



National Energy  
Board

Office national  
de l'énergie

# PIPELINE ABANDONMENT

## ISSUE: WHO PAYS WHEN A PIPELINE IS ABANDONED?



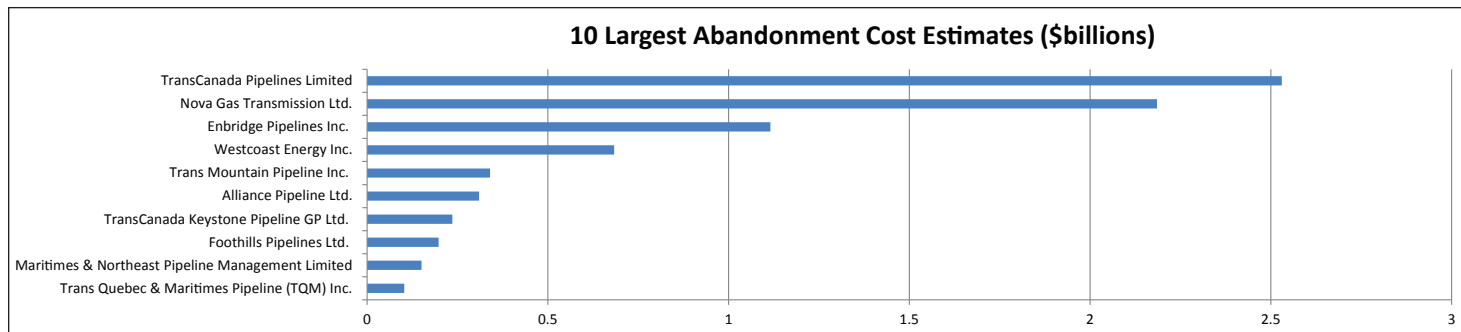
While a lot of attention is paid to new pipeline proposals, what happens to old pipelines when they're no longer in use?

Since 2015, pipeline companies regulated by the National Energy Board (NEB) are required to set aside money to pay for the future abandonment of their pipelines. When a company applies for abandonment, the NEB holds hearings to ensure abandonments are carried out in a safe manner and that potential environmental, socio-economic, and financial impacts are identified and addressed.

The owners of all NEB-regulated pipelines submitted abandonment cost estimates in 2011 as part of this initiative. The companies estimated that the cost to safely abandon all NEB-regulated pipelines will total over \$8.5 billion. The NEB assessed these estimates in a 2012 hearing and the chart below shows the ten largest estimates that were approved.

### QUICK FACTS:

- A company that wishes to abandon a pipeline must apply to the NEB. The NEB must be satisfied that the company will abandon the pipeline in a way that protects the environment and the public, and that the company (and not landowners or the public) will be liable for the costs associated with abandonment.
- Through its Abandonment Cost Estimate proceeding, the NEB determined that it would cost approx. \$8.5 billion if all the NEB-regulated pipelines were abandoned today. The NEB requires companies to set aside money so that there will be sufficient resources to safely abandon their pipeline and maintain their abandoned pipelines in the future.
- The NEB reviews all pipelines' abandonment cost estimates every five years to make sure that the money companies are setting aside continues to be sufficient.



**Source:** Company filings 2012

**Description:** The above horizontal bar chart depicts the ten largest NEB-approved abandonment cost estimates for pipeline companies. It ranges from the highest cost estimate of \$2.53 billion for TransCanada Pipelines Limited, to the tenth highest cost estimate of \$102 million for Trans Québec & Maritimes Pipeline Inc.

Approximately 97 per cent of the funds needed will be collected through pipeline tolls and then deposited into NEB-approved trusts, which can only be used for this purpose. The trusts will gradually accumulate funds over time. Approximately \$363 million were put into these trusts in 2015, the first year that companies made deposits.

The remaining funds that are needed are being set aside in other ways. Instead of putting money in a trust, companies can provide a letter of credit or surety bond which will cover the full cost of abandonment. The NEB has already received over \$122 million in letters of credit or surety bonds for this purpose.



The NEB is committed to reviewing abandonment cost estimates at least every five years to update the costs and help ensure that adequate funds will be available for the safe abandonment of each NEB-regulated pipeline. The first 5 year review started in 2016. Abandoned pipelines remain under the jurisdiction of the NEB in perpetuity, or until they are removed from the ground.