

# **The Alberta Model for Regulatory Excellence**

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**Alberta Energy Regulator**

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## The Path to Regulatory Excellence

In 2013, the Government of Alberta brought together three strong regulatory systems to form the Alberta Energy Regulator (AER) as the single energy regulator—a massive undertaking that required a great deal of work. Now that Alberta’s single regulator of oil, oil sands, natural gas, and coal is in place, we are ready to move beyond the transition phase to a pursuit of regulatory excellence.

From the outset, we knew that we couldn’t simply declare ourselves an excellent regulator. We needed to define what that meant, achieve consensus among stakeholders on that definition, and be able to measure how well we were meeting that goal. We also knew we could not do this alone.

That’s why we launched a project in November 2014 to help identify the key attributes of an excellent regulator, understand how we can adopt these attributes, and measure our progress. To ensure it was done well, we turned to the experts at the internationally renowned Penn Program on Regulation at the University of Pennsylvania.

In fall 2015, the final, peer-reviewed report was released, entitled *Listening, Learning, and Leading: A Framework for Regulatory Excellence*. The framework provides a general model, one that must be adapted to reflect the unique work of different regulators. The model includes three attributes of excellence—stellar competence, utmost integrity, and empathic engagement—and provides a performance model for regulators pursuing excellence.

Following the release of the final report, we engaged Albertans, indigenous peoples, stakeholders,<sup>1</sup> and AER employees to test our own understanding of the framework, to make sure we got it right, and to develop a model for regulatory excellence that works for our province. We discussed this model and the core attributes and asked for honest feedback on how we were performing and where we could improve.

Participants overwhelmingly supported the model and provided an honest assessment of our priorities, gaps, and performance. We learned that there are specific areas where the model needed to adapt to our unique circumstances, and we heard loud and clear that we must measure our performance and deliver on outcomes to achieve excellence.

We are committed to ensuring that regulatory excellence is reflected in everything we do, and we will use this model to achieve outcomes, continuously improve our performance, and measure our progress.

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<sup>1</sup> The AER considers a stakeholder any individual, group of individuals, or organization with an interest in the outcome of a decision by the AER (e.g., landowners, oil and gas companies, industry associations, nongovernmental organizations, environmental nongovernmental organizations, municipalities, the Government of Alberta, and the Government of Canada).

## Attributes of Regulatory Excellence

The three attributes of regulatory excellence are utmost integrity, stellar competence, and empathic engagement.

### Utmost Integrity

For us, utmost integrity means that we are accountable as a protective, effective, efficient, and credible energy regulator that is fair and unbiased. We adhere to Alberta government policy and take a leadership role in identifying policy gaps where they exist. We make evidence-based decisions that consider the environment, the unique nature of the energy development, traditional knowledge, and information brought forward by local communities.

#### The Principles of Utmost Integrity

**Accountable** – We know from years of research that Albertans expect the regulator to protect public safety and the environment by enforcing the rules. We must ensure that energy development is safe, is environmentally responsible, and provides economic benefits to Albertans. We must regularly report on the results of our work.

Accountability is not just about reporting on our successes or sharing information and data; it's about admitting when we make mistakes and being straightforward and clear in how we communicate.

**Adhering to government policy** – Our mandate is clear: to ensure the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources over their entire life cycle. This includes allocating and conserving water resources, managing public lands, and protecting the environment while providing economic benefit. This is why we exist.

In carrying out that mandate, we have the authority to review and make decisions on proposed energy developments, inspect energy activities to ensure that all appropriate requirements are met, take enforcement action when those requirements are not met, and hold hearings when needed. Our work is guided by legislation and government policy; government sets the direction by establishing policy, and our job is to ensure these policies are upheld through our regulatory work.

**Identifying policy gaps** – An excellent regulator does not work alone. We work as part of a larger system that ensures the responsible development of Alberta's resources. Sometimes, in carrying out our work, we identify gaps in policy that affect the ability of the system to work effectively. Utmost integrity means



that when we encounter these situations, we take a leadership role in filling those gaps when we can and raise them with the Government of Alberta when gaps fall outside of our jurisdiction.

**Evidence-based decisions** – While we are guided by legislation and regulatory requirements, our decisions must take into account all factors associated with energy development. This includes specific regional, geological, and environmental conditions; operator performance; and the values, concerns, and knowledge of Albertans, indigenous peoples, and stakeholders. This provides a full picture of the potential risks and opportunities so we can ensure that risks are managed appropriately.

## **Stellar Competence**

Stellar competence means our people have the required expertise and necessary tools to carry out their responsibilities, which underpins our ability to achieve outcomes while adapting to new risks and opportunities. We will seek expertise and information outside of our organization to make well-informed decisions. This is how we deliver outcomes, measure and report on our performance, and continuously improve.

### The Principles of Stellar Competence

**Required expertise** – Our employees must have the skills, knowledge, motivation, and training to carry out their responsibilities. That said, we must also recognize when we can benefit from obtaining outside expertise. Key to attaining stellar competence is the quality of our workforce, outstanding leadership, and a governance structure that supports a culture of excellence.

**Tools** – Achieving stellar competence requires effective tools. From training to IT systems to a safe working environment, our employees must have the tools they need to fulfil our mandate and deliver measurable results.

**Adapting to new risks and opportunities** – Any industrial development carries some risk, and our responsibility is to ensure that our requirements reduce those risks so the development of our resources is safe and environmentally responsible. Through a risk-informed approach, we will respond to changes in technology, adapt to new challenges in energy development, address concerns as they arise, and update our requirements where needed. We will be adaptable and flexible to allow Alberta to capitalize on opportunities to provide economic benefits.

**Measurement and reporting** – It's not enough to do our job and do it well; we must measure our progress and report on our results. We will provide regular reports on how we're performing on meeting our outcomes. We will use evidence to demonstrate our success and explain where we have failed. Measuring allows us to evaluate our performance objectively and change as necessary.

## **Empathic Engagement**

We are committed to respectful external and internal engagement. For us, empathic engagement means working together so that we can make fully informed decisions and build strong relationships. We are straightforward about the issues, listen carefully, respond respectfully, and ensure that our decisions are understood. We know that to build and maintain relationships we must be fair, inclusive, and transparent.

### The Principles of Empathic Engagement

**Respectful engagement** – Building strong relationships is crucial to the work we do. For us, engagement is a priority for each employee and must be reflected in every interaction with Albertans, indigenous peoples, and stakeholders. This means listening to truly understand values and concerns and sharing information about our work, not just when there is a particular project or decision to consider, but on a regular basis.

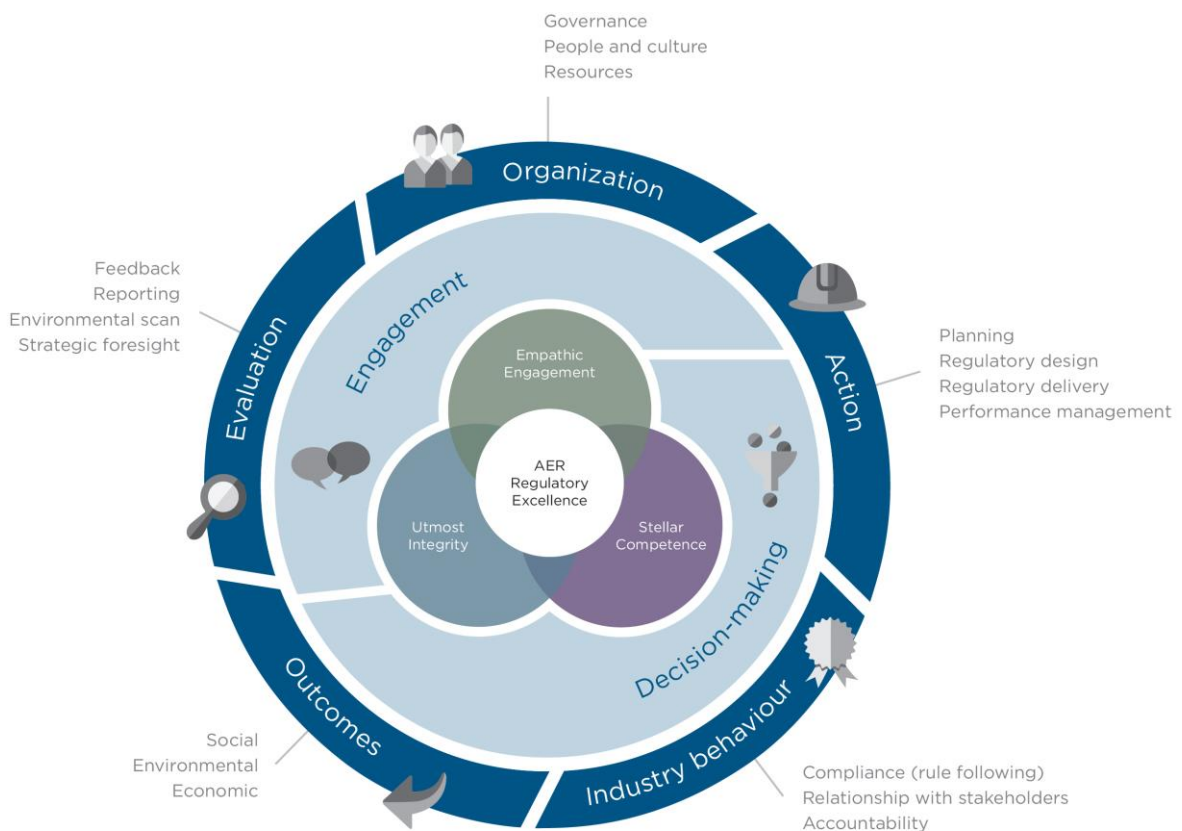
**Decisions are understood** – As a regulator, we know we must at times make difficult decisions. Regardless of the result, we will demonstrate how all factors were considered in our decision making and ensure that our decisions and the processes we followed are understood.

**Transparent** – We will be open and transparent in our communications, finding new ways to provide information to Albertans that is clear, timely, and easy to understand.

## Putting the Attributes Into Action – Our Performance Model

The attributes for excellence alone will not deliver the necessary results. We must have a clear plan of action, a model that builds on those attributes to guide our work, establish clear outcomes for success, and provide us with a way forward.

We must do more than contribute to social, environmental, and economic outcomes; we must be able to demonstrate that our work is directly related to those outcomes. This means that the way we organize ourselves and our regulatory actions must clearly drive industry behaviour to achieve the outcomes we expect. It means we must regularly evaluate those outcomes and make the necessary improvements to deliver excellence.



### The Attributes – Our Core

Our performance model is built around the core attributes for excellence, recognizing that utmost integrity, stellar competence, and empathic engagement are reflected in all our work. These attributes expand out through all elements of the model, beginning with decision making and engagement.

## Decision Making and Engagement

Competing priorities means we must weigh and accommodate different values and interests in our decision making. As we work on concrete actions to deliver outcomes, engagement is a critical component for setting those outcomes, establishing expectations, and evaluating our progress.

**Decision-making** – Our decisions will be informed by risk, based on evidence, account for appropriate context, and will consider the values and interests of Albertans, indigenous peoples, and stakeholders.

**Engagement** – We will build relationships with Albertans, indigenous peoples, and stakeholders to help us define priorities, develop solutions, and improve our work. We will be transparent and openly communicate our decisions, demonstrating how all concerns and information were considered.

## Organization

We know that we must properly govern our resources and people to deliver on the regulatory model. This means we draw upon the required competencies and skills and create a performance-based culture of accountability, innovation, and integrity.

**People and culture** – Our employees have the necessary skills and competencies to carry out their responsibilities and are dedicated to serving our province through our regulatory work. We have the right people in the right roles to achieve our outcomes.

Every person who comes to work at the AER takes accountability for their actions, exhibits the attributes of excellence, and displays the behaviours of our cultural values in all that they do.

**Governance** – Governance includes our organizational structure, roles and responsibilities, business processes, and decision accountability. It is transparent and enables the delivery of our outcomes. We make sure our processes are efficient, effective, consistent, and supported by technology to adapt to changing needs.

**Resources** – We are a responsible steward of our organizational resources, which we allocate based on our enterprise priorities and adjust as circumstances dictate. All areas of the AER have the appropriate technologies and tools to achieve outcomes, with the ability to make timely changes based on business needs; maintenance of these is both preventative and proactive.

## Actions

We recognize that regulatory excellence is more than organizational structure or governance—we must take the necessary *actions* to set priorities, plan our work, deliver results, and measure our progress. The four key actions we undertake are planning, regulatory design, regulatory delivery, and performance management.



**Planning** – Our plans identify potential risks and opportunities, rely on analysis of data and information to establish priorities, set goals to ensure outcomes are met, and establish how we work to improve performance over the long term. These plans will consider the values and interests of Albertans, indigenous peoples, and stakeholders.

**Regulatory design** – We create regulatory instruments with input from Albertans, indigenous peoples, and stakeholders. Instruments are based on evidence and informed by risk, allowing adaptations to reflect changing circumstances. In this way, we ensure our approaches are designed to effectively achieve outcomes and are fit for purpose. Requirements are credible, defensible, and designed to mitigate risk.

**Regulatory delivery** – Regulatory delivery is how the AER ensures rules and requirements are met. It is about taking planning and design and turning it into concrete action. By reviewing proposed developments, auditing and inspecting operations, responding to incidents and focusing on areas of risk, we ensure that companies comply with all requirements. When they do not, we take all compliance and enforcement actions necessary to protect public safety and the environment, ensure responsible development, and deliver economic benefit.

**Performance management** – We measure and report on our progress in a way that clearly demonstrates how the specific actions we take contribute to achieving our outcomes. By using established metrics, we will measure the success or failure of our actions, industry behaviour, and our progress in meeting our outcomes and find opportunities to continuously improve.

### Industry Behaviour

The industry we regulate is accountable for its actions. We implement and develop clear regulatory requirements and processes to ensure that companies understand what they are accountable for and act appropriately. Companies facing compliance and enforcement must demonstrate that they will change their behaviour to uphold specific outcomes such as public safety, environmental protection, resource conservation, and economic benefit. We will share information, providing transparent reports on how the industry we regulate is performing.

### Outcomes

Our outcomes are clear and transparent, which provides a greater understanding of our mandate and vision. We will collaborate with Albertans, indigenous peoples, and stakeholders to find the best ways to achieve these outcomes.

### Evaluation

It's not enough to do good work or aspire to excellence; we must evaluate our work and measure and report on our performance. We must understand new challenges and opportunities and identify what changes are required to consistently deliver on our outcomes. We will work with employees, Albertans,

indigenous peoples, stakeholders, and the international community to evaluate our performance and identify where we can do better.

## **Excellence in Action – The Way Forward**

With the attributes for regulatory excellence defined and a model clearly developed, we will now take the important next steps in turning the aspiration for regulatory excellence into tangible actions. By establishing clear outcomes, a comprehensive strategic plan, and detailed work plans and by committing to measuring and reporting on our performance, we will continue to work with employees, Albertans, indigenous peoples, stakeholders, and the international community to embody regulatory excellence in all that we do.

From the outset, this initiative was about more than receiving a title of “excellent”—it was about becoming a regulator that continually improves our work, builds strong relationships, and leads the next era in energy regulation. Excellence is the means that creates a strong, fair, transparent, and inclusive regulator that delivers measurable outcomes for this province.