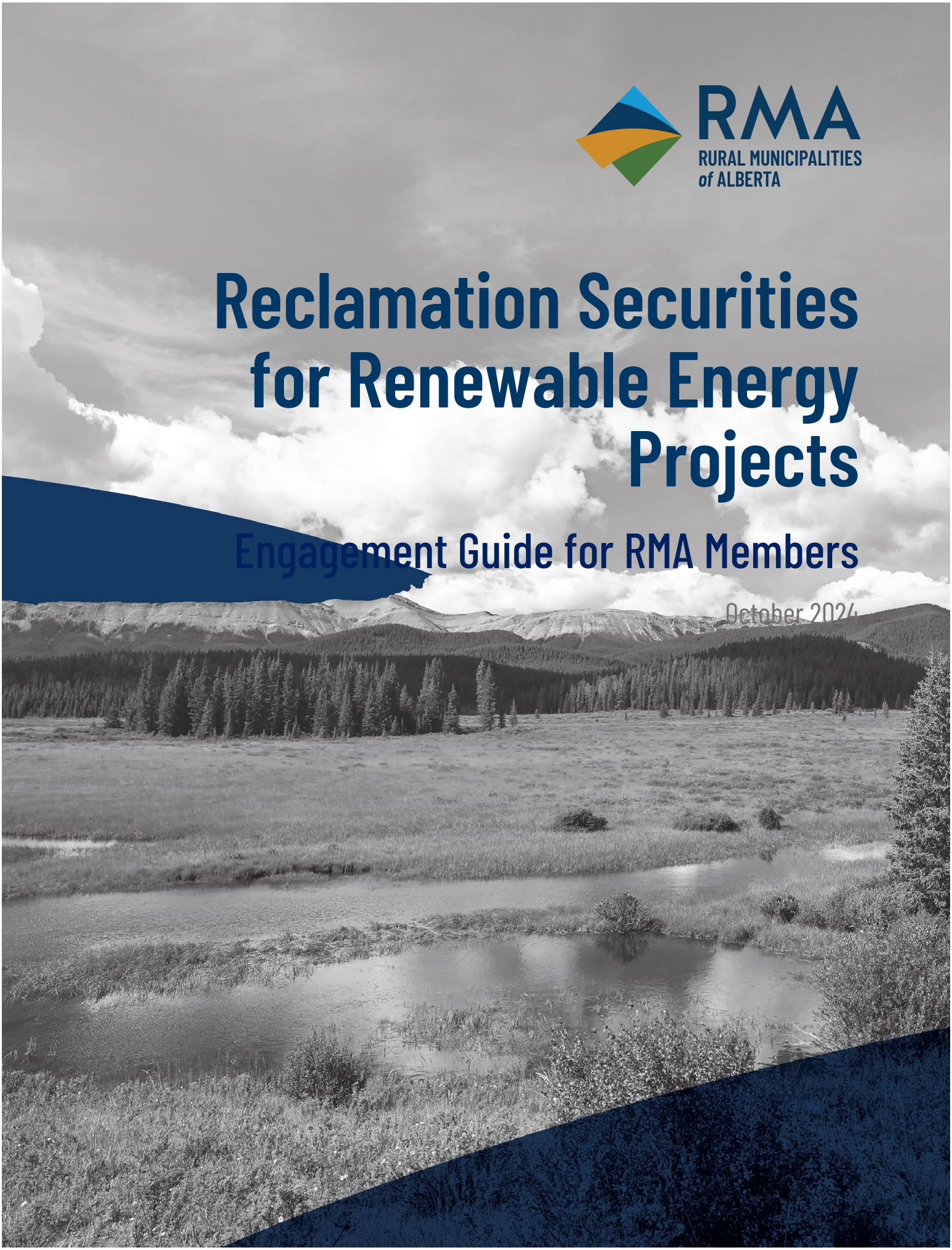

RMA
RURAL MUNICIPALITIES *of* ALBERTA

Reclamation Securities for Renewable Energy Projects

Engagement Guide for RMA Members

October 2024

Introduction

Following the pause on renewable energy project approvals, which ended February 29, 2024, the Government of Alberta (GOA) announced their next steps in determining renewable energy policy and approval processes. As part of the process of implementing policy changes, Alberta Environment and Protected Areas (EPA) is currently consulting on policy design for reclamation securities for renewable energy projects. This is one of the areas the GOA previously committed to consult on.

This guide does not necessarily reflect RMA's full position on reclamation securities. Rather, it is intended to provide high-level guidance on some of the most significant aspects of a reclamation model.

RMA position

In recent years, the approval process for wind and solar projects has become an important advocacy issue for RMA and its members. Alberta leads the country in renewable energy development, which results in benefits and challenges for rural municipalities. While wind and solar developments provide property tax revenue and rural employment opportunities, they also cause local challenges related to land use planning, infrastructure strain, environmental risks, sterilization of agricultural land, reclamation, and others. While nearly any development will include benefits and challenges, the lack of a requirement for reclamation securities associated with renewable energy projects leaves rural landowners in a precarious position if the owner of those assets becomes insolvent. Part of supporting the growth of a strong renewables industry in the province is ensuring that the industry operates in the public interest and that individual companies are held accountable for the end-of-life obligations associated with projects.

Given the impacts that not holding companies accountable has had on oil and gas reclamation liabilities, it is crucial that an effective reclamation regime be developed for renewables.

Engagement process

EPA is utilizing both verbal and written consultations to engage with municipalities and other stakeholders. An introductory webinar was held on October 1 from 1:00 to 2:30 pm. For those who could not attend the October 1 session, a recording is available. Two additional virtual engagement sessions will also be held– both sessions will follow the same format and interested participants only need to attend one of the two sessions:

- Option 1 – October 8 from 7:00 to 8:30 pm
- Option 2 – October 9 from 10:30 am to 12:00 pm

In addition to these sessions, EPA is accepting written submissions until October 25 at renewables.reclamation.security.engagement@gov.ab.ca. The written submissions are intended to respond to specific questions that this member guide will cover. The content of the verbal engagement sessions has not been shared.

How to use this guide

This guide is intended to support RMA members in participating in both the verbal and written consultations while allowing for local municipalities to embed their own experiences and priorities in their input. The EPA written consultation covers several specific topics, which are explored below. RMA's suggested input is based previous RMA positions.

If you have any specific questions about this guide, the engagement process, or how RMA can support members, please contact RMA Policy Advisor Warren Noga at warren@rmalberta.com.

Specific feedback requested

EPA is seeking input on the following questions. RMA's perspectives on each question follow.

What are some challenges and opportunities related to implementing mandatory security, including your thoughts on the option for landowners to choose either negotiating security directly with developers, or taking part in a new program for government-held security?

- The reclamation security must be funded appropriately to ensure that the site can be fully reclaimed in the event that the company who owns the renewable energy assets becomes insolvent. The intent of this requirement is to protect landowners in the event a renewable energy company walks away from their assets.
- Reclamation securities should be held by the provincial government using a transparent and standardized methodology that fully captures the cost of reclamation. This information should be provided to the landowner, along with an agreement that states that in the event that the reclamation security is needed and the costs exceed the security's value, the landowner is not responsible for cost overruns.
- One potential tool would be for all renewable energy projects to require a government-held security as a baseline. If the company negotiates an agreement with the landowner that meets the requirements that government-held security could remain at the baseline amount. However, if the company does not reach an agreement with the landowner, they would be required to increase their contribution to the government -held security.

What should government consider when implementing a government-held program for wind and solar reclamation security?

- The value of the security must be significant enough to fund reclamation of that project. To achieve this, the provincial government must establish a specific formula to calculate the required reclamation costs. This would include developing a consistent methodology and prescribed levels of detail required from renewable energy companies.
- The funds must be held in a financial instrument that is easily accessible when they are needed to fund a reclamation project.

How should security be calculated and when should it be required by Environment and Protected Areas (EPA) for wind and solar renewable energy operations? Specifically:

Should the value of any scrap or salvage value be considered in the cost estimate for wind and solar reclamation security? If so, should there be a maximum amount, for example, should it be limited to a percentage of the estimated value or estimated reclamation costs?

- While the renewable energy projects may generate scrap value during their reclamation, this should not be assumed to be of sufficient value to fund the reclamation on its own. The value of scrap materials at the time of reclamation is unknown as this value is dependent on the market pricing when and where

reclamation takes place. As many renewable energy projects are located in remote areas, there will be significant costs to move the material during reclamation. If the buyer pays for transportation directly this will be captured in their valuation of the scrap, and therefore must be considered in designing the security regime

- Therefore, the only certainty that can be provided is a cash or secured bond. To this end, scrap value should not play a significant role in determining the reclamation security amount, and instead the value of the scrap materials should be left to the company that owns the asset to claim at the end of the project.

Should there be alignment between types of renewable energy development, for example, should the amount of security required at time of application for solar and wind projects be aligned with geothermal?

- The amount of reclamation security required should be based on formulas that capture the actual cost to reclaim a site. Reclamation costs are site specific and therefore will be unique to each project. The reclamation of a geothermal, solar, and wind project are unique, and it is unreasonable to seek alignment between the security required for each type of project.
- The security amount must also consider the size of the project, the location, and any other factors that are likely to change reclamation costs such as soil type and what the end land use is (i.e. grazing, cropland, etc.). These factors vary significantly across the province, and therefore a standard security amount is insufficient, rather, a standard methodology should be employed that takes these factors into account.

Out of scope

EPA has indicated that the following topics will be considered out of scope for this engagement:

- Security or liability management requirements in other resource development sectors in Alberta;
- Updates to environmental requirements for renewable energy operations; and
- Other items related to renewable energy development.