Suncor Energy Third Quarter 2018 Financial Results Call

Thursday, 1st November 2018

Operator: Good day, ladies and gentlemen, and welcome to the Suncor Energy Third Quarter 2018 Financial Results Conference Call. (Operator Instructions) I would now like to introduce your host for today's conference, Mr. Trevor Bell, Vice President of Investor Relations. Sir, you may begin.

Introduction

Trevor Bell

Vice President of Investor Relations, Suncor Energy Inc.

Thank you, operator, and good morning. Welcome to Suncor Energy's Third Quarter Earnings Call. With me here in Calgary are Steve Williams, President and Chief Executive Officer; Mark Little, Chief Operating Officer; and Alister Cowan, Chief Financial Officer.

Please note that today's comments contain forward-looking information. Actual results may differ materially from the expected results because of the various risk factors and assumptions that are described in our third quarter earnings release as well as in our current Annual Information Form, and both of those are available on SEDAR, EDGAR, and our website, suncor.com. Certain financial measures referred to in these comments are not prescribed by Canadian GAAP. For a description of these financial measures, please see our third quarter earnings release.

Information on the impacts of foreign exchange, FIFO accounting and share-based compensation on our results can be found in our third quarter report to shareholders. Following formal remarks, we'll open the call to questions, first from members of the investment community, then if time permitting, to members of the media. Now I'll hand it over to Steve Williams for his comments.

Opening Remarks

Steve Williams

President, Chief Executive Officer, Suncor Energy Inc.

Good morning, and thanks for joining us. We certainly live in interesting times. On our call last quarter, I expressed confidence in our operating performance in the second half of this year as we came out of the large turnaround period, in fact, the largest in our company's history. I'm very pleased to report that with our strong Q3 performance, achieving operating earnings of $1.6 billion and record fund from operations of $3.1 billion, we're very much on track to meet those expectations.

Our Oil Sands business achieved a new quarterly production record of 476,000 barrels per day, while our downstream delivered 99% utilization rate and a quarterly record of $1.1 billion of funds from operations. The value of our integrated business is evident in our third quarter results with minimal exposure to widening Canadian heavy differentials. Let me just say that again, I'm sure it's going to be a subject of discussion on the call today; we have minimal exposure to the widening Canadian heavy differentials.

The ramp-up of Fort Hills has exceeded our expectations and is currently producing in excess of 90% of its nameplate capacity. It's important to note that we have sufficient pipeline access to move all of our Fort Hills barrels to market that extend to the U.S. Gulf coast where we couldn't obtain the maximum value for our product.

At Syncrude, all 3 cokers have come back online as we outlined in our Q2 call, and the operations are fully lined out, with current production in excess of 90% of nameplate capacity. I'm also very pleased to be able to announce that the Syncrude owners have agreed in principle now on the key commercial terms of the 2 bidirectional pipelines between Syncrude and Suncor's space plant, and we're now just working on paper in the detailed agreements related to the project. We believe that the pipeline is required to drive the long-term reliability of the plant, and advancing this project supports our conviction that we can safely obtain 90% reliability and cash cost of $30 or less at Syncrude. And that pipeline is currently expected to be in operation at the back end of 2020.

I'll now hand over to Mark to provide more context, and I'm sure he's going to enjoy talking about what was an excellent quarter.

Operational Highlights

Mark Little

Chief Operating Officer, Suncor Energy Inc.

Thanks, Steve, and good morning, everybody. As Steve mentioned, we completed the most significant planned maintenance schedule in Suncor's history last quarter. And our third quarter results reflect our continued focus on operational excellence and on performing the work required to ensure safe, efficient and reliable production. We remain confident in achieving our full-year production guidance despite several unplanned events in the first half of the year.

As Steve mentioned, record third quarter Oil Sands production contributed to total upstream production of 744,000 barrels a day. Our in situ assets continued to produce above nameplate capacity with cash costs were $8 a barrel, marking the fifth consecutive quarter below $10 a barrel. In addition, upgrader reliability in Oil Sands was 95%, despite some planned maintenance on Upgrader 2 that occurred late in the third quarter. These strong operational results drove Oil Sands operation's cash cost down to $22 a barrel, which in US dollars is less than $17 a barrel.

Fort Hills produced 69,000 barrels per day, which was in line with our guidance and Q2, and reflected our plans to expand the mining capacity. At the same time, we advanced and completed some planned seasonal maintenance originally scheduled for the fourth quarter. We also completed a further capacity test on Fort Hills plant during the quarter, and once again, achieved the full design capacity, but that test went on for several days. As expected, Fort Hills cash operating costs increased in the quarter as a result of expanding the mine capacity and increased maintenance work that we advanced into the third quarter. So Fort Hills is currently operating in excess of 90% in nameplate capacity, and we expect it to achieve 90% utilization for the entire fourth quarter.

Syncrude produced 106,000 barrels per day, net to Suncor, which equates to 52% utilization and reflects the return to service following the power disruption late in the second quarter. The restart of the cokers was consistent with the plan we originally communicated. Some planned maintenance at Syncrude originally scheduled for the fourth quarter, and the first half of 2019 was advanced to coincide with the return-to-service timing. Most importantly, several changes have been made to ensure that if the same sequence and challenges face Syncrude again that the site would not lose full power. We continue to progress workforce collaboration and process improvements with the other owners. And we remain committed to achieving our reliability and cost targets once the interconnecting pipeline is in place.

Suncor's offshore assets contributed to 92,000 barrels per day to upstream production, which was lower than the second quarter due to planned maintenance on Hibernia, Buzzard and Terra Nova. We continue to be pleased with Hebron's progress, which produced 14,000 barrels per day in the third quarter and began drilling the fourth production well in September. We have several other sanctioned offshore development projects, including West White Rose, Fenja, Oda, and Buzzard Phase 2 that will add further value to our E&P portfolio going forward.

In the downstream, crude throughput was 457,000 barrels per day compared to second quarter throughput of 344,000 barrels a day, which was lower due to the planned major maintenance that we had in the second quarter. All planned maintenance is now complete, and we expect the strong operating performance to continue into the next quarter.

With that, I'll turn it over to Alister.

Financial Highlights

Alister Cowan

Chief Financial Officer, Suncor Energy Inc.

Thanks, Mark. During the quarter, Suncor generated operating earnings of $1.6 billion and record fund from operations of $3.1 billion. So as Steve said, that once again demonstrated the strength of our integrated business that continues to deliver value through this Canadian crude differential volatility.

The third quarter presented us with a bit of a mixed business environment. Brent and WTI improved, which was captured in the price realizations of our offshore assets along with our upgraded bitumen products and heavy crudes that had pipeline access out of Alberta. Obtaining committed pipeline capacity, it was a very strategic decision that we made several years ago with the long-term view of ensuring market access for our significant growth projects. Supporting pipeline developments through long-term commitments is essential to allow new pipelines to progress to our benefits, not only Suncor but also the industry and Alberta. With an average realized price of CAD 64.33 per barrel for Fort Hills bitumen, the value of this strategy combined with the improved quality associated with the PFT barrel can be seen.

During the third quarter, the WTI-WCS price differential continued to widen. But once again, as Steve said, it did not have a material impact in our results as the refining gross margin benefited from lower feedstock costs. These strong financial results were underpinned by the reliable operations and stable cost structures that Steve and Mark spoke to earlier. We continue to show strong capital discipline in the allocation of the resulting discretionary free funds flow as we have demonstrated over the past several years. We remain disciplined and focused on cost management and are maintaining our cash cost and capital guidance.

In the quarter, we strengthened the balance sheet by repaying $1.2 billion of short-term debt that was incurred to fund several acquisitions, the completion of the heavy turnaround activity in the earlier part of the year and the successful ramp up of our major growth projects. This repayment contributed to lowering our total debt to capitalization to 26.7% from 28.5% and increasing Suncor's liquidity to around $6 billion, up from $4.5 billion at the end of the second quarter.

And just as importantly, we continue to return value to shareholders through accelerated share repurchases of almost $900 million during the quarter. In the first half of the current NCIB program, we have repurchased approximately 37 million shares for $1.8 billion of value. We continue to see significant value in our stock and are confident we will complete the full $3 billion of share repurchases approved by our board by next spring.

With that, I will give you back to Steve for some closing comments.

Closing Remarks

Steve Williams

President, Chief Executive Officer, Suncor Energy Inc.

Thanks, Alister. So with our growth projects in production, our integrated assets operating reliably and our focus on capital discipline in this low inflationary cost environment, our ability to increase sustainable free funds flow is very significant. In such an environment, we would plan to grow dividends, continue further share buybacks and invest in our business, I mean, all of that whilst maintaining a strong balance sheet. We're confident that the operational momentum demonstrated in the third quarter will continue and even strengthen further into the fourth quarter and into 2019.

Today, some may question the longevity and the strength of the Western Canadian oil sector. Suncor historically made decisions to invest in upgrading and refining capacity in Alberta. Or if I put that in another way, we placed value-add activities associated with Alberta resources in Alberta. Significant capital was invested to increase the complexity of our Edmonton refinery, to expand our upgrading capacity and to develop Fort Hills. And I think those demonstrated economic, environmental and social leadership. Those investments created job opportunities for tens of thousands of employees and contractors and generated significant economic benefit for all Albertans and Canadians.

Now we made these investments in our business to mitigate the impact of the types of challenges facing the Western Canadian oil industry, which include, of course, widening differentials due to limited market access. Suncor has 1 million barrels of processing capacity of which over half is heavy oil processing in Alberta. The remaining capacity is within our refineries, which have the ability to process sweet and sour synthetic crude oil and diluted bitumen. In addition, we have sufficient committed pipeline access to move all of our Fort Hills barrels to market. They extend all the way down to the U.S. Gulf Coast.

Investing in our upstream and downstream assets along with our proactive midstream strategies has resulted in our ability to mitigate the impact of price differential volatility. That combined with our experience trading in logistics team, who continuously work to further mitigate this volatility by using our vast midstream and downstream flexibility. As a result, whilst we do retain some exposure, our third quarter funds from operations of $3.1 billion is clear evidence that the differentials are not a significant factor in running and investing in our business whilst continuing to return cash to shareholders.

Now modelling the financial impact of differentials on our results is very complex with multiple variables and assumptions. So let me try to put some numbers in context for you. While heavy and light differentials have widened substantially compared to Q3, if I use Q4 strip pricing of $68 a barrel for WTI, $29 a barrel for WCS and $47 a barrel for SSP, combined with anticipated Q4 production volumes, we still expect to generate funds from operation in the fourth quarter that are comparable to our record setting third quarter results.

Finally, I want to emphasize that our business model and philosophy, irrespective of short-term volatility, will continue to remain laser focused on operational excellence, capital discipline, long-term shareholder value creation and return on net values to our shareholders.

So with that, I'll pass back to Trevor.

Q&A

Trevor Bell: Thank you, Steve, Alister and Mark. I will turn the call back to the operator to take questions, first, from the analyst community, and then if time permits, from the media.

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 Neil Mehta of Goldman Sachs. Your line is open.

Neil Mehta (Goldman Sachs): Steve, not shocking what my first question is going to be here, which is, light crude sensitivity. And I think there are a lot of investors just want to understand what the implications of the widening Syncrude differential is? How many barrels are exposed? And then sort of how do we frame out that risk. I think your message today is that you have a lot of different outlets to mitigate it, but would love a little more colour around that?

Steve Williams: Yes, I mean what we're trying to say is, there are so many modelling assumptions in there, and we're very happy to go through it in detail. But for today, the broad messages are clear, if you like. We -- as you say, rightly say, we have a huge amount of flexibility. We have a million barrels a day of processing capabilities. If you think about that, that’s 550,000 barrels a day, all upgrading. We have 100,000 barrels a day of Fort Hills, which is the PFT bitumen, which in itself is partially upgraded. And we have 450,000 barrels a day or 460,000 barrels a day of refining. So we have immense flexibility, and what I've tried to do is cut through -- I know the number that everybody wants, and I'm a little bit resistant to give it just because it doesn't easily reflect what is happening. What I'm trying to do is, cut through that by the -- with the strip number -- the strip pricing we've given you, showing you and demonstrating, it's having little impact on our fourth quarter performance. And we'll continue to update on what that looks like going forward. So really, for us, it's largely immaterial. We've had this debate every quarter this year. We've had virtually no impact from these differentials. It's slightly different going forward. We are amongst the best position in industry to manage it. So we try to cut through and make it as clear as we can. It's not having a big impact on our performance. But we're very happy off of the call to take you through that in more detail.

Neil Mehta: No, that's great, and I think you drilled that home very clear, just now. And second point is just on CapEx. Appreciate you guys breaking out this growth capital versus sustaining capital. And I guess the range in the crude price we are in right now is, call it, $4.5 billion to $7 billion, which is a pretty wide fairway. As we think about 2019, if I stick to midpoint of that range, it kind of gets you to the $5.5 billion to $6 billion range. Is that a good or early look at how capital spend is going to trend in '19, or any thoughts on that?

Steve Williams: Yes, I mean what we've tried to indicate on that capital discipline matrix in the path there is, we have a huge range of options in front of us. So we've got lots of choices of -- stocks have been relatively low, sustaining capital base. Then we have lots of optionality around projects. And we're trying to demonstrate -- and you've seen in practice what our capital discipline looks like. I think you've read exactly as we intended. We are going through the final bits of the process, and we'll guide before the year-end. You're going to see no significant change in CapEx in 2019. You've sort of set the range that we try to indicate at this early stage in the process.

Neil Mehta: And Steve, I guess the last question for me is that as we model out your numbers here over the next couple of years, we've got -- at the curve you're generating more free cash flow after the dividend than the $3 billion buyback would imply. Is there a scenario, if we stay in the $70 to $80 Brent-type of environment where there could be upside to the share repurchase program?

Steve Williams: Oh, yes, I mean, I always say our capital allocation principles we've clearly demonstrated. We see a real strategic benefit in having a healthy balance sheet. We've demonstrated in the past that what that enabled us to do is sell high and buy low. And so we keep a healthy balance sheet for that reason in this cyclical business. If you then look at how we allocate capital beyond that, we clearly will invest in the sustaining capital because we want to keep the business operationally excellent and predictable, so low cost and reliable. Beyond that, your calculation is absolutely right. I mean what we've said in the past is that we will increase dividends in a sustainable way related to the underlying cash flow. Clearly, that cash flow -- as we come out of the higher capital spend period of Fort Hills and Hebron, we have cash available. It's a board approval for dividends, but you should expect to see a significant dividend increase in the new year. And on top of that, we will then balance with share buybacks. And clearly, at current prices and the current high performances of the business, you can see we're generating enough cash to go beyond where would be.

Operator: Our next question comes from Phil Gresh of JPMorgan.

Phil Gresh (JP Morgan): I guess first question would be a little bit of a follow-up on the capital or maybe just digging it a little bit more in terms of where you're heads out with the types of projects you're thinking about, to the extent you are spending growth capital in '19? Obviously, I know there is some money that might be spent to achieve the $2 billion of CFO improvements. But where your stand on the coker and maybe some of these E&P projects that are out there today? It would be helpful to hear how you're thinking about these things.

Steve Williams: Okay. I mean -- thanks. I mean, let me make 2 or 3 comments. I mean, in general, given the cash generation of this business, I would still say we're in a relatively capital-light position for the next few years. What I mean by that is, we've finished the Fort Hills' project and the big Hebron project. We still have a lovely suite of capital projects and -- that we can pull from as option. But let me talk about where the focus is: in that capital-light period, the majority of the focus you're going to see is going to be on, what I would call, operational excellence. And by that I mean, it's making our business run even better. So you're going to see -- we've talked about this focus on operational excellence, reducing costs, increasing reliability, and may be in there some small focus debottlenecks, particularly around the assets that we just brought on where we can start to see some opportunities. So you're going to see -- and that we talked about, each year for the next 4 years, generating an extra $500 million a year cash recurring up to -- and that adds up to $2 billion over the 4-year period. The good news is that program is going reasonably well. We're exceeding our expectations. We now are starting to have the defined projects, and that is looking good. We also have the opportunity around these upstream E&P projects, which are with partners to come in and mark outlined what our program is there.

We are also in the current -- as we see the environment going forward, the Montreal coker is looking very attractive again. So you'll us to start to develop those projects as we go into next year. And then you'll see us start to pull -- call off any capital associated with those. But the number we talk about, that -- Neil used the number $5.5 billion to $6 billion there, which is broadly in the range for '19, that includes the development of those projects.

Phil Gresh: Right. Okay. That will be very helpful. And then I guess, I'll try Neil's question may be a slightly different way. On the differentials, if I told you my model set is maybe 150,000 barrels a day, of type upstream -- net upstream exposure of Syncrude, is that number widely off? And then obviously, I know there's a lot of mitigation strategies that you're taking. Just curious if you could maybe elaborate a little bit on what you think you can do to further mitigate? Because obviously you've given a $20 million of light/heavy diff exposure, and then it feels like every quarter, it's starting here at 0. So it seems like you've done a really good job of mitigating it on the heavier side. So we would be interested to hear anything you might be able to do?

Steve Williams: I mean we need to go through your modeling detail. I know you've been doing that with Travis, so we could make a more detailed comment. I would say, from my understanding, that is -- that's too high. We were able to handle it better than that, but very happy to go through and comment in more detail.

Phil Gresh: Okay. And mitigation opportunities?

Steve Williams: Yes, I mean, we have -- our whole strategy has been around managing an integrated business, which gives us lots of optionality. So if you look at the upgrading, if you look at our ability to move materials into our refineries, if you look at the capacity, we have to get these volumes down to the Gulf. We are able to substantially mitigate the impacts of these differentials. And that's why I was comfortable to say -- rather than here, work through the line-by-line detail, we've given -- we have a couple of headline assumptions in there, some guidance on what we expect our cash flow to be in the fourth quarter with these differentials. To underscore your point, we are largely immune to these differentials because of that flexibility we have.

Operator: Our next question comes from the line of Prashant Rao of CITI.

Joe Ng (CITI): This is Joe, not Prashant. Just a quick one on E&P. The results came in a little bit below our expectations due to the turnarounds. Could you talk about what the turnaround cost came in versus your expectations?

Steve Williams: I mean, I can just talk broadly. I don't think they were significantly different than expectations. I think they were pretty much as we planned, but they did happen in the quarter, and therefore, the volumes were slightly depressed than the costs were -- the operating costs were slightly up because of the divisor. But overall, they went very much to plan.

Joe Ng: Okay. Got it. And sticking to the Syncrude WTI diffs, could you talk about, like, when do you think that this is going to normalize to the long-term trend?

Steve Williams: Yes -- no, I mean, a great question. I mean, I think that the market is working. You've heard about the higher cost operators are starting to pull in volumes. And of course, when I talk costs, I mean the cost to get it to the customer, not just wellhead but right the way through to the customers. So the market is working. The higher cost guys, who are saving themselves, not making a margin on those barrels, are starting to pull in. The refineries are starting to come back online again. So demands for these products is coming up. Rail is starting to -- rail movements are starting to ramp up, and of course, we had good news this last week about Line 3 progressing. So we see the differentials will improve towards year-end, but they are still -- until we get -- this is a market access issue. Until we get to the circumstance where more of these pipelines are brought on, they will not be fully mitigated. So I think we see reduced levels versus where we are now through the fourth quarter and the first quarter. You'll see it start to reduce as rail comes up, and then as Line 3 comes on, you will see another improvement, but it won't be fully mitigated until I think the next pipeline comes on after that, either Trans Mountain or Keystone.

Operator: Our next question comes from the line of Matt Murphy of Tudor, Pickering, Holt.

Matt Murphy (TPH): On your ability to manage upstream light grid exposure, it appears that you guys have a bit of a unique ability to blend Synbit in lieu of Dilbit for non-upgraded Firebag barrels. So I was just wondering if this is one of the things you guys are looking at doing today or perhaps doing already in light of, obviously, constrained egress?

Steve Williams: Yes -- no, we do do it. Yes, you are absolutely right. And it's not like we woke up and suddenly had this flexibility. I mean, it was a sequence of strategic choices we made, in terms of the acquisitions we made, in terms of the midstream capacity we had, in terms of the modifications to the Edmonton refinery, to be able to manage the circumstances. We didn't have a crystal ball. We didn't completely foresee these circumstances, but we knew the value in an integrated model of having the options. So it's very much consistent with our plan and strategy to be able to manage the circumstance.

Matt Murphy: Okay. Great. And switching over to the refining side. Just wondering if you could comment on impacts to the Alberta diesel market. You're seeing, if at all, from ramping volumes from the Sturgeon refinery? And maybe just the overall health of that market?

Steve Williams: Yes, I mean, just a general few headline comments. I mean, of course, there are no surprises. We've been planning on the basis of the upgrader coming on. No, we haven't seen any significant differences. And it's going to be interesting as the Marine standards start to change, and the demand for diesel starts to change. It's going to be very interesting period for us. And as you know, I think we've put in our deck that, in that circumstance, we think we will be a benefactor of it because we have the diesel available to supply to market.

Operator: Our next question comes from the line of Dennis Fong of Canaccord Genuity.

Dennis Fong (Canaccord Genuity): Just quickly, I wanted to kind of ask about given kind of the relatively muted impacts to your cash flow and bottom line due to the amount of integration that you guys happen to have, how should we be thinking about the NCIB? I mean, you guys have been chipping away at it quite significantly. But given kind of the windfall and cash and the insulation from the near-term differentials situation, how should we think about your evaluation of it going into, not just Q4 but the first part of next year?

Steve Williams: I mean, you will see us continue. So I think it's reasonable to expect as we've been saying for a number of years, as the sustainable cash flow came forward and it was very predictable, it'll be happening in the third and fourth quarter and then this year and then into the future, you would see our underlying dividend increase. So you can expect a dividend adjustment in the new year. We've been said, where -- and we expect that to be sustainable in the -- approximately $45 crude world. We've then said where the market gives us more cash than that, we will look it at the share buybacks. So you can see us continuing to aggressively return money to shareholders.

Dennis Fong: Okay. And then more so in the near term, I mean, it seems if the current commodity price kind of holds relative to the fourth quarter there, that there should be some incremental free cash flow above what you've already discussed as you're sustaining the remainder of the Gulf -- the growth capital you're spending this year, the dividend as well as your NCIB. Is the expectation initially that we should see that go to the balance sheet first? And then you, as both management and board, will make a decision as to how you'll further allocate that? Or is that a more going to be of a focus given where your current leverage happens to be at? Likely going to be allocated with shareholder return?

Alister Cowan: Yes -- no, Dennis, this is Alister. The balance sheet is in great shape, and you saw us take some debt in there. I have continually said that we would over time progressively increase the strength of our balance sheet, you've seen us do that. Yes, we are optimistic on the dividend. So that's pretty clear where we expect to go on that. And on the share buyback, you can expect to see it continue the pace for us for the next few months.

Dennis Fong: Perfect. And then just finally, just kind of back on that debt side, given the fact that your balance sheet happens to be in a really good position. And technically, I guess you could be kind of call this building a dry powder. And then in addition, your kind of track record of doing kind of cyclical acquisitions here, obviously, with depressed heavy oil and to a less degree light oil pricing in Western Canada, is this an environment that you guys feel is appropriate to think about utilizing some of that dry powder to increment either resource or bolster your asset profile?

Steve Williams: I mean, yes, I've commented on the last 2 or 3 calls in terms of the spread between seller's expectations and our willingness to buy. We continuously scan the market. So we look in the Canadian Oil Sands business, which is the heart of our business, and we look at that integrated to market. So we look at the downstream and midstream piece of that as well. We also look around E&P. I mean, what I can say is, we are -- we're constantly doing that screening. We are not looking at anything in particular at this moment.

Operator: Our next question comes from the line of Roger Read of Wells Fargo.

Roger Read (Wells Fargo): Apologies, because I missed the first part of the call. Kind of a busy morning for us here on the sell-side. I'd like to follow up a little bit on the prior question there on the M&A side or acquisition side. I mean, if you have competitors that are forced to shut in production, it would argue that they've got either lesser kind of operations, reserves, or they have a cost issue. As you look at your own performance, your own cost structure here, are there additional improvements that you think you can make? Or do you feel like most of that's in? And then as you look at some of these other operations, I know you've said nothing on the front burner, but do you look at the other operations and see potential for making real changes there? Or given the structure of Oil Sands, that's simply a difficult leap of faith to make, let's say?

Steve Williams: I would say it's a combination of both. So if you look -- as you said, our integrated model is well balanced, has been operating very well. We don't view it in this quarter, next quarter. We have a view of the world for the next up to 50 years that we are investing in. So we are buying and selling assets occasionally against that view of the world. We talked about this $500 million a year, per year, for 4 years; so $2 billion increase in our cash flow, of things we can do within our own business in our own control. So we still have some substantial increase to value we can add to those businesses, and we are working that. That's not consuming a significant part of our balance sheet, so we have organic opportunities and inorganic opportunities. We've talked about the possibility of if -- as we go longer bitumen in the long run, looking for some potential downstream capacity. We've not been prepared to buy refineries at the high prices they have been at. So we are now looking at our organic opportunities, and we're looking for modifications to our Montreal refinery. We do look at the market. And the way we value the M&A opportunities, when we look at, those are exactly as you describe. We look at what extra value can we gain by putting those assets within our integrated model, and we look at those. And it's again that background I'd say. Particularly in the Canadian sector, there's nothing specific we're looking out at the moment because we don't see that value add.

Roger Read: Okay. And then again, like I said, I apologize for missing the earlier part, but operations at Syncrude can -- did you or you were able to, or can you provide any sort of update on sort of the -- with regard to change in management, may be your greater influence on the management of that particular operation?

Steve Williams: Yes, I mean if I summarize, I was frustrated in the last quarter because I wasn't seeing progress that I wanted. I did say in my words, I'm delighted to say, we've got a step improvement in terms of the corporation. We've moved nearly 15 people across into the operation ourselves in order to help, and we've taken some Syncrude people back into Suncor so that we can start to cross-fertilize the cultures. So first of all, the operating level, the client is now fully operational, and today, it's operating at full capacity. We've got the teams in place to start to do the grounds-up improvement program we've talked about. And the partners are cooperating very well on that, and that is looking good. We've also come to an agreement on the principle commercial terms now for the interconnecting pipelines, which is a critical part of confident reliability. We're going to get that reliability up to 90%. So I'm very encouraged now and what Syncrude is looking like going forward.

Operator: Our next question comes from the line of Mike Dunn of GMP securities.

Mike Dunn (GMP): I have to apologize as well, I just jumped on this call late, so just tell me if this question has been asked, and I can catch it up with Investor Relations after. But I know you've talked about having location secured and egress secured for your Fort Hills barrels. What -- can you see the same for your non-upgraded bitumen blends that you sell to market from Oil Sands operations? And if not, I mean, I'm just wondering whether or not it makes sense for you guys to turn the dial back there a little bit temporarily on production at Firebag, let's say?

Steve Williams: No, I mean, a great question, Mike. It gives me the opportunity just to summarize maybe and repeat a few things I have said. We have full pipeline access to market for all of our production, including Fort Hills. And that was a strategic decision we made that we didn't want to expose ourselves to those market, so we invested in those a number of years ago. So the guys who are having to look -- I have a great deal of sympathy for where the market is, and I understand the pressure that others are under. We invested for this circumstance to make sure it had -- it's not a zero impact but minimal impact on us. So what's happening is, the market is working. The higher cost producers are having to pull back because they're not making any margin on their last barrel. We are not in that circumstance. If we were to get into that circumstance, we wouldn't hesitate to pull through, pull back. But our marginal barrel is making a profit, making cash.

Mike Dunn: Steve, if I can maybe ask it a different way, what -- how should we expect to see your fourth quarter non-upgraded bitumen price realizations? Are they largely not impacted by the water at WCS diffs? Or is this a case of those discounts will be wide in the oil Sands, but there is a benefit to your downstream?

Steve Williams: Yes, it is a function of the integrated model. So we have 1 million barrels a day of processing capability. 550,000 of that is conventional upgrading, 100,000 barrels a day of that is PFT, so the paraffinic extraction partially upgrading, and we have 450,000 barrels a day of refining. So within that complex, we've been able to largely accommodate these differentials. It's not that we have zero impacts. So because of the complexity of it, I don't know if you heard the part of the call where I went through it. What we said is that a bottom line is that we would expect with the differentials we're seeing at the strip prices that we would produce around about the same amount of cash as we produced in the third quarter.

Operator: And I'm showing no further questions at this time. I would now like to turn the call over to Mr. Trevor Bell for closing remarks.

Trevor Bell: Great. Thank you, everyone, for joining us. I know it was a busy morning with releases. I appreciate your time, and we'll talk to you soon. Goodbye.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude the today's program. You may all disconnect. Everyone, have a great day.