MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Suncor Energy Inc. is responsible for the presentation and preparation of the accompanying consolidated financial statements of Suncor Energy Inc. and all related financial information contained in the Annual Report, including Management's Discussion and Analysis.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to publically accountable enterprises, which is within the framework of International Financial Reporting Standards as issued by the International Accounting Standards Board incorporated into the CICA Handbook Part 1. They include certain amounts that are based on estimates and judgments.

In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies adopted by management. If alternate accounting methods exist, management has chosen those policies it deems the most appropriate in the circumstances. In discharging its responsibilities for the integrity and reliability of the financial statements, management maintains and relies upon a system of internal controls designed to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. These controls include quality standards in hiring and training of employees, formalized policies and procedures, a corporate code of conduct and associated compliance program designed to establish and monitor conflicts of interest, the integrity of accounting records and financial information among others, and employee and management accountability for performance within appropriate and well-defined areas of responsibility.

The system of internal controls is further supported by the professional staff of an internal audit function who conduct periodic audits of the company's financial reporting.

The Audit Committee of the Board of Directors, currently composed of five independent directors, reviews the effectiveness of the company's financial reporting systems, management information systems, internal control systems and internal auditors. It recommends to the Board of Directors the external auditor to be appointed by the shareholders at each annual meeting and reviews the independence and effectiveness of their work. In addition, it reviews with management and the external auditor any significant financial reporting issues, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material for financial reporting purposes. The Audit Committee appoints the independent reserve consultants. The Audit Committee meets at least quarterly to review and approve interim financial statements prior to their release, as well as annually to review Suncor's annual financial statements and Management's Discussion and Analysis, Annual Information Form/Form 40-F, and annual reserves estimates, and recommend their approval to the Board of Directors. The internal auditors and the external auditor, PricewaterhouseCoopers LLP, have unrestricted access to the company, the Audit Committee and the Board of Directors.

Steven W. Williams
President and Chief Executive Officer

Alister Cowan
Executive Vice President and Chief Financial Officer

March 1, 2018

The following report is provided by management in respect of the company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the U.S. Securities Exchange Act of 1934):

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

1. Management is responsible for establishing and maintaining adequate internal control over the company's financial reporting.
2. Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework (2013) in Internal Control – Integrated Framework to evaluate the effectiveness of the company's internal control over financial reporting.
3. Management has assessed the effectiveness of the company's internal control over financial reporting as at December 31, 2017, and has concluded that such internal control over financial reporting was effective as of that date. Additionally, based on this assessment, management determined that there were no material weaknesses in internal control over financial reporting as at December 31, 2017. Because of inherent limitations, systems of internal control over financial reporting may not prevent or detect misstatements and even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.
4. The effectiveness of the company's internal control over financial reporting as at December 31, 2017 has been audited by PricewaterhouseCoopers LLP, independent auditor, as stated in their report which appears herein.

Steven W. Williams
President and Chief Executive Officer

Alister Cowan
Executive Vice President and Chief Financial Officer

March 1, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of
Suncor Energy Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying Consolidated Balance Sheets of Suncor Energy Inc. and its subsidiaries, (together, the "Company") as of December 31, 2017 and 2016, and the related Consolidated Statements of Comprehensive Income, Shareholders' Equity and Cash Flows for the years then ended, including the related notes (collectively referred to as the "Consolidated Financial Statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these Consolidated Financial Statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the Consolidated Financial Statements included performing procedures to assess the risks of material misstatement of the Consolidated Financial Statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the Consolidated Financial Statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Calgary, Alberta

March 1, 2018

We have served as the Company's auditor since 1972.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 ($ millions)	Notes	2017	2016
Revenues and Other Income			
Operating revenues, net of royalties	6	**32 051**	26 807
Other income	9	**125**	161
		32 176	26 968
Expenses			
Purchases of crude oil and products		**11 121**	9 877
Operating, selling and general	10 and 27	**9 245**	9 150
Transportation		**1 037**	1 072
Depreciation, depletion, amortization and impairment	11 and 18	**5 601**	6 117
Exploration		**104**	289
Gain on disposal of assets	36 and 37	**(602)**	(68)
Financing (income) expense	12	**(246)**	445
		26 260	26 882
Earnings before Income Taxes		**5 916**	86
Income Tax Expense (Recovery)	13		
Current		**1 209**	153
Deferred		**249**	(512)
		1 458	(359)
Net Earnings		**4 458**	445
Net Earnings Attributable to:			
Common Shareholders		**4 458**	434
Non-controlling interest	7	**—**	11
		4 458	445
Other Comprehensive (Loss) Income			
Items That May be Subsequently Reclassified to Earnings:			
Foreign currency translation adjustment		**(198)**	(258)
Items That Will Not be Reclassified to Earnings:			
Actuarial gain (loss) on employee retirement benefit plans, net of income taxes		**31**	(24)
Other Comprehensive Loss		**(167)**	(282)
Total Comprehensive Income		**4 291**	163
Per Common Share (dollars)	14		
Net earnings – basic and diluted		**2.68**	0.28
Net earnings – attributable to common shareholders – basic and diluted		**2.68**	0.27
Cash dividends		**1.28**	1.16

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

($ millions)	Notes	December 31 2017	December 31 2016
Assets			
Current assets			
Cash and cash equivalents	15	**2 672**	3 016
Accounts receivable		**3 281**	3 182
Inventories	17	**3 468**	3 240
Income taxes receivable		**156**	376
Assets held for sale	36 and 37	**—**	1 205
Total current assets		**9 577**	11 019
Property, plant and equipment, net	11, 18, 34, 35, 36, 37 and 38	**73 493**	71 259
Exploration and evaluation	19	**2 052**	2 038
Other assets	20	**1 211**	1 248
Goodwill and other intangible assets	21	**3 061**	3 075
Deferred income taxes	13	**100**	63
Total assets		**89 494**	88 702
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term debt	22	**2 136**	1 273
Current portion of long-term debt	22	**71**	54
Accounts payable and accrued liabilities		**6 203**	5 588
Current portion of provisions	25	**722**	781
Income taxes payable		**425**	224
Liabilities associated with assets held for sale	36 and 37	**—**	197
Total current liabilities		**9 557**	8 117
Long-term debt	22	**13 372**	16 103
Other long-term liabilities	23 and 38	**2 412**	2 067
Provisions	25	**7 237**	6 542
Deferred income taxes	13	**11 533**	11 243
Equity		**45 383**	44 630
Total liabilities and shareholders' equity		**89 494**	88 702

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of the Board of Directors:

Steven W. Williams
Director
February 28, 2018

Patricia M. Bedient
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 ($ millions)	Notes	**2017**	2016
Operating Activities			
Net earnings		**4 458**	445
Adjustments for:			
Depreciation, depletion, amortization and impairment		**5 601**	6 117
Deferred income taxes		**249**	(512)
Accretion		**247**	269
Unrealized foreign exchange gain on U.S. dollar denominated debt		**(771)**	(458)
Change in fair value of financial instruments and trading inventory		**128**	(7)
Gain on disposal of assets		**(474)**	(68)
Loss on extinguishment of long-term debt	12	**51**	99
Share-based compensation		**31**	142
Exploration		**41**	204
Settlement of decommissioning and restoration liabilities		**(353)**	(269)
Other		**(69)**	26
Increase in non-cash working capital	16	**(173)**	(308)
Cash flow provided by operating activities		**8 966**	5 680
Investing Activities			
Capital and exploration expenditures		**(6 551)**	(6 582)
Cash acquired from Canadian Oil Sands Limited	7	**—**	109
Acquisitions	8, 34 and 35	**(308)**	(1 014)
Proceeds from disposal of assets(1)		**1 611**	229
Other investments		**(38)**	(25)
Decrease (increase) in non-cash working capital	16	**267**	(224)
Cash flow used in investing activities		**(5 019)**	(7 507)
Financing Activities			
Net change in short-term debt		**981**	531
Repayment of long-term debt		**(3 283)**	(1 693)
Issuance of long-term debt	22	**905**	993
Issuance of common shares under share option plans		**228**	133
(Purchase) issuance of common shares	26	**(1 413)**	2 782
Proceeds from sale of non-controlling interest	38	**483**	—
Dividends paid on common shares		**(2 124)**	(1 877)
Cash flow (used in) provided by financing activities		**(4 223)**	869
Decrease in Cash and Cash Equivalents		**(276)**	(958)
Effect of foreign exchange on cash and cash equivalents		**(68)**	(75)
Cash and cash equivalents at beginning of year		**3 016**	4 049
Cash and Cash Equivalents at End of Year		**2 672**	3 016
Supplementary Cash Flow Information			
Interest paid		**941**	992
Income taxes paid (received)		**557**	(161)

(1) Includes property damage insurance proceeds of $76 million for Syncrude.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

($ millions)	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Non-Controlling Interest	Retained Earnings	Total	Number of Common Shares (thousands)
At December 31, 2015		19 466	633	1 265	—	17 675	39 039	1 446 013
Net earnings		—	—	—	11	434	445	—
Foreign currency translation adjustment		—	—	(258)	—	—	(258)	—
Actuarial loss on employee retirement benefit plans, net of income taxes of $5		—	—	—	—	(24)	(24)	—
Total comprehensive (loss) income		—	—	(258)	11	410	163	—
Issued under share option plans		216	(84)	—	—	—	132	3 983
Issued for cash, net of income taxes of $26	26	2 808	—	—	—	—	2 808	82 225
Issued for the acquisition of Canadian Oil Sands Limited	7	3 154	—	—	1 172	—	4 326	98 814
Equity transactions to eliminate non-controlling interest in Canadian Oil Sands Limited	7	1 298	—	—	(1 183)	(115)	—	36 879
Share-based compensation		—	39	—	—	—	39	—
Dividends paid on common shares		—	—	—	—	(1 877)	(1 877)	—
At December 31, 2016		26 942	588	1 007	—	16 093	44 630	1 667 914
Net earnings		—	—	—	—	**4 458**	**4 458**	—
Foreign currency translation adjustment		—	—	**(198)**	—	—	**(198)**	—
Actuarial gain on employee retirement benefit plans, net of income taxes of $19		—	—	—	—	**31**	**31**	—
Total comprehensive (loss) income		—	—	**(198)**	—	**4 489**	**4 291**	—
Issued under share option plans		**297**	**(69)**	—	—	—	**228**	**6 223**
Purchase of common shares for cancellation	26	**(536)**	—	—	—	**(877)**	**(1 413)**	**(33 154)**
Change in liability for share purchase commitment	26	**(97)**	—	—	—	**(180)**	**(277)**	—
Share-based compensation		—	**48**	—	—	—	**48**	—
Dividends paid on common shares		—	—	—	—	**(2 124)**	**(2 124)**	—
At December 31, 2017		**26 606**	**567**	**809**	—	**17 401**	**45 383**	**1 640 983**

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY AND DESCRIPTION OF THE BUSINESS

Suncor Energy Inc. (Suncor or the company) is an integrated energy company headquartered in Canada. Suncor's operations include oil sands development and upgrading, onshore and offshore oil and gas production, petroleum refining, and product marketing primarily under the Petro-Canada brand. The consolidated financial statements of the company comprise the company and its subsidiaries and the company's interests in associates and joint arrangement entities.

The address of the company's registered office is 150 – 6th Avenue S.W., Calgary, Alberta, Canada, T2P 3E3.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Canadian generally accepted accounting principles (GAAP) as contained within Part 1 of the Canadian Institute of Chartered Professional Accountants Handbook.

Suncor's accounting policies are based on IFRS issued and outstanding for all periods presented in these consolidated financial statements. These consolidated financial statements were approved by the Board of Directors on February 28, 2018.

(b) Basis of Measurement

The consolidated financial statements are prepared on a historical cost basis except as detailed in the accounting policies disclosed in note 3. The accounting policies described in note 3 have been applied consistently to all periods presented in these consolidated financial statements.

(c) Functional Currency and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the company's functional currency.

(d) Use of Estimates, Assumptions and Judgments

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgments used in the preparation of the consolidated financial statements are described in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The company consolidates its interests in entities it controls. Control comprises the power to govern an entity's financial and operating policies to obtain benefits from its activities, and is a matter of judgment. All intercompany balances and transactions are eliminated in preparing the consolidated financial statements.

Certain of the company's activities are conducted through joint operations, and the consolidated financial statements reflect the company's proportionate share of the joint operations' assets, liabilities, revenues and expenses, on a line-by-line basis.

(b) Joint Arrangements

Joint arrangements represent arrangements in which two or more parties have joint control established by a contractual agreement. Joint control only exists when decisions about the activities that most significantly affect the returns of the investee are unanimous. Joint arrangements can be classified as either a joint operation or a joint venture. The classification of joint arrangements requires judgment. In determining the classification of its joint arrangements the company considers the contractual rights and obligations of each investor and, whether the legal structure of the joint arrangement gives the entity direct rights to the assets and obligations for the liabilities.

Where the company has rights to the assets and obligations for the liabilities of a joint arrangement, such arrangement is classified as a joint operation and the company's share of the assets, liabilities, revenues and expenses is included in the consolidated financial statements.

Where the company has rights to the net assets of an arrangement, the arrangement is classified as a joint venture and accounted for using the equity method of accounting. Under the equity method, the company's initial investment is recognized at cost and subsequently adjusted for the company's share of the joint venture's income or loss, less distributions received.

(c) Foreign Currency Translation

Functional currencies of the company's individual entities are the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the appropriate functional currency at foreign exchange rates that approximate those on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the appropriate functional currency at foreign exchange rates as at the balance sheet date. Foreign exchange differences arising on translation are recognized in net earnings. Non-monetary assets that are measured in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction.

In preparing the company's consolidated financial statements, the financial statements of each entity are translated into Canadian dollars. The assets and liabilities of foreign operations are translated into Canadian dollars at exchange rates as at the balance sheet date. Revenues and expenses of foreign operations are translated into Canadian dollars using foreign exchange rates that approximate those on the date of the underlying transaction. Foreign exchange differences are recognized in Other Comprehensive Income.

If the company or any of its entities disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the accumulated foreign currency translation gains or losses related to the foreign operation are recognized in net earnings.

(d) Revenues

Revenue from the sale of crude oil, natural gas, natural gas liquids, purchased products and refined petroleum products is recorded when title passes to the customer and collection is reasonably assured. Revenue from properties in which the company has an interest with other producers is recognized on the basis of the company's net working interest. For operations not pursuant to production sharing contracts (PSCs), crude oil and natural gas sold below or above the company's working-interest share of production results in production underlifts or overlifts, respectively. Underlifts are recorded as a receivable at market value with a corresponding increase to revenues, while overlifts are recorded as a payable at market value with a corresponding decrease to revenues. Changes in the value of underlifted or overlifted barrels are recognized in revenue when the barrels are settled. Revenue from oil and natural gas production is recorded net of royalty expense.

International operations conducted pursuant to PSCs are reflected in the consolidated financial statements based on the company's working interest. Each PSC establishes the exploration, development and operating costs the company is required to fund and establishes specific terms for the company to recover these costs and to share in the production profits. Cost recovery is generally limited to a specified percentage of production during each fiscal year (Cost Recovery Oil). Any Cost Recovery Oil remaining after costs have been recovered is referred to as Excess Petroleum and is shared between the company and the respective government. Assuming collection is reasonably assured, the company's share of Cost Recovery Oil and Excess Petroleum are reported as revenue when the sale of product to a third party occurs. Revenue also includes income taxes paid on the company's behalf by government joint venture partners.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash in banks, term deposits, certificates of deposit and all other highly liquid investments at the time of purchase.

(f) Inventories

Inventories of crude oil and refined products, other than inventories held for trading purposes, are valued at the lower of cost, using the first-in, first-out method, and net realizable value. Costs include direct expenditures incurred in bringing an item or product to its existing condition and location. Materials and supplies are valued at the lower of average cost and net realizable value.

Inventories held for trading purposes in the company's energy trading operations are carried at fair value less costs of disposal, and any changes in fair value are recognized within Other Income.

(g) Assets Held for Sale

Assets and liabilities are classified as held for sale if their carrying amounts are expected to be recovered through a disposition rather than through continuing use. The assets or disposal groups are measured at the lower of their carrying amount and estimated fair value less costs of disposal. Impairment losses on initial classification as well as subsequent gains or losses on remeasurement are recognized in Depreciation, Depletion, Amortization and Impairment. When the assets or disposal groups are sold, the gains or losses on the sale are recognized in Gain on Disposal of Assets. Assets classified as held for sale are not depreciated, depleted or amortized.

(h) Exploration and Evaluation Assets

The costs to acquire non-producing oil and gas properties or licences to explore, drill exploratory wells and the costs to evaluate the commercial potential of underlying resources, including related borrowing costs, are initially capitalized as Exploration and Evaluation assets. Certain exploration costs, including geological, geophysical and seismic expenditures and delineation on oil sands properties, are charged to Exploration expense as incurred.

Exploration and Evaluation assets are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. If an area or exploration well is no longer considered commercially viable, the related capitalized costs are charged to Exploration expense.

When management determines with reasonable certainty that an Exploration and Evaluation asset will be developed, as evidenced by the classification of proved or probable reserves and the appropriate internal and external approvals, the asset is transferred to Property, Plant and Equipment.

(i) Property, Plant and Equipment

Property, Plant and Equipment are initially recorded at cost.

The costs to acquire developed or producing oil and gas properties, and to develop oil and gas properties, including completing geological and geophysical surveys and drilling development wells, and the costs to construct and install development infrastructure, such as wellhead equipment, well platforms, well pairs, offshore platforms and subsea structures, are capitalized as oil and gas properties within Property, Plant and Equipment.

The costs to construct, install and commission, or acquire, oil and gas production equipment, including oil sands upgraders, extraction plants, mine equipment, processing and power generation facilities, utility plants, and all renewable energy, refining, and marketing assets, are capitalized as plant and equipment within Property, Plant and Equipment.

Stripping activity required to access oil sands mining resources incurred in the initial development phase is capitalized as part of the construction cost of the mine. Stripping costs incurred in the production phase are charged to expense as they normally relate to production for the current period.

The costs of planned major inspection, overhaul and turnaround activities that maintain Property, Plant and Equipment and benefit future years of operations are capitalized. Recurring planned maintenance activities performed on shorter intervals are expensed as operating costs. Replacements outside of a major inspection, overhaul or turnaround are capitalized when it is probable that future economic benefits will be realized by the company and the associated carrying amount of the replaced component is derecognized.

Leases that transfer substantially all the benefits and risks of ownership to the company are recorded as finance lease assets within Property, Plant and Equipment. Costs for all other leases are recorded as operating expense as incurred.

Borrowing costs relating to assets that take a substantial period of time to construct are capitalized as part of the asset. Capitalization of borrowing costs ceases when the asset is in the location and condition necessary for its intended use, and is suspended when construction of an asset is ceased for extended periods.

(j) Depreciation, Depletion and Amortization

Exploration and Evaluation assets are not subject to depreciation, depletion and amortization. Once transferred to oil and gas properties within Property, Plant and Equipment and commercial production commences, these costs are depleted on a unit-of-production basis over proved developed reserves, with the exception of exploration and evaluation costs associated with oil sands mines, which are depreciated on a straight-line basis over the life of the mine, and property acquisition costs, which are depleted over proved reserves.

Capital expenditures are not depreciated or depleted until assets are substantially complete and ready for their intended use.

Costs to develop oil and gas properties other than certain oil sands mining assets, including costs of dedicated infrastructure, such as well pads and wellhead equipment, are depleted on a unit-of-production basis over proved developed reserves. A portion of these costs may not be depleted if they relate to undeveloped reserves. Costs related to offshore facilities are depleted over proved and probable reserves. Costs to develop and construct oil sands mines are depreciated on a straight-line basis over the life of the mine.

Major components of Property, Plant and Equipment are depreciated on a straight-line basis over their expected useful lives.

Oil sands upgraders, extraction plants and mine facilities	20 to 40 years
Oil sands mine equipment	5 to 15 years
Oil sands in situ processing facilities	30 years
Power generation and utility plants	30 to 40 years
Refineries and other processing plants	20 to 40 years
Marketing and other distribution assets	10 to 40 years

The costs of major inspection, overhaul and turnaround activities that are capitalized are depreciated on a straight-line basis over the period to the next scheduled activity, which varies from two to five years.

Depreciation, depletion and amortization rates are reviewed annually or when events or conditions occur that impact capitalized costs, reserves or estimated service lives.

(k) Goodwill and Other Intangible Assets

The company accounts for business combinations using the acquisition method. The excess of the purchase price over the fair value of the identifiable net assets represents goodwill, and is allocated to the cash generating units (CGUs) or groups of CGUs expected to benefit from the business combination.

Other intangible assets include acquired customer lists and brand value.

Goodwill and brand value have indefinite useful lives and are not subject to amortization. Customer lists are amortized over their expected useful lives, which range from five to ten years. Expected useful lives of other intangible assets are reviewed on an annual basis.

(l) Impairment of Assets

Non-Financial Assets

Property, Plant and Equipment and Exploration and Evaluation assets are reviewed quarterly to assess whether there is any indication of impairment. Goodwill and intangible assets that have an indefinite useful life are tested for impairment annually. Exploration and Evaluation assets are also tested for impairment immediately prior to being transferred to Property, Plant and Equipment.

If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated as the higher of the fair value less costs of disposal and value-in-use. In determining fair value less costs of disposal, recent market transactions are considered, if available. In the absence of such transactions, an appropriate valuation model is used. Value-in-use is assessed using the present value of the expected future cash flows of the relevant asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the asset is tested as part of a CGU, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss is the amount by which the carrying amount of the individual asset or CGU exceeds its recoverable amount.

Impairments may be reversed for all CGUs and individual assets, other than goodwill, if there has been a change in the estimates and judgments used to determine the asset's recoverable amount. If such indication exists, the carrying amount of the CGU or asset is increased to its revised recoverable amount which cannot exceed the carrying amount that would have been determined, net of depletion, depreciation and amortization, had no impairment been recognized.

Impairments and impairment reversals are recognized within Depreciation, Depletion, Amortization and Impairment.

Financial Assets

At each reporting date, the company assesses whether there is evidence that financial assets that are carried at amortized cost are impaired. If a financial asset carried at amortized cost is impaired, the impairment is recognized in Operating, Selling and General expense.

(m) Provisions

Provisions are recognized by the company when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are recognized for decommissioning and restoration obligations associated with the company's Exploration and Evaluation assets and Property, Plant and Equipment. Provisions for decommissioning and restoration obligations are measured at the present value of management's best estimate of the future cash flows required to settle the present obligation, using the credit-adjusted risk-free interest rate. The value of the obligation is added to the carrying amount of the associated asset and amortized over the useful life of the asset. The provision is accreted over time through Financing Expense with actual expenditures charged against the accumulated obligation. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows are recognized as a change in the decommissioning and restoration provision and related asset.

(n) Income Taxes

The company follows the liability method of accounting for income taxes whereby deferred income taxes are recorded for the effect of differences between the accounting and income tax basis of an asset or liability. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates as at the balance sheet date that are anticipated to apply to taxable income in the years in which temporary differences are anticipated to be recovered or settled. Changes to these balances are recognized in net earnings or in Other Comprehensive Income in the period they occur. Investment tax credits are recorded as a reduction to the related expenditures.

The company recognizes the financial statement impact of a tax filing position when it is probable, based on the technical merits, that the position will be sustained upon audit. The company assesses possible outcomes and their associated probabilities. If the company determines payment is probable, it measures the tax provision at the best estimate of the amount of tax payable.

(o) Pensions and Other Post-Retirement Benefits

The company sponsors defined benefit pension plans, defined contribution pension plans and other post-retirement benefits.

The cost of pension benefits earned by employees in the defined contribution pension plan is expensed as incurred. The cost of defined benefit pension plans and other post-retirement benefits are actuarially determined using the projected unit credit method based on present pay levels and management's best estimates of demographic and financial assumptions. Pension benefits earned during the current year are recorded in Operating, Selling and General expense. Interest costs on the net unfunded obligation are recorded in Financing Expense. Any actuarial gains or losses are recognized immediately through Other Comprehensive Income and transferred directly to Retained Earnings.

The liability recognized on the balance sheet is the present value of the defined benefit obligations net of the fair value of plan assets.

(p) Share-Based Compensation Plans

Under the company's share-based compensation plans, share-based awards may be granted to executives, employees and non-employee directors. Compensation expense is recorded in Operating, Selling and General expense.

Share-based compensation awards that settle in cash or have the option to settle in cash or shares are accounted for as cash-settled plans. These are measured at fair value each reporting period using the Black-Scholes options pricing model. The expense is recognized over the vesting period, with a corresponding adjustment to liabilities. When awards are surrendered for cash, the cash settlement paid reduces the outstanding liability. When awards are exercised for common shares, consideration paid by the holder and the previously recognized liability associated with the options are recorded to Share Capital.

Stock options that give the holder the right to purchase common shares are accounted for as equity-settled plans. The expense is based on the fair value of the options at the time of grant using the Black-Scholes options pricing model and is recognized over the vesting periods of the respective options. A corresponding increase is recorded to Contributed Surplus. Consideration paid to the company on exercise of options is credited to Share Capital and the associated amount in Contributed Surplus is reclassified to Share Capital.

(q) Financial Instruments

The company classifies its financial instruments into one of the following categories: fair value through profit or loss; assets available for sale; held-to-maturity investments; loans and receivables, and financial liabilities measured at amortized cost. All financial instruments are initially recognized at fair value on the balance sheet, net of any transaction costs except for financial instruments classified as fair value through profit and loss, where transaction costs are expensed as incurred. Subsequent measurement of financial instruments is based on their classification. The company classifies derivative financial instruments as fair value through profit and loss, cash and cash equivalents and accounts receivable as loans and receivables, and accounts payable and accrued liabilities, debt, and other long-term liabilities as other financial liabilities.

In circumstances where the company consolidates a subsidiary in which there are other owners with a non-controlling interest and the subsidiary has a non-discretionary obligation to distribute cash based on a predetermined formula to the non-controlling owners, the non-controlling interest is classified as a financial liability rather than equity in accordance with IAS 32 Financial Instruments: Presentation. The non-controlling interest liability is classified as an amortized cost liability and is presented within Other Long-Term Liabilities. The balance is accreted based on current period interest expense recorded using the effective interest method and decreased based on distributions made to the non-controlling owners.

The company uses derivative financial instruments, such as physical and financial contracts, either to manage certain exposures to fluctuations in interest rates, commodity prices and foreign exchange rates, as part of its overall risk management program. Earnings impacts from derivatives used to manage a particular risk are reported as part of Other Income in the related operating segment. Gains or losses from trading activities are reported in Other Income as part of the Corporate, Energy Trading and Eliminations segment.

Certain physical commodity contracts, when used for trading purposes, are deemed to be derivative financial instruments for accounting purposes. Physical commodity contracts entered into for the purpose of receipt or delivery in accordance with the company's expected purchase, sale or usage requirements are not considered to be derivative financial instruments.

Derivatives embedded in other financial instruments or other host contracts are recorded as separate derivatives when their risks and characteristics are not closely related to those of the host contract.

(r) Hedging Activities

The company may apply hedge accounting to arrangements that qualify for designated hedge accounting treatment. Documentation is prepared at the inception of a hedge relationship in order to qualify for hedge accounting. Designated hedges are assessed at each reporting date to determine if the relationship between the derivative and the underlying hedged exposure is still effective and to quantify any ineffectiveness in the relationship.

If the derivative is designated as a fair value hedge, changes in the fair value of the derivative and in the fair value of the underlying hedged item are recognized in net earnings. If the derivative is designated as a cash flow hedge, the effective portions of the changes in fair value of the derivative are initially recorded in Other Comprehensive Income and are recognized in net earnings when the hedged item is realized. Ineffective portions of changes in the fair value of cash flow hedges are recognized in net earnings immediately. Changes in the fair value of a derivative designated in a fair value or cash flow hedge are recognized in the same line item as the underlying hedged item.

(s) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects. When the company repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. The excess of the purchase price over the average carrying value is recognized as a deduction from Retained Earnings. Shares are cancelled upon repurchase.

(t) Dividend Distributions

Dividends on common shares are recognized in the period in which the dividends are declared by the company's Board of Directors.

(u) Earnings per Share

Basic earnings per share is calculated by dividing the net earnings for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive common shares related to the company's share-based compensation plans. The number of shares included is computed using the treasury stock method. Options with tandem stock appreciation rights or cash payment alternatives are accounted for as cash-settled plans. As these awards can be exchanged for common shares of the company, they are considered potentially dilutive and are included in the calculation of the company's diluted net earnings per share if they have a dilutive impact in the period.

(v) Emissions Obligations

Emissions obligations are measured at the weighted average cost per unit of emissions expected to be incurred in the compliance period and are recorded in the period in which the emissions occur.

Purchases of emissions rights are recognized as Other Assets on the balance sheet and are measured at historical cost. Emissions rights received by way of grant are recorded at a nominal amount.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates and judgments that affect reported assets, liabilities, revenues, expenses, gains, losses, and disclosures of contingencies. These estimates and judgments are subject to change based on experience and new information. The financial statement areas that require significant estimates and judgments are as follows:

Oil and Gas Reserves

Measurements of depletion, depreciation, impairment and decommissioning and restoration obligations are determined in part based on the company's estimate of oil and gas reserves. The estimation of reserves is an inherently complex process and involves the exercise of professional judgment. All reserves have been evaluated at December 31, 2017 by independent qualified reserves evaluators. Oil and gas reserves estimates are based on a range of geological, technical and economic factors, including projected future rates of production, projected future commodity prices, engineering data, and the timing and amount of future expenditures, all of which are subject to uncertainty. Estimates reflect market and regulatory conditions existing at December 31, 2017, which could differ significantly from other points in time throughout the year, or future periods. Changes in market and regulatory conditions and assumptions can materially impact the estimation of net reserves.

Oil and Gas Activities

The company is required to apply judgment when designating the nature of oil and gas activities as exploration, evaluation, development or production, and when determining whether the costs of these activities shall be expensed or capitalized.

Exploration and Evaluation Costs

Certain exploration and evaluation costs are initially capitalized with the intent to establish commercially viable reserves. The company is required to make judgments about future events and circumstances and applies estimates to assess the economic viability of extracting the underlying resources. The costs are subject to technical, commercial and management review to confirm the continued intent to develop the project. Level of drilling success or changes to project economics, resource quantities, expected production techniques, production costs and required capital expenditures are important judgments when making this determination. Management uses judgment to determine when these costs are reclassified to Property, Plant and Equipment based on several factors including the existence of reserves, appropriate approvals from regulatory bodies and the company's internal project approval process.

Determination of Cash Generating Units (CGUs)

A CGU is the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations.

Asset Impairment and Reversals

Management applies judgment in assessing the existence of impairment and impairment reversal indicators based on various internal and external factors.

The recoverable amount of CGUs and individual assets is determined based on the higher of fair value less costs of disposal or value-in-use calculations. The key estimates the company applies in determining the recoverable amount normally include estimated future commodity prices, expected production volumes, future operating and development costs, discount rates, tax rates, and refining margins. In determining the recoverable amount, management may also be required to make judgments regarding the likelihood of occurrence of a future event. Changes to these estimates and judgments will affect the recoverable amounts of CGUs and individual assets and may then require a material adjustment to their related carrying value.

Decommissioning and Restoration Costs

The company recognizes liabilities for the future decommissioning and restoration of Exploration and Evaluation assets and Property, Plant and Equipment. Management applies judgment in assessing the existence and extent as well as the expected method of reclamation of the company's decommissioning and restoration obligations at the end of each reporting period. Management also uses judgment to determine whether the nature of the activities performed is related to decommissioning and restoration activities or normal operating activities.

In addition, these provisions are based on estimated costs, which take into account the anticipated method and extent of restoration, technological advances, possible future use of the site, reclamation projects and processes and the water treatment facility. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations related to the use of certain technologies, the emergence of new technology, operating experience, prices and closure plans. The estimated timing of future decommissioning and restoration may change due to certain factors, including reserves life. Changes to estimates related to future expected costs, discount rates, inflation assumptions, and timing may have a material impact on the amounts presented.

Employee Future Benefits

The company provides benefits to employees, including pensions and other post-retirement benefits. The cost of defined benefit pension plans and other post-retirement benefits received by employees is estimated based on actuarial valuation methods that require professional judgment. Estimates typically used in determining these amounts include, as applicable, rates of employee turnover, future claim costs, discount rates, future salary and benefit levels, the return on plan assets, mortality rates and future medical costs. Changes to these estimates may have a material impact on the amounts presented.

Other Provisions

The determination of other provisions, including, but not limited to, provisions for royalty disputes, onerous contracts, litigation and constructive obligations, is a complex process that involves judgments about the outcomes of future events, the interpretation of laws and regulations, and estimates on timing and amount of expected future cash flows and discount rates.

Income Taxes

Management evaluates tax positions, annually or when circumstances require, which involves judgment and could be subject to differing interpretations of applicable tax legislation. The company recognizes a tax provision when a payment to tax authorities is considered probable. However, the results of audits and reassessments and changes in the interpretations of standards may result in changes to those positions and, potentially, a material increase or decrease in the company's assets, liabilities and net earnings.

Deferred Income Taxes

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the company's estimate, the ability of the company to realize the deferred tax assets could be impacted.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The company records a provision for the amount that is expected to be settled, which requires judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the company's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, timing of reversals, and the tax laws in the jurisdictions in which the company operates.

Fair Value of Financial Instruments

The fair value of a financial instrument is determined, whenever possible, based on observable market data. If not available, the company uses third-party models and valuation methodologies that utilize observable market data that includes forward commodity prices, foreign exchange rates and interest rates to estimate the fair value of financial instruments, including derivatives. In addition to market information, the company incorporates transaction-specific details that market participants would utilize in a fair value measurement, including the impact of non-performance risk.

Functional Currency

The designation of the functional currency of the company and each of its subsidiaries is a management judgment based on the composition of revenue and costs in the locations in which it operates.

Fair Value of Share-Based Compensation

The fair values of equity-settled and cash-settled share-based payment awards are estimated using the Black-Scholes options pricing model. These estimates depend on certain assumptions, including share price, volatility, risk-free interest rate, the term of the awards, the forfeiture rate and the annual dividend yield, which, by their nature, are subject to measurement uncertainty.

5. RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS

The standards, amendments and interpretations that are issued, but not yet effective up to the date of authorization of the company's consolidated financial statements, and that may have an impact on the disclosures and financial position of the company, are disclosed below. The company intends to adopt these standards, amendments and interpretations when they become effective.

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. It replaces existing revenue recognition guidance and provides a single, principles-based five-step model to be applied to all contracts with customers. The company will retrospectively adopt this standard on the effective date of January 1, 2018. The adoption of this standard will result in a change in presentation between Operating Revenues Net of Royalties and the Operating, Selling and General expense and Transportation expense line items; however, there will be no impact on the company's consolidated net earnings. Additional note disclosure will also be required.

Financial Instruments

In July 2014, IFRS 9 Financial Instruments was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, with additional amendments to introduce a new expected loss impairment model for financial assets including credit losses. The company will retrospectively adopt this standard on the effective date of January 1, 2018. IFRS 9 will replace the multiple classification and measurement models for financial assets that currently exist under IAS 39 Financial Instruments, and the basis on which financial assets are measured will determine their classification as either, at amortized cost, fair value through profit and loss, or fair value through other comprehensive income. Therefore, the adoption of this standard will result in a reclassification of financial assets currently classified as loans and receivables to financial assets at amortized cost, however there is no impact to the measurement of these financial assets. There will be no classification or measurement impact to the company's financial liabilities. Therefore, the adoption of this standard will not have any impact on the company's consolidated net earnings.

Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces the existing leasing standard (IAS 17 Leases) and requires the recognition of most leases on the balance sheet. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low-value items. The accounting treatment for lessors remains essentially unchanged, with the requirement to classify leases as either finance or operating. The company will adopt IFRS 16 on the effective date of January 1, 2019, and has selected the modified retrospective transition approach. Suncor has also elected to apply the optional exemptions for short-term and low-value leases. IFRS 16 is expected to materially increase the company's assets and liabilities, increase Depreciation, Depletion, Amortization expense, increase Financing Expense and reduce Operating, Selling and General expense. Cash payments associated with operating leases are currently presented within Operating Activities. Under IFRS 16 the cash flows will be allocated between Financing Activities for the repayment of the principal liability and Operating Activities for the financing expense. The overall impact to cash flow is unchanged. The company has a transition team to assess the impact of IFRS 16 and implement the necessary changes to accounting systems, business processes and internal controls as a result of the new standard. The transition team is currently in the process of reviewing and categorizing the company's contracts and implementing the required information systems changes; however, it is currently too early to quantify the impacts.

Share-Based Payments

In June 2016, the IASB issued the final amendments to IFRS 2 Share-based payments that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The adoption of this standard will not have any impact on the company's consolidated financial statements.

Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments.The interpretation clarifies the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If the entity considers it to be not probable that a taxation authority will accept an uncertain tax provision the interpretation requires the entity to use the most likely amount or the expected value. The amendments are to be applied retrospectively and are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The adoption of this amendment will not have any impact on the company's consolidated financial statements.

6. SEGMENTED INFORMATION

The company's operating segments are reported based on the nature of their products and services and management responsibility. The following summary describes the operations in each of the segments:

- Oil Sands includes the company's operations in the Athabasca oil sands in Alberta to develop and produce synthetic crude oil and related products, through the recovery and upgrading of bitumen from mining and in situ operations. This segment also includes the company's joint interest in the Fort Hills mining project, partnership in East Tank Farm blending and storage facility, as well as its ownership interest in the Syncrude oil sands mining and upgrading joint operation, located near Fort McMurray, Alberta. The individual operating segments related to mining operations, in situ, Fort Hills and Syncrude have been aggregated into one reportable segment (Oil Sands) due to the similar nature of their business activities, including the production of bitumen, and the single geographic area and regulatory environment in which they operate.
- Exploration and Production includes offshore activity in East Coast Canada, with interests in the Hibernia, Terra Nova, White Rose and Hebron oilfields, the exploration and production of crude oil and natural gas at Buzzard and Golden Eagle Area Development, both in the United Kingdom (U. K.), Norway, Libya and Syria, and exploration and production of natural gas and natural gas liquids in Western Canada. Due to unrest in Syria, the company has declared force majeure under its contractual obligations, and Suncor's operations in Syria have been suspended indefinitely. Even though the political situation in Libya has improved, production remains partially shut-in and the timing of a return to normal operations continues to be uncertain.
- Refining and Marketing includes the refining of crude oil products, and the distribution and marketing of these and other purchased products through retail stations located in Canada and the United States (U.S.), as well as a previously owned lubricants plant located in Eastern Canada which was sold on February 1, 2017 (note 36).

The company also reports activities not directly attributable to an operating segment under Corporate, Energy Trading and Eliminations. This includes investments in renewables projects.

Intersegment sales of crude oil and natural gas are accounted for at market values and included, for segmented reporting, in revenues of the segment making the transfer and expenses of the segment receiving the transfer. Intersegment balances are eliminated on consolidation. Intersegment profit will not be recognized until the related product has been sold to third parties.

For the years ended December 31 ($ millions)	Oil Sands 2017	 2016	Exploration and Production 2017	 2016	Refining and Marketing 2017	 2016	Corporate, Energy Trading and Eliminations 2017	 2016	Total 2017	 2016
Revenues and Other Income										
Gross revenues	**9 586**	7 229	**3 487**	2 329	**19 871**	17 459	**38**	55	**32 982**	27 072
Intersegment revenues	**3 551**	2 293	**—**	115	**92**	108	**(3 643)**	(2 516)	**—**	—
Less: Royalties	**(355)**	(52)	**(576)**	(213)	**—**	—	**—**	—	**(931)**	(265)
Operating revenues, net of royalties	**12 782**	9 470	**2 911**	2 231	**19 963**	17 567	**(3 605)**	(2 461)	**32 051**	26 807
Other income (loss)	**86**	26	**(14)**	45	**73**	16	**(20)**	74	**125**	161
	12 868	9 496	**2 897**	2 276	**20 036**	17 583	**(3 625)**	(2 387)	**32 176**	26 968
Expenses										
Purchases of crude oil and products	**623**	548	**—**	—	**14 011**	11 754	**(3 513)**	(2 425)	**11 121**	9 877
Operating, selling and general	**6 257**	5 777	**422**	483	**2 007**	2 203	**559**	687	**9 245**	9 150
Transportation	**690**	666	**86**	86	**312**	366	**(51)**	(46)	**1 037**	1 072
Depreciation, depletion, amortization and impairment	**3 782**	3 864	**1 028**	1 381	**685**	702	**106**	170	**5 601**	6 117
Exploration	**15**	30	**89**	259	**—**	—	**—**	—	**104**	289
Gain on disposal of assets	**(50)**	(33)	**—**	—	**(455)**	(35)	**(97)**	—	**(602)**	(68)
Financing expenses (income)	**180**	234	**36**	82	**15**	10	**(477)**	119	**(246)**	445
	11 497	11 086	**1 661**	2 291	**16 575**	15 000	**(3 473)**	(1 495)	**26 260**	26 882
Earnings (Loss) before Income Taxes	**1 371**	(1 590)	**1 236**	(15)	**3 461**	2 583	**(152)**	(892)	**5 916**	86
Income Tax Expense (Recovery)										
Current	**192**	(363)	**617**	301	**941**	681	**(541)**	(466)	**1 209**	153
Deferred	**170**	(78)	**(113)**	(506)	**(138)**	12	**330**	60	**249**	(512)
	362	(441)	**504**	(205)	**803**	693	**(211)**	(406)	**1 458**	(359)
Net Earnings (Loss)	**1 009**	(1 149)	**732**	190	**2 658**	1 890	**59**	(486)	**4 458**	445
Capital and Exploration Expenditures	**5 059**	4 724	**824**	1 139	**634**	685	**34**	34	**6 551**	6 582

Geographical Information

Operating Revenues, net of Royalties

($ millions)	2017	2016
Canada	**25 629**	21 555
United States	**4 252**	3 695
Other foreign	**2 170**	1 557
	32 051	26 807

Non-Current Assets[(1)]

($ millions)	Dec 31 2017	Dec 31 2016
Canada	**76 091**	73 704
United States	**1 712**	1 509
Other foreign	**2 014**	2 407
	79 817	77 620

(1) Excludes deferred income tax assets.

7. ACQUISITION OF CANADIAN OIL SANDS LIMITED (COS)

On February 5, 2016, Suncor obtained control of Canadian Oil Sands Limited (COS) by acquiring 73% of COS' outstanding common shares in exchange for 0.28 of a Suncor share per COS share tendered. The acquisition resulted in the issuance of 98.9 million Suncor common shares, which had a fair value of $31.88 per share based on the closing price on the Toronto Stock Exchange (TSX) on the acquisition date.

COS owned a 36.74% interest in the Syncrude joint arrangement. Suncor acquired COS to benefit from operating synergies and economies of scale expected from combining the two companies' ownership interests in Syncrude.

Purchase Price Consideration

Number of COS common shares tendered (millions)	353.3
Multiplied by share exchange ratio	0.28
Number of Suncor common shares issued (millions)	98.9
Share price on acquisition date	$31.88
Fair value of consideration ($ millions)	**3 154**

On February 22, 2016, and March 21, 2016, Suncor acquired the remaining outstanding 131.3 million COS shares on the same terms as the initial acquisition, resulting in the issuance of an additional 36.7 million Suncor common shares which resulted in a total acquisition price of $4.452 billion. The estimated fair values of the net assets acquired were not adjusted to reflect the changes in Suncor's share price on the subsequent transaction dates.

Purchase Price Allocation

The acquisition has been accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value, except for the employee future benefit liability which is measured as the present value of the net obligation. The purchase price allocation was based on management's best estimates of fair values of COS' assets and liabilities as at February 5, 2016.

($ millions)	
Cash	109
Accounts receivable	231
Inventory	135
Other assets	105
Property, plant and equipment	9 476
Exploration and evaluation	602
Total assets acquired	**10 658**
Accounts payable and other liabilities	(375)
Long-term debt	(2 639)
Employee future benefits	(323)
Decommissioning provision	(1 169)
Deferred income taxes	(1 826)
Total liabilities assumed	**(6 332)**
Net assets of COS	**4 326**
Non-controlling interest	(1 172)
Net assets acquired	**3 154**

The fair values of cash, accounts receivable and other current assets, and accounts payable and other liabilities approximate their carrying values due to the short-term maturity of the instruments. The fair values of crude inventory and long-term debt were determined using quoted prices and rates from available pricing sources. The fair value of materials and supplies inventory approximates book value due to short-term turnover rates. The fair values of property, plant and equipment, and the decommissioning provision were determined using an expected future cash flow approach. Key assumptions used in the calculations were discount rates, future commodity prices and costs, timing of development activities, projections of oil reserves, and cost estimates to abandon and reclaim the mine and facilities.

The following table summarizes the fair value of COS debt acquired by Suncor.

($ millions)	February 5, 2016
Fixed-term debt, redeemable at the option of the company	
7.75% Notes, due 2019 (US$500)	755
7.90% Notes, due 2021 (US$250)	389
4.50% Notes, due 2022 (US$400)	515
8.20% Notes, due 2027 (US$74)	114
6.00% Notes, due 2042 (US$300)	316
Total Notes	2 089
Credit facility	550
Total long-term debt	**2 639**

During the second quarter of 2016, the company purchased US$688 million of subsidiary debt acquired through the acquisition of COS. In 2016, the company also repaid the $550 million credit facility acquired in the COS transaction, as well as an additional $50 million which was drawn on the facility subsequent to February 5, 2016.

The non-controlling interest (NCI) was initially measured at the NCI's proportionate share of the net identifiable assets acquired. The subsequent transactions on February 22, 2016, and March 21, 2016, were accounted for as equity transactions with shareholders and eliminated the NCI balance. Suncor recognized the difference between the fair value of the common shares issued and the NCI recorded at February 5, 2016 directly in equity. During the period from February 5, 2016 to March 21, 2016, when Suncor did not own 100% of the equity, net earnings of $11 million were earned that were attributable to the NCI owners.

As part of the acquisition, the company also assumed various pipeline and storage commitments of $3.0 billion undiscounted. The contract terms of these commitments range between one and 24 years, with payments that commenced in the first quarter of 2016.

Acquisition costs of $29 million have been charged to Operating, Selling and General expense in the consolidated statements of comprehensive income (loss) for the year ended December 31, 2016.

The acquisition of COS contributed $1.9 billion to gross revenues and $69 million to consolidated net loss from the acquisition date to December 31, 2016.

Had the acquisition occurred on January 1, 2016, COS would have contributed $2.1 billion to gross revenues and $105 million to consolidated net loss, which would have resulted in gross revenues of $27 billion and consolidated net income of $408 million for the year ended December 31, 2016.

8. ACQUISITION OF ADDITIONAL OWNERSHIP INTEREST IN SYNCRUDE

On June 23, 2016, Suncor completed the purchase of an additional 5% working interest in the Syncrude project from Murphy Oil Corporation's Canadian subsidiary for $946 million after purchase price adjustments. The purchase increased Suncor's share in the Syncrude project to 53.74%

The acquisition has been accounted for as a business combination using the acquisition method. The purchase price allocation was based on management's best estimates of fair values of Syncrude's assets and liabilities as at June 23, 2016.

($ millions)	
Accounts receivable	8
Inventory	19
Property, plant and equipment	1 330
Exploration and evaluation	82
Total assets acquired	**1 439**
Accounts payable and other liabilities	(29)
Employee future benefits	(49)
Decommissioning provision	(187)
Deferred income taxes	(228)
Total liabilities assumed	**(493)**
Net assets acquired	**946**

The fair values of accounts receivable and accounts payable approximate their carrying values due to the short-term maturity of the instruments. The fair value of crude inventory was determined using quoted prices and rates from available pricing sources. The fair value of materials and supplies inventory approximates book value due to short-term turnover rates. The fair values of property, plant and equipment, and the decommissioning provision were determined using an expected future cash flow approach. Key assumptions used in the calculations were discount rates, future commodity prices and costs, timing of development activities, projections of oil reserves, and cost estimates to abandon and reclaim the mine and facilities. All of the key assumptions were applied on a consistent basis with the COS acquisition (note 7).

The additional interest in Syncrude contributed $191 million to gross revenues and $7 million to consolidated net income from the acquisition date to December 31, 2016.

Had the acquisition occurred on January 1, 2016, the additional interest would have contributed $275 million to gross revenues and $26 million to consolidated net loss, which would have resulted in gross revenues of $27 billion and consolidated net income of $412 million for the year ended December 31, 2016.

9. OTHER INCOME

Other income consists of the following:

($ millions)	2017	2016
Energy trading activities		
Unrealized (losses) recognized in earnings during the period	**(37)**	(47)
(Losses) gains on inventory valuation	**(39)**	62
Risk management activities(1)	**(19)**	(25)
Investment and interest income	**162**	77
Risk mitigation and insurance proceeds(2)	**76**	41
Change in value of pipeline commitments and other	**(18)**	53
	125	161

(1) Includes fair value changes related to short-term derivative contracts in the Oil Sands and Refining and Marketing segments and long-term forward-starting interest rate swaps in the Corporate segment.

(2) 2017 includes property damage insurance proceeds for Syncrude in the Oil Sands segment and 2016 includes property damage insurance proceeds for the Terra Nova asset in the Exploration and Production segment.

10. OPERATING, SELLING AND GENERAL

Operating, Selling and General expense consists of the following:

($ millions)	2017	2016
Contract services(1)	**3 551**	3 363
Employee costs(1)	**3 290**	3 412
Materials	**706**	705
Energy	**1 178**	994
Equipment rentals and leases	**279**	267
Travel, marketing and other	**241**	409
	9 245	9 150

(1) The company incurred $7.3 billion of contract services and employee costs for the year ended December 31, 2017 (2016 – $7.2 billion), of which $6.8 billion (2016 – $6.8 billion) was recorded in Operating, Selling and General expense and $0.5 billion was recorded as Property, Plant and Equipment (2016 – $0.4 billion). Employee costs include salaries, benefits and share-based compensation.

11. ASSET IMPAIRMENT AND DERECOGNITION

During the fourth quarter of 2016, the company recorded after-tax derecognition charges of $40 million on certain upgrading and logistics assets in the Oil Sands segment, as a result of the uncertainty of future benefits from these assets. As well, the company also recorded after-tax derecognition charges of $31 million in the Corporate segment relating to an initial investment in an undeveloped pipeline and on certain renewable energy development assets, as a result of the uncertainty of future benefits from these assets.

During the second quarter of 2016, the company recognized an impairment charge of $33 million (net of taxes of $119 million) against certain Exploration and Evaluation assets in Norway as a result of future development uncertainty.

12. FINANCING (INCOME) EXPENSES

($ millions)	2017	2016
Interest on debt and finance leases	**945**	1 012
Capitalized interest at 5.5% (2016 – 5.7%)	**(729)**	(597)
Interest expense	**216**	415
Interest on partnership liability (note 38)	**5**	—
Interest on pension and other post-retirement benefits	**58**	59
Accretion	**247**	269
Foreign exchange gain on U.S. dollar denominated debt	**(771)**	(458)
Foreign exchange and other	**(52)**	61
Loss on extinguishment of long-term debt	**113**	99
Realized gain on foreign currency hedges	**(62)**	—
	(246)	445

13. INCOME TAXES

Income Tax Expense (Recovery)

($ millions)	2017	2016
Current:		
Current year	**1 150**	222
Adjustments to current income tax of prior years	**59**	(69)
Deferred:		
Origination of temporary differences	**425**	(313)
Adjustments in respect of deferred income tax of prior years	**(70)**	67
Changes in tax rates and legislation	**(106)**	(190)
Recognition of previously unrecognized deferred tax assets	**—**	(76)
	1 458	(359)

Reconciliation of Effective Tax Rate

The provision for income taxes reflects an effective tax rate that differs from the statutory tax rate. A reconciliation of the difference is as follows:

($ millions)	2017	2016
Earnings before income tax	**5 916**	86
Canadian statutory tax rate	**27.01%**	27.00%
Statutory tax	**1 598**	23
Add (deduct) the tax effect of:		
Non-taxable component of capital gains	**(90)**	(60)
Share-based compensation and other permanent items	**(1)**	19
Assessments and adjustments	**(11)**	(2)
Impact of income tax rate and legislative changes	**(106)**	(190)
Foreign tax rate differential	**180**	(28)
Non-taxable component of dispositions	**(41)**	—
Tax gains for which no deferred income tax asset was recognized	**(51)**	(50)
Recognition of deferred income tax asset previously unrecognized	**—**	(76)
Other	**(20)**	5
	1 458	(359)

Deferred Income Tax Balances

Deferred income tax expense (recovery) and net liabilities in the company's consolidated financial statements were comprised of the following:

	Net Earnings (Loss)		Consolidated Balance Sheets(1)	
($ millions)	2017	2016	Dec 31 2017	Dec 31 2016
Property, plant and equipment	**157**	(864)	**14 252**	13 864
Decommissioning and restoration provision	**19**	342	**(1 910)**	(1 701)
Employee retirement benefit plans	**(5)**	(23)	**(639)**	(648)
Tax loss carry-forwards	**—**	(10)	**(109)**	(109)
Partnership deferral reserve	**—**	(78)	**—**	—
Foreign exchange and other	**78**	121	**(161)**	(226)
	249	(512)	**11 433**	11 180

(1) The current and non-current portion of the deferred income tax liability and asset are as follows:

($ millions)	Dec 31 2017	Dec 31 2016
Deferred income tax liability expected to reverse within 12 months	**93**	195
Deferred income tax asset expected to reverse within 12 months	**(27)**	(21)
Deferred income tax liability expected to reverse after 12 months	**11 440**	11 048
Deferred income tax asset expected to reverse after 12 months	**(73)**	(42)
Net deferred income tax liability	**11 433**	11 180

Change in Deferred Income Tax Balances

($ millions)	2017	2016
Beginning of year	**11 180**	9 919
Recognized in deferred income tax expense	**249**	(512)
Recognized in other comprehensive income	**19**	(5)
Recognized in equity	—	(26)
Acquisition	—	2 054
Foreign exchange, disposition and other	**(15)**	(179)
Reclassified to assets held for sale (notes 36 and 37)	—	(71)
End of year	**11 433**	11 180

Deferred Tax in Shareholders' Equity

	Year ended December 31	
($ millions)	2017	2016
Deferred Tax in Other Comprehensive (Loss) Income		
Actuarial (gain) loss on employment retirement benefit plans	**(19)**	5
Deferred Tax in Equity		
Common share issuance	—	26
	(19)	31

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future tax profits is probable. Suncor has not recognized a $75 million (2016 – $125 million) deferred tax asset on $556 million (2016 – $926 million) of capital losses on foreign exchange on U.S. dollar denominated debt which can only be utilized against future capital gains.

No deferred tax liability has been recognized at December 31, 2017, on temporary differences of approximately $9.6 billion (2016 – $9.9 billion) associated with earnings retained in our investments in foreign subsidiaries, as the company is able to control the timing of the reversal of these differences. Based on current plans, repatriation of funds in excess of foreign reinvestment will not result in material additional income tax expense. Deferred distribution taxes associated with international business operations have not been recorded.

In the fourth quarter of 2017, the U.S. government enacted a decrease in the federal corporate tax rate from 35% to 21% effective January 1, 2018. As a result, the company revalued its deferred income tax balances, resulting in a deferred income tax recovery of $124 million.

In the fourth quarter of 2017, the Government of British Columbia enacted an increase to the provincial corporate income tax rate from 11% to 12%. As a result, the company revalued its deferred income tax balances, resulting in a deferred income tax expense of $18 million.

In the fourth quarter of 2016, the Government of Quebec enacted a decrease in the corporate income tax rate from 11.9% to 11.5% evenly over the next four years, effective January 1, 2017. As a result, the company revalued its deferred income tax balances, resulting in a deferred income tax recovery of $10 million.

In the third quarter of 2016, the U.K. government enacted a decrease in the supplementary charge rate on oil and gas profits in the North Sea that reduced the statutory tax rate on Suncor's earnings in the U.K. from 50% to 40%. The company revalued its deferred income tax balances, resulting in a deferred income tax recovery of $180 million.

14. EARNINGS PER COMMON SHARE

($ millions)	2017	2016
Net earnings	**4 458**	445
Dilutive impact of accounting for awards as equity-settled[1]	**(1)**	(1)
Net earnings – diluted	**4 457**	444
Net earnings attributable to common shareholders	**4 458**	434
Dilutive impact of accounting for awards as equity-settled[1]	**(1)**	(1)
Net earnings – diluted attributable to common shareholders	**4 457**	433
(millions of common shares)		
Weighted average number of common shares	**1 661**	1 610
Dilutive securities:		
Effect of share options	**4**	2
Weighted average number of diluted common shares	**1 665**	1 612
(dollars per common share)		
Basic and diluted earnings per share	**2.68**	0.28
Basic and diluted earnings per share attributable to common shareholders	**2.68**	0.27

(1) Cash payment alternatives are accounted for as cash-settled plans. As these awards can be exchanged for common shares of the company, they are considered potentially dilutive and are included in the calculation of the company's diluted net earnings per share if they have a dilutive impact in the period. Accounting for these awards as equity-settled was determined to have a dilutive impact for the year ended December 31, 2017 and December 31, 2016.

15. CASH AND CASH EQUIVALENTS

($ millions)	Dec 31 2017	Dec 31 2016
Cash	**1 184**	1 103
Cash equivalents	**1 488**	1 913
	2 672	3 016

16. SUPPLEMENTAL CASH FLOW INFORMATION

The decrease (increase) in non-cash working capital is comprised of:

($ millions)	**2017**	2016
Accounts receivable	**(79)**	(471)
Inventories	**(268)**	(218)
Accounts payable and accrued liabilities	**68**	110
Current portion of provisions	**(48)**	(98)
Income taxes payable (net)	**421**	145
	94	(532)
Relating to:		
Operating activities	**(173)**	(308)
Investing activities	**267**	(224)
	94	(532)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

($ millions)	Short-Term Debt	Current Portion of Long-Term Debt	Long-Term Debt	Partnership Liability	Dividends Payable	Derivative Liabilities (Assets)(1)
At December 31, 2016	1 273	54	16 103	—	—	17
Changes from financing cash flows:						
Net issuance of commercial paper	1 065	—	—	—	—	—
Gross proceeds from issuance of long-term debt	—	—	955	—	—	—
Debt issuance costs	—	—	(13)	—	—	—
Repayment of long-term debt	—	—	(2 561)	—	—	—
Realized foreign exchange gain	(84)	—	(612)	—	—	—
Dividends paid on common shares	—	—	—	—	(2 124)	—
Payments of finance lease liabilities	—	—	(58)	—	—	—
Net settlement of derivatives	—	—	—	—	—	25
Proceeds from sale of non-controlling interest	—	—	—	503	—	—
Distributions to non-controlling interest	—	—	—	(20)	—	
Non-cash changes:						
Dividends declared on common shares	—	—	—	—	2 124	—
Unrealized foreign exchange gain	(118)	—	(653)	—	—	—
Deferred financing costs	—	—	(14)	—	—	—
New finance lease liabilities	—	—	628	—	—	—
Unrealized fair value gain recognized in net earnings	—	—	—	—	—	(42)
Reclassification from long-term debt to current portion of long-term debt	—	17	(17)	—	—	—
Reclassification from a finance lease to a service arrangement(2)	—	—	(386)	—	—	—
At December 31, 2017	**2 136**	**71**	**13 372**	**483**	**—**	**—**

(1) Derivative liabilities (assets) relate to foreign exchange forward contracts and interest rate swaps the company may utilize for risk management purposes in relation to U.S. dollar denominated long-term debt.

(2) Service agreements are recorded in Operating, Selling and General expense as incurred.

17. INVENTORIES

($ millions)	Dec 31 2017	Dec 31 2016
Crude oil	**1 203**	1 110
Refined products	**1 268**	1 193
Materials, supplies and merchandise	**664**	680
Energy trading commodity inventories	**333**	515
Reclassified to assets held for sale (notes 36 and 37)	**—**	(258)
	3 468	3 240

During 2017, product inventories of $11.6 billion (2016 – $10.1 billion) were recorded as an expense. There was no write-down of crude oil (2016 – $32 million) and no write-down of materials, supplies and merchandise in 2017 (2016 – $26 million). Energy trading commodity inventories are measured at fair value less costs of disposal based on Level 1 and Level 2 fair value inputs.

18. PROPERTY, PLANT AND EQUIPMENT

($ millions)	Oil and Gas Properties	Plant and Equipment	Total
Cost			
At December 31, 2015	32 635	61 077	93 712
Additions	1 428	5 142	6 570
Transfers from exploration and evaluation	65	—	65
Acquisitions (notes 7 and 8)	1 678	9 128	10 806
Changes in decommissioning and restoration	(68)	21	(47)
Disposals and derecognition	(166)	(803)	(969)
Foreign exchange adjustments	(1 431)	(121)	(1 552)
Reclassified to assets held for sale (notes 36 and 37)	—	(907)	(907)
At December 31, 2016	34 141	73 537	107 678
Additions	**1 235**	**5 875**	**7 110**
Acquisitions (note 35)	**25**	**310**	**335**
Changes in decommissioning and restoration	**821**	**22**	**843**
Disposals and derecognition	**—**	**(884)**	**(884)**
Foreign exchange adjustments	**(13)**	**(256)**	**(269)**
Reclassified from assets held for sale (note 37)	**—**	**35**	**35**
At December 31, 2017	**36 209**	**78 639**	**114 848**
Accumulated provision			
At December 31, 2015	(14 442)	(18 119)	(32 561)
Depreciation and depletion	(2 598)	(3 133)	(5 731)
Disposals and derecognition	—	645	645
Foreign exchange adjustments	978	55	1 033
Reclassified to assets held for sale (notes 36 and 37)	—	195	195
At December 31, 2016	(16 062)	(20 357)	(36 419)
Depreciation and depletion	**(1 916)**	**(3 514)**	**(5 430)**
Disposals and derecognition	**—**	**368**	**368**
Foreign exchange adjustments	**3**	**126**	**129**
Reclassified from assets held for sale (note 37)	**—**	**(3)**	**(3)**
At December 31, 2017	**(17 975)**	**(23 380)**	**(41 355)**
Net property, plant and equipment			
December 31, 2016	18 079	53 180	71 259
December 31, 2017	**18 234**	**55 259**	**73 493**

($ millions)	Dec 31, 2017 Cost	Dec 31, 2017 Accumulated Provision	Dec 31, 2017 Net Book Value	Dec 31, 2016 Cost	Dec 31, 2016 Accumulated Provision	Dec 31, 2016 Net Book Value
Oil Sands	**79 625**	**(22 664)**	**56 961**	73 882	(19 341)	54 541
Exploration and Production	**21 007**	**(12 990)**	**8 017**	20 058	(12 020)	8 038
Refining and Marketing	**13 137**	**(4 906)**	**8 231**	12 741	(4 363)	8 378
Corporate, Energy Trading and Eliminations	**1 079**	**(795)**	**284**	997	(695)	302
	114 848	**(41 355)**	**73 493**	107 678	(36 419)	71 259

At December 31, 2017, the balance of assets under construction and not subject to depreciation or depletion was $15.9 billion (December 31, 2016 – $16.0 billion).

At December 31, 2017, Property, Plant and Equipment included finance leases with a net book value of $1.4 billion (December 31, 2016 – $1.2 billion).

19. EXPLORATION AND EVALUATION ASSETS

($ millions)	2017	2016
Beginning of year	**2 038**	1 681
Acquisitions and additions (notes 7, 8 and 34)	**53**	787
Transfers to oil and gas assets	**—**	(65)
Dry hole expenses	**(41)**	(204)
Impairment (note 11)	**—**	(152)
Amortization	**(1)**	(1)
Foreign exchange adjustments	**3**	(8)
End of year	**2 052**	2 038

20. OTHER ASSETS

($ millions)	Dec 31 2017	Dec 31 2016
Investments	**224**	191
Prepaids and other	**987**	1 057
	1 211	1 248

Prepaids and other includes long-term accounts receivables related to deposits paid on Notices of Reassessments that have been received from the Canada Revenue Agency (CRA) and are unlikely to be settled within one year.

21. GOODWILL AND OTHER INTANGIBLE ASSETS

	Oil Sands	Refining and Marketing			
($ millions)	Goodwill	Goodwill	Brand name	Customer lists	Total
At December 31, 2015	2 752	148	166	13	3 079
Amortization	—	—	—	(4)	(4)
At December 31, 2016	2 752	148	166	9	3 075
Disposals (note 36)	—	**(8)**	**(4)**	**(1)**	**(13)**
Additions	—	—	—	**2**	**2**
Amortization	—	—	—	**(3)**	**(3)**
At December 31, 2017	**2 752**	**140**	**162**	**7**	**3 061**

The company performed a goodwill impairment test at December 31, 2017 on its Oil Sands CGUs. Recoverable amounts were based on fair value less costs of disposal calculated using the present value of the CGUs' expected future cash flows. The primary sources of cash flow information are derived from business plans approved by executives of the company, which were developed based on macroeconomic factors such as forward price curves for benchmark commodities, inflation rates and industry supply-demand fundamentals. When required, the projected cash flows in the business plans have been updated to reflect current market assessments of key assumptions, including long-term forecasts of commodity prices, inflation rates, foreign exchange rates and discount rates specific to the asset (Level 3 fair value inputs).

Cash flow forecasts are also based on past experience, historical trends and third-party evaluations of the company's reserves and resources to determine production profiles and volumes, operating costs, maintenance and capital expenditures. Production profiles, reserves volumes, operating costs, maintenance and capital expenditures are consistent with the estimates approved through the company's annual reserves evaluation process and determine the duration of the underlying cash flows used in the discounted cash flow test.

Future cash flow estimates are discounted using after-tax risk-adjusted discount rates. The discount rates are calculated based on the weighted average cost of capital of a group of relevant peers that is considered to represent the rate of return that would be required by a typical market participant for similar assets. The after-tax discount rate applied to cash flow projections was 8% (2016 – 8%). The company based its cash flow projections on an average West Texas Intermediate (WTI) price of US$61.00 per barrel in 2018, US$68.60 per barrel in 2019, US$76.65 per barrel in 2020, and then escalating at an average of 4% per year from 2021 to 2023 and at an average of 2% thereafter, adjusted for applicable quality and location differentials depending on the underlying CGU. The forecast cash flow period ranged from 20 years to 50 years based on the reserves life of the respective CGU. As a result of this analysis, management did not identify impairment within any of the CGUs comprising the Oil Sands operating segment and the associated allocated goodwill.

The company also performed a goodwill impairment test of its Refining and Marketing CGUs. The recoverable amounts are based on the fair value less costs of disposal calculated using the present value of the CGUs' expected future cash flows, based primarily on the business plan and historical results adjusted for current economic conditions, and escalated using an inflation rate of 2% of revenue and operating costs. The after-tax discount rates applied to the cash flow projection were between 10% and 12% (2016 – between 10% and 15%). As a result of this analysis, no impairment was identified within the operating segment or the associated allocated goodwill.

22. DEBT AND CREDIT FACILITIES

Debt and credit facilities are comprised of the following:

Short-Term Debt

($ millions)	Dec 31 2017	Dec 31 2016
Commercial paper(1)	**2 136**	1 273

(1) The commercial paper is supported by a revolving credit facility with a syndicate of lenders. The company is authorized to issue commercial paper to a maximum of $4.0 billion having a term not to exceed 365 days. The weighted average interest rate as at December 31, 2017 was 1.56% (December 31, 2016 – 0.97%). Subsequent to year end, the maximum amount authorized to issue under commercial paper is increased to $5.0 billion

Long-Term Debt

($ millions)	Dec 31 2017	Dec 31 2016
Fixed-term debt, redeemable at the option of the company(2)		
6.10% Notes, due 2018 (US$1,250)	—	1 678
6.05% Notes, due 2018 (US$600)	—	809
5.80% Series 4 Medium Term Notes, due 2018	—	700
7.75% Notes, due 2019 (US$223)(3)	**288**	317
3.10% Series 5 Medium Term Notes, due 2021	**749**	748
9.25% Debentures, due 2021 (US$300)	**406**	440
9.40% Notes, due 2021 (US$220)(3)(4)	**298**	325
4.50% Notes, due 2022 (US$182)(3)	**212**	225
3.60% Notes, due 2024 (US$750)	**936**	1 002
3.00% Series 5 Medium Term Notes, due 2026(5)	**698**	698
7.875% Debentures, due 2026 (US$275)	**365**	391
8.20% Notes, due 2027 (US$59)(3)	**81**	87
7.00% Debentures, due 2028 (US$250)	**319**	342
7.15% Notes, due 2032 (US$500)	**626**	670
5.35% Notes, due 2033 (US$300)	**344**	368
5.95% Notes, due 2034 (US$500)	**625**	669
5.95% Notes, due 2035 (US$600)	**718**	769
5.39% Series 4 Medium Term Notes, due 2037	**599**	599
6.50% Notes, due 2038 (US$1,150)	**1 439**	1 540
6.80% Notes, due 2038 (US$900)	**1 151**	1 231
6.85% Notes, due 2039 (US$750)	**938**	1 004
6.00% Notes, due 2042 (US$152)(3)	**140**	151
4.34% Series 5 Medium Term Notes, due 2046(6)	**300**	300
4.00% Notes, due 2047 (US$750)(7)	**936**	—
Total unsecured long term debt	**12 168**	15 063
Finance leases(8)	**1 319**	1 134
Deferred financing costs	**(44)**	(40)
	13 443	16 157
Current portion of long-term debt		
Finance leases	**(71)**	(54)
	(71)	(54)
Total long-term debt	**13 372**	16 103

(2) The value of debt includes the unamortized balance of premiums or discounts.

(3) Debt acquired through the acquisition of COS (note 7).

(4) Subsequent to the acquisition of COS, Moody's Investors Service downgraded COS long-term senior debt rating from Baa3 (negative outlook) to Ba3 (stable outlook). This triggered a change in the coupon rate of the note from 7.9% to 9.4%.

(5) In September 2016, the company issued $700 million of senior unsecured Series 5 Medium Term notes maturing on September 14, 2026. The notes have a coupon of 3.00% and were priced at $99.751 per note for an effective yield of 3.029%. Interest is paid semi-annually.

(6) In September 2016, the company issued $300 million of senior unsecured Series 5 Medium Term notes maturing on September 13, 2046. The notes have a coupon of 4.34% and were priced at $99.900 per note for an effective yield of 4.346%. Interest is paid semi-annually.

(7) During the fourth quarter of 2017, the company issued US$750 million of senior unsecured notes maturing on November 15, 2047. The notes have a coupon of 4.00% and were priced at $99.498 per note for an effective yield of 4.029%. Interest is paid semi-annually.

(8) Interest rates range from 2.9% to 16.5% and maturity dates range from 2027 to 2062.

During the fourth quarter of 2017, the company redeemed its US$600 million (book value of $771 million) senior unsecured notes with a coupon of 6.05% originally scheduled to mature on May 15, 2018 for US$614 million ($788 million), including US$3 million ($4 million) of accrued interest. The company also redeemed its $700 million senior unsecured Series 4 Medium Term notes with a coupon of 5.80% originally scheduled to mature on May 22, 2018 for $715 million, including $3 million of accrued interest. The company realized an overall debt extinguishment loss of $26 million ($18 million after-tax).

During the second quarter of 2017, the company redeemed its US$1.250 billion (book value of $1.700 billion) senior unsecured notes originally scheduled to mature on June 1, 2018 for US$1.344 billion ($1.830 billion), including US$31 million ($42 million) of accrued interest. In conjunction with the early retirement of the notes, the company also realized gains of $62 million on foreign currency hedges resulting in an overall debt extinguishment loss of $25 million ($10 million after-tax).

During the second quarter of 2016, the company purchased US$688 million (book value of $864 million) of subsidiary debt acquired through the acquisition of COS for US$751 million ($973 million) including US$8 million ($10 million) of accrued interest, resulting in a debt extinguishment loss of $99 million ($73 million after-tax). The company also repaid approximately $600 million of the credit facility acquired in the COS transaction.

Scheduled Debt Repayments

Scheduled principal repayments as at December 31, 2017 for finance leases, short-term debt and long-term debt are as follows:

($ millions)	Repayment
2018	2 207
2019	313
2020	39
2021	1 444
2022	272
Thereafter	11 371
	15 646

Credit Facilities

A summary of available and unutilized credit facilities is as follows:

($ millions)	**2017**
Fully revolving and expires in 2021	**4 000**
Fully revolving and expires in 2020	**2 504**
Fully revolving and expires in 2018/2019	**1 580**
Can be terminated at any time at the option of the lenders	**140**
Total credit facilities	**8 224**
Credit facilities supporting outstanding commercial paper	**(2 136)**
Credit facilities supporting standby letters of credit(1)	**(1 367)**
Total unutilized credit facilities(2)	**4 721**

(1) To reduce costs, the company supported certain credit facilities with $733 million of cash collateral as at December 31, 2017 (December 31, 2016 – $1.032 billion).

(2) Available credit facilities for liquidity purposes at December 31, 2017 decreased to $4.489 billion compared to $7.467 billion at December 31, 2016, as a result of a planned $1.0 billion reduction in the company's credit facility, the company's cancellation of a $950 million credit facility that was acquired through the acquisition of COS and an increase in short-term indebtedness. The decrease in the company's credit facility and the cancellation of the credit facility were executed in 2017 as the excess liquidity is no longer anticipated to be required and the reduction will reduce future financing expense.

23. OTHER LONG-TERM LIABILITIES

($ millions)	Dec 31 2017	Dec 31 2016
Pensions and other post-retirement benefits (note 24)	**1 369**	1 464
Share-based compensation plans (note 27)	**361**	364
Partnership liability (note 38)	**483**	—
Deferred revenue	**49**	55
Libya Exploration and Production Sharing Agreement (EPSA) signature bonus(1)	**77**	83
Other	**73**	131
Reclassified to assets held for sale (notes 36 and 37)	**—**	(30)
	2 412	2 067

(1) As part of the 2009 acquisition of Petro-Canada, the company assumed the remaining US$500 million obligation for a signature bonus relating to Petro-Canada's ratification of six EPSAs in Libya. At December 31, 2017, the carrying amount of the Libya EPSAs signature bonus was $79 million (December 31, 2016 – $85 million). The current portion is $2 million (December 31, 2016 – $2 million) and is recorded in Accounts Payable and Accrued Liabilities.

24. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The company's defined benefit pension plans provide pension benefits at retirement based on years of service and final average earnings (if applicable). These obligations are met through funded registered retirement plans and through unregistered supplementary pensions that are voluntarily funded through retirement compensation arrangements, and/or paid directly to recipients. The amount and timing of future funding for these plans is subject to the funding policy as approved by the Board of Directors. The company's contributions to the funded plans are deposited with independent trustees who act as custodians of the plans' assets, as well as the disbursing agents of the benefits to recipients. Plan assets are managed by a pension committee on behalf of beneficiaries. The committee retains independent managers and advisors.

Asset-liability matching studies are performed by a third-party consultant to set the asset mix by quantifying the risk-and-return characteristics of possible asset mix strategies. Investment and contribution policies are integrated within this study, and areas of focus include asset mix as well as interest rate sensitivity.

Funding of the registered retirement plans complies with applicable regulations that require actuarial valuations of the pension funds at least once every three years in Canada, or more, depending on funding status, and every year in the United States. The most recent valuations for the Canadian plans were performed as at December 31, 2016, and for the International plans were performed as at December 31, 2015. The company uses a measurement date of December 31 to value the plan assets and remeasure the accrued benefit obligation for accounting purposes.

The company's other post-retirement benefits programs are unfunded and include certain health care and life insurance benefits provided to retired employees and eligible surviving dependants.

The company reports its share of Syncrude's defined benefit and defined contribution pension plans and Syncrude's other post-retirement benefits plan.

The company also provides a number of defined contribution plans, including a U.S. 401(k) savings plan, that provide for an annual contribution of 5% to 11.5% of each participating employee's pensionable earnings.

Defined Benefit Obligations and Funded Status

($ millions)	Pension Benefits 2017	2016	Other Post-Retirement Benefits 2017	2016
Change in benefit obligation				
Benefit obligation at beginning of year	**6 280**	4 611	**587**	502
Obligations acquired through acquisition of COS (note 7)	**—**	1 352	**—**	73
Current service costs	**193**	189	**14**	13
Plan participants' contributions	**14**	14	**—**	—
Benefits paid	**(294)**	(272)	**(21)**	(21)
Interest costs	**236**	238	**22**	23
Disposal (note 36)	**(69)**	—	**(9)**	—
Foreign exchange	**(2)**	(46)	**(1)**	(1)
Settlements	**7**	8	**—**	—
Actuarial remeasurement:				
Experience loss (gain) arising on plan liabilities	**2**	7	**(12)**	(5)
Actuarial (gain) loss arising from changes in demographic assumptions	**(4)**	8	**(9)**	(1)
Actuarial loss arising from changes in financial assumptions	**354**	171	**26**	4
Benefit obligation at end of year	**6 717**	6 280	**597**	587
Change in plan assets				
Fair value of plan assets at beginning of year	**5 356**	4 040	**—**	—
Assets acquired through acquisition of COS (note 7)	**—**	1 060	**—**	—
Employer contributions	**160**	165	**—**	—
Plan participants' contributions	**14**	14	**—**	—
Benefits paid	**(269)**	(249)	**—**	—
Disposal (note 36)	**(71)**	—	**—**	—
Foreign exchange	**(3)**	(37)	**—**	—
Settlements	**7**	8	**—**	—
Administrative costs	**(2)**	(2)	**—**	—
Income on plan assets	**200**	202	**—**	—
Actuarial remeasurement:				
Return on plan assets greater than discount rate	**407**	155	**—**	—
Fair value of plan assets at end of year	**5 799**	5 356	**—**	—
Net unfunded obligation	**918**	924	**597**	587

Of the total net unfunded obligations as at December 31, 2017, 67% relates to Canadian pension plans and other post-retirement benefits obligation (excluding Syncrude) (December 31, 2016 – 66%). The weighted average duration of the defined benefit obligation under the Canadian pension plans and other post-retirement plans (excluding Syncrude) is 13.91 years (2016 – 14.06 years).

The net unfunded obligation is recorded in Accounts Payable and Accrued Liabilities and Other Long-Term Liabilities (note 23) in the Consolidated Balance Sheets.

($ millions)	Pension Benefits 2017	2016	Other Post-Retirement Benefits 2017	2016
Analysis of amount charged to earnings:				
Current service costs	**193**	189	**14**	13
Interest costs	**36**	36	**22**	23
Defined benefit plans expense	**229**	225	**36**	36
Defined contribution plans expense	**74**	76	**—**	—
Total benefit plans expense charged to earnings	**303**	301	**36**	36

Components of defined benefit costs recognized in Other Comprehensive Income:

($ millions)	Pension Benefits 2017	2016	Other Post-Retirement Benefits 2017	2016
Return on plan assets (excluding amounts included in net interest expense)	**(407)**	(155)	**—**	—
Experience loss (gain) arising on plan liabilities	**2**	7	**(12)**	(5)
Actuarial loss arising from changes in financial assumptions	**354**	171	**26**	4
Actuarial (gain) loss arising from changes in demographic assumptions	**(4)**	8	**(9)**	(1)
Actuarial (gain) loss recognized in other comprehensive income	**(55)**	31	**5**	(2)

Actuarial Assumptions

The cost of the defined benefit pension plans and other post-retirement benefits received by employees is actuarially determined using the projected unit credit method of valuation that includes employee service to date and present pay levels, as well as the projection of salaries and service to retirement.

The significant weighted average actuarial assumptions were as follows:

(%)	Pension Benefits Dec 31 2017	Dec 31 2016	Other Post-Retirement Benefits Dec 31 2017	Dec 31 2016
Discount rate	**3.40**	3.90	**3.40**	3.80
Rate of compensation increase	**3.00**	3.20	**3.00**	3.00

The discount rate assumption is based on the interest rate on high-quality bonds with maturity terms equivalent to the benefit obligations.

The defined benefit obligation reflects the best estimate of the mortality of plan participants both during and after their employment. The mortality assumption is based on a standard mortality table adjusted for actual experience over the past five years.

In order to measure the expected cost of other post-retirement benefits, it was assumed for 2017 that the health care costs would increase annually by 6.50% per person (2016 – 6.50%). This rate will remain constant until 2019 and then will decrease 0.5% annually to 5% by 2022, and remain at that level thereafter.

Assumed discount rates and health care cost trend rates may have a significant effect on the amounts reported for pensions and other post-retirement benefits obligations for the company's Canadian plans. A change of these assumptions would have the following effects:

($ millions)	Pension Benefits Increase	Pension Benefits Decrease
1% change in discount rate		
Effect on the aggregate service and interest costs	(19)	24
Effect on the benefits obligations	(859)	1 107

($ millions)	Other Post-Retirement Benefits Increase	Other Post-Retirement Benefits Decrease
1% change in discount rate		
Effect on the benefits obligations	(72)	89
1% change in health care cost		
Effect on the aggregate service and interest costs	1	(1)
Effect on the benefits obligations	30	(25)

Plan Assets and Investment Objectives

The company's long-term investment objective is to secure the defined pension benefits while managing the variability and level of its contributions. The portfolio is rebalanced periodically, as required, while ensuring that the maximum fixed income content is 44% at any time. Plan assets are restricted to those permitted by legislation, where applicable. Investments are made through pooled, mutual, segregated or exchange traded funds.

The company's weighted average pension plan asset allocations, based on market values as at December 31, are as follows:

(%)	2017	2016
Equities, comprised of:		
– Canada	**18**	19
– United States	**19**	23
– Foreign	**19**	17
	56	59
Fixed income, comprised of:		
– Canada	**39**	39
Real estate, comprised of:		
– Canada	**5**	2
Total	**100**	100

Equity securities do not include any direct investments in Suncor shares. The fair value of equity and bond securities are based on the trading price of the underlying fund. The fair value of real estate investments is based on independent third-party appraisals.

During the year, the company made cash contributions of $160 million to its defined benefit pension plans, of which $3 million was contributed to the solvency reserve account in Alberta. The company expects to make cash contributions to its defined benefit pension plans in 2018 of $174 million.

25. PROVISIONS

($ millions)	Decommissioning and Restoration[1]	Royalties	Other[2]	Total
At December 31, 2015	5 505	323	280	6 108
Liabilities incurred	279	93	53	425
Change in discount rate	532	—	—	532
Changes in estimates	(824)	(79)	11	(892)
Liabilities settled	(269)	(30)	(68)	(367)
Accretion	269	—	—	269
Asset acquisitions	1 356	—	—	1 356
Foreign exchange	(98)	—	(1)	(99)
Reclassified to assets held for sale (notes 36 and 37)	(4)	—	(5)	(9)
At December 31, 2016	6 746	307	270	7 323
Less: current portion	(403)	(307)	(71)	(781)
	6 343	—	199	6 542
At December 31, 2016	6 746	307	270	7 323
Liabilities incurred	**494**	**29**	**34**	**557**
Change in discount rate	**255**	—	—	**255**
Changes in estimates	**92**	**(89)**	**(6)**	**(3)**
Liabilities settled	**(353)**	**(7)**	**(42)**	**(402)**
Accretion	**247**	—	—	**247**
Asset acquisitions	**5**	—	—	**5**
Foreign exchange	**(21)**	—	**(2)**	**(23)**
At December 31, 2017	**7 465**	**240**	**254**	**7 959**
Less: current portion	**(434)**	**(240)**	**(48)**	**(722)**
	7 031	—	**206**	**7 237**

(1) Represents decommissioning and restoration provisions associated with the retirement of Property, Plant and Equipment and Exploration and Evaluation assets. The total undiscounted amount of estimated future cash flows required to settle the obligations at December 31, 2017 was approximately $12.2 billion (December 31, 2016 – $11.7 billion). A weighted average credit-adjusted risk-free interest rate of 3.70% was used to discount the provision recognized at December 31, 2017 (December 31, 2016 – 3.90%). The credit-adjusted risk-free interest rate used reflects the expected time frame of the provisions. Payments to settle the decommissioning and restoration provisions occur on an ongoing basis and will continue over the lives of the operating assets, which can exceed 50 years.

(2) Includes legal, environmental and lease inducement provisions.

Sensitivities

Changes to the discount rate would have the following impact on Decommissioning and Restoration liabilities:

As at December 31	**2017**	2016
1% Increase	**(1 218)**	(1 036)
1% Decrease	**1 758**	1 506

26. SHARE CAPITAL

Authorized

Common Shares

The company is authorized to issue an unlimited number of common shares without nominal or par value.

Preferred Shares

The company is authorized to issue an unlimited number of senior and junior preferred shares in series, without nominal or par value.

Share Issuance

On June 22, 2016, the company issued 82.2 million common shares for $35.00 per common share. Gross proceeds were approximately $2.878 billion ($2.782 billion net of fees).

Normal Course Issuer Bid

On April 26, 2017, the company announced its intention to commence a new Normal Course Issuer Bid (the 2017 NCIB) to repurchase shares through the facilities of the Toronto Stock Exchange, New York Stock Exchange and/or alternative trading platforms. Pursuant to the 2017 NCIB, the company may purchase for cancellation up to approximately $2.0 billion worth of its common shares between May 2, 2017 and May 1, 2018.

The following table summarizes the share repurchase activities during the period:

($ millions, except as noted)	2017	2016
Share repurchase activities (thousands of common shares)		
Shares repurchased	**33 154**	—
Amounts charged to		
Share capital	**536**	—
Retained earnings	**877**	—
Share repurchase cost	**1 413**	—
Average repurchase cost per share	**42.61**	—

Under an automatic repurchase plan agreement with an independent broker, the company has recorded the following liability for share repurchases that may take place during its internal blackout period:

($ millions)	December 31 2017	December 31 2016
Amounts charged to		
Share capital	**97**	—
Retained earnings	**180**	—
Liability for share purchase commitment	**277**	—

27. SHARE-BASED COMPENSATION

Share-Based Compensation Expense

Reflected in the Consolidated Statements of Comprehensive Income within Operating, Selling and General expense are the following share-based compensation amounts:

($ millions)	2017	2016
Equity-settled plans	**48**	48
Cash-settled plans	**334**	395
Total share-based compensation expense	**382**	443

Liability Recognized for Share-Based Compensation

Reflected in the Consolidated Balance Sheets within accounts payable and accrued liabilities and other long-term liabilities are the following fair value amounts for the company's cash-settled plans:

($ millions)	2017	2016
Current Liability	**344**	359
Long-Term Liability (note 23)	**361**	364
Total Liability	**705**	723

The intrinsic value of the vested awards at December 31, 2017 was $399 million (December 31, 2016 – $406 million).

Stock Option Plans

Suncor grants stock option awards as a form of retention and incentive compensation.

(a) Active Stock Option Plan

Stock options granted by the company on or after August 1, 2010 provide the holder with the right to purchase common shares at the grant date market price, subject to fulfilling vesting terms. This plan replaced the pre-merger stock option plan of legacy Suncor and legacy Petro-Canada. Options granted have a seven-year life, vest annually over a three-year period and are accounted for as equity-settled awards.

The weighted average fair value of options granted during the period and the weighted average assumptions used in their determination are as noted below:

	2017	2016
Annual dividend per share	**$1.28**	$1.16
Risk-free interest rate	**1.09%**	0.55%
Expected life	**5 years**	5 years
Expected volatility	**25%**	28%
Weighted average fair value per option	**$6.42**	$4.60

The expected life is based on historical stock option exercise data and current expectations. The expected volatility considers the historical volatility in the price of Suncor's common shares over a period similar to the life of the options, and is indicative of future trends.

(b) Discontinued Stock Option Plans

Executive and Key Contributor Stock Options

Options granted under these plans generally have a seven-to-ten-year life and vest over a three-year period. These plans were in place prior to August 1, 2009, at the time of the merger between Petro-Canada and Suncor, and are accounted for as equity-settled awards.

Suncor Energy Inc. Stock Options with TSARs

Options granted between August 1, 2009 and July 31, 2010, have a seven-year life and vest annually over a three-year period. Each option included a tandem stock appreciation right (TSAR), allowing the option holder the right to receive a cash payment equal to the excess of the market price of Suncor's common shares at the time of exercise over the exercise price of the option. These awards are accounted for as cash-settled. All options granted under this plan expired at December 31, 2017.

Legacy Petro-Canada Stock Options with CPAs

Options granted to executives and key employees prior to August 1, 2009, can be settled in common shares or exchanged for a cash payment alternative (CPA). Options granted have a seven-year life, vest over periods of up to four years and are accounted for as cash-settled awards. All options granted under this plan expired at December 31, 2016.

The following table presents a summary of the activity related to Suncor's stock option plans:

	2017		2016	
	Number (thousands)	**Weighted Average Exercise Price ($)**	Number (thousands)	Weighted Average Exercise Price ($)
Outstanding, beginning of year	**31 442**	**35.98**	29 090	36.97
Granted	**7 401**	**42.04**	8 145	30.26
Exercised for cash payment	**(6)**	**32.00**	(1 441)	30.39
Exercised as options for common shares	**(6 223)**	**36.65**	(3 983)	33.36
Forfeited/expired	**(1 504)**	**42.21**	(369)	38.12
Outstanding, end of year	**31 110**	**36.96**	31 442	35.98
Exercisable, end of year	**17 363**	**36.53**	17 821	37.74

Options are exercised regularly throughout the year. Therefore, the weighted average share price during the year of $41.09 (2016 – $36.23) is representative of the weighted average share price at the date of exercise.

For the options outstanding at December 31, 2017, the exercise price ranges and weighted average remaining contractual lives are shown below:

	Outstanding			Exercisable	
Exercise Prices ($)	Number (thousands)	Weighted Average Remaining Contractual Life (years)	Weighted Average exercise price ($)	Number (thousands)	Weighted Average exercise price ($)
24.50-34.99	**11 466**	4	31.32	**6 714**	32.07
35.00-39.99	**9 987**	4	37.72	**8 006**	37.44
40.00-44.99	**8 347**	5	41.99	**1 333**	41.70
45.00-49.99	**1 197**	0	47.52	**1 197**	47.52
50.00-69.97	**113**	0	59.54	**113**	59.54
Total	**31 110**	4	36.96	**17 363**	36.53

Common shares authorized for issuance by the Board of Directors that remain available for the granting of future options:

(thousands)	**2017**	2016
	28 972	10 937

Share Unit Plans

Suncor grants share units as a form of retention and incentive compensation. Share unit plans are accounted for as cash-settled awards.

(a) Performance Share Units (PSUs)

A PSU is a time-vested award entitling employees to receive varying degrees of cash (0% – 200% of the company's share price at time of vesting) contingent upon Suncor's total shareholder return (stock price appreciation and dividend income) relative to a peer group of companies. PSUs vest approximately three years after the grant date.

(b) Restricted Share Units (RSUs)

A RSU is a time-vested award entitling employees to receive cash calculated based on an average of the company's share price leading up to vesting. RSUs vest approximately three years after the grant date.

(c) Deferred Share Units (DSUs)

A DSU is redeemable for cash or a common share for a period of time after a unitholder ceases employment or Board membership. The DSU Plan is limited to executives and members of the Board of Directors. Members of the Board of Directors receive an annual grant of DSUs as part of their compensation and may elect to receive their fees in cash only or in increments of 50% or 100% allocated to DSUs. Executives may elect to receive their annual incentive bonus in cash only or in increments of 25%, 50%, 75% or 100% allocated to DSUs.

The following table presents a summary of the activity related to Suncor's share unit plans:

(thousands)	PSU	RSU	DSU
Outstanding, December 31, 2015	2 465	19 104	1 072
Granted	1 683	6 194	186
Redeemed for cash	(1 714)	(6 649)	(40)
Forfeited/expired	(21)	(491)	—
Outstanding, December 31, 2016	2 413	18 158	1 218
Granted	**1 570**	**5 009**	**202**
Redeemed for cash	**(1 663)**	**(6 354)**	**(118)**
Forfeited/expired	**(53)**	**(741)**	—
Outstanding, December 31, 2017	**2 267**	**16 072**	**1 302**

Stock Appreciation Rights (SARs)

A SAR entitles the holder to receive a cash payment equal to the difference between the stated exercise price and the market price of the company's common shares on the date the SAR is exercised, and is accounted for as a cash-settled award.

(a) Suncor Energy Inc. SARs

These SARs have a seven-year life and vest annually over a three-year period.

(b) Legacy Petro-Canada SARs

This plan was discontinued on August 1, 2009. These SARs have a seven-year life and vest annually over a four-year period. All SARs granted under this plan expired at December 31, 2016.

The following table presents a summary of the activity related to Suncor's SAR plans:

	2017		2016	
	Number (thousands)	**Weighted Average Exercise Price ($)**	Number (thousands)	Weighted Average Exercise Price ($)
Outstanding, beginning of year	**485**	**34.90**	957	27.98
Granted	**107**	**42.05**	142	30.23
Exercised	**(176)**	**35.59**	(610)	23.07
Forfeited/expired	**(29)**	**37.32**	(4)	19.44
Outstanding, end of year	**387**	**36.38**	485	34.90
Exercisable, end of year	**162**	**35.39**	240	36.29

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company's financial instruments consist of cash and cash equivalents, accounts receivable, derivative contracts, substantially all accounts payable and accrued liabilities, debt, and certain portions of other assets and other long-term liabilities.

Non-Derivative Financial Instruments

The fair values of cash and cash equivalents, accounts receivable, short-term debt, and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of those instruments.

The company's long-term debt and long-term financial liabilities are recorded at amortized cost using the effective interest method. At December 31, 2017, the carrying value of fixed-term debt accounted for under amortized cost was $12.1 billion (December 31, 2016 – $15.1 billion) and the fair value at December 31, 2017 was $14.7 billion (December 31, 2016 – $17.5 billion). The estimated fair value of long-term debt is based on pricing sourced from market data, which is considered a Level 2 fair value input.

Suncor entered into a partnership with Fort McKay First Nation (FMFN) and Mikisew Cree First Nation (MCFN) where FMFN and MCFN acquired a combined 49% partnership in the East Tank Farm Development. The partnership liability is recorded at amortized cost using the effective interest method. At December 31, 2017, the carrying value of the Partnership liability accounted for under amortized cost was $483 million (note 38).

Derivative Financial Instruments

(a) Non-Designated Derivative Financial Instruments

- Energy Trading Derivatives – The company's Energy Trading group uses physical and financial energy derivative contracts, including swaps, forwards and options to earn trading revenues.
- Risk Management Derivatives – The company periodically enters into derivative contracts in order to manage exposure to interest rates, commodity price and foreign exchange movements and which are a component of the company's overall risk management program.

The changes in the fair value of non-designated Energy Trading and Risk Management derivatives are as follows:

($ millions)	Energy Trading	Risk Management	Total
Fair value outstanding at December 31, 2015	(18)	20	2
Cash Settlements – paid (received) during the year	29	(13)	16
Unrealized losses recognized in earnings during the year (note 9)	(47)	(25)	(72)
Fair value outstanding at December 31, 2016	(36)	(18)	(54)
Cash Settlements – (received) paid during the year	**(12)**	**17**	**5**
Unrealized losses recognized in earnings during the year (note 9)	**(37)**	**(19)**	**(56)**
Fair value outstanding at December 31, 2017	**(85)**	**(20)**	**(105)**

(b) Fair Value Hierarchy

To estimate the fair value of derivatives, the company uses quoted market prices when available, or third-party models and valuation methodologies that utilize observable market data. In addition to market information, the company incorporates transaction specific details that market participants would utilize in a fair value measurement, including the impact of non-performance risk. However, these fair value estimates may not necessarily be indicative of the amounts that could be realized or settled in a current market transaction. The company characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- Level 1 consists of instruments with a fair value determined by an unadjusted quoted price in an active market for identical assets or liabilities. An active market is characterized by readily and regularly available quoted prices where the prices are representative of actual and regularly occurring market transactions to assure liquidity.
- Level 2 consists of instruments with a fair value that is determined by quoted prices in an inactive market, prices with observable inputs, or prices with insignificant non-observable inputs. The fair value of these positions is determined using observable inputs from exchanges, pricing services, third-party independent broker quotes, and published transportation tolls. The observable inputs may be adjusted using certain methods, which include extrapolation over the quoted price term and quotes for comparable assets and liabilities.
- Level 3 consists of instruments with a fair value that is determined by prices with significant unobservable inputs. As at December 31, 2017, the company does not have any derivative instruments measured at fair value Level 3.

In forming estimates, the company utilizes the most observable inputs available for valuation purposes. If a fair value measurement reflects inputs of different levels within the hierarchy, the measurement is categorized based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the company's derivative financial instrument assets and liabilities and assets available for sale measured at fair value for each hierarchy level as at December 31, 2017 and 2016.

($ millions)	Level 1	Level 2	Level 3	Total Fair Value
Accounts receivable	46	109	—	155
Accounts payable	(100)	(109)	—	(209)
Balance at December 31, 2016	(54)	—	—	(54)
Accounts receivable	**21**	**53**	—	**74**
Accounts payable	**(74)**	**(105)**	—	**(179)**
Balance at December 31, 2017	**(53)**	**(52)**	—	**(105)**

During the year ended December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

Offsetting Financial Assets and Liabilities

The company enters into arrangements that allow for offsetting of derivative financial instruments and accounts receivable (payable), which are presented on a net basis on the balance sheet, as shown in the table below as at December 31, 2017 and 2016.

Financial Assets

($ millions)	Gross Assets	Gross Liabilities Offset	Net Amounts Presented
Derivatives	1 765	(1 610)	155
Accounts receivable	2 058	(946)	1 112
Balance at December 31, 2016	3 823	(2 556)	1 267
Derivatives	**1 126**	**(1 052)**	**74**
Accounts receivable	**2 405**	**(1 252)**	**1 153**
Balance at December 31, 2017	**3 531**	**(2 304)**	**1 227**

Financial Liabilities

($ millions)	Gross Liabilities	Gross Assets Offset	Net Amounts Presented
Derivatives	(1 819)	1 610	(209)
Accounts payable	(1 975)	946	(1 029)
Balance at December 31, 2016	(3 794)	2 556	(1 238)
Derivatives	**(1 231)**	**1 052**	**(179)**
Accounts payable	**(2 270)**	**1 252**	**(1 018)**
Balance at December 31, 2017	**(3 501)**	**2 304**	**(1 197)**

Risk Management

The company is exposed to a number of different risks arising from financial instruments. These risk factors include market risks, comprising commodity price risk, foreign currency risk and interest rate risk, as well as liquidity risk and credit risk.

The company maintains a formal governance process to manage its financial risks. The company's Commodity Risk Management Committee (CRMC) is charged with the oversight of the company's trading and credit risk management activities. Trading activities are defined as activities intended to manage risk associated with open price exposure of specific volumes in transit or storage, enhance the company's operations, and enhance profitability through informed market calls, market diversification, economies of scale, improved transportation access, and leverage of assets, both physical and contractual. The CRMC, acting under the authority of the company's Board of Directors, meets regularly to monitor limits on risk exposures, review policy compliance and validate risk-related methodologies and procedures.

The nature of the risks faced by the company and its policies for managing such risks remains unchanged from December 31, 2016.

1) Market Risk

Market risk is the risk or uncertainty arising from market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the company's financial assets, liabilities and expected future cash flows include commodity price risk, foreign currency exchange risk and interest rate risk.

(a) Commodity Price Risk

Suncor's financial performance is closely linked to crude oil prices (including pricing differentials for various product types) and, to a lesser extent, natural gas and refined product prices. The company may reduce its exposure to commodity price risk through a number of strategies. These strategies include entering into option contracts to limit exposure to changes in crude oil prices during transportation.

An increase of US$10.00 per barrel of crude oil as at December 31, 2017 would decrease pre-tax earnings for the company's outstanding derivative financial instruments by approximately $196 million (2016 – $112 million).

(b) Foreign Currency Exchange Risk

The company is exposed to foreign currency exchange risk on revenues, capital expenditures, or financial instruments that are denominated in a currency other than the company's functional currency (Canadian dollars). As crude oil is priced in U.S. dollars, fluctuations in US$/Cdn$ exchange rates may have a significant impact on revenues. This exposure is partially offset through the issuance of U.S. dollar denominated debt. A 1% strengthening in the Cdn$ relative to the US$ as at December 31, 2017 would increase earnings related to the company's debt by approximately $142 million (2016 – $129 million).

(c) Interest Rate Risk

The company is exposed to interest rate risk as changes in interest rates may affect future cash flows and the fair values of its financial instruments. The primary exposure is related to its revolving-term debt of commercial paper and future debt issuances.

To manage the company's exposure to interest rate volatility, the company may periodically enter into interest rate swap contracts to fix the interest rate of future debt issuances. As at December 31, 2017, the company had no outstanding forward starting swaps, as all the positions were settled during the year. The weighted average interest rate on total debt for the year ended December 31, 2017 was 5.7% (2016 – 6.2%).

The company's net earnings are sensitive to changes in interest rates on the floating rate portion of the company's debt, which are offset by cash balances. To the extent interest expense is not capitalized, if interest rates applicable to floating rate instruments increased by 1%, it is estimated that the company's pre-tax earnings would increase by approximately $6 million (2016 – $17 million). This assumes that the amount and mix of fixed and floating rate debt remains unchanged from December 31, 2017 and the company's cash balance, which it regularly invests in short-term financial instruments, exceeds the balance of floating rate debt. The proportion of floating interest rate exposure at December 31, 2017 was 14.9% of total debt outstanding (2016 – 7.8%).

2) Liquidity Risk

Liquidity risk is the risk that Suncor will not be able to meet its financial obligations when due. The company mitigates this risk by forecasting spending requirements as well as cash flow from operating activities, and maintaining sufficient cash, credit facilities, and debt shelf prospectuses to meet these requirements. Suncor's cash and cash equivalents and total credit facilities at December 31, 2017 were $2.7 billion and $8.2 billion, respectively. Of Suncor's $8.2 billion in total credit facilities, $4.7 billion were available at December 31, 2017. In addition, Suncor has $2.0 billion of unused capacity under a Canadian debt shelf prospectus and an unused capacity of US$2.25 billion under a U.S. debt shelf prospectus.

Surplus cash is invested into a range of short-dated money market securities. Investments are only permitted in high credit quality government or corporate securities. Diversification of these investments is managed through counterparty credit limits.

The following table shows the timing of cash outflows related to trade and other payables and debt.

($ millions)	December 31, 2016 Trade and Other Payables(1)	 Gross Derivative Liabilities(2)	 Debt(3)
Within one year	5 379	1 819	2 325
1 to 3 years	28	—	5 238
3 to 5 years	14	—	3 031
Over 5 years	43	—	19 934
	5 464	1 819	30 528

($ millions)	**December 31, 2017** **Trade and Other Payables(1)**	 **Gross Derivative Liabilities(2)**	 **Debt(3)**
Within one year	**6 024**	**1 231**	**3 027**
1 to 3 years	**38**	**—**	**1 949**
3 to 5 years	**38**	**—**	**3 184**
Over 5 years	**—**	**—**	**20 160**
	6 100	**1 231**	**28 320**

(1) Trade and other payables exclude net derivative liabilities of $179 million (2016 – $209 million)

(2) Gross derivative liabilities of $1 231 million (2016 – $1 819 million) are offset by gross derivative assets of $1 052 million (2016 – $1 610 million), resulting in a net amount of $179 million (2016 – $209 million).

(3) Debt includes short-term debt, long-term debt, finance leases and interest payments on fixed-term debt and commercial paper.

3) Credit Risk

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss. The company's credit policy is designed to ensure there is a standard credit practice throughout the company to measure and monitor credit risk. The policy outlines delegation of authority, the due diligence process required to approve a new customer or counterparty and the maximum amount of credit exposure per single entity. Before transactions begin with a new customer or counterparty, its creditworthiness is assessed, a credit rating and a maximum credit limit are assigned. The assessment process is outlined in the credit policy and considers both quantitative and qualitative factors. The company constantly monitors the exposure to any single customer or counterparty along with the financial position of the customer or counterparty. If it is deemed that a customer or counterparty has become materially weaker, the company will work to reduce the credit exposure and lower the assigned credit limit. Regular reports are generated to monitor credit risk and the Credit Committee meets quarterly to ensure compliance with the credit policy and review the exposures.

A substantial portion of the company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risk. At December 31, 2017, substantially all of the company's trade receivables were current.

The company may be exposed to certain losses in the event that counterparties to derivative financial instruments are unable to meet the terms of the contracts. The company's exposure is limited to those counterparties holding derivative contracts owing to the company at the reporting date. At December 31, 2017, the company's exposure was $1 126 million (December 31, 2016 – $1 765 million).

29. CAPITAL STRUCTURE FINANCIAL POLICIES

The company's primary capital management strategy is to maintain a conservative balance sheet, which supports a solid investment grade credit rating profile. This objective affords the company the financial flexibility and access to the capital it requires to execute on its growth objectives.

The company's capital is primarily monitored by reviewing the ratios of net debt to funds from operations[1] and total debt to total debt plus shareholders' equity.

Net debt to funds from operations is calculated as short-term debt plus total long-term debt less cash and cash equivalents divided by funds from operations for the year then ended.

Total debt to total debt plus shareholders' equity is calculated as short-term debt plus total long-term debt divided by short-term debt plus total long-term debt plus shareholders' equity. This financial covenant under the company's various banking and debt agreements shall not be greater than 65%.

The company's financial covenant is reviewed regularly and controls are in place to maintain compliance with the covenant. The company complied with financial covenants for the years ended December 31, 2017 and 2016. The company's financial measures, as set out in the following schedule, were unchanged from 2016. The company believes that achieving its capital target helps to provide the company access to capital at a reasonable cost by maintaining solid investment grade credit ratings. The company operates in a fluctuating business environment and ratios may periodically fall outside of management's targets. The company addresses these fluctuations by capital expenditure reductions and sales of non-core assets to ensure net debt achieves management's targets.

($ millions)	Capital Measure Target	**December 31, 2017**	December 31, 2016
Components of ratios			
Short-term debt		**2 136**	1 273
Current portion of long-term debt		**71**	54
Long-term debt		**13 372**	16 103
Total debt		**15 579**	17 430
Less: Cash and cash equivalents		**2 672**	3 016
Net debt		**12 907**	14 414
Shareholders' equity		**45 383**	44 630
Total capitalization (total debt plus shareholders' equity)		**60 962**	62 060
Funds from operations(1)		**9 139**	5 988
Net debt to funds from operations	<3.0 times	**1.4**	2.4
Total debt to total debt plus shareholders' equity		**26%**	28%

(1) Funds from operations is calculated as cash flow from operating activities before changes in non-cash working capital, and is a non-GAAP financial measure.

30. JOINT ARRANGEMENTS

Joint Operations

The company's material joint operations as at December 31 are set out below:

Material Joint Operations	Principal Activity	Country of Incorporation and Principal Place of Business	Ownership % 2017	Ownership % 2016
Oil Sands				
Operated by Suncor:				
Fort Hills Energy Limited Partnership	Oil sands development	Canada	53.06	50.80
Non-operated:				
Syncrude	Oil sands development	Canada	53.74	53.74
Exploration and Production				
Operated by Suncor:				
Terra Nova	Oil and gas production	Canada	37.68	37.68
Non-operated:				
White Rose and the White Rose Extensions	Oil and gas production	Canada	26.13-27.50	26.13-27.50
Hibernia and the Hibernia South Extension Unit	Oil and gas production	Canada	19.19-20.00	19.13-20.00
Hebron	Oil and gas production	Canada	21.03	21.03
Harouge Oil Operations	Oil and gas production	Libya	49.00	49.00
Buzzard	Oil and gas production	United Kingdom	29.89	29.89
Golden Eagle Area Development	Oil and gas production	United Kingdom	26.69	26.69
North Sea Rosebank Project	Oil and gas production	United Kingdom	30.00	30.00
Oda	Oil and gas production	Norway	30.00	30.00

Joint Ventures and Associates

The company does not have any joint ventures or associates that are considered individually material. Summarized aggregate financial information of the joint ventures and associates, which are all included in the company's Refining and Marketing operations, are shown below:

	Joint ventures		Associates	
($ millions)	**2017**	2016	**2017**	2016
Net earnings (loss)	**1**	1	**(3)**	(3)
Other comprehensive income	**—**	—	**—**	—
Total comprehensive income (loss)	**1**	1	**(3)**	(3)
Carrying amount as at December 31	**51**	45	**89**	93

31. SUBSIDIARIES

Material subsidiaries, each of which is wholly owned, either directly or indirectly, by the company as at December 31, 2017, are shown below:

Material Subsidiaries	Principal Activity
Canadian Operations	
Suncor Energy Oil Sands Limited Partnership	This partnership holds most of the company's Oil Sands operations assets.
Suncor Energy Ventures Corporation	A subsidiary which indirectly owns a 36.74% ownership in the Syncrude joint operation previously owned by COS.
Suncor Energy Ventures Partnership	A subsidiary which owns a 17% ownership in the Syncrude joint operation.
Suncor Energy Products Partnership	This partnership holds substantially all of the company's Canadian refining and marketing assets.
Suncor Energy Marketing Inc.	Through this subsidiary, production from the upstream Canadian businesses is marketed. This subsidiary also administers Suncor's energy trading activities and power business, markets certain third-party products, procures crude oil feedstock and natural gas for its downstream business, and procures and markets natural gas liquids (NGLs) and liquefied petroleum gas (LPG) for its downstream business.
U.S. Operations	
Suncor Energy (U.S.A.) Marketing Inc.	A subsidiary that procures and markets third-party crude oil, in addition to procuring crude oil feedstock for the company's refining operations.
Suncor Energy (U.S.A.) Inc.	A subsidiary through which the company's U.S. refining and marketing operations are conducted.
International Operations	
Suncor Energy UK Limited	A subsidiary through which the majority of the company's North Sea operations are conducted.

The table does not include wholly owned subsidiaries that are immediate holding companies of the operating subsidiaries. For certain foreign operations of the company, there are restrictions on the sale or transfer of production licences, which would require approval of the applicable foreign government.

32. RELATED PARTY DISCLOSURES

Related Party Transactions

The company enters into transactions with related parties in the normal course of business, which includes purchases of feedstock, distribution of refined products, and sale of refined products and byproducts. These transactions are with joint ventures and associated entities in the company's Refining and Marketing operations, including pipeline, refined product and petrochemical companies. A summary of the significant related party transactions as at and for the year ended December 31, 2017 and 2016 are as follows:

($ millions)	2017	2016
Sales[1]	**590**	667
Purchases	**223**	152
Accounts receivable	**44**	61
Accounts payable and accrued liabilities	**28**	42

(1) Includes sales to Parachem Chemicals Inc. of $301 million (2016 – $219 million) and UPI Inc. of nil (2016 – $226 million). The company's remaining interest in UPI Inc. was sold during the fourth quarter of 2016 and is no longer a related party. Sales to UPI Inc. up to the closing date of October 31, 2016 have been included.

Compensation of Key Management Personnel

Compensation of the company's Board of Directors and members of the Executive Leadership Team for the years ended December 31 is as follows:

($ millions)	2017	2016
Salaries and other short-term benefits	**12**	13
Pension and other post-retirement benefits	**5**	5
Share-based compensation	**49**	74
	66	92

33. COMMITMENTS, CONTINGENCIES AND GUARANTEES

(a) Commitments

Future payments under the company's commitments, including service arrangements for pipeline transportation agreements and for various premises, service stations and other property and equipment, are as follows:

	Payment due by period						
($ millions)	2018	2019	2020	2021	2022	2023 and beyond	Total
Commitments							
Product transportation and storage	1 108	976	983	993	905	9 603	**14 568**
Energy services	199	160	204	141	143	353	**1 200**
Exploration work commitments	—	115	138	157	87	—	**497**
Other	356	191	190	143	83	406	**1 369**
Operating leases	439	330	291	252	208	687	**2 207**
	2 102	1 772	1 806	1 686	1 426	11 049	**19 841**

Significant operating leases expire at various dates through 2028. For the year ended December 31, 2017, operating lease expense was $400 million (2016 – $699 million).

In addition to the commitments in the above table, the company has other obligations for goods and services and raw materials entered into in the normal course of business, which may terminate on short notice. Such obligations include commodity purchase obligations which are transacted at market prices. The company has also entered into a pipeline commitment of $8.2 billion with a contract term of 20 years, which is awaiting regulatory approval. In the event regulatory approval is not obtained, the company has not committed to reimbursing certain costs to the service provider.

(b) Contingencies

Legal and Environmental Contingent Liabilities

The company is defendant and plaintiff in a number of legal actions that arise in the normal course of business. The company believes that any liabilities that might arise pertaining to such matters would not have a material effect on its consolidated financial position.

The company may also have environmental contingent liabilities, beyond decommissioning and restoration liabilities (recognized in note 25), which are reviewed individually and are reflected in the company's consolidated financial statements if material and more likely than not to be incurred. These contingent environmental liabilities primarily relate to the mitigation of contamination at sites where the company has had operations. For any unrecognized environmental contingencies, the company believes that any liabilities that might arise pertaining to such matters would not have a material effect on its consolidated financial position.

Costs attributable to these commitments and contingencies are expected to be incurred over an extended period of time and to be funded from the company's cash flow from operating activities. Although the ultimate impact of these matters on net earnings cannot be determined at this time, the impact is not expected to be material.

Operational Risk

The company also has exposure to some operational risks, which is reduced by maintaining an insurance program.

The company carries property damage and business interruption insurance with varying coverage limits and deductible amounts based on the asset. As of December 31, 2017, Suncor's insurance program included coverage of up to US$1.3 billion for oil sands risks, up to US$0.95 billion for offshore risks and up to US$1.3 billion for refining risks. These limits are all net of deductible amounts or waiting periods and may be subject to certain price and daily volume limits. The company also has primary property insurance for up to US$400 million; also net of the deductible that covers all of Suncor's physical assets. As part of its normal course of operations, Suncor also carries risk mitigation instruments in the aggregate amount of US$300 million on certain foreign operations.

(c) Guarantees

At December 31, 2017, the company provides loan guarantees to certain retail licensees and wholesale marketers. Suncor's maximum potential amount payable under these loan guarantees is $125 million.

The company has also agreed to indemnify holders of all notes and debentures and the company's credit facility lenders (see note 22) for added costs relating to withholding taxes. Similar indemnity terms apply to certain facility and equipment leases. There is no limit to the maximum amount payable under these indemnification agreements. The company is unable to determine the maximum potential amount payable as government regulations and legislation are subject to change without notice. Under these agreements, the company has the option to redeem or terminate these contracts if additional costs are incurred.

The company also has guaranteed its working-interest share of certain joint venture undertakings related to transportation services agreements entered into with third parties. The guaranteed amount is limited to the company's share in the joint arrangement. As at December 31, 2017, the probability is remote that these guarantee commitments will impact the company.

34. ROSEBANK ACQUISITION

On October 6, 2016, Suncor completed the purchase of a 30% interest in the U.K. North Sea Rosebank project from OMV (U.K.) Limited (OMV) for an initial payment of US$50 million to OMV. In the event the co-venturers approve the Rosebank project final investment decision and Suncor elects to participate, Suncor could pay additional consideration of up to US$165 million. As the additional consideration is dependent on Suncor approval of the final investment decision, no amount has been recognized at December 31, 2017.

35. FORT HILLS

On December 21, 2017, the Fort Hills partners resolved their commercial dispute and reached an agreement in which Suncor acquired an additional 2.26% interest in the project for consideration of $308 million. Teck Resources Ltd. (Teck) also acquired an additional 0.89% interest in the project as a result of the agreement. Suncor's share in the project has increased to 53.06% and Teck's share has increased to 20.89% with Total E&P Canada Ltd. (Total) share decreasing to 26.05%.

The company has updated its commodity price, capital cost and operating cost assumptions for its Fort Hills project. As a result, the company performed an impairment test on its share of the project as at December 31, 2017. The impairment test was performed using a fair value less cost of disposal methodology, and no impairment was noted. An expected cash flow approach was used based on 2017 year end reserves data and long-range planning assumptions reviewed and approved by management, with the following assumptions (Level 3 fair value inputs):

- WCS price forecasts of $56.40/bbl in 2018, $63.60/bbl in 2019, $65.60/bbl in 2020, $67.50/bbl in 2021, $71.60/bbl in 2022, $75.00/bbl in 2023 and beyond, (expressed in real dollars), adjusted for asset specific location and quality differentials;
- risk-adjusted discount rate of 7.25% (after-tax);
- production of approximately 100,800 bbls/d, net to Suncor, following a twelve-month ramp-up period starting in the first quarter of 2018; and
- operating costs averaging approximately $21.95/bbl over the life of the project (expressed in real dollars).

Based on the above assumptions, the estimated recoverable amount in respect of the company's interest in Fort Hills exceeds the carrying value. The recoverable amount is sensitive to changes in the key assumptions. Future changes in these assumptions, individually or in combination, could result in the recoverable amount being less than the carrying value and require an impairment adjustment. A 5% decrease in the assumed realized prices would decrease the recoverable amount by approximately $1.1 billion. A 1% increase in the discount rate would decrease the recoverable amount by approximately $1.6 billion and a 5% increase in the estimated future operating costs would decrease the recoverable amount by $0.5 billion (sensitivities are after-tax).

The carrying value of the company's share of the Fort Hills project at December 31, 2017 was $11.8 billion, which includes capitalized interest, capital leases and amounts allocated to the project at the time of the company's merger with Petro-Canada in 2009.

36. SALE OF LUBRICANTS BUSINESS

On February 1, 2017, the company completed the previously announced sale of its lubricants business for proceeds of $1.1 billion before closing adjustments and other closing costs. The sale of this business resulted in an after-tax gain of $354 million, including a current tax expense of $101 million and a deferred tax recovery of $11 million, in the Refining and Marketing segment.

The table below details the assets and liabilities of the lubricants business that were held for sale as at December 31, 2016:

($ millions)	
Assets	
Accounts receivable	209
Prepaids	3
Inventories	258
Property, plant and equipment, net	428
Total assets	**898**
Liabilities	
Accounts payable and accrued liabilities	72
Income taxes payable	3
Pension liability	20
Deferred income taxes	71
Total liabilities	**166**

37. SALE OF CEDAR POINT

The company sold its interest in the Cedar Point wind facility in southwest Ontario for proceeds of $291 million before closing adjustments and other closing costs, with an effective date of January 1, 2017. The disposition resulted in an after-tax gain of $83 million, including a current tax expense of $29 million and a deferred tax recovery of $15 million, in the Corporate, Energy Trading and Eliminations segment.

The table below details the assets and liabilities of the renewable energy business that were held for sale as at December 31, 2016:

($ millions)	
Assets	
Accounts receivable	23
Property, plant and equipment, net	284
Total assets	**307**
Liabilities	
Accounts payable and accrued liabilities	12
Other long-term liabilities	10
Provisions	9
Total liabilities	**31**

38. EAST TANK FARM DEVELOPMENT PARTNERSHIP (ETFD)

The ETFD consists of bitumen storage, blending and cooling facilities and connectivity to third party pipelines and began operations on July 14, 2017. ETFD will be solely responsible for moving the product of the Fort Hills joint operation to market. On November 22, 2017, the company completed the previously announced disposition of a 49% ownership interest in the ETFD to the Fort McKay First Nation and the Mikisew Cree First Nation for gross proceeds of $503 million. Suncor retained a 51% ownership interest and remains as operator of the assets. The assets are held by a newly formed limited partnership, which has a non-discretionary obligation to distribute the variable monthly residual cash in ETFD to the partners. Therefore, the company has recorded a liability within Other Long-Term Liabilities to reflect the 49% non-controlling interest of the third parties. As a result, the company will continue to consolidate 100% of the results of the Partnership. During the year ended December 31, 2017 the company paid $25 million in distributions to the partners, of which $5 million was allocated to interest expense and $20 million to the principal.

39. SUSPENDED EXPLORATORY WELL COSTS

($ millions)	**2017**	2016
Beginning of year	—	212
Additions	—	209
Transfers to oil and gas assets	—	(65)
Capitalized exploratory well costs charged to expense	—	(356)
End of year	—	—

At December 31, 2017 and December 31, 2016, there were no suspended capitalized costs for exploratory wells. During 2016, one well was transferred to oil and gas assets as the project received sanction, and the remaining wells were impaired to a zero carrying value due to uncertainty around plans for future development.

40. SUBSEQUENT EVENTS

On February 7, 2018, Suncor reached an agreement with Canbriam Energy Inc. (Canbriam) to exchange all of Suncor's northeast British Columbia mineral landholdings, including production, and consideration of $52 million for a 37% equity interest in Canbriam, a private natural gas company. The transaction is subject to regulatory approval and is expected to close in the first quarter of 2018.

On February 12, 2018 Suncor announced that it had entered into a purchase and sale agreement with Mocal Energy Limited (Mocal) to acquire Mocal's 5% interest in the Syncrude oil sands mining and upgrading joint arrangement for US$730 million ($925 million), subject to closing adjustments. The transaction has an effective date of January 1, 2018 and closed on February 23, 2018. Upon completion of the transaction, Suncor's working interest in Syncrude increased to 58.74%.

On February 20, 2018, Suncor acquired an additional 0.49% interest in the Fort Hills project for consideration of $65 million. The additional interest is an outcome of the commercial dispute settlement agreement reached among the Fort Hills partners on December 21, 2017. Teck also acquired an additional 0.19% interest in the project. Suncor's share in the project has increased to 53.55% and Teck's share has increased to 21.08% with Total's share decreasing to 25.37%. Working interests in the Fort Hills project may continue to be adjusted in accordance with the terms of the agreement.

On February 12, 2018, Suncor reached an agreement with Faroe Petroleum to purchase a 17.5% interest in the Fenja project in Norway for US$54.5 million ($68 million). This mature, well-defined project is awaiting regulatory approval and the transaction is expected to close in the second quarter of 2018, subject to customary closing conditions.