Thursday, 8th February 2018

Operator: Good day, ladies and gentlemen, and welcome to the Suncor fourth-quarter 2017 financial results conference call. As a reminder, this conference call may be recorded.

It is now my pleasure to hand the conference over to Mr. Steve Douglas, Vice President, Investor Relations.

Introduction
Steve Douglas
Vice President of Investor Relations, Suncor Energy Inc.

Welcome

Thank you, operator, and good morning, everyone. Welcome to the Suncor Energy Q4 earnings call. With me here in Calgary this morning are Steve Williams, our President and Chief Executive Officer; Mark Little, our Chief Operating Officer; and Alister Cowan, EVP and Chief Financial Officer.

I would ask you to note that today's comments contain forward-looking information. Actual results may differ materially from expected results because of various risk factors and assumptions, and these are described in our fourth-quarter earnings release as well as our current AIF. And they are both available on SEDAR, EDGAR and our website, Suncor.com.

Certain financial measures that we refer to are not prescribed to Canadian GAAP, but for a description of these measures, please see again our Q4 earnings release. Following 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 will turn it over to Steve Williams.

Quarter Highlights
Steve Williams
President, Chief Executive Officer, Suncor Energy Inc.

Thanks, Steve. Good morning and let me add to Steve's thanks to you for joining us. The first call of the year is always a little bit different. We certainly want to provide colour on the very strong operational and financial results we delivered in 2017, but this call also marks the beginning of the new year.

And I know that both investors and analysts are looking forward with great interest, particularly in light of the improving global supply/demand balance. So have a great deal of positive news to report on, both from the year gone by and the year to come. So let me get started.

I'm going to kick off with the financial and operational highlight followed by a strategy update. I will then pass over to Mark Little and Alister Cowan to provide some additional detail on our operational and financials respectively.
The fourth quarter marked the first time in Suncor's history that we've exceeded CAD3 billion of quarterly funds flow. This broke the previous record of CAD2.9 billion which was set in the first quarter of 2014, interestingly, when WTI oil price averaged just under CAD100 a barrel, almost 80% higher than the fourth quarter's average of USD55.40 per barrel. So clearly we've taken some significant steps to increase the profitability of our business in the past three years.

Our assets operated reliably during the quarter with upgrading at our base plant and Syncrude hitting utilization rates of 93% and 94% respectively. Our refineries also averaged 94% utilization for the quarter, resulting in record throughput for the year as a whole.

Total upstream production in the quarter was Suncor's second highest ever, falling just shy of our record third quarter. And notably we recorded almost 8,000 barrels per day of production from startup operations at Hebron and Fort Hills.

We were very pleased to see Hebron's first production come online in November, about a month ahead of schedule. Development drilling will continue and we expect the project to contribute close to 10,000 barrels per day to Suncor's production this year.

Fort Hills we completed multiple test runs of the front end of the plant and produced over 1.4 million barrels of froth, most of which was shipped to our base plant for further processing. In late January we successfully started up the first of three secondary extraction trains and began producing high-quality PFT bitumen, which has a lower lifecycle carbon footprint than the average barrel of oil refined in the United States today.

Now let me just repeat that. The lifecycle carbon footprint of Fort Hills bitumen is actually lower than the average barrel of oil currently refined in the US. So that lower carbon production is shipped by pipeline to the East tank farm where it is blended and sent to market. The East Tank Farm, of course, a significant project in its own right. Suncor built and operates the $1 billion state-of-the-art facility for blending, storing and shipping Fort Hills bitumen.

And in a landmark bill which closed in the fourth quarter, Suncor created a partnership with the Fort McKay and Mikisew Cree First Nations which saw them acquire a combined 49% interest in these assets. And this represents the largest First Nations business investment ever made in Canada. And it sets a new standard in terms of how natural resource companies and First Nations can work together for mutual long-term benefit.

During the quarter we were able to reach agreements with our partners in the Fort Hills project to resolve the previously announced commercial dispute. Under the terms of the agreement Suncor acquired a further 2.26% working interest in the project for a payment of about approximately CAD300 million. And that equates to a capital intensity of about CAD69,000 per flowing barrel. So our working interest in Fort Hills is now just over 53%.

As everyone knows, Suncor has a capable and experienced development group. We were one of the few companies to be able to take advantage of low oil prices back in 2015 and 2016 to make some significant acquisitions at very attractive valuations while still maintaining our strong balance sheet. We continue to evaluate market opportunities as we have through the crude price cycle.

We do have news today on the natural gas front. As everyone who follows Suncor will remember, several years ago we made a call on natural gas and divested substantially all of our gas producing assets prior to the sharp fall in gas prices. At that time we retained a significant set of leases in the Montney with a view to potential development at some point in the future.
Today I’m pleased to announce that, subsequent to the end of the quarter, Suncor reached an agreement with Canbria Energy to exchange all of Suncor’s Northeast British Columbia landholdings and consideration of CAD52 million for a 37% equity interest in Cambrian.

This transaction is fully consistent with our philosophy of natural developer, so placing the assets in the hands of those with the best technical expertise and focus to develop them both safely and efficiently. And it allows us to share in the new value that's created while maintaining our focus on our core areas. So we expect the deal to close later in the first quarter.

So we’ve clearly been very active steadily growing the Company both organically and inorganically. But this has not been, as you've heard me say before, growth for growth’s sake. We are focused on strengthening our core business, taking advantage of integration opportunities across our asset base as we start to assert what we are calling the Suncor advantage.

And Suncor advantage lies in primarily in four areas: a long life low decline resource base that is competitive and increasingly carbon competitive, not just cost competitive; a highly efficient tightly integrated downstream that maximizes the value of every oil sands barrel of production and helps to cushion us from the effects of Western Canadian crude price differentials and largely mitigates the impact of crude price differentials; a highly profitable and focused offshore business that provides geographic and funds flow diversification; and fourth, a strong financial position and balance sheet with management focus on capital discipline and adding value.

So we closed out 2017 with a record fourth quarter. With rising production and declining capital spending and our strong integrated business model, we're set up for continued success in 2018. So, I’m going to ask our Chief Operating Officer, Mark Little, now to go into a little more detail on our operational performance in the fourth quarter. Mark.

**Operational Highlights**

Mark Little

*Chief Operating Officer, Suncor Energy Inc.*

Thanks, Steve, and good morning, everyone. As Steve noted, our assets operated reliably throughout the fourth quarter, resulting in near record production from the upstream and record annual crude throughput in the downstream. The strong quarterly performance put a cap on a very solid operational year for us and I just wanted to highlight a few of these details.

Total oil sands production was up almost 12% year-over-year averaging almost 564,000 barrels per day. With continued reliability improvements anticipated at Syncrude and the ramp up of Fort Hills production, we expect a further increase in 2018 of about 15%.

Our E&P production was slightly down in the fourth quarter primarily due to the unplanned outage at the Forties pipeline which shut in Buzzard production for a good part of December. For the full year however E&P production came in 3% higher than 2016. Looking forward we expect the ramp up of Hebron production to offset the natural declines in 2018 and enable us to reach our guidance range of 105,000 to 115,000 barrels per day.

In the downstream we continue to run our refineries at full rates to take advantage of strong market conditions as we set a record for annual crude throughput and utilization for the year of 96%.

Strong reliability generally leads to low unit costs and that was certainly the case for Suncor in 2017. Our oil sands operations cash costs per barrel were down 3% in the fourth quarter to CAD24.20 and 10% for the full year to CAD23.83 representing 10-year lows for both periods.
For the year we achieved cost reductions in every area of our oil sands operations. In situ cash costs were down 4% to CAD10.50 per barrel, mining costs were down 14% to CAD22 per barrel, and upgrading costs were down 33% to just CAD3.59 per barrel. And remember, these numbers are for the full year so they include maintenance downtime and associated costs.

In E&P we also saw year-over-year declines in operating expenses with costs down 11% on the East Coast to CAD11.24 per barrel and costs in the UK North sea dropping by 18% to just CAD4.62 per barrel.

And finally, with record throughput for the year at our refineries we were able to reduce operating expenses by 1% to CAD5.05 per barrel. So all in all a very strong year for operations in 2017 and we are looking to build on that success obviously in 2018.

As you know, we did encounter some challenges to begin the new year. In early January, during a time of extreme winter weather conditions, the oil sands base plant incurred a power interruption which resulted in a controlled shutdown of extraction and upgrading. We executed on a very disciplined recovery process and returned the assets to service with no lasting impact to overall operations. We are now back at full production rates and we remain on track to meet our guidance commitments for the year.

Looking forward there are three areas of our operations where we are putting particular focus. First, continuing our operational excellence journey including steadily improving our maintenance and reliability practices and reducing operating costs. Technology such as the recently approved automated haul systems in our mines will be critical to our continued progress in this area.

Second, successfully ramping up and stabilizing operations at Fort Hills at a minimum of 90% of capacity by year-end. And finally, driving forward on Syncrude improvements and integration program to maximize the value of the operation.

So we have a lot on our plate from an operations perspective and I know we are up to the challenge. So with that I will pass it along to Alister Cowan to provide some colour on our financial results.

**Financial Highlights**

Alister Cowan  
*Chief Financial Officer, Suncor Energy Inc.*

The fourth quarter featured the highest benchmark crude price since the second quarter of 2015, and the strongest benchmark refining crack for a fourth quarter since 2012. And we were able to take full advantage of a positive business environment that we were in.

Oil sands operations realized prices increased in Q4 by approximately 15% compared to Q4 in 2016 and they averaged CAD62.27 per barrel. And our integrated model protected us from the widening differential towards the end of the year.

Syncrude realized prices were also up 15% and averaged CAD73.54 per barrel. Realized prices in the offshore were up roughly 20% quarter over quarter averaging CAD81.49 per barrel off the east coast of Canada and CAD76.46 in the UK North Sea. Downstream refining margins increased by 38% quarter over quarter led by record wholesale volumes in Canada and a 10% increase in distillate sales.

Mark talked earlier about our strong cost performance across the business, and the net result was a very strong set of financials for both the fourth quarter and the year as a whole. We generated over CAD3 billion in funds from operations and CAD1.3 billion in operating earnings.
in the quarter. That brought our annual totals to CAD9.1 billion in funds from operations and CAD3.2 billion in operating earnings. And our return on capital employed improved to 8.6% pre-major projects in progress.

Our funds from operations both for the fourth quarter and the year as a whole easily covered our sustaining capital plus our dividend, leaving a very significant tranche of discretionary free funds flow to invest in growth and increasing returns to shareholders.

For the full year we produced almost CAD4.1 billion in discretionary free funds flow which equates to a discretionary free funds flow yield of 5.4%, which rises to 8.2% if you exclude the dividend payment. A continued focus on reliability and cost management has been a big factor in this strong free funds flow generation.

As Mark pointed out, we've reduced our unit operating costs across both the upstream and downstream businesses. We've also been able to steadily drive efficiencies across our corporate functions. As a result our total operating, selling and general expenses for the entire Company for 2017 came in at just CAD9.2 billion. That's more than a 5% reduction since 2014 at the same time as we've grown our production by almost 30%.

With increasing production, reduced capital spending and disciplined cost management driving structural increases in our free funds flow, we were very comfortable raising the dividend by 12.5%, as we announced yesterday. This will be the 16th consecutive year of dividend increases for Suncor and it maintains our commitment to pay a competitive growing and sustainable dividend.

In our view to be truly sustainable the dividend must not be dependent on high oil prices. We are able to fund both our sustaining capital and our dividend at USD48 to USD45 per barrel oil price. Going forward we expect to be in a position to continue to increase the dividend, but increases will be driven by structural improvements to our free funds flow driven by production growth, sustaining capital and operating cost reductions and margin enhancement initiatives, not by rising oil prices.

To the extent that we generate excess free funds flow over and above our dividend commitment, in the near-term we will look to return that cash to shareholders through our stock buyback program.

You will recall that on the third quarter call I indicated that we were aggressively buying, and in the fourth quarter Suncor repurchased and cancelled 18.7 million common shares for a total of CAD835 million. Since launching the CAD2 billion share buyback program on May 2 last year, we have repurchased approximately 35 million shares for a total of approximately CAD1.5 billion.

The current buyback expires at the beginning of May and we expect to complete the CAD2 billion by then. I'm also very pleased to say that the board has approved a further CAD2 billion buyback in addition to the current CAD2 billion program. So just to be clear, that will be CAD4 billion of stock buybacks in total over two years.

During 2017 we were able to further strengthen our balance sheet through the early repayment of approximately CAD3.2 billion in debt scheduled to mature in 2018. Year-over-year we reduced our total debt by CAD1.9 billion and we now have no significant debt payments -- repayments due until 2021.

We finished 2017 with approximately CAD2.7 billion in cash and over CAD7 billion of liquidity. Our net debt to funds from operations fell to 1.4 times and our total debt to capitalization dropped below 26%. Both these metrics are well within our target ranges we've outlined to you.
So as Steve noted earlier, with our balance sheet in great shape, our production increasing, capital spending decreasing and our strong innovative business model mitigating differential increases, we are well positioned for success in 2018 leading to further value creation and further increased shareholder returns.

That said, I should remind everyone that the first half of the year does tend to be a little noisy as we will be bearing the full operating cost of Fort Hills and Hebron with limited production in the early days of operations as we ramp up.

Also, we have the major maintenance turnarounds in the second quarter of the oil sands base plant number one upgrader and at the Edmonton refinery. But of course all these are factored into our 2018 guidance and we remain confident we will meet our commitments.

With that, I'm going to pass it back to Steve Douglas.

Q&A

Steve Douglas: Well thanks, Alister, Mark and Steve. And just before we go back to the operator for calls, a few notes from the quarter and looking forward.

So on LIFO/FIFO, in Q4 we had a CAD180 million net positive to earnings and cash flow. And for the year it was CAD157 million of course with crude price rising throughout the year.

On stock-based compensation, Suncor's share price rose both in the fourth quarter and throughout the year. So in the fourth quarter it was an after-tax expense of CAD85 million and for the year CAD279 million expense.

FX, the Canadian dollar weakened slightly in the fourth quarter, and so it was a CAD91 million expense. But for the year the dollar strengthened and it was a net gain of CAD702 million after-tax.

We have posted looking forward our guidance for the year. There was just one change this quarter, one update, and it was to reflect the US tax legislation that went through recently. Our US-based tax has been adjusted down from 35% to 21%.

A couple of other things to think about going forward. Our first quarter of course is always impacted. The cash flow by our stock-based compensation payout, typically that would be in the CAD300 million range.

And also we are, as we've been saying, building inventory through the first quarter in order to manage through the Edmonton refinery turnaround. And so, that will mean increases in eliminations and earnings and cash flow effectively deferred from the first quarter into the second quarter as the inventory is sold in the second quarter. But again, these things are factored into guidance.

With that, I will turn it back to the operator to take calls from analysts.

Operator: Thank you. Ladies and gentlemen, if you have a question at this time, please press star, then the number one on your touch tone telephone. If your question has been answered or you wish to remove yourself from the queue, please press the pound key.

Our first question comes from the line of Neil Mehta with Goldman Sachs.
**Neil Mehta (Goldman Sachs):** Good morning, team, and congrats on a good quarter here. I wanted to ask a couple questions here on the slide deck that you posted along with your comments today. In slide 8 you show what the cash flow expectations would be at CAD60 WTI in 2018, which was slightly ahead of consensus here. But there are some one timers in here: heavy maintenance; you had to ramp up at Fort Hills.

Can you give us a sense of what the cash flow power of the Company would look like ex some of these one timers, recognizing in the third quarter you did something like CAD3 billion quarterly which would imply CAD12 billion annualized? We're just trying to frame what a more normal year looks like because 2018 is pretty noisy.

**Steve Williams:** No, absolutely not, Neil (laughter). I mean I say it sort of jokingly. You know we don't formally guide on cash flows. And I also know that your math is much, much better than mine. But I think the underlying tone of your question is right. We've probably been conservative in what we've estimated as cash flows, even allowing for the noisy year. I would just pick out a couple of numbers for those less familiar to put into their calculations.

We generated just over CAD9 billion of cash flow 2017 at a WTI price average of CAD51. So it's not too difficult to adjust from there. We've talked in the past about an increase of CAD10 per barrel is worth just a little bit more than CAD2 billion in cash flow for us. So it doesn't take much math to get to your CAD11 billion, CAD12 billion.

I would say two of the bigger questions that we've been asked regularly have been around pipeline and light/heavy differentials, and it's probably worth me making those points right up front.

Suncor is not exposed to the current pipeline issue. We have market access, including all of the production from Fort Hills, and we built that into our forward commitment. So, we are active advocates of the pipeline. We definitely are supporting them. We want them for future growth beyond, but we are in a very good position.

So it would need something significant to change for us to be moving any substantial volume onto rail. So we're not exposed to this current pipeline debate that's going on.

The other one is -- the big question mark is about light/heavy differential which has blown out on some days to CAD30 plus. We are largely not exposed to that differential. When Fort Hills is fully up and then it's possible on a day we could have some minimal exposure. But relative to the industry you can see through the fourth quarter we have little to no exposure. We have put some numbers in that slide deck, but they are -- again, they're relatively conservative.

**Neil Mehta:** I appreciate the colour there. And the follow-up is on the buyback. You re-upped the number by CAD2 billion. Can you help us frame, Steve, how aggressive you want to be around prosecuting that number?

The last CAD2 billion number came out last May and the goal was to get it done within a year. So we should think one year out would be the goal, all else equal, recognizing the volatility of the commodity tape?

**Steve Williams:** Absolutely, you've nailed it, Neil. Our strategy is, as Alister said, when we make that dividend commitment we are confident we can cover it with cash flows at the low end of the cycle. We have used buy backs as opportunistic -- particularly through these periods of high capital spend and such price volatility on crude.

We've used it as a way of flexing the return to shareholders. You've seen that the first CAD2 billion we are well on target to buy back in this first year. We fully expect to buy all of that CAD2 billion back in the second year period.
**Benny Wong (Morgan Stanley):** Good morning. Thanks, guys. Just wondering if there's an update on how you are thinking about the Montréal refinery and the option to add coking capacity there given where WCF differentials are and the approaching IMO fuel regulation. Does that become a more attractive project to you or what's preventing you from moving forward?

**Steve Williams:** It's there on our list; it's not at the top of our list in terms of investments. We recognize it as an option. So, if our view of spreads and coking margins were to significantly change in the future, we still have the main vessels there ready to install. We've done some work on the design. We could execute that project. We think it below normal upgrading costs, but we currently have no plans to do that. It's on our list.

**Benny Wong:** Great, thanks for that. And maybe can you speak a little bit about the autonomous trucks you guys are moving towards and the benefit it brings? I think in your slides you indicated you think you will get about $1 per barrel in op cost savings. When should we expect that to be fully achieved? And on the sustaining CapEx side, how do we think about that? Is there any change on that directionally? Thanks.

**Steve Williams:** Yes, I'll just give you a few headline comments. I know that Mark took -- put a press release out last week and gave quite a few of the details. And you sort of played them back very well. First of all, the test runs have gone extremely well, which is why we're so confident. So kudos to Mark and his team for doing the work, getting those test runs done and being the first in the industry to commercially execute on the rollout of these trucks.

We've worked very closely with the union through that. And you may have noticed over the years we've been talking about steps we've taken to minimize the impact to our employees. So, Fort Hills, we never recruited all of the drivers to run the trucks in anticipation of this opportunity. So, we have got people on short-term contracts out there, so relatively easy.

So we are working very closely with the union to minimize the impact on our employees. And I am hopeful that, with the combination of demographics and other growth in the Company, that we will largely be able to retrain employees and look after them. So that's very important to us.

This is a multi-year program; it will roll out over six years. It will start with the Steepbank mine, then it will go through various stages through Fort Hills and probably finally the Millennium mine. And then we will start to look further in terms of opportunities where we venture with others to share some of our experience.

The headlines, and I wouldn't be too much more specific than this, it's markedly safer, it's 10% more productive. And we think when you run the numbers through on an SCO basis you get to a CAD1 a barrel savings, so it is a substantial impact on our operating cost. So I would sort of ramp it in a linear way through that period.

**Benny Wong:** Thanks, Steve.

**Paul Cheng (Barclays):** Maybe the first one is for Alister. Alister, if you're looking at debt -- we can make an argument about what the oil price is going to look like, but you do generate quite enough cash in free cash flow. When we look at your balance sheet, is there any desire there to bring your balance sheet gearing much below your current level? Or that you think you've reached an optimal level already?

**Alister Cowan:** That's a good question, Paul. We do generate substantial amounts of free cash flow. I think the balance sheet where we are at today is in a good position. I think that's why we have increased the dividend and we feel comfortable with the CAD2 billion stock buyback that I talked about and then Steve expanded on.
I don't see any need at this point in time to significantly improve the balance sheet. I think over time, as prices potentially go higher, you will see that drift down towards the bottom end of our ranges. That is what we've always said. But clearly we like to retain the flexibility of the balance sheet as we go forward. That's been a strength of Suncor.

**Paul Cheng:** And when you talked about earlier that on the future dividend increase would be a function on the structural improvements on a higher production [and all that], do you measure in a nominal base or do you measure those based on a point per share matrix?

**Alister Cowan:** Well, I think it's a combination of both, both in absolute terms and the amount of additional free cash flow that we will generate. And I think we have a slide on that on our Investor Day what we expect over the next several years. And clearly that will translate then into a per share number combined with the benefits of the stock buyback.

**Paul Cheng:** A final one from me, this is probably for both Steve and Mark. You guys have done quite a lot and so what is the next step? Is that -- in terms of the step function change in your cost structure, is that a [big] grand prize either in the area or the technology?

It's great that -- the autonomous trucks that are moving forward, but that doesn't seem like it is a step function change. So is there anything out there that we should watch out that is going to see it slashed by another 30%-40% on your cost structure?

**Steve Williams:** I think it is a gradual progressive process. So you will see of continuing -- it's top of our agenda. We know that a lot of it is to do with reliability and getting the reliability up helps distribute the cost. And then we have a whole list of -- so if I think about looking forward, I like the way Steve is now portraying it in the deck.

We talk about 20% growth over the next couple of years. We know that is the ramp-up of Fort Hills, the ramp-up of Hebron and the delivery of the synergies which come with Syncrude. Then what we're starting to talk about much more clearly now -- we've talked about 100,000 barrels a day or equivalent in margin of projects.

Now some of those will be a cash flow equivalence in cost reduction. So you're going to see as we more closely integrate Syncrude and Suncor, as we put the bidirectional line in, as we start to implement the new tailings system.

And then you are going to see some more of that debottleneck stuff we talked about and obviously we've got the scope now on Fort Hills. You're going to see some of it in E&P. We've talked about some of the steps out in Oda, Rosebank and White Rose and Buzzard where we have similar opportunities.

So, it's a whole -- we'll give more colour on those as we get in towards them, but it will be all of those things. So I do see it continuing. I think Mark's given me a good warning here, which is -- of course we went for the low hanging fruit first so we did the bigger, easier pieces. So it's hard to work now but still some significant progress I think.

**Roger Read (Wells Fargo):** Thank you, good morning. Just to follow up on the Syncrude, I believe it is page 19 in the handout, realizing the near-term synergies, your comments that low hanging fruit may already be there. But this is both a throughput as well as a cost reduction story.

The guidance doesn't look like a lot of changing cost for 2018 versus 2017. And I was just curious how much of that is because throughput aren't changing a lot or is there something else going on in Syncrude? And then how do you think about it say to 2020 where we should see things going?
Steve Williams: No, I would just say it's prudent. I mean, we are seeing steady progress. You've seen in the fourth quarter 94% utilization. The costs have come down to CAD32.80 a barrel. So we are making real substantial progress. All we are doing is being a little bit measured in what we are saying.

We are seeing the opportunity for improvement but it's very difficult to be month-to-month specific. So that's why we've said you can plan in your model 90% utilization and a CAD30 cost in that 2020 timeframe. So -- to draw a straight line.

But you will see -- you've seen periods where we've had this reliability up very high. And then we are steadily working on the underlying issues and I will give you a real example. The cause of the problem last year with Syncrude was to do with its winterization and then an ice plug in a process dead leg thawing out.

We've put the two standards together of Suncor and Syncrude and we are now going in and upgrading some of the facilities there. So you will see the utilization come with those benefits, but it's a slow steady process.

So, Syncrude work is going very well. Doreen Cole is now in there as the leader of Suncor executive. We are swapping technical leaders in both directions. The collaboration is working. Mark and myself are meeting with Rich Kruger on a bimonthly basis and I continue to be very encouraged. So, I think we'll make steady progress.

Roger Read: Okay, great, thanks. And probably as a follow-up to Paul Chang's question about the balance sheet and then quite obviously the heavily discounted WCS barrels locally there. Does this open up an opportunity for acquisitions? And how do you see acquisitions competing for capital as you look at obviously an oil price affecting to some degree what you'd spent on CapEx and then the commitment both to the dividend and the share repos?

Steve Williams: I mean the first thing I would say is it clearly gives Suncor an advantage. We have virtually no exposure to the light/heavy differential. And our competitors are exposed to that because of their different business models of integration and proportion of upgrading or refining to the oil sands barrels they are producing.

So I wouldn't want to go on and speculate about acquisitions and such, but to the extent that we are not exposed to it and others are and therefore their earning capability in these periods is constrained, there is an impact and I think it's underappreciated. I really just want to talk about the positive side for Suncor.

But hopefully the third and particularly the fourth quarter is making it very clear that when we said it we meant it. We are virtually not exposed to the light/heavy differential. We put some numbers in there for when Fort Hills is fully on, so this CAD25 million, which would put us at the low-end. I would be quite surprised if we actually ever get as high as that number because we are largely able to mitigate it through the business plan.

So, what I would say that has helped us have a healthy balance sheet, which has historically made us able to make these countercyclical, not massive, acquisitions but acquisitions where it's fitted very well with our business. So to that extent it may present us with some of those opportunities in the future, but we are not looking at anything in particular.

Roger Read: Okay, thanks. And do want to -- because it is a big question with investors right now, the exposure to the light/heavy -- kind of give us that quick overview of why you're not exposed to it just as a quick summary for people who are let's just say a little bit skeptical of Canadian heavy oil producers in general?

Steve Williams: Yes, no, I would just say -- Steve will give us the details, but it's just evident now. Hopefully you can see it. You've seen in the fourth quarter the light/heavy
differentials blow out and they've had virtually no impact. We have had a record producing quarter at relatively low crude prices through that period compared to some that we've seen since. So hopefully it is becoming really clear how it works. But there are two most important pieces. Steve will take you through them.

**Steve Douglas:** Yes, Roger, Steve Douglas here. I mean the real simple explanation, and it is a fairly complex set of factors that goes into it related to royalties and transportation differentials and so on and so forth.

The real simple thumbnail, we produce between 750,000 and 800,000 barrels a day of bitumen and only about 150,000 of that is actually exposed. By that I mean is sold at a price that's influenced by the Hardesty light/heavy differential. The rest is either upgraded or refined in our system or sold into a global market like the US Gulf Coast where it attracts a Maya differential. Does that make sense?

**Roger Read:** It makes sense to me. I was just doing it so you could help yourself here.

**Steve Douglas:** Yes, no, absolutely and we have taken and tried to outline that clearly in the deck this quarter. So we actually have a slide that shows where our production goes and how only 20% maximum is exposed to Hardesty heavy pricing. So thank you for that.

**Greg Pardy (RBC Capital Markets):** We’re getting just a lot of questions around your longer-term growth profile. So Steve, you have characterized obviously Fort Hills and Hebron locks things in for the next year or two.

But in terms of growth, is the right way to think about this that the next major phases are really going to take advantage of next-generation technology, i.e. 2023 with solvents and so forth in the SAGD side? And that you will infill that with probably brownfields in various parts of the business? And then from a spending standpoint until we're into next decade are we sort of in and around CAD5 billion a year?

**Steve Williams:** Okay, yes, thanks, Greg. Yes, you've sort of approximately nailed it there. So, I think we talk about 2021 as lean periods in terms of growth, but let me say some things about that. And we're going to -- as we come around on the road shows over the next few months we will paint some more colour around this.

Think of production growth through the next two years, so largely Fort Hills, Hebron and Syncrude, as that 20%. So 10% a year. So we've always looked at the years following as smaller than that, but what I've tried to say is they are actually quite considerable in terms of growth.

So if you think about it just in cash flow as opposed to just production, because some of these will be margin projects which are completely within our control. You can think of 5% to 6% growth annually through 2021 as well until we kick in with the next phase of bigger projects.

And that will be through a combination of autonomous haul trucks, the Syncrude pipeline, the different tailings, the oil sands debottlenecks, Fort Hills debottlenecks, the small -- relatively small step out projects in the conventional E&P, so Oda, Rose Bank in the UK, White Rose in Buzzard. And those come in around those sorts of periods.

Then you've got -- we've already got two replication phases approved, Meadow Creek East, and one phase submitted for Meadow Creek West. There are four further phases in Lewis that we anticipate relatively soon. So that's the next bigger wave of investment and they will start to likely come in in the back end of 2022-2023 period and you'll start to see if this program goes ahead on this, a lot could happen between now and then, you will see one of those come on every 12 to 24 months. So that's then the big structured organic investment.
Back to the last one -- many opportunities may present themselves. If we see the market where some are exposed to these very large differentials, then they'd be other opportunities. So I think the base case, the one I've just outlined, is very good. There may be some even better options present themselves.

**Greg Pardy:** Okay. And then just on the CapEx side, if you are CAD10 billion, CAD11 billion of cash flow even at reasonable oil prices and your spending is around CAD5 billion, I mean it's a pretty clear path. But is CAD5 billion a reasonable number to be thinking about until you get into -- let's just say up to 2020?

**Steve Williams:** If that world unfolded I would say you're in the zone. It is probably CAD5.5 billion. We put a matrix in to say we will factor it according to -- if crude is at certain prices and cash flows are at certain levels.

From a strategic point of view I see this as a period of returning more funds to shareholders. We have talked about in mining -- we don't see in this period big investments in mining. Canada is having to -- we are having to look at Canada quite hard.

The cumulative impact of regulation, higher taxation than other jurisdictions is making Canada a more difficult place to allocate capital in and we're having those conversations with levels of government at the moment. That other jurisdictions are doing much more to attract businesses in so Canada needs to up its game.

And so absent some changes and some improvement in competition, you're going to see us not exercise in the very big capital projects that we've just finished.

**Greg Pardy:** That's great. Thanks very much.

**Guy Baber (Simmons):** And congratulations on a good year here. I wanted to go back to the dividend to just make sure that I understand the message. But obviously you've been increasing the dividend meaningfully. You have this meaningful production growth guidance you referenced through 2020, which has given many confidence in these above average dividend raises continuing in the near-term.

But then beyond 2020 you don't have the volume guidance, but you have identified some pretty meaningful cash flow improvement initiatives. So just wanted to clarify here, should we still be thinking that even though the production growth rate might slow post 2020 you could still continue to see pretty meaningful dividend increases given some of these cash flow initiatives that you are progressing that aren't attached to volumes necessarily?

**Steve Williams:** It's very well put. The answer is yes. You can expect to see steady, affordable, sustainable dividend increases throughout this period. Now clearly it is a Board authority. Our strategy has to unfold and we have to deliver the results. But if you look at the growth in cash flow, and sustainable cash flow which is the driver for the dividend and share buyback program, you are absolutely right.

You should expect to see -- in fact I would say, to be perfectly honest, we've been reasonably conservative this year at 12.5%. What we want to do -- we don't want to be big increases and backing off. So what we have been doing is positioning ourselves to get that very healthy balance sheet and to continue this program going forward.

**Guy Baber:** That's helpful. And then the follow-up is you have an interesting slide in your deck, slide 14, on regional synergies for existing assets between Firebag, your base mine, McKay and Fort Hills now. Can you talk about to what extent you may have already captured some of those synergies in 2017 and what lies ahead? Just trying to better understand the potential there. It seems meaningful, but if you could help quantify it maybe, that would be helpful.
Steve Williams: I would say we are dipping our toe in. We have moved some materials around. So in terms of molecules and the real opportunities, we have been moving materials into Syncrude, we've moved materials from Syncrude to the base plant and we've moved materials from Fort Hills down to the base plant.

All of those initially were by trucks. So they test the logistics, they make sure molecularly and from a chemical engineering point of view it worked and it has. Now what we've got to do is make the real connection.

So we've seen the opportunity and we are able to size it. We haven't taken full advantage of it. So you will see does progressively roll out as Syncrude integrates more into the region and as Fort Hills ramps up and we integrate that more with the business as well. So lots more to come.

Guy Baber: Okay, great. Then last one from me. I did want to mention the downstream or ask about the downstream just given how strong the performance was 4Q relative to some of the indicators that we track, but also relative to a lot of peers.

Would you highlight any notable specifics that contributed to such good delivery during 4Q, any specific assets stand out? And then maybe just talk about how you view the refining macro framework for your assets in this environment and what you feel the outlook is for cash generation capability there?

Steve Williams: Yes, what I would say, and I will let Steve pick up on some of the finer points of your question there, but let me just take a step back on the downstream. I mean first of all thank you. I think it's done a tremendous job. I think it's underappreciated in our portfolio and Suncor has been a clear performer for a number of years now.

And we've always found -- if I think of this time last year we were talking about, wow, gosh, it's been a fantastic business, but how can it sustain that going forward. And in recent history year after year it has performed at these levels. From an operating point of view it has done very well in terms of reliability and cost.

But in terms of the integrated business model and its ability to help us take advantage of all of the margins that are available has been outstanding. If I think of last year, the questions we were getting on this call was others are selling their retail businesses, why don't you do it? You could get -- and the discussion was you could get CAD4 billion or CAD5 billion for it.

I hope it's starting to become clear in our humble judgment why we kept it. That actually we believed that not only was it a good business, it is a good business. And if anything, with the import/export balance on this continent, it's looking even better going forward.

So when I look in the market as a potential acquirer in the downstream, sellers' expectations are high. And that's because the market had good margins for a while. And I think people are starting to view the future of it slightly differently than may have been anticipated where demand peaked on the continent, products weren't being exported.

Now with product freely moving in and out of the US in particular, it bodes I think reasonably well for refining and marketing. So we're very pleased with how it fits with our business. We're very pleased we kept the integrated chain right away through to the customer and we think it advantages. I don't know, Steve, whether you'd want to say anything in particular about the detail of downstream.

Steve Douglas: Well, thanks, Steve. I just had a couple of comments. As it relates to Suncor specifically, we've seen traffic demand, but not -- including 10% increase year-over-year in
distillate demand in Canada. But not just demand but channel mix where more of the demand is coming through the higher value channels like retail.

Then secondly on a macro level, we are seeing a very positive go-forward outlook for refining. And I think there are two or three things that contribute to it: low gas prices for the foreseeable future; advantaged feedstock costs because of surplus crude; structural exports to Latin America, which is keeping margins higher and keeping refineries running full; and finally the Marine IMO regulations coming at us in 2020 which we think will lead to strong distillate demand.

So, to your question of where is it going, we've been generating CAD2.5 billion to CAD3 billion of cash flow out of the downstream for the last few years, and we think it is more of the same. We have a very positive outlook going forward.

Guy Baber: Thanks for all the colour.

Steve Douglas: We will take one more question and then we need to close.

Paul Sankey (Wolfe Research): Steve, just on the costs, I was wondering about your autonomous truck program which I am always fascinated by. Can you just give a bit more clarity on your assertion that CO2 emissions from your production are lower? I just wondered if you could add a little bit more definition around that comment. Thank you.

Steve Williams: Yes, assuming the capital -- CapEx numbers for trucks are funded, they are relatively -- relative to the sorts of capital we are talking about, they're not big numbers. The numbers we talk to when we talk about Fort Hills being a lower carbon footprint than the average barrel of crude on this continent now are third-party numbers, they are not our numbers.

So Steve, I don't know if you want to talk about the actual source you get the reports, but we can reference you those, Paul. Those are independently verified outside of Suncor, they are not our numbers.

Paul Sankey: Yes, I apologize if I didn't -- if I missed this on the call. But did you talk about autonomous truck numbers and penetration of the trucks into your mix?

Steve Williams: We did talk a little bit, Paul, but all we said was that -- assume that the autonomous truck program will be executed over about a five- to six-year period. The first parts will be in our Steepbank mine. I know when we last met we chatted about how we'd almost pre-positioned Fort Hills.

In terms of the mine design and in terms of we bought autonomous trucks there, so they are capable of switching from autonomous to drivers. So we bought them with that capability and we didn't recruit the drivers. What we did was just recruit short-term contract drivers so that the flip at the appropriate moment could happen.

So, towards the front end of the program Fort Hills will also start to change over to autonomous once we start to get the plant lined out. And then we will finally move through to the mines.

We did talk -- I'm not sure if you missed it, we talked about the benefits from it and it's about -- they're about -- clearly a lot safer, about 10% more productive and CAD1 a barrel savings when you run it through to that SCO number we normally quote.

Paul Sankey: Are there any other savings -- sorry to go on. But are there any other savings of the CAD1 plus nature that you can see given that you've got costs so low now? Is there
any other big items that you could point us to for you getting perhaps below CAD20 a barrel of cash cost?

**Steve Williams:** I would say it's a lot of smaller things, but a lot of -- when we come around we'll take you through the detail of the program. The 5% to 6% cash flow improvement we're talking about each year in the 2021 period, a significant portion of that is going to be a continuation of the cost reduction or margin improvement.

So, you will see the autonomous trucks, you'll see -- the bidirectional lines to Syncrude will certainly help because it keeps the plants full. And then you can -- so you are able to distribute the cost. And the new tailing system we're putting in is much more cost-effective than the old one.

**Paul Sankey:** Thank you.

**Steve Douglas:** And I think we will wrap it up there. Thank you, everyone. Operator?

**Operator:** Thank you, sir. Ladies and gentlemen, thank you for your participation on today's conference. This does conclude our program and we may all disconnect. Everybody have a wonderful day.