

**Joint Venture Green House Gas Cost/Credit Allocation Guidelines  
For Facility Operators and Owners  
March 7,2008 Draft  
Summary of Comments**

S/N	Section	Questions / Comments	Response
1.	V	<p>The statement <i>“The GHG Costs are based upon the cost incurred to comply with the Regulations when the Facility GHG emission exceeds the intensity target that is established for that Facility”</i> is slightly different from the definition of GHG Costs <i>“All costs and or credits incurred in complying with the Regulations”</i> –</p> <p>Which is correct??</p>	<p>Noted. GHG Costs within Section III (Definitions) and the context in which it has been used will be further clarified during the review of the guideline in the Fall of 2008.</p>
2.	V	<p>From the statement <i>“Where there is an emission reduction resulting in a Performance Credit, those Producers participating in the reduction would be credited with their share of this credit”</i></p> <p>– Here you have a situation where the Facility earns the credits and the Producers share in them??? – Is that right?</p>	<p>This statement has been replaced with the statement <i>“The guideline recommends a balanced approach where credits generated without investing incremental capital should be allocated to those parties that are responsible for the compliance cost.”</i></p> <p>Where Performance Credits have been generated by capital expenditures, these will be allocated to the parties participating in the capital expenditure.</p>
3.	V	<p><i>“The scope of this accounting guideline is limited to those emission management activities that affect all the Producers using a Facility, a Facility functional unit or the Facility joint account”.</i></p> <p>A producer would only ‘use’ a joint account if he was a facility owner – I would take it out --but the FU is a good one</p>	<p>Noted. “Facility joint account” has been taken out.</p>
4.		<p>What legal review have you got on this document –</p>	<p>No legal review is required at this time because</p>

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		secondly have the people that lobbied the government in setting out the rules seen this document to see if this is how they anticipated it would look?	the document is only intended to be a guideline. The parties that lobbied the government in setting out the regulations deal with issues like setting thresholds, emission costs and emission reduction percentages. Implementation modalities are left for the Industry to decide.
5.	VI.1 (b) i	The GHG Document looks very good. Below are a few comments: What category does venting from storage tanks fall under? Tank venting is normally reported to the ERCB	Venting from storage tanks will fall under Venting Emissions.
6.		How is non-owner gas to be accounted for? This will be the same issue for mid-stream facilities. It may be worth our while to talk to Altgas to see if and how they will pass the GHG costs for their facilities onto Producers who utilize their facilities. The same methodology should apply to all third party gas.	Non-owner gas, owner gas and owner excess gas are all included in the category of Producers.
7.		The main area that I believe has not been addressed is when you have a facility that is owned by a number of producing owners and also have custom users. Will the custom user get billed for his share of the GHG or is it to be re-negotiated in their rate?	See comment #2 above. Working Interest Owners will determine the how this is charged.
8.		I have a concern using the term Producer to get the GHG credits if the parties had not paid for their share of the capital.	See comment #2 above.

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9.		For plants that are midstreamers, would the cost as well as the credits be shared based on volume generated?	There are no special provisions for midstreamers. The intent is that the guideline will be applicable to all on the same basis. Working Interest Owners will determine how to allocate costs and credits in appropriate way relative to the complexity of the product composition, the plant's process, and ownership.
10.	VI. 1	Under Administrative/Compliance costs  If the operator is not a producer – ie. midstreamers – what is the incentive to keep these costs low.	The potential for gaining competitive advantage should act as incentive for midstreamers to keep costs low.
11.	VI. 2	How are you addressing the midstreamers?	There are no special provisions for midstreamers. The intent is that the guideline will be applicable to all on the same basis.
12.	VI. 2 (c)	What about credits from other facilities?	The Regulations allow an Operator to accept Performance Credits from other facilities that they operate to satisfy a shortfall in 2007.  In future years, companies will also be able to purchase Performance Credits in the open market to satisfy a shortfall. The accounting will be simplest if Tech Fund price is assumed to be the market price of the Performance Credits.
13.	VI. 3	<i>“The Facility Owners will determine the settlement or true up options available to the Producers”.</i>  What if the Producer is not an Owner?	It does not matter. The intent of the document is to provide guideline to Facility Operators and Owners on how Producers are to be treated.

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14.	VII	Do not see clear methods of allocation stated here.	The points discussed in this section are concepts/ scenarios to consider and not methods. This will be reviewed and updated accordingly during the review of this guideline in the Fall of 2008.
15.	VII. 1	<i>“Year to year changes in gas composition entering gas plants could result in a decrease in Facility intensity to the point where there is no compliance true-up cost with the regulator. Conversely the gas composition could result in an increase in Facility intensity to more than the 12% listed in the Regulations”.</i>  I do not understand this statement.	Under the Regulation, once the baseline is set, changes in gas composition (CO <sub>2</sub> ) can result in changes in compliance true up cost.
16.		In the definition of the "Baseline Emission Intensity" they refer to P production for the year. I guess I'm not sure what they mean by production. In most production facilities there are many variables, which comprise "production". Does this refer to outlet volumes, including what conversion for liquids removed etc. Just a thought. I had looked at the Specific Gas Emitters Regulation but couldn't find any better info.	Facility Production is currently defined as sales products.
17.		"Overall I thought this provides good direction on handling of costs and credits associated with facility ownership and processing." "I really like pages 11 and 12 as they spell out what costs should be allocated where."	Thank you for your kind comments.
18.		"The one item that I think would benefit from clarification is	The intent of this guideline is that the party

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		<p>for the handling of any fines that may be levied (page 6). Failure to comply with the regulation (reporting and true-up with the regulator) results in a fine of \$200/T CO<sub>2</sub>e over the facility target. If the facility Operator fails to comply in this manner then the cost should not be passed to Producers. The Producers should be able to assume that the Operator will comply with the regulation and should therefore be limited to their allocated share of the payment of \$15/T CO<sub>2</sub>e over the facility target. This obligation of the Operator should be explicit to provide some certainty on costs to the Producers."</p>	<p>causing a penalty to be imposed will bear the cost of such penalty.</p>
19.		<p>If we start to issue credits (for sake of argument lets say credits are good nothings and debits are increased expense) to one party and debits to another, then how does a party employ or utilize the credit if there is no official credit from the government? Worse, how does the party with the increased cost claim the debit against royalty when there is no actual government penalty assessed?</p>	<p>Pending. Will be subject to further discussion during the review of the guideline in the Fall of 2008.</p>
20.		<p>If a plant is above or below its target, we need to determine how to allocate costs or benefits between parties; suggestion is to agree on a cash settlement basis. But, even if the plant is exactly on target, there is still a need to collect/pay JV, etc partners for their relative contribution (i.e. maybe it's on target, but one party brought it 10% below target and another 10% above.....we need to settle up)..</p>	<p>Pending. Will be subject to further discussion during the review of the guideline in the Fall of 2008.</p>