

## CORPORATE PARTICIPANTS

### **Steve Douglas**

*Vice-President, Investor Relations*

### **Steve Williams**

*President & Chief Executive Officer*

### **Alister Cowan**

*Executive Vice President & Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

### **Neil Mehta**

*Goldman Sachs*

### **Paul Cheng**

*Barclays*

### **Guy Baber**

*Simmons & Company*

### **Jason Frew**

*Credit Suisse*

### **Mike Dunn**

*FirstEnergy Capital*

### **Brian Beargie**

*Legal & General Investment Management*

### **Nima Billou**

*Veritas Investment Research*

## PRESENTATION

### **Operator**

Good morning, ladies and gentlemen, and welcome to Suncor's Fourth Quarter 2015 Financial Results 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.

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### **Steve Douglas, Vice President, Investor Relations**

Thank you, Melanie, and good morning, everyone. Welcome to Suncor Energy Q4 shareholder call. With me here in the meeting room are Steve Williams, our President and Chief Executive Officer, and Alister

Cowan, Executive Vice President and Chief Financial Officer.

Just before we begin I'd ask you to note that our comments today contain forward-looking information and the actual results may differ materially from the expected results because of various factors and assumptions described in our Q4 earnings release as well as our current AIF, and those can be found online on SEDAR, EDGAR, and suncor.com. Certain financial measures we refer to are not prescribed by Canadian GAAP and for a description of these, again, please see our Q4 earnings release.

After our formal remarks we will open the call to questions, first from members of the investment community and then, if time permits, members of the media. With that, I'll turn over to Steve Williams for his comments.

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### **Steve Williams, President & Chief Executive Officer**

Thanks, Steve. Good morning and thank you all for joining us.

For some time now I've been telling you about Suncor's commitment to capital discipline and our journey to operational excellence. We've been working relentlessly to become the most reliable and the lowest-cost operator in the sector. We've built a balance sheet that could sustain us when the inevitable downturn in crude pricing came along. 18 months ago that downturn arrived and has punished our industry, leaving many of the weaker players struggling to survive. Now I'm not going to tell you that we welcomed these much lower for much longer prices but what I would say is that we see this period as just as much an opportunity as a threat. Our goal is to use this period to build an even stronger company, a competitively advantaged company that's poised to benefit significantly when oil prices finally recover.

In 2015 we took important steps to strengthen the company. Our operational excellence initiatives continue to drive cost out of the system and increase production and reliability to record levels. Our integrated downstream business succeeded in maximizing the value of our production as it generated well over 40 percent of our cash flow in both the quarter and the full year. And of course we took further strides to profitably grow the company by closing the purchase of an additional 10 percent of the Fort Hills project from Total and by advancing the offer to purchase Canadian Oil Sands Limited.

Now I'd like to take a closer look at our performance and how we've set ourselves up for continued progress going forward. In the fourth quarter our total production averaged 583,000 barrels a day, and that's a 5 percent increase versus the same quarter in 2014. That brought our annual production to 578,000 barrels per day and that represents an 8 percent annual production increase and put us in the upper range of our guidance for the year.

At oil sands, the Firebag in-situ plant continued to outperform, averaging just under 200,000 barrels per day of production in the fourth quarter. Those results were enabled by strong infill well performance, advanced reservoir management, and the completion of a minor debottleneck project. The project involved the repurposing of equipment originally intended for the Voyageur upgrader project. It allowed us to increase the water treatment capacity at the plant for a very modest level of investment. As a result, we were able to sustain production well above previously levels and increase the nameplate capacity of the Firebag plant from 180,000 barrels a day to 203,000 barrels a day, and that's effective from January the first of this year. So what that means is that we've been able to add 23,000 barrels per day of production at a capital efficiency of less than 5,000 per flowing barrel, which I think, by any standard, is a remarkably cost effective growth project.

At the MacKay River plant we were able to increase quarterly production by over 20 percent versus last year as the debottleneck project completed earlier in the year increased name capacity by almost 20 percent to 38,000 barrels a day. Strong reliability and record production drove down our quarter-over-quarter in-situ costs by 70 percent to just over \$11.65 per barrel. Meanwhile, our base plant operations continued to achieve strong reliability from both the mining and upgrading assets flowing planned maintenance completed in October. With the solid fourth quarter we wrapped up a year at the base plant where, for the first time in our history, average mining production exceeded 300 barrels per day, 300,000 barrels per day, and upgrading throughput surpassed 90 percent of capacity. Now this high level of performance represents the early fulfillment of a five-year goal we set back in 2012. Our major turnaround maintenance this spring includes investments in the U2 complex that will help to sustain reliability at the high levels we've reached in 2015.

Overall oil sands costs for the quarter were \$28 per barrel, bringing our average oil sands cash costs for the year to \$27.85, and that's a year-over-year reduction of almost 20 percent. And of course that's measured in Canadian dollars. In U.S. currency it equates to less than \$20 per barrel. And I want to say that number again. So

in U.S. currency we've now got the costs down to just under \$20 per barrel at current exchange rates. So the net result for oil sands operations was a very strong year. Our overall production came in at the high end of our guidance, our costs were below the low end of guidance, and we simultaneously achieved record reliability.

In exploration and production, volumes for the fourth quarter came in at 112,000 barrels per day, bringing our average production for the year modestly above our original guidance range at 114,000 barrels a day. We saw continued strong low-cost production from Buzzard and Golden Eagle in the North Sea whilst modest natural declines continued to affect production off the east coast of Canada.

So let me turn to the downstream. Our refineries once again operated reliably in the fourth quarter and that's despite maintenance in both the Montreal and Edmonton plants. And we achieved average utilization of 92 percent in the fourth quarter. During the fourth quarter we were pleased to see Enbridge's Line 9 pipeline to Montreal begin operations. We now have the ability to supply our Montreal refinery with a full slate of inland crude and to integrate supply planning across our entire refining and marketing network. As we move forward this development is expected to drive significant value.

So looking back on 2015 as a whole, I'm pleased with our overall operational performance. A number of points stand out for me. This was our best year for personal safety since the Suncor Petro-Canada merger in 2009. Recordable injuries and lost-time injuries were at exceptionally low levels, reflecting a focus on safe and disciplined operations. And be assured, safety will continue to be front and centre for Suncor as we strive to continuously improve our operations.

We increased our overall production by 8 percent year over year thanks to steadily improving reliability across our operations. At the same time, we reduced our operating costs by almost \$1 billion year over year by streamlining processes, eliminating the lower priority work, and closely collaborating with our suppliers and business partners. We also reduced our capital spending by well over \$1 billion versus our original guidance will still managing to execute our critical maintenance projects and of course advance our key growth projects.

On this last point, I'm pleased we have been able to progress our major growth projects despite the extended low oil price environment. During the fourth quarter construction on the Fort Hills project surpassed 50 percent with all activities tracking to plan. Off the east coast of Canada the Hebron project also moved forward

at pace. Both projects continue to target first oil late in 2017.

And of course the other development on the growth front was our offer to purchase Canadian Oil Sands Limited in an all-share deal valued at approximately \$6.6 billion. We made the offer early in the fourth quarter and in mid-January the Canadian Oil Sands Board agreed to support our amended offer. We're now working together to reach out to Canadian Oil Sands shareholders and encourage them to tender their shares before tomorrow's deadline, which is at 4 p.m. Mountain Time.

While the Syncrude assets have performed and are certainly challenged at these current price levels, we do take a long-term view on the value of these long life assets. With a 49 percent ownership stake, Suncor will devote experienced personnel to work closely with the operator to drive major performance improvements and realize significant long-term added value for both Suncor and Canadian Oil Sands shareholders. This transaction is an excellent fit with our oil sands growth strategy and a prime example of our ability to create value during the oil price downturn in order to build an even stronger company.

A year ago we were in the early stages of the oil price collapse and I made the following comments about oil prices, and the first one was: Today's low oil prices should not come as a surprise. On the contrary, it was the stable pricing the past few years which represented the anomaly. We planned for a low crude price environment and we're prepared to manage through it. We've taken prudent actions to accelerate our cost reduction initiatives and defer discretionary capital spending until a definitive price recovery is evident. These actions will strengthen our operating model and help us to maintain or improve our competitive position. These thoughts remain true today. This is a challenging time for the entire industry but it's a challenge that Suncor is meeting head on. We will continue to focus on safe and reliable operations, to drive cost out of our business, to live within our means, and to position ourselves to take advantage of an eventual oil price recovery. So, with that, I'll pass along to Alister to go into more detail on our financial results.

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**Alister Cowan, Executive Vice President & Chief Financial Officer**

Thanks, Steve.

The final quarter of 2015, as we know, saw a further drop in global oil prices. This has certainly continued into the

new year. Our average price realizations across the upstream business fell sharply quarter over quarter. We saw price declines of over 35 percent in oil sands, on the east coast, and in the North Sea. Strong downstream margins, along with continued cost reduction initiatives right across our business, and a further decline in the value of the Canadian dollar partly offset the impact of the low crude prices.

We generated \$1.3 billion in cash flow from operations and did post an operating loss of \$26 million for the quarter. That brought our total cash flow for the year to \$6.8 billion and our operating earnings to \$1.5 billion. Now that \$6.8 billion of operating cash flow more than covered our sustaining CapEx of \$2.6 billion and our dividends of \$1.6 billion, leaving over \$2.5 billion to invest in our growth projects. We recorded a net loss of approximately \$2 billion for the quarter, driven by non-cash impairment and derecognition charges of \$1.6 billion and an unrealized foreign exchange loss on the revaluation of U.S. dollar denominated debt of \$382 million.

As a result of the deteriorating crude price environment we recorded impairment charges of approximately \$800 million in E&P related to offshore projects. Now this represented a portion of the increased value of the merger bump that was allocated to these assets at the time of the Suncor and Petro-Canada merger. And we also recorded an impairment of just under \$400 million on various oil sands projects, the largest of which related to our share of the Joslyn mine. And additionally we recorded an impairment charge of \$450 million against our Libyan assets due to escalating political unrest and increased uncertainty with respect to the company's return to normal operations in that country. Now this charge in Libya brings the net book value of those assets to zero.

During the fourth quarter we maintained our focus on cost management as we continued to seize opportunities to reduce both capital and operating expenses. On the capital front, we invested \$1.9 billion in Q4, bringing our total CapEx for the year to \$6.2 billion. This represented a saving of about \$1.3 billion versus the midpoint of our original guidance and it does speak to our commitment to exercise rigorous capital discipline and to continue to leave within our means, as Steve said.

We've taken an equally disciplined approach to managing operating costs. You'll recall that about a year ago we announced a planned reduction of \$600 million to \$800 million of operating expenses and we expected to realize these savings over a two-year period. In fact, we were able to advance that and able to capture nearly \$1 billion

in savings in 2015 alone. And you'll see total operating, selling, and general expenses fall from over \$9.5 billion in 2014 to \$8.6 billion in 2015. The major of these savings, we believe, are controllable and sustainable.

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**Steve Williams, President & Chief Executive Officer**

Yeah, I just want to jump in here to reinforce the points Alister's just made. Whilst I was very pleased at our accomplishments on the cost management side, it's very clear to me that the job is not done. In fact, I'm not sure the job of cost management is ever done. You've heard us use the phrase "This is not a crash diet, it's a change in lifestyle" and for that reason we've now taken further steps to reduce costs and preserve capital. We've decided to defer discretionary capital spending originally planned for 2016, resulting in a further reduction to this year's capital spending forecast of \$750 million. These spending cuts will not affect our production in 2016 or our major growth projects scheduled to come on stream and ramp up in 2017 and 2018. We have also reduced our 2016 operating expense budget by a further \$500 million. The process of driving out costs is relentless and continuous. With each cost reduction initiative we identify further opportunities as we continuously strive to improve our business processes. With this new target we expect to see our 2016 operating, selling, and general expenses drop towards the \$8 billion number. So moving forward we will monitor the price environment closely and make further adjustments to our spending plans as the situation warrants. Spending within our means and preserving a strong balance sheet will continue to be one of our top priorities.

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**Alister Cowan, Executive Vice President & Chief Financial Officer**

Thanks for that, Steve.

So, as Steve says, let's look at the balance sheet. It remains in very solid position. We finished 2015 with just over \$4 billion in cash, a net debt to cash flow of 1.7 times, and debt to capitalization of 28 percent. Now we also have approximately \$7 billion of unutilized lines of credit and therefore we have ample liquidity to see us through even a much lower for much longer crude price environment. Having said that, it's clear that the rating agencies are proposing to take significant downward action across the industry and my hope is that they're able to clearly distinguish between companies that have and continue to demonstrate capital discipline and financial conservatism and those that have not.

Our long-term capital allocation priorities do remain unchanged: fund the base business as it continues its operational excellence journey, to lower costs and improve reliability, invest in long-term profitable growth in our core business areas, and return meaningful cash to shareholders. While this low crude price environment endures we'll certainly continue to take the necessary steps to preserve cash and maintain our balance sheet strength. This will result in the deferral of some growth spending, as Steve said, but our major growth projects are continuing to track to plan. There's no change to the quarterly dividend, which we increased midway through last year, and at the current level we believe the dividend is competitive and certainly sustainable.

To sum up, our financial strategy remains sound in the face of a very difficult crude price environment. We're making prudent proactive moves to preserve cash and liquidity and maintain our balance sheet strength. Suncor continues to be well positioned to not only weather the storm of low crude prices but to seize opportunities during this downturn in order to strengthen and grow the company, and we plan to do just that.

Now, with that, I'm going to pass you back to Steve Douglas.

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**Steve Douglas, Vice President, Investor Relations**

Thank you, Steve, and thank you, Alister.

Just a couple of notes before we open the microphone: Obviously with the continually falling crude prices again in the fourth quarter we did have a LIFO/FIFO expense. It was, after tax, \$77 million, and for the year an expense of \$286 million. Stock-based compensation, as folks now, our shares performed well relative to the energy index throughout 2015, it was a net expense after tax of \$59 million in the fourth quarter and \$234 million for the year 2015. And, finally, the Canadian dollar continued to weaken in the fourth quarter and throughout the year so the FX impact to us was an expense of \$382 million in the fourth quarter and \$1.93 billion for the full year 2015.

I'd just refer you to changes to our guidance. Steve and Alister did mention them. No changes to production outlook but we have reduced the capital expenditure range by three quarters of a billion dollars for the year. We've also made reductions in the assumptions on oil price and associated impacts of taxes and royalties to reflect those lower price assumptions, and of course you can see full details on Suncor.com. I would note that the guidance excludes any impacts of the Canadian Oil

Sands Limited transaction, which obviously is still in process.

With that, I'll turn back to Melanie to open the microphone for questions.

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## QUESTION AND ANSWER SESSION

### Operator

Thank you. We will now take questions from the telephone lines. If you have a question and you are using a speakerphone, please lift your handset before making your selection. If you have a question, please press star one on your telephone keypad. If at any time you wish 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 the participants register. Thank you for your patience.

The first question is from Neil Mehta of Goldman Sachs. Please go ahead.

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### Neil Mehta, Goldman Sachs

Good morning, guys. Congratulations on a strong 2015 in the face of a really tough macro.

Wanted to dig into capital spending. You've reduced the CapEx here from \$6.7 billion to \$7.3 billion to \$6 billion to \$6.5 billion. How much of that delta is due to the change in timing at Firebag and then how much flexibility is there to move that lower given the growth projects that you have?

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### Steve Williams, President & Chief Executive Officer

You know, I mean these are approximate numbers, Neil, but think of somewhere in that \$50 million to \$100 million range for the Firebag and the balance of it is other action we're taking. In a few categories, ah, you will see the Montreal coker project and in-situ replication slipping one year, you'll see, um, we're working very hard on improved productivity with existing suppliers and contractors, so we will be taking a very tough review of the projects which are in flight at the moment. It's the biggest spend year for the Fort Hills project and we're hoping to be able to work with contractors there to get some further improvement in the terms of those contracts. So it's a group of items and Firebag, as I say, is about \$50 million to \$100 million.

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### Neil Mehta, Goldman Sachs

And this might be too early to say but once you add Canadian Oil Sands in there how much incremental CapEx do you anticipate that would add?

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### Steve Williams, President & Chief Executive Officer

You know, incrementally we think it's about \$250 million as we stand today. And of course depending on the crude price then that's a very low level of capital to support an asset of that size.

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### Neil Mehta, Goldman Sachs

All right. Last question for me is related to Canadian oil macro just broadly and at the current forward curve there's a lot of debate around whether Canadian oil production will grow in 2016 and 2017. Obviously there are a number of big projects of which you guys have some of those. At the current forward curve do you think oil production in Canada will grow over the next couple of years and at what point would you actually see Canadian Oil Sands broadly production shut in or is there no price point that would actually trigger that?

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### Steve Williams, President & Chief Executive Officer

You know, you do have to add as an overlay onto your question the timing. So I have no doubt that Canadian Oil Sands will grow, because there are major capital investments in flight that will be completed, and it makes absolute sense to complete those for a couple of reasons. One, these are very long life assets and we're viewing them over the life of the project. The other one from a pure execution point of view is this is a very productive time to be investing, you know, to be spending that money, because we're getting good productivity and very good quality results from the construction in the field as we speak. So I think you will see growth in the short to medium term.

The mid to longer term then is a different period and a different question, because that depends very much on the view of, the long-term view of crude. Suncor's point of view is that the market does work. We've positioned ourselves to be able to run our company this year at an average price of \$36 a barrel, which we think puts us in a very strong position, and from that, you know, we got 8 percent growth 2015 on 2014 and we have, depending on whether Canadian Oil Sands is included in this number, continues to grow right the way through until

Hebron and Fort Hills comes on line. So I see short and mid-term growth. The longer-term growth will depend on pricing. Our view of pricing is that through multiple cycles this will come back up to the supply forecast which we view through that period to be somewhere in the 70 to 90 range. So more optimistic about the long term, it's a question of when the long term actually arrives.

Your final question then was around, you know, shut-in economics, and I think what everyone has to remember is that the, you know, the fixed costs on a lot of these assets are up in the 70 percent, 80 percent range, so even if you shut down you don't take a lot of the costs out. So we—these numbers where we are, um, our cash operating costs are below US\$20 a barrel, we certainly don't see ourselves shutting in.

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**Neil Mehta, Goldman Sachs**

All right. Thanks a lot, guys.

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**Operator**

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

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**Paul Cheng, Barclays**

Hey, guys. Good morning. Maybe this is a number of quick ones for Steve. If we looked at \$35 oil, not surprisingly everyone will see cash burn, and we estimate that for you guys, including assume the Canadian Oil Sand acquisition goes through, maybe a cash burn somewhere in the \$4 billion. So should we assume as a result to conserve your balance sheet by now you're pretty much done on the M&A front or that you want to stretch your balance sheet further?

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**Steve Williams, President & Chief Executive Officer**

I mean the first, you know, I think it's the right, a good question to ask. If you actually look, you know, what I said earlier was we have looked to finance the company this year at that price you've said, Paul. We've used \$36 but we're in that mid-30s range. That covers, at that price our dividend and sustaining capital is covered and a significant contribution to our growth is covered. And, you know, I think me and you have had the conversation a number of times about the reason for putting so much cash on the balance sheet early on was effectively to pre-fund the major growth projects. So, you know, I don't

particularly like it, it's tougher than we anticipated when we started, but our plan is to be able, even at mid-30s prices, to be able to take those two projects through to completion.

One of the attractions of the operational excellence and the stringent capital discipline we've had in place is that our stock has outperformed peers through the period. So what we've been able to use to our advantage through the Canadian Oil Sands discussions has been the strength of our equity relative to Canadian Oil Sands. So it hasn't stressed, you know, we are reasonably cautiously confident that the deal is going to be progressing but we haven't, in a sense, stressed our balance sheet by going through that activity. So to the extent that there are other opportunities out there, if they are share opportunities, we will take a look. We have nothing immediately that we're involved in but we'll continue to see if that makes good sense going forward.

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**Paul Cheng, Barclays**

Steve, second question, on the debottleneck on the Firebag, so in terms of the debottlenecking opportunity is it pretty much done and then the next wave of growth will need to come from the new project (inaudible) on the SAGD side or do you have additional, you think, opportunity that could be quite meaningful?

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**Steve Williams, President & Chief Executive Officer**

You know, we have—we're continuing with the initiative. It is very much an intrinsic part of what we do now to get the assets we have very reliable and then try to find what the debottlenecks are so that we can selectively and at low cost push them backwards. I would say, you know, if you remember those conversations we were having a couple of years ago, we were looking at putting 20, I think we used the numbers then 20,000, 25,000 barrels a day on Firebag. Clearly we've been able to get that at an even lower cost than we anticipated. The next bit is a little bit tougher. We have not completely finished yet. We think there are other opportunities well below full cost but those will not happen quite as easily and in the same timeframe. So, you know, I think in a year or two's time we could be talking about a modest further increase in Firebag.

If you then look around the rest of the plants that we have, it's an ongoing process. So, you know, we talked about effectively debottlenecking upgrading by getting reliability up. You know, very proud of what the team have achieved up there. They've got it up into the 90

percent levels for the upgrader. And the mine is operating at a very high reliability level. So we're going to continue to push those and we are looking at opportunities around the upgraders themselves to see if there are some debottlenecks, but no major ones in the very short term.

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**Paul Cheng, Barclays**

Steve, just curious then, do you now feel like you have right-sized your organization or that given the activity levels that you may still have more room for you to work on the organization size?

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**Steve Williams, President & Chief Executive Officer**

You know, I'll just take the opportunity, Paul, to be a little bit clear on what we've actually done, because it's a very important question, particularly around where costs are. You know, this time last year we committed from a relatively cold start that we would be taking significant costs out and that the people component of that would be approximately 1,000. And that would be a mix of PSAs and full-time Suncor employees. So all people who were fully dedicated in their employment to running Suncor's businesses day to day. We significantly over-achieved. So we actually took just over 1,900 people out and as part of our growth process we were able, the first thing we worked very hard to do was redirect the skills of some of those people to our growth projects, so we took that expertise across into, in our case, primarily Fort Hills. We moved about 200, 250 across. So the net reduction in 2015 was about 1,700 people. So we almost doubled what we set as an objective at the beginning. And that's an indication that it wasn't about a numbers target, it was about really working on our underlying business processes to become more productive. And we had been investing for a few years on systems that would help us do that and we were able to take full advantage of them in 2015. So although I'm talking about \$500 million going forward, that is largely not about more people, that is largely about the processes and the supply chain and getting better at our business. So, yes, we're towards the end of those reductions.

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**Paul Cheng, Barclays**

Okay. A final question if I may: On the (inaudible) of the SAGD growth project, what kind of timeline and what needs to happen in order for you to be able to sanction or for you to be comfortable to sanction those projects? Thank you.

**Steve Williams, President & Chief Executive Officer**

We're in tremendous shape, Paul. We've been working steadily in the background about two main parts to the selection criteria for it. We are starting to see really exciting new technologies appear. So Mark Little and his team have been working hard on piloting at reasonable scale those technologies so that we can make the right process choices as we go into replication, because we really do what to do it once and then replicate it 10, 15 times.

We've also, in parallel with the technology choice, gone off and looked at the resource base, and of course that's where Suncor has a tremendous advantage, because it's one thing having a replication philosophy, it's another one having the volume and quality of resource that you can just put these, you know, standard manufactured plants onto. And we're already up to having identified 13 or 14 of those. So if you, you know, if you remember, we were talking about 30,000, 40,000 barrels a day plant, we were talking about 10-plus of those, so the program in design is going very well, and the only difference the announcements we've made about CapEx today will make is we will take a little bit more time around that technology development and selection and then we'll move into the replication program one year later in the early 20s.

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**Paul Cheng, Barclays**

Thank you.

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**Operator**

Thank you. The following question is from Guy Baber of Simmons. Please go ahead.

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**Guy Baber, Simmons & Company**

Good morning, everybody. I apologize in advance for asking about 2017 CapEx after you just gave us 2016 CapEx guidance but I do think that understanding the evolution of capital spend over the next few years from what's supposed to be a peak year this year is really a critical consideration and I just want to be sure that we're understanding the moving parts in terms of the longer lead time spending commitments that are falling off but also understanding some of the CapEx that has been deferred that you guys will have to spend in 2017/2018. So if you could just give us any updated colour on the

progression from this point, even at a high level, that would be appreciated.

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**Steve Williams, President & Chief Executive Officer**

Okay, thanks. And what I would do is just sort of refer to our track record. If you look at our track record, you know, we have, the principles that we've talked about are not just goals and objectives we set, we've actually adhered quite closely to them now over the last four or five years. So, you know, this principle of getting operational excellence working, getting the ops cost down, generating the cash and then living within our means. So we've been developing the projects we wanted to develop, we've been maintaining the plant to the highest of standards and increasingly, until this current cycle downturn happened, we've been returning that money to shareholders, the balance to shareholders through two means, through the share buyback and the significantly increasing dividend. You will not see us change away from those major principles. So our plan is to be prudent, to spend within our means, and be very disciplined as we go forward.

Now, as you rightly say, a significant piece of our capital budget last year and this year are discretionary growth projects, which we have the full intention of completing, but what that leaves is if you just take those out then you have a significant amount of additional cash available at any reasonable crude price. So everything from that point will be discretionary and you will see the same capital discipline exercised. So it clearly is heavily dependent on crude price but the same principles and the same priorities around capital allocation will be there. It is going to be much more difficult in that period given what we've just gone through to be spending money on growth projects unless you have a high degree of confidence in crude price going forward.

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**Guy Baber, Simmons & Company**

Got it. That's very helpful. Longer term, um, you've previously talked about \$3.5 billion to \$4.5 billion for the portfolio being a sustaining CapEx level. Is that still a good number or is there—is there downside to that number from deflation?

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**Steve Williams, President & Chief Executive Officer**

You know, for modelling purposes I would say that range is still pretty good. I mean there is some deflation and as you get more reliable then your maintenance bill does

start to come down because you're doing more and more maintenance on a planned basis rather than an unplanned basis. But I would say, you know, for modelling purposes that \$3.5 billion, \$4.5 billion is still good.

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**Guy Baber, Simmons & Company**

Okay, got it. And then last one for me: You mentioned the importance of the dividend and I was just hoping you could talk about that a little bit more around thoughts around the dividend in a capital constrained low oil price type world, just an update on how you are thinking about it, whether you look to hold at current levels or if a progressive growth policy is still something that you guys are looking to drive forward, just latest thoughts there in light of the current environment would be appreciated.

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**Alister Cowan, Executive Vice President & Chief Financial Officer**

Okay, Guy, I'll answer that one and Steve probably will jump in. You know, Steve outlined our principles and that is around, ah, one of the key ones is making sure we're returning cash to shareholders in a reasonable manner, whether it's through the dividend or it's through stock buybacks. And we want to have a competitive dividend that's sustainable and we want it to grow in the long term. Growth obviously will depend on where we get to with oil prices but we feel very comfortable with where we're at on the dividend today. As you'll recall, we increased it last summer and very comfortable with that. I think the yield is very competitive. Given where we are and even at any, ah, even at \$36 oil we're more than covering our dividend and our sustaining capital and, as Steve said, leaving some for growth. So I'm comfortable with that. I think if you look forward we'll see where the oil price goes but we are committed to increasing the returns to the shareholders.

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**Guy Baber, Simmons & Company**

Thanks very much for the answers, guys, and congrats on a strong year.

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**Operator**

Thank you. The following question is from Jason Frew of Credit Suisse. Please go ahead.

**Jason Frew, Credit Suisse**

Good morning. Thanks for taking this. I would like to ask a little bit about the downstream and maybe if, Steve, you could help reconcile some of the fundamentals there. Seems to be more debate around exposure to different product types and consumer trends in gasoline and diesel and I just wondered if you could shed some light on how Suncor is positioned to move through that.

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**Steve Williams, President & Chief Executive Officer**

Yeah, thanks, Jason. You know, we are really pleased with the model we have and we put together. We think the integrated model is really proving how valuable it is through this downturn. We're particularly proud of the downstream. I mean it really has earned the position as the number-one downstream in North America now. And what comes with that is a great deal of flexibility around the supply and supply logistics to the refineries and the operation of the refineries themselves. I think if you look at Q4 this year it was a little bit strange, as Steve said, because there was a big FIFO loss in there of just under \$80 million. There were also some one-time costs that you can see around severance and inventory. So actually when you take those into account we did much better in the quarter.

But I think your points are on the money. I think, you know, the view is with the spread between Brent and WTI and with the outlook for diesel in particular the refineries will make, I think, modestly less going forward. What I really love about the Suncor position is we're positioned to take best advantage of that. So whatever the market gives to us we will be best positioned. And of course the connection of Montreal into Line 9 was not just about the Brent and the WTI spread, it's actually to a spread of inland, a much broader basket of inland discounted crudes. So I'm still very pleased we did that piece of work and still confident it will yield benefits going forward. So I hope that helps.

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**Jason Frew, Credit Suisse**

Yep. Thank you.

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**Operator**

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

**Mike Dunn, FirstEnergy Capital**

Thanks. Good morning, everyone. Steve, maybe just to pick up on Jason's line of questioning, wondering if you can talk about what you're seeing for demand trends in your eastern, I guess your Ontario/Quebec markets, and what you're seeing out in the west. I mean the data that's available is pretty miniscule with respect to that. I would assume that with the weak economy out west in Alberta you'd be seeing maybe a weakening in demand and I'm not sure about the east. The margins in Ontario look pretty darn good right now. Thanks.

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**Steve Williams, President & Chief Executive Officer**

Yeah, I mean you've sort of nailed it there, Mike. I mean if you look at it generally what we've been able to see is, and I'll take a step back, and so this is the umbrella, and then I'll talk about western demand as we've been seeing it. Generally what we've seen is as prices, particularly for gasoline, have been coming down we've seen a modest increase in demand for product. And I think that's been reflected through, you know, if you look at the statistics around auto purchases, they've been up, and there's been a slight shift back to the bigger SUVs, particularly in the U.S.

So we've seen that. We've seen a reasonably healthy demand. Now that is stronger east than it is west and we've seen exactly as you say. As the general economic activity in the west has come down, particularly here in Alberta, we've seen a softening on diesel demand, and that's mean we've been exporting that material, the majority of it down to the U.S. but some further afield. So you're right. And we expect, you know, it's not easy to see that turning around very quickly.

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**Mike Dunn, FirstEnergy Capital**

Okay. Thanks, Steve, that helps. I appreciate it.

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**Operator**

Thank you. The following question is from Chris Cox of Raymond James. Please go ahead.

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**Chris Cox, Raymond James**

(Inaudible)

**Operator**

I'm sorry, Mr. Cox, we're unable to hear you. There's some static on the line.

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**Chris Cox, Raymond James**

(Inaudible)

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**Steve Douglas, Vice President, Investor Relations**

I think maybe if Chris could call back in and we'll take the next question.

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**Operator**

Certainly. The following question is from Brian Beargie of Legal & General Investments. Please go ahead.

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**Brian Beargie, Legal & General Investment Management**

Hi. Good morning. Just to go back to the dividend again, you know, your comments about I guess not cutting the dividend and not expecting to and I guess the expected cash burn this year and potentially next if oil prices continue to stay at these levels seems in direct contrast to I guess your comments regarding maintaining balance sheet strength. I guess we're looming, I guess, in rating agency downgrades, some fear multiple notches, I guess is there a level that you need to see before you would consider cutting the dividend?

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**Steve Williams, President & Chief Executive Officer**

I mean I think Alister spoke to the general principles there, Brian, and what we're doing is, I mean if you look at the sequence of things we are able to control, we deliberately came in with, you know, too much cash on our balance sheet, to be honest, and that was absolutely to be able to protect Fort Hills and Hebron. And, you know, for a while we were running at the \$5 billion, \$5.5 billion of cash there. So it was always part of our plan to modestly run that down to our target, which is nearer \$3 billion. We've done aggressive OpEx cuts, we've done aggressive CapEx costs, and we are bouncing within our plans, our finances at \$36 a barrel for this year. So we have to see if on average, you know, the average price that we saw last year was \$54, so we keep a very, very

close eye on that. Of course the other piece we have is for non-core assets we have the opportunity for asset sales during the year. So we have just quietly in the background positioned some of these non-core assets to be of further assistance. So, you know, Alister was right, we are, um, you can never say never because we don't know exactly what the crude price will be but for any circumstance we can currently see coming at us at the moment we believe we will be able to protect that dividend. And we have this OpEx, CapEx, and asset sales that we're lined up to do.

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**Brian Beargie, Legal & General Investment Management**

So has the Board actually met already with regards to the dividend or is it upcoming?

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**Steve Williams, President & Chief Executive Officer**

Yes, we've had Board meetings this week and we announced yesterday to continue the dividend.

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**Brian Beargie, Legal & General Investment Management**

Okay. And, once again, with regards to the rating, you know, certainly we're seeing significant decreases in ratings across the energy spectrum, you know, I guess what's your pain threshold with regards to it. You certainly have outlined some of your cash preservation efforts but, nonetheless, leverage is still rising no matter how you look at it and, you know, at some point you need to consider taking that path.

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**Steve Williams, President & Chief Executive Officer**

Let me give you our view on it. I mean clearly there are industry conversations going on with the debt rating agencies around current ratings. Suncor is in a very strong position because we have a high-quality rating with the agencies. And even if we were to take, we're not aiming, obviously not aiming to, but even if we were part of that downdraft and we took a downgrade we would expect it to be one. Conceivably it could be more but that wouldn't seem to be appropriate for Suncor right now. That still leaves us with quality investment-grade credit ratings. For a lot of the industry, I think, there may well be credit downgrades which take them from investment grade to a junk status. So, you know, we're working hard to protect that. We've got the capital, we've got the plans

in place, and the discipline to execute them, but I think, you know, as you say, the industry outlook in the short term is a difficult one, so it's difficult to separate yourself apart from that completely. We're hoping we'll get some recognition for the discipline we've exercised.

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**Brian Beargie, Legal & General Investment Management**

Okay, thank you.

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**Operator**

Thank you. The following question is from Nima Billou of Veritas Investment Research. Please go ahead.

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**Nima Billou, Veritas Investment Research**

Good morning. A quick question: Why stop at COS? If you're one of the best operators in the oil sands, and I think you've done a very capable and competent job, and you're looking for growth and have a constructive view on more material oil prices, why not MEG Energy and Cenovus? I think they'd make ideal targets for Suncor and I think you could bring the same expertise to bear that you would to COS and you'd be able to fund their growth for many years.

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**Steve Williams, President & Chief Executive Officer**

Thanks for the question. I mean you make a very interesting point. We're very pleased and, as I say, cautiously optimistic around the Canadian Oil Sands deal progressing later this week. We have a very active M&A group that keeps a watch on companies that operate within our core businesses and that we think there may be synergies with. As I say, there are no plans in place for an immediate follow up to the Canadian Oil Sands potential deal but we continue to look. That's why in my general comments, I think the words I used were we see this as much as an opportunity as a threat, and so we look to see if there are areas where we could add value. So nothing in our, no details in our plans at the moment, but your question is very valid.

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**Nima Billou, Veritas Investment Research**

Thank you very much. And one final question: You've done an excellent job on the refining side but I just want

to sort of poke into the granularity a little bit. Your operations are most levered to Chicago crack spreads yet refining has continued to demonstrate strength. How much of that cash flow resiliency is driven by other crack spreads in general, how much of it is driven by the benefits from an FX tailwind, because FX has been favourable for you guys? I just wanted to get a sense as to the source of that resiliency. Because those spreads are certainly contracting for Chicago. Structurally Brent WTI spreads should be contracting in the future, because the U.S. can now export WTI, so WTI prices will be going up, and Iranian oil could potentially get in the European markets, bringing Brent down. So I just wanted to get a sense as to why the refining segment held up so well.

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**Steve Douglas, Vice President, Investor Relations**

Nima, it's Steve Douglas here, and I'll just give you a summary comment and then we can pick that up off line if you'd like. But what I would say is the link to Chicago is not that strong. If you look at refining orbits like Denver or Edmonton, they're essentially logistical islands which can sustain strong margins and strong location differentials relative to the Gulf Coast or Chicago or New York for extended periods of time. So we're really not bound by Chicago cracks. And we have set up our business such that, A, we have, I'll say advantaged feedstock supply costs—

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**Nima Billou, Veritas Investment Research**

Understood.

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**Steve Douglas, Vice President, Investor Relations**

—access to a range of inland crudes, and B, such that we're sold out, so we run at capacity most of the year. But happy to pick that up further in a follow up.

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**Nima Billou, Veritas Investment Research**

No, that's—

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**Steve Douglas, Vice President, Investor Relations**

With that, we have run out of time, so I'm going to say thank you to everyone for participating and obviously, as always, the Investor Relations team remains open to calls

and emails, so we'll look to follow up with you after the call. Thank you.

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**Operator**

Thank you. The conference has now ended. Please disconnect your lines at this time. We thank you for your participation.

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