

CORPORATE PARTICIPANTS

Steve Douglas

Vice-President, Investor Relations

Steve Williams

President & Chief Executive Officer

Steve Reynish

Executive Vice President, Strategy & Corporate Development

Alister Cowan

Executive Vice President & Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Greg Pardy

RBC Capital Markets

Guy Baber

Simmons

David McColl

Morningstar

Paul Cheng

Barclays

Mike Dunn

FirstEnergy Capital

Mohit Bhardwaj

Citigroup

Nia Williams

Reuters

Yadullah Hussain

Financial Post

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Suncor Second Quarter 2014 Conference Call and Webcast. I would now like to turn the call over to Mr. Steve Douglas, Vice President, Investor Relations. Mr. Douglas, please go ahead.

Steve Douglas, Vice President, Investor Relations

Thank you very much, Paul, and good morning to everyone. Welcome to the Suncor Energy Q2 shareholder call.

With me here in Calgary are Steve Williams, our President and Chief Executive Officer; Steve Reynish, our Executive Vice President of Strategy and Corporate Development. Steve was the acting chief financial officer until just ten days ago so he will be offering some insights into our financial performance for the quarter. And I'd like to welcome Alister Cowan, our new Executive Vice President and Chief Financial Officer

I'd ask you to note that today's comments contain forward-looking information. Our actual results may differ materially from expected results because of various risk factors and assumptions, and these are described in our Q2 earnings release as well as our current Annual Information Form, and these are both available on SEDAR, EDGAR, and our website, suncor.com

Certain financial measures that we refer to are not prescribed by Canadian Generally Accepted Accounting Principles and for a description of these measures please see the Q2 earnings release

After our formal remarks we'll open the call to questions, first from members of the investment community and then, if we have time, from members of the media.

With that I'll hand it over to Steve Williams.

Steve Williams, President & Chief Executive Officer

Thanks, Steve. Good morning and thank you for joining us today. As Steve mentioned, we are joined this morning by our new Executive Vice President and Chief Financial Officer, Alister Cowan. Alister took on his new role ten days ago but he is getting up to speed very quickly and already stepping up as a Suncor leader. So before I go into the details of our second quarter results I'd like to offer Alister the opportunity just to make a few comments on his initial impressions here at Suncor.

Alister Cowan, Executive Vice President & Chief Financial Officer

Thanks, Steve.

It's certainly good to be here and I would note that I'm certainly breaking the mould by not being named Steve. Make it easier for you. I have to say it's been a very smooth transition so far. While I may be new to Suncor, the company certainly is not new to me. Having been involved in the energy industry in Canada for several years I'm well familiar with Suncor's story, which is why I felt so compelled to join the team here.

I do feel right at home with the company's strategy and, in particular, the strong commitments to capital discipline growing shareholder value. This prudent approach to spending and a focus on returns and a growing return of cash to shareholders are certainly all part of a winning form and I'm looking forward to being part of that. I'm also looking forward to meeting and in many cases renewing acquaintances with our analysts and investors but for now I'm going to hand it back to Steve Williams and he will go into some detail on the second quarter.

Steve Williams, President & Chief Executive Officer

Okay, thanks, Alister.

So let me turn to the second quarter. I think those financial attributes that Alister mentioned are definitely going to be shown to be in play. Steve Reynish will get into more detail a bit later but I'd like to touch on some of the highlights.

During the quarter we continued to manage both our operating and capital costs very tightly and were able to deliver solid financial results once again. Our basket of oil sands products realized a price of over \$96 dollars per barrel as we took advantage of a strong pricing environment for our Canadian crudes. At the same time, we continued to focus on prudent cost management and were able to push our cash costs down close to \$34 a barrel for the quarter. So it all added up to another strong quarter of cash generation. In fact, we once again produced over \$50 of cash flow and over \$13 of free cash flow for every barrel of oil production across the enterprise. And I'm pleased to see this generate so much value from our production once again this quarter. I'm particularly pleased with the performance of the Firebag in-situ project, which has been producing reliably at nameplate capacity now with reduced steam-oil ratios.

But I'm not satisfied with the overall level of reliability we've achieved in our oil sands operation. During the quarter we dealt with a number of internal and third-party operational outages and those ranged from processing challenges in extraction and upgrading to third-party power and pipeline outages. As a result, our average production for the first half of the year has lagged slightly below our guidance range. However, I do believe we have a good understanding on the various operational issues and we are well positioned for a strong reliable performance in the second half of the year. Already in June and July our oil sands facilities have consistently operated at strong rates, which are driving both our production and cost metrics back towards the guidance range. So with limited maintenance scheduled for the remainder of the year we are still expecting to meet our 2014 oil sands guidance forecast for both production and costs.

I am confident that as we increase production in the second half of the year we will be able to access strong pricing for every barrel we produce. In the second quarter, through the combination of our integrated refining network and our strong midstream logistics, we captured global pricing for 100 percent of our upstream production. We also succeeded in significantly lowering the feedstock costs to our Montreal refinery as we moved an average of over 45,000 barrels per day of lower cost inland crudes to the Montreal plant via rail from Western Canada and via ship from the U.S. Gulf Coast. For these shipments we realized an average benefit of over \$7 per barrel versus the internationally-sourced barrels that they replaced. With work moving forward on the reversal of the Line 9 pipeline we are looking forward to increasing our integration and realizing cost advantages on a 100 percent of the Montreal refinery feedstock and we expect those benefits by early next year. So this focus on reducing costs is being applied right across our business as we seek to drive high returns over the long term. We've worked hard to instill a disciplined approach to spending and nowhere is it more evident than in our capital program.

For the current year we've reduced our projected capital spend by a \$1 billion without compromising our growth plans. Now, broadly speaking, these CapEx reductions come in three categories. The first one is reduced capital intensity, and an example of that would be in our SAGD drilling program where we've seen reductions of 15 percent or more. The second one would be deferred spending to optimize costs and schedule. You can think of that as smarter execution. In some cases we've delayed portions of our capital spending in order to improve value or reduce execution risk. And a number of

new well pads at Firebag and MacKay River fall into this category. The slowdown of the Joslyn mine would be another example and the third category is project cancellations. We have stopped spending on several capital projects that were discretionary in nature and did not have an impact on safety, environmental performance, or our growth plans, and the cancellation of our (inaudible) gas project in British Columbia and the decision to sell our Wilson Creek tight oil assets in Alberta are examples that fall into that category.

So, as I mentioned, we've managed to reduce our capital spending without compromising our growth plans. In fact, our major growth projects are moving ahead well. The Golden Eagle project in the UK and North Sea continued to make excellent progress this quarter and remains on track to produce first oil around the end of the year. The Hebron project off the East Coast of Canada is also processing well and continues to target first oil by the end of the 2017. So those two projects will add between 40,000 and 50,000 barrels per day of production and when combined with the various brownfield extensions at our other offshore projects they'll help us to overcome declines and modestly grow production in our E&P business over the next several years. Our Fort Hills mine project has steadily ramped up this year. Engineering and procurement are nearly 50 percent complete and a majority of long-lead procurement orders have been placed. Importantly, contracted pricing to date has largely been within our expectations and our capital and schedule outlook has not changed since we sanctioned the project last October. In addition to the major projects I've just mentioned, we continued to progress a host of debottleneck and reliability projects that will contribute to growing our oil sands production by about 50 percent over the next five years. But, as you've heard me repeatedly say, growth for growth's sake is not our goal. We will rigorously manage our capital spending programs to ensure we deliver strong returns for shareholders.

In addition to reducing our capital spending, we've written down the value of Joslyn and Libya as well a number of investments that were approved prior to the improved or tighter capital discipline practices that we've now undertaken. These write-downs are consistent with the disciplined capital approach to capital allocation and driving towards these higher, long-term returns for our shareholders. So with a \$1 billion reduction in capital spending and stronger than anticipated market pricing and exchange rates, we find ourselves with excess cash. We believe one of the best outlets for that cash is to return it to shareholders and to that end we've taken two important steps. We announced board approval of an immediate 22 percent increase to our normal dividend and this brings our quarterly payment to \$0.28 per share

and it pushes the five-year compounded annual growth rate on the dividend to over 40 percent. We also renewed our share buyback program effective August 5th. We are currently planning to repurchase and cancel a billion dollars worth of Suncor shares in the second half of this year. So these steps will accelerate the return of cash to our shareholders and provide a value-added outlet for the excess cash on our balance sheet. So, in summary, we're on track to meet our commitments on production and costs and we are generating a growing amount of free cash which we are returning to shareholders.

Before I finish I want to take just a moment to address the fatalities that we experienced this year. I and the management team are deeply saddened by these events and please be assured we are working very hard to understand and address the root causes. Every single employee, including me, is currently engaged in that effort.

Now I'm going to pass it over to Steve Reynish to go into some detail on our second quarter results. And, as I do that, I would like to extend my thanks to Steve for stepping up these past few months and taking on the interim CFO role whilst he continued to handle his important responsibilities on strategy and on the corporate development side. And, Steve, you've done a terrific job, so thank you. Over to you.

Steve Reynish, Executive Vice President, Strategy & Corporate Development

Well, thank you, Steve, and good morning, everybody.

Yes, I certainly enjoyed my time as interim CFO, but I'm very much looking forward to turning my full attention now back to Suncor's strategy and development. And, as you say, Steve, I'm delighted to have a seasoned financial professional like Alistair taking over the CFO role. I know he's going to make a great leadership team even better.

So, turning to the second quarter, Steve Williams touched on a number of themes and I'd like to take a few minutes to go into some of the details. We posted operating earnings of over \$1.1 billion and cash flow from operations of over \$2.4 billion, both representing healthy increases from the second quarter of last year. Our net earnings were impacted by a number of impairments totalling more than \$1.2 billion after tax. As you know, the largest component was related to the Joslyn mine project, which followed the decision in May to scale back certain development activities and concentrate on redesign work to improve the project economics. We concluded that the value of the project should be written down to reflect that

deferral in cash flow and the inherent uncertainty of future development plans. As a result, we've taken an after-tax impairment of \$718 million. We've also taken an impairment on our Libyan assets in the amount of \$297 million, or roughly half the carrying value. This is largely the result of ongoing political unrest and uncertainty in the country that has prevented any sustained production for almost a full year. And, finally, in our oil sands business, we identified a number of assets that did not fit with our new growth strategies and could not be repurposed or otherwise deployed. As a result, we've taken after-tax impairment of \$223 million. These decisions, of course, are not taken lightly. Going forward, we are increasing the amount of front end due diligence on our capital projects prior to starting capital spending. We believe this will help to steadily improve our capital efficiency and reduced the likelihood of future impairments.

Speaking of capital, during the second quarter we invested \$765 million of sustaining capital and \$885 million of growth capital. After factoring in \$113 million for capitalized interest that left us with free cash flow for the quarter of \$643 million and trailing 12-months free cash flow of \$3.6 billion, a 66 percent year-over-year increase. This continues the trend of strong, reliable, and growing free cash flow and it puts us in the position of being able to aggressively return cash to our shareholders. And it is for this reason that we recommended an out-of-cycle dividend increase to our Board of Directors. We felt that with a sharp increase in free cash flow and a cash balance above our target there was ample reason to make a move before our scheduled year-end dividend review. Now, to be clear, this does not constitute a change to the process. We will still conduct a full review as planned at the end of this year and make a recommendation to our Board based on the circumstances at that time. What this does mean though is that Suncor has become a unique offering, a large oil producer that can sustainably grow both its production and its dividends, and we think that's a very attractive combination for investors.

Finally, as expected during the second quarter, we received a notice of reassessment from the Canada Revenue Agency in the amount of approximately \$920 million. This relates to the income tax treatment of realized losses in 2007 on the settlement of certain derivative contracts. Suncor intends to file a notice of objection with the CRA appeals to dispute this matter. And, accordingly, we are provided the CRA with security for 50 percent of the assessment value and we will pursue an appeal. We expect to receive related reassessments from provincial authorities in the amount of approximately \$280 million later this year; however, we

remain steadfast in our belief that our original filing was correct and we will continue to work with tax authorities to resolve this issue.

And so with that I'll pass it back to Steve Douglas.

Steve Douglas, Vice President, Investor Relations

Well, thank you to everyone. Just before we go to questions, a few further details on the quarter. Steve mentioned the change to guidance. The entire guidance is on our website. Of course the key change is the reduction in capital spending from \$7.8 billion to \$6.8 billion. We've also raised our oil price assumptions and that results in increases to our cash taxes and to our royalties. Additionally, inventory accounting, LIFO/FIFO, the impact in the second quarter was a net charge of \$15 million, and that brings the year-to-date impact to a positive \$185 million after tax. Stock-based compensation with our share price increasing was a net after-tax charge in the second quarter of \$188 million, and that brings the year-to-date impact to an after-tax charge of \$282 million. The exchange rate of course also had an impact on our US dollar denominated debt. It was an after-tax positive impact of \$282 million in Q2 and for year to date it's a \$26 million after-tax charge.

With that, I'll turn it back to Paul for questions and answers. I'd ask you to keep them on a strategic level. Of course, as always, the IR team and the controllers will be available throughout the day to take calls around specifics and modelling calls. Paul, go ahead.

QUESTION AND ANSWER SESSION

Operator

Thank you very much. We will now take questions from the telephone lines. If you have a question and you are using a speakerphone, please lift the handset before making your selection. If you have a question, please press star one on your telephone keypad. If at any time you would like to cancel your question, please press the pound sign. Please press star one at this time if you have a question. There will be a brief pause while participants register. We thank you for your patience.

The first question is from Greg Pardy from RBC Capital Markets. Please go ahead.

Greg Pardy, RBC Capital Markets

Thanks. Good morning. Steve, you mentioned that your oil sands production levels in June and July were quite robust. Would you care to quantify either of those months?

Steve Williams, President & Chief Executive Officer

We are not quite there yet but July is going to close at just above 430.

Greg Pardy, RBC Capital Markets

430. Okay, thanks for that. Secondly, just with the CapEx reduction this year, the question is coming up as to whether you are likely to remain within a \$7 billion to \$8 billion CapEx range in 2015. I know you haven't got a budget out but could you steer us?

Steve Williams, President & Chief Executive Officer

You know, what I would say is I am bit reluctant to give guidance until normal time towards the end of the year, but what you've seen now is a sustained trend. So the way I sort of characterized it, Greg, was we've been in a transition period where we've been working on our capital discipline, which includes execution discipline. The consequence of that has been versus our initial projections each year we've reduced by about \$1 billion or even in an excess of \$1 billion. You will see that trend continue into the future. So relative to what the budget would have been.

Of course it's difficult for you to know exactly what that will be because we guide one year ahead, but you can see, you know, because of the way we are achieving it, reduced capital intensity, so actually, in lots of areas, being able to, for the same work, reduce costs. We've been deferring the spending. And you've seen that happen. It's not just we defer it from one year to the next. What you are seeing is effectively a permanent deferral on some of that stuff up because we are able to achieve each year, and you've seen much more focused on to profitable growth, so you've seen some project cancellations around areas where it's not within our strategy to be spending capital. So that's the trend overall and I'm optimistic about where we are going and we will guide specific numbers towards the end of the year.

Greg Pardy, RBC Capital Markets

Okay, thanks, Steve. And maybe just a last one for me is with respect to your common share dividend. Are you targeting a certain payout of cash flow as opposed to earnings? The reason I mention that is I know everything or all the emphasis really has been on free cash and cash flow generation but how should we be thinking about the dividend in that context?

Steve Williams, President & Chief Executive Officer

Yes, we're not guiding to a specific range. I mean you can do the calculation as well as I can and you'll see the number gets you to about 30 percent on earnings. And if I just take a step back for a second and underscore what the overall strategy has been, you've seen us working hard on operational excellence which, if you like, is the generation of maximum value from our operations. Reliability is underpinning that and it continues to get better and there's more to come. We've also focused on that with the model around the quality of the earnings and the integration of the business as well as volumes. And, if you like, you can sort of summarize all of that really simply on the cash generation side around the operating cost trend long-term continues to be down and you've seen us with confidence not re-guiding on costs and production. So we've got it deliberate now in the second half but you can see we have some comfort in that.

You then look on the other side of it, a capital discipline, there's focus on profitable growth and there's focus on more rigorous execution and we are spending the money more wisely and you've seen, you know, from your second question, the CapEx come down. That then leads us to this strategy around returning money to shareholders. And our confidence is increasing. We are now into more than three years of generating cash on a quarterly basis above and sometimes significantly above 2.25 billion dollars in the quarter. You can see us, we always said our long-term strategy was to start to get to a much more reasonable dividend level and let it follow that growth that we talked about up. And what you are seeing is that trend start to happen. As our confidence on OpEx and capital discipline is increasing, you will see us start to shift that into dividends.

So we haven't set a tight range but you can see we are clearly comfortable at this 30 percent level. Steve talked clearly about how this not a substitute for the normal end of year process in terms of cycle. On top of that, we are also very comfortable as a value share buyer of our own stock to continue at these prices. So you can see, relative to our view of the value of the stock, we are prepared to be reasonably aggressive in this second half of the year. So hopefully it gives you a clear view. We haven't given a

specific target. I wanted Alister to have the opportunity to come in and give us a fresh set of eyes around the details of our finances and where we are, I'm quite looking forward to that debate as we come towards the end of the year.

Greg Pardy - RBC Capital Markets

Steve, thanks for that. Alister, welcome aboard.

Alister Cowan, Executive Vice President & Chief Financial Officer

Thanks, Greg

Operator

Thank you, the next question is come from Guy Baber from Simmons. Please go ahead.

Guy Baber, Simmons

Thank you very much for taking the question. You mentioned in the prepared comments a host of debottlenecking and logistics projects that you all have planned that should drive some pretty significant production growth in the oil sands in 2015. Can you talk a little bit more specifically around what those projects might be and then, relatedly, do you have any early guidance with respect to how to think about kind of full-year 2015 oil sands production?

Steve Williams, President & Chief Executive Officer

Again, we haven't guided for 2015 yet and we'll guide later in the year. Think of—I mentioned a number in there, so the sum of all of those pieces around oil sands, including Fort Hills, is adding up to 50 percent increase through that period. There is a mix of projects and I will give you an indication of a few here and if you want to call later we can take you through the detail of those. There are several in-situ projects there. So you are going to see MacKay, MacKay River we talked about. We're already steaming the wells there and that's about a 20 percent expansion on that operation and the first production starts later this year. We've got some stuff on Firebag. I talked about how pleased I am with the base operation of it. The good news around Firebag is we had in our growth plan a potential sort of 20,000-plus barrel a

day debottleneck there. It appears reasonably clear now as we're operating. The first half of that is available to us at very low or maybe even zero cost. We think we are going to be able to take it up to 190,000 barrels a day plus. So there is the first part of the Firebag. And then what that means is we will be much more focused then in looking at the second stage, which we will take time to get into as we see what the limit on Firebag as we continue to bring it up to further levels. If I jump over to the base plant, we had modifications to our extraction facilities. They are working well. Post the Voyager project we were able to commission some tanks and cooling, which enabled us to blend bitumen, diluted bitumen in a different way. Those facilities are operating and operating well. So it's a multitude of small projects and if you like we can give you—we put in our investor pack a relatively detailed breakdown of how those add up through the years.

Guy Baber, Simmons

That's great. Very helpful. And then my follow-up, just to confirm, so we saw the sizable dividend increase, we also saw the buyback activity slow a little during the quarter, but just judging from your comments it appears that the dividend raise does not necessarily imply a shift in preference to dividend over buyback as you guys are going to be buying back pretty aggressively going forward. And then also you partially addressed this but can you remind us how you think about buyback in relation to the share price just given that the stock has performed pretty well so far this year? If you were to continue to perform well would you slow down on the buybacks or are you pretty confident in the ability to \$500 million over the back half of the year?

Steve Williams, President & Chief Executive Officer

I mean in a sense you sort of answered with your own question there, because you've got right principles in there. We are a value buyer of our own stock. So we have, clearly, a view of our valuation and we use various methods of doing that, including NAV, including looking at the analysts view of our net asset value. We take all of those into account. We don't talk exactly to what the value is but the indication is clear, if you like, from what we've said. At this level we are very happy to continue to buy back. The reason we slowed down was really just the mechanics of the way we buy back. We buy back in pre-considered ranges where we've guided our brokers, and because the stock price was coming up we were hitting on limits and then we were readjusting the limits as we we're doing that. So, yeah, you are right, we are

comfortable with our stock at this level. We're going to continue to buy back relatively aggressively, which tell us you what our view of the value of the company relative to our current stock price. As a longer-term trend we see dividend is the way of rewarding shareholders. What we've said is opportunistically we will buy our stock back as well if we see, um, like we've seen this year where we, um, because of the pricing in the market of products and because of our capital expenditure program, we see ourselves with excess cash on our balance sheet. You will see us opportunistically buying back stock as well, and that will continue to be one of the tools in our toolkit for a long time.

Guy Baber, Simmons

Great. That helps a lot. Thank you.

Operator

Thank you. The next question is from David McColl from Morningstar. Please go ahead.

David McColl, Morningstar

Yeah, good morning everyone. I'm wondering if we can shift gears a little bit and talk about the Montreal refinery. In particular, I know you include the rail numbers that are hitting in Montreal and mentioning that some crude commitment U.S. Gulf Coast, so the questions are is that primarily premium crude or are you taking at Eagle Ford? And related to that with timing for Line 9 do you think that Montreal be able to back out all Brent-priced crudes by the end of the year?

Steve Williams, President & Chief Executive Officer

So I'll just generally answer your question. I mean one of the powers of Suncor's integrated model is our midstream and crude movement flexibility. So what we were doing was taking advantage of the difference in prices with that import that we moved up from the Gulf. And that case it was largely Eagle Ford. There were other products, other crudes in there as well. Line 9 is progressing largely to plan. We've not given a specific date but it will be approximately at the end of this year. So as we move into next year you will see us increase the volumes into Montreal refinery at internal continental prices. We have a lot of flexibility around the operation there, so we can continue. We have enough volume on Line 9 to be able to fill the refinery when we add it to our

rail imports, so it puts us in a very powerful position. We also have some flexibility in how we move product around there depending on prices. So that's part of our midstream advantage that we have optionality around it. But, yeah, early next year we anticipate being able to fill Montreal refinery from a combination of different internal sources.

David McColl, Morningstar

Okay. And just one last thing to refresh my memory: What's the unloading capacity for rail at Montreal?

Steve Williams, President & Chief Executive Officer

Approximately 36,000 barrels a day.

David McColl, Morningstar

Okay. So you're kind of running at capacity. All right, thank you.

Operator

Thank you. The next question is from Paul Cheng from Barclays. Please go ahead.

Paul Cheng, Barclays

Hi, guys. Good morning. Alister, first, congratulations on the move. Steve, looking at your CapEx program, do you have a number you can share? What is your sustaining capital requirement to date that you are looking at, assuming that just to maintain a status quo and have a flat production without, say, any growth projects?

Steve Williams, President & Chief Executive Officer

Yes, what I would say, Paul, I'd just take the opportunity to again underline a trend that's going on. If you cast your mind back three or four years we were talking about a balance of sustaining capital and growth capital, which was weighted towards sustaining capital as we went through what we described at the time was a sort of repositioning. We were getting the facilities through their turnarounds up to the highest standards. And there would be some peaking of sustaining capital through that period. We think, on average, we finished, we've gone

through that peak now and what you've seen is a trend where sustaining capital as a ratio of total capital has been coming down. Now, as we have, because of the nature of those plants, as we have major turnarounds you will see smaller peaks at those turnarounds. Of course we don't have a big turnaround this year, we don't have a big turnaround next year. It's 2016 as we get back to it. So it's very difficult to give a representative number but it's in that sort of \$3 billion, \$4 billion range. And the assurance I would want to give is that all of this CapEx discipline and management is not about shorting our sustaining capital. We are carrying out all of the sustaining capital consistent with increasing the reliability of the plant.

Paul Cheng, Barclays

That's great. Can you just remind me that, ah, how much is the barrel that you shipped through the Keystone XL in the second quarter, your own equity barrel, and what's the benefit in the second quarter as a result of those shipments?

Steve Williams, President & Chief Executive Officer

Steve's just shouting a number out to me. About 50,000 barrels a day. I think we have capacity on the line, more than 20 plus that. So it varies depending on the balance of our own product and where we want. We put third party products through there as well.

Paul Cheng, Barclays

Do you have economic benefit associated to those 50,000 barrels per day in the second quarter you can share?

Steve Douglas, Vice President, Investor Relations

Yeah, Paul, it's Steve Douglas here. It declined and our trading profits were actually down in the second quarter as the arbitrage closed. So it was to anywhere from just shy of \$1 a barrel up to \$3 or \$4 a barrel depending on product and timing.

Paul Cheng, Barclays

And that, Steve, that's net of your transportation cost, right?

Steve Douglas, Vice President, Investor Relations

That's correct. But keep in mind that as those differentials close and the profitability isn't available to our trading group, it tends to migrate to the upstream, so we capture it in oil sands.

Paul Cheng, Barclays

Sure. Absolutely. And the final one, Steve, when do you guys go into FID on Montreal coker projects?

Steve Williams, President & Chief Executive Officer

Part of our capital discipline is that we will go through all of the appropriate project development and all of the reviews. It's just gone through one of its gate reviews and come to me, so we continue to develop the project. I would anticipate the request for funds coming across my desk sometime around the middle of next year. So we're not going to fast-track that project; it will be developed in line with our capital discipline practices.

Paul Cheng, Barclays

Perfect. Thank you.

Operator

Thank you. The next question is from Mike Dunn from FirstEnergy. Please go ahead.

Mike Dunn, FirstEnergy Capital

Hi. Good morning, everyone. Just a question on your oil sands write-down outside of Joslyn, the \$223 million items, what were those items previously intended for in terms of what production were they supposed to support, etcetera? Thank you.

Steve Douglas, Vice President, Investor Relations

Hi Mike, I will grab that one. There were a range of things in particular probably the largest portion of it was related to integration between the next phases of Firebag and

the Voyager upgrader, so a fuel gas line and a compressor, which amounted to about one half of the write-down. The reason we didn't write those down at the time of the Voyager write-down a year or so ago was we looked at were there ways of repurposing it, reusing it, and to the best of our ability we've done that. So this represents items that we simply couldn't reuse if you like

Steve Williams, President & Chief Executive Officer

Yeah, let me just add on to the back of that, Mike, because there is some good news in this as well. So let me take the Firebag five and six example. We are now moving on to a different strategy around in-situ. We talked about it at the Investor Day of replication. We've also been doing some fairly detailed work around the cost of the in-situ wells themselves and what we believe we are finding is a bit of a breakthrough in terms of a different way of expanding into in-situ at a significantly lower cost than these initial Firebag phases. So, what you will see, so what we've been doing is cleaning house as we get ready to go into that new strategy where the facilities will be lower cost and different. So there is some good news in there as well.

Mike Dunn, FirstEnergy Capital

Great, that will make sense to me. Thanks, everyone. That's it for me.

Operator

Thank you. This next question is from Mohit Bhardwaj from Citigroup. Please go ahead.

Mohit Bhardwaj, Citigroup

Thanks for taking my question. Steve, if I could just follow-up on what you just said on Firebag five and six and your strategy on a modular approach to in-situ production, how does, given how Firebag is performing right now, your strategy changes between Meadow Creek, Lewis, and Firebag going forward 2019, 2020?

Steve Williams, President & Chief Executive Officer

I mean you will see us on those projects put in the latest type of technology and investment strategy. So you will see it reflected in those. They'll be much more modular replication, lower-cost wells that we've increasingly

gained confidence on as we brought Firebag and MacKay River on. So you will see that strategy repeated in the other in-situ assets we have.

Mohit Bhardwaj, Citigroup

Steve, I was trying to ask, you know, does Firebag get preference now based upon how it's performing or, say, some of the other properties that you have, or you would just look at from a portfolio standpoint, you know, all the properties that you have in different reservoirs over there?

Steve Williams, President & Chief Executive Officer

Good question. We have vast in-situ reserves. Firebag is one of the biggest in-situ reserves. So there's considerable more development to be done at Firebag. But we will be going ahead with the project, other projects, as well. So we see a sequence of Firebag, MacKay River, Meadow, and I could keep going with that list if you wanted to. You will see us come out with a program of that kind of strategy that will bring all of those assets on.

Mohit Bhardwaj, Citigroup

All right. And if I could just ask one more on reliability, and especially in your mining operations you guys have done, you know, a lot of work on that, bringing some of the additional units online last year and just doing logistics on it and still you continue to see some problems in the first half of this year relative to the natural gas, the third-party problems or, you know, just the internal problems. Can you just talk about that and if some of the problems were new or some of the problems were just repeated as you've seen in the last few years?

Steve Williams, President & Chief Executive Officer

Yeah, I mean the first thing I would say is just to context it, you know, I mean I expressed my disappointment in the performance of the oil sands base plant but we should keep it in context relative to previous years. Reliability still continues to improve. They have been relatively minor. We still expect to be within guidance by the end of this year. So things are moving in the right direction. I'd just like to see us continue that and up the pace in a couple of cases.

I'll start with the external ones to start with. Some have been third party and we are working with our partners on those around our pipeline security and electrical security. And there's been an abundance of caution as the industry is trying to improve the reliability of those assets. One or two of them, for example, have been weather related. We had extreme weather in Fort McMurray with some rains through the second quarter and that had an impact. The other stuff is relatively minor, once off, and it's why we, when we guide we set it slight, condition it slightly below the capacity of the units. We expect to see some of those things. So there's nothing, there's nothing that's overly worrying me there. There been a sequence of minor events, which are largely are largely out of the way as we come into the second half of the year, and that's why we are comfortable sticking with our guidance.

Mohit Bhardwaj, Citigroup

Thank you for that update. If I can ask one more, just on your 12 percent ownership in Syncrude and how do you view that ownership? How strategic that as to the overall oil sands portfolio.

Steve Williams, President & Chief Executive Officer

Oil sands is the centre of Suncor. We have been not satisfied with the performance of Syncrude and are working with the other partners on that. Anticipate, you know, they've been in substantial turnarounds and expecting to see that improve. But strategically we are comfortable to work with the partners to improve the performance and reliability of the assets there.

Mohit Bhardwaj, Citigroup

Thank you for taking my questions.

Operator

Thank you. Once again, please press star one on your telephone keypad if you have a question. The next question is from Nia Williams from Reuters. Please go ahead.

Nia Williams, Reuters

Hi. I was just wondering if you foresee any problems in getting hold of labour for the Fort Hills project.

Steve Williams, President & Chief Executive Officer

Good question. You know, first of all, you heard me comment and say, in terms of engineering and procurement we're back to halfway through. We have in excess now of 2,000 people on the Fort Hills site working and the good news is we haven't experienced labour issues as we've been ramping up that labour. So, no, first indications are we've been able to get high-quality resource into the region. And, if you remember, we sort of build up just over 1,000 from one year to the next. So next year we go up to 3,500, the following year will go up to 4,500, and then it builds up to the peak, which will be between 5,000 and 5,500. So, so far, we're seeing not too much inflation in the region reflected in the estimates relative to our expectations and we've been able to get labour onto the site.

Nia Williams, Reuters

And do you think with the government's changes the temporary foreign work program it could get more difficult or do you not see that being a problem?

Steve Williams, President & Chief Executive Officer

So far it's not been a problem. We reflect the temporary foreign workers discussions in our plans going forward. Of course part of the Fort Hills plan and execution plan was to smooth the execution out. You know, you could have different manpower profiles for that plan. What we've decided to do is have a relatively flat profile by sequencing the work in almost even packages through the period. Had we done what the industry used to do, which was to build it up to a peak, you could have had potentially double the number of contractors on that site at the peak of construction. So I think it's partly to do with the strategy, partly to do with the way we are building temporary foreign workers in. We are not anticipating major problems there.

Nia Williams, Reuters

Okay, thanks.

Operator

Thank you. The next question is from Yadullah Hussain from the Financial Post. Please go ahead.

Yadullah Hussain, Financial Post

Hello. Good morning. There is still no clarity on a number of the major pipelines that are being proposed and I'm wondering if you're looking to step up your rail plan and perhaps maybe invest in terms of like some of your competitors are doing?

Steve Williams, President & Chief Executive Officer

You know, one of the strengths of Suncor is our logistics and midstream capability. We are, first of all, if I come back to the industry level, we're supporters of all of the market access projects, so we are supporters of Gateway, we're supporters of Keystone, we're supporters of the proposals to convert the gas system on Energy East to the East of Canada. We've been working and continue to work with all of those projects. We were very conservative in our plans and built in flexibility, so we already have a lot of flexibility. We don't have a serious market issue, access issue through the growth plans we're talking about through the next five years. And that's because we built the flexibility in. So we have, you know, Line 9 was very successful and it helps us in terms of managing product. We already have significant rail capability. We are one of the few companies who have access onto the Keystone South pipeline, which is operational now. So we are feeling reasonably comfortable with market access as we stand.

Yadullah Hussain, Financial Post

Thank you.

Operator

Thank you. There are no further questions registered at this time. I would now like to turn the meeting back to Mr. Douglas.

Steve Douglas, Vice President, Investor Relations

Just very quickly I'd like to thank everyone for participating. I know it's a very busy day with a number of companies releasing. We will be available throughout the day and welcome your questions. So thank you once again and we'll sign off.

Operator

Thank you. The conference is now ended. Please disconnect your lines at this time and we thank you for your participation.
