

ESG risk mitigation in Canada's Oil Sands

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Our recent work on Oil Sands

- Report on carbon risk: “Head in the Oil Sands”
- Worked with banks on climate-related credit risk
- Alberta oil sands consultations position: no new approvals without strategic land use planning
- Ongoing ESG evaluation of oil sands companies
- Ongoing shareholder action with oil sands companies

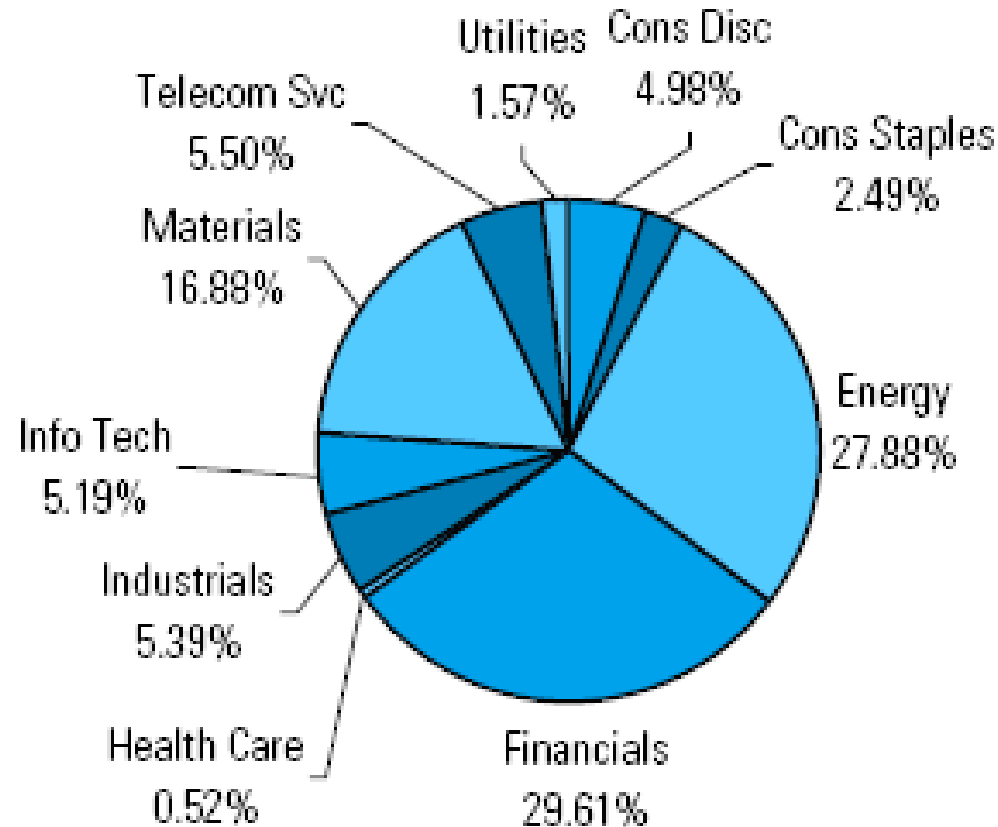
Why more focus on Oil Sands?

- Increasing exposure (more companies involved)
- “Head in the Oil Sands” highlighted gaps in companies’ carbon risk mitigation
- Variety of oil sands company-specific ESG risks
- Potential solutions for some risks
- Pace of development ahead of mitigation capacity
- *New report scheduled for publication in October*

Why more focus on Oil Sands?

Sector Breakdown

Source: S&P/TSX Composite Fact Sheet
Information date: December 31, 2007



Oil Sands background

- Why the rush into oil sands?
 - Shrinking conventional oil reserves in unstable regions
 - Recognition of extent of oil sands reserves
 - Economics of oil sands improved
 - Provincial and federal governments supportive
 - US is major customer, Asian companies entering
- “When you’re in, you’re in”
 - Long-term commitment: high investment requirement compared to conventional oil
 - Most projects not yet at construction stage

Oil Sands Companies - selected

Company	Operating	Construction	Approved	Application
Suncor	X	X	X	X
Canadian Oil Sands Trust (Syncrude)	X			X
Petro-Canada	X		X	X
CNRL	X	X	X	
Synenco				X
Imperial	X		X	
ExxonMobil			X	
EnCana	X	X	X	X
Husky	X		X	
BP	X		X	
Nexen	X			X
Connacher	X			X
OPTI		X	X	
Shell	X	X	X	X
Chevron	X	X	X	X
Marathon	X	X	X	X
Total	X			X
ConocoPhillips	X		X	
Devon		X		X
StatoilHydro (NAOSC)		X		X
JACOS (JAPEX)	X			
Sinopec				X

Aspects of Oil Sands ESG risk

- Litigious risk
- Asset retirement obligations
- Regulatory risk
- Social license risk
- Strategy and cumulative impacts

Litigious risk

- First Nations litigation
- US/International O&G companies (and investors) may be unfamiliar with risk potential

Asset retirement obligations

- Are we getting a true picture of liabilities?
 - OSC staff notice highlights inadequate disclosure
 - Adequacy of posted oil sands reclamation bonds?
 - Is reclamation possible?
- Standard corporate response

Regulatory risk

- (Weak) carbon regulations coming in
 - Federal GHG regulations
 - Alberta GHG regulations
- Regime only likely to get tougher over time
 - Carbon tax in BC
 - Opposition parties call for tougher policies
- Putting faith in CCS over best practices?

Social license

- Attitudes of Albertans and Canadians
 - Environment
 - O&G companies
 - Oil sands development
- US regulatory demand risk
 - Low Carbon Fuel Standards
- Reputational risk – negative media

Strategy and cumulative impacts

- Oil Sands development must be better managed
- Strategic land use planning with stakeholders, cap on cumulative impact
- No more project approvals before strategic plan

Discussion

- Do these oil sands risks resonate for investors?
- What other oil sands issues/risks resonate for investors?