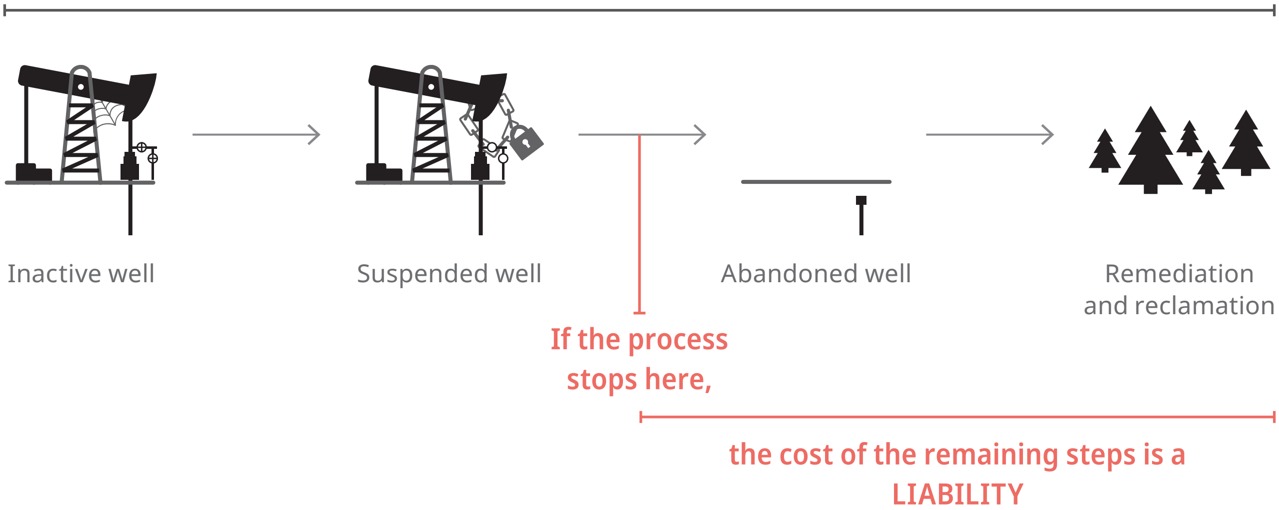
Photo: Roberta Franchuk, Pembina Institute

If you are a rural Alberta landowner, chances are there's an oil and gas well somewhere on your property. Almost the entire province is marked by wells, pipelines, and other oil and gas infrastructure. They are the most visible indicators of the central role the energy sector has played in Alberta's economy.

But sooner or later, every well stops producing enough to remain profitable. When a well ceases production, it is called a non-producing well. And there are a lot of them. Companies are ultimately responsible for cleaning up the well site, but many times don't.

While this publication focuses on wells, much of the content also applies to other oil and gas infrastructure, including pipelines.

STEPS IN WELL CLOSURE



About well closure

- In Alberta, **abandoned** doesn't mean deserted; it means the well has been tested for leaks, sealed with cement, cut below ground level, and buried.
- To **reclaim** a well, the operator must ensure that the surrounding land is returned to a state comparable with the one it was in before the well was drilled, ensuring that the soil is free from contamination and that the area is revegetated.
- Companies are responsible for the entire closure process. When there is no longer a company that's legally or financially responsible for it, the well is declared an **orphan**.

Quick facts

- Alberta has about 348,000 non-producing wells (those that are inactive, suspended, abandoned and orphaned). These wells pose a risk of leaking methane emissions and toxic co-pollutants, contaminating soil and groundwater, compromising agricultural productivity, and harming human and animal health.
- The costs of abandoning, remediating, and reclaiming oil and gas infrastructure are called **liabilities**.
- The Alberta Energy Regulator's official estimates for oil and gas liabilities are $37.9 billion for the conventional sector (2025 estimate) and $57.3 billion for oilsands (2024 estimate), though higher internal estimates have been reported in the media.
- Alberta has no regulated timelines for completing the closure process, so operators frequently leave wells suspended for years or decades to postpone paying clean-up costs.

More than just a clean-up problem

- According to the Rural Municipalities of Alberta, as of 2024, the oil and gas sector owed **$253.9 million in unpaid municipal taxes**.
- The Government of Alberta paid $30 million to landowners on behalf of delinquent oil and gas companies in 2024 alone and has recovered **less than half a percent of that money**.

Policies that affect Albertans

Rent and municipal taxes

- Oil and gas companies that operate on private land must compensate landowners in the form of land rents, also known as surface lease payments.
- When companies fail to pay, landowners can appeal to the Land and Property Rights Tribunal.
- Companies operating within municipalities are also required to pay property taxes.
- When energy companies fail to pay their municipal taxes, the tax burden on families and businesses increases. In 2024, the Municipal District of Taber estimated that delinquent energy companies added about $100 to residents' tax bill.
- If companies have unpaid land rent or municipal taxes, the Alberta Energy Regulator may reject any licence transfers the company applies for, though it is unclear how often this happens.

Orphan Well Association and Levy

- Alberta's Orphan Well Association (OWA) is responsible for closing oil and gas sites that do not have responsible owners.
- The OWA is funded by industry levies ($144.45 million in 2025) but also benefits from government loans. (The OWA owes $337 million in loan repayments in 2025).
- The levies are set by the Alberta Energy Regulator in a process that lacks transparency and relies heavily on industry input.
- As of 2025, the OWA has $1.2 billion in closure liabilities and loans, while the orphan fund levy for the 2025/2026 fiscal year was set at just $144.45 million. This means that the association is badly underfunded.

Liability Management Framework

- The Liability Management Framework is Alberta's current policy framework to address oil and gas liabilities. Key pieces include:
  - **Licensee capability assessment** — an assessment that identifies an operator's ability to reclaim its infrastructure based on factors such as financial health, estimated liabilities, rate of closure activities and spending, and compliance history
  - **Industry-wide closure spend quota** — a requirement for companies to collectively spend an amount determined each year by the Alberta Energy Regulator on closure activities ($750 million in 2025; unchanged for 2026)
  - **Licensee closure spend quotas** — a requirement for individual licensees to spend a specified amount on closure activities based on their share of the industry's inactive liability and, between 2022 and 2025, their level of financial distress
  - **Closure nomination process** — a process that allows landowners to nominate wells or facilities for clean up if they have been inactive or abandoned on their land for five or more years
- While some argue that the Liability Management Framework is an improvement on past approaches, it is still based on a serious underestimate of actual industry liabilities — meaning that the framework does not fully ensure that polluters follow through on their obligations to landowners. And without enforceable timelines on closure activities, it can take decades for wells to be properly reclaimed.

Photo: Simon Dyer, Pembina Institute

Mature Asset Strategy

- Alberta's Mature Asset Strategy is a set of policy recommendations, designed through closed-door consultations in 2025, to manage the closure and clean-up of aging oil and gas infrastructure.
- The October 2025 mandate letter to the minister of Energy and Minerals directs the minister to implement the strategy.
- The strategy lacks clarity and details around what counts as a "mature asset," the extent and cost of oil and gas liabilities, and how this strategy would be applied in practice.
- One recommendation in the strategy is for the Government of Alberta to create semi-autonomous corporations to assume responsibility for older oil and gas wells, produce their last drops, and use the resulting funds to pay for clean-up.
- This approach could lead to public money being used to buy and operate low-producing wells.
- A further concern is that these wells may not generate enough revenue to cover clean-up costs, potentially leaving taxpayers responsible for the expense.

Photo: Roberta Franchuk, Pembina Institute

Who to contact for support

Land and Property Rights Tribunal

The tribunal handles disputes related to land use, compensation, and surface rights. It replaced the Surface Rights Board.

A company with wells must continue paying any annual fees to the landowner or occupant until the reclamation certificate is issued. If the company fails to pay, the Land and Property Rights Tribunal can be asked to pay the compensation.

> 780-427-2444
>
> Toll free (in Alberta): dial 310-0000 and then the phone number
>
> lprt@gov.ab.ca
>
> www.alberta.ca/land-and-property-rights-tribunal-about

Orphan Well Association

A landowner with orphaned wells on their land can contact the OWA to find out about the status of the wells and any progress on reclamation.

> 403-297-6416
>
> Emergency: 1-844-440 – 0144
>
> info@orphanwell.ca
>
> www.orphanwell.ca

Alberta Energy Regulator

A private landowner may nominate certain wells and facilities for closure if they have been inactive or abandoned for more than five years, are not "reclamation exempt," and do not already have a reclamation certificate. Other "eligible requesters" may also make nominations.

To check if you are able to nominate a well or facility for closure, use the Alberta Energy Regulator's Closure Nomination Tool.

To make a nomination, submit the closure nomination form.

Other contact information

To report an energy or environmental emergency or make an operational complaint:

> Energy and Environmental Emergency 24-Hour Response Line: 1-800-222-6514.

For general inquiries, including about the Liability Management Framework, contact the Customer Contact Centre.

> 403-297-8311
>
> Toll-free: 1-855-297-8311
>
> Inquiries@aer.ca

Additional contact information regarding energy development is provided online by the AER: Who You Gonna Call

Photo: Roberta Franchuk, Pembina Institute

Further information

Estimated liabilities

Alberta Energy Regulator, Liability Management Reporting.

Alberta Energy Regulator, Mine Financial Security Program – Security and Liability.

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Drew Yewchuk, Shaun Fluker, Martin Olszynski, *A Made-in-Alberta Failure: Unfunded Oil and Gas Closure Liability* (University of Calgary School of Public Policy, 2023).

Methane emissions from non-producing wells

Amanda Bryant, *Unfinished Business: Addressing the emissions and environmental risks of Canada's non-producing oil and gas wells* (Pembina Institute, 2025).

Louise Klotz et al., "Sevenfold Underestimation of Methane Emissions from Non-Producing Oil and Gas Wells in Canada," *Environmental Science & Technology* 59, no. 18 (2025).

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Government of Alberta, *Mature Asset Strategy: What we heard and recommendations report* (2025).

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Orphan Well Association

Orphan Well Association, What to Expect.

Drew Yewchuk, *Why the Polluter Has Not Paid: Alberta's under-funded orphan program* (C4RE, 2025).

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Sharon Riley, "11 things you need to know as Trudeau announces $1.7 billion to clean up 'festering' orphan and inactive wells," *The Narwhal*, April 17, 2020.

Unpaid taxes and rent

Rural Municipalities of Alberta, "Unpaid Oil & Gas Taxes: Worsening Crisis Calls for a Collaborative Solution," news release, March 12, 2025.

Sharon Riley, "Alberta spent $30M on unpaid land rent for delinquent oil and gas companies in 2024," *The Narwhal*, July 28, 2025.

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