



Decision in Brief:

Pipeline Abandonment Funding Review

The Commission of the Canada Energy Regulator (CER) has issued updated preliminary abandonment cost estimates for all companies we regulate.

Using a new data-driven approach, we moved the estimates into a new system to calculate cost estimates that will improve efficiency and transparency. These improvements help make certain that companies have sufficient funds saved, or reserved specifically for, safely abandoning their pipelines in the future. By doing so, any associated costs will not be passed onto landowners, Indigenous Peoples or future Canadian taxpayers.

The pipeline abandonment funding review process

The CER reviews and updates abandonment cost estimates every five years to ensure accuracy. These reviews ensure that abandonment cost estimates are kept up-to-date and provide a solid estimate of the real-world costs each company will incur to abandon its pipelines. The pipeline abandonment funding review process refers to our five-year cycle of re-evaluating the cost estimates and funding related to the abandonment of pipelines. This review applies to all companies with CER-regulated pipelines.

As part of this process, we assess abandonment cost estimates and how money is saved and collected. This helps ensure that all companies have enough money saved in advance for safe pipeline abandonment when it's no longer needed.

It's important to note that the actual costs of pipeline abandonment may differ from the estimated costs. Each company is responsible for covering the total cost even if the actual costs are higher. The abandonment cost estimates do not limit a company's responsibility for future abandonment costs. When abandoning a pipeline, the company must file an application with the CER. If approved, the Commission will also decide what activities are required to abandon the pipeline properly.

When a pipeline is permanently removed from service, it's called pipeline abandonment.

How money is saved and collected

As part of this review, we also looked at how companies save and collect money for pipeline abandonment. To ensure funds are available for abandonment, we require companies to provide financial guarantees (agreements from a third party to cover the costs if a company can't pay for any reason) or put money in trust. Only the CER can access the financial guarantees and trust fund money can only be released with CER approval.



Financial guarantees provided to the CER must cover the company's full abandonment cost estimate. Trusts, however, are funded over time, often through tolls paid by shippers. For trusts, the CER reviews company proposals for how many years it will take to fund future abandonment costs and how much money will be contributed to the trust each year. In this review, we have decided that all funds must be set aside in trusts by 2054 or earlier, depending on the company.

New approach to calculating abandonment cost estimates

In previous years, we provided companies with a set of factors they could use to calculate their own estimated abandonment costs. Those estimated costs were then reviewed and approved or modified by the Commission.

To increase consistency and transparency for everyone affected by CER-regulated pipelines, the CER now calculates company cost estimates instead of having companies calculate their own. The new standardized way of calculating the cost estimates uses publicly available geographic information system data.

This change also means that as new information becomes available, abandonment cost estimates can be updated more efficiently. Updated data will help improve the accuracy of the estimates over time and help make sure enough money is saved to protect the environment and nearby communities from any potential risks.

Updated pipeline abandonment cost estimates

In addition to introducing this new approach for calculating cost estimates, we have also reviewed and updated the factors used to calculate the estimates related to the activities needed to abandon pipelines safely. Using standardized calculations, the CER has provided preliminary estimates of each company's abandonment costs, suggesting that \$18.6 billion may be required for future pipeline abandonment. This amount represents a significant increase compared to the final 2019 number of \$10.4 billion.

For most companies, the CER's new preliminary estimates of their abandonment costs are higher than their previous estimates. This year's increased estimates are due to factors such as inflation, changes to company-owned infrastructure, and updated assumptions and costs. The previous abandonment cost estimates can be found in the [2021–22 Annual Report of the Commission of the Canada Energy Regulator – Appendix G: Abandonment Funding](#).

Next steps

We are issuing these preliminary abandonment cost estimates to companies as the first part of a two-step process. During the next step, regulated companies, Indigenous Peoples, landowners and other parties will have the opportunity to review the cost estimates. This is also when companies with trusts must submit additional information related to how much money they will contribute to their trusts each year and for how long. Also, companies using financial guarantees will soon have to file updated guarantees that reflect their new abandonment cost estimates.

Additional resources

- [News Release](#)
- [Five-Year Review of Abandonment Cost Estimates and Set-Aside and Collection Mechanisms: Report of the Commission of the Canada Energy Regulator](#)
- [Information about pipeline abandonment](#)

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