Suncor Energy Second Quarter 2019 Financial Results Call

Thursday, 25th July 2019

Operator: Good day, ladies and gentlemen, and welcome to the Suncor Energy Second Quarter 2019 Financial Results Call. (Operator Instructions) As a reminder, this conference call is being recorded. 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's Second Quarter Earnings Call. With me this morning are Mark Little, President and Chief Executive 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 various risk factors and assumptions that are described in our second quarter earnings release as well as our current annual information form. Both of these 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 description of these financial measures, please see our second quarter earnings release. Following formal remarks, we'll open the call to questions.

Now I'll hand it over to Mark Little for his comments.

Opening Remarks

Mark Little

President & Chief Executive Officer, Suncor Energy Inc.

Good morning, and thank you for joining us. The record $3 billion (CAD) of funds from operations that we generated in the second quarter, which included some turnaround activity and major planned maintenance, continues to reinforce the value of our integrated model and our ability to generate substantial cash flow and value for shareholders in almost all market environments. We continue to operate our assets safely and reliably through ongoing mandatory production curtailment environment.

Because of our regional footprint and asset flexibility, we're able to transfer production quotas among our oil sands assets. We also purchased 24,000 barrels per day of net additional bitumen production volumes from other operators during the period of industry-wide planned maintenance. We set a total upstream production record for the quarter and lowered our cash cost per barrel across all our oil sands assets compared to Q1. Total upstream production exceeded 800,000 barrels per day, with nearly 700,000 barrels per day generated by our oil sands assets. This second quarter production record is a very positive result, given the impact of major planned maintenance completed at many of our oil sands assets and mandatory production curtailments during the quarter.

Production from Suncor's offshore assets in the second quarter was approximately 110,000 barrels per day. This included the ongoing ramp-up of Hebron and a full quarter of production from Oda project in Norway. We also officially sanctioned the Terra Nova asset life extension during the quarter, which is expected to capture approximately 80 million barrels a day of oil from the field and extend the asset life by approximately a decade. This is another example of our ongoing commitment to invest in high-return, low-risk projects that create value for our shareholders.

In the downstream, we completed planned maintenance at each of our refineries, resulting in utilization of 86%, which drove refinery OPEX per barrel slightly higher than Q1. With 2019 refinery major planned maintenance now complete, we're set up for a strong operational performance for the rest of the year, and we're expecting demand to be robust during this period.

As you can see, we remain laser focused on our 2019 operational performance. At the same time, we continue to advance projects and investments to incrementally and sustainably grow our cash flow by $2 billion a year by 2023. As a result, we have mentioned -- and as we've mentioned before, we are doing this by focusing on operating costs and sustaining capital reductions, margin improvements and debottlenecking opportunities. Using the learnings of our major project execution playbook, we created a dedicated senior team, led by a member of our executive leadership team to steward this initiative, including advancing and executing on several key projects related to the $2 billion of sustainable incremental cash flow. And we're making good progress on executing a number of these projects, including continued implementation of autonomous haul trucks at Fort Hills Mine after more than a year of successfully operating North Steepbank mine with autonomous trucks; an execution of our past tailings management plan at base plant, which allowed us to treat 165% of the mature fine tailings we produced in 2018; and advancing engineering, procurement and early-stage construction on the Suncor Syncrude interconnecting pipeline.

In addition, we are nearing a sanctioned decision on replacing the coke fired boilers at base plant with a cogeneration unit. We expect these 4 projects to deliver approximately 1/2 of the $2 billion of structural annual cash flow improvements, once fully implemented. The remaining $1 billion of incremental cash flow is expected to come from projects such as debottlenecking opportunities at Fort Hills and our in situ assets as well as advancing numerous initiatives in adopting digital technology across the company. I think people recognize that technology and innovation have always been an important part of Suncor's history, and we fully expect it to remain that way with the additional of digital technology going forward. We will continue to update you on our progress in these areas, including their contributions to our overall financial goals.

Just last week, we continued to build on 25 years of sustainability report by releasing our 2018 annual report on sustainability and our third climate report. Sustainable energy development has long been a part of Suncor's strategy, with a focus on generating economic value, enhancing social value and continually improving our environmental performance. Contained within the report are numerous examples of our continued progress in 2018, including a 10% reduction in greenhouse gas emissions intensity since 2014. And in fact, part of this progress is attributed to the production from our Fort Hills mine, which has essentially the same full life cycle greenhouse gas emissions intensity as the average barrel refined in North America. And this is done by extracting carbon from the barrel before we ship it to market. The $635 million invested in technology development and deployment such as the next-generation in situ technologies that have the potential to dramatically reduce production, greenhouse gas emissions by up to 70%, and a spend of over $700 million with 83 indigenous businesses across Canada in 2018, including 24 new suppliers and a focus on the East Tank Farm development partnership where First Nations acquired a 49% equity position in the facility at a value of $500 million. This is the largest First Nations business investment to date in Canada and helps ensure indigenous people can share in the benefits and opportunities of resource development. We believe this model can be and should be duplicated. There's many more examples in our Sustainability and Climate Report, which can be found on our website.

With that, I'll pass it onto Alister to provide some color on our second quarter financial results.

Financial Highlights

Alister Cowan
Chief Financial Officer, Suncor Energy Inc.

Thanks, Mark. As you previously highlighted, Suncor generated $3 billion of funds from operations in the quarter, once again demonstrating the strength of our integrated model in all market conditions. So the business environment strengthened during the second quarter compared to Q1. And because we operated both our upstream and downstream assets reliably, we were able to capture that value, which we then returned to our shareholders in the form of $650 million of dividends and $552 million in stock buybacks. That's a total of $1.2 billion or 40% of cash flow being returned to shareholders in the second quarter and that's $2.4 billion or 43% year-to-date.

Now we also strengthened the balance sheet during the quarter, not out of necessity, but it does demonstrate our capital discipline and commitment to maintain a strong financial position. This was accomplished through net debt repayments of more than $700 million and the strategic timing of the issuance of $750 million of bonds that captured low rate financing for a 10-year term. As we expected, capital spend in the second quarter was $1.3 billion, which is an increase of approximately $450 million compared to Q1 and reflects the seasonality, including the impact of planned maintenance.

Looking forward to the second half of 2019, we've made a couple of changes to our corporate guidance. We have increased the Syncrude cash operating cost per barrel guidance range by $3 to reflect increased maintenance and investments being made to drive reliability improvements and you've seen the results over the past few quarters. At the same time, we have reduced the top end of our capital guidance range to $5.4 billion, down from $5.6 billion, which demonstrates our focus on capital discipline as well as our focus on executing projects efficiently and investing to drive shareholder value.

Recall that our 2019 production and cash cost per barrel guidance was issued assuming lower curtailment than has actually unfolded to date. Namely, the Alberta market will be curtailed at 30% of the initial curtailment level for the final 3 quarters of 2018 and that was based on the Alberta government statements at the time. While we are not changing our guidance ranges other than what I previously stated, it is fair to say that we now expect to be in the lower half of the range for oil sands at Fort Hills production and therefore, the upper half of the range is for associated cash cost per barrel. Unless there are significant interventions by the Alberta government, mandatory production curtailment now appears to be with us for the remainder of 2019.

And with that, I'll pass it back to Trevor.

Trevor Bell: Thank you, 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.

Q&A

Operator: (Operator Instructions) Our first question in the queue comes from Neil Mehta with Goldman Sachs.

Neil Mehta (Goldman Sachs): Hey, guys. Thanks. Thanks for taking the question, congrats on a good quarter here. So the opening question for me is around the $2 billion of cash flow, and it's something that we are getting increasingly asked about, as that's a big driver of the long-term cash flow per growth story for the company. How should we think about the timing of when we're going to get more granularity? And any incremental details you can provide to help us get conviction about the achievability of that number?

Mark Little: Yes, Neal, thanks for your question. It's one of the reasons that we tried to put a little bit more detail into our opening remarks here today about the $2 billion, because I do think when we start getting into things like autonomous haul trucks, the Syncrude/Suncor interconnecting pipeline, looking at the cogen investments, working on tailings management and such, a lot of this is quite concrete. Some of these are actually in execution. One of the things we're considering is having just really a focused session where we talk specifically about the details behind the $2 billion. So some of this right now, as I talked about -- some of the items that we've talked about in here, the -- so a bunch of these are in execution. Like the cogen is a decision, that's coming up, that's quite imminent for us to make a decision on whether we're going to do that project or not. And then we have a number of other ones like Fort Hills debottleneck, we're still doing analysis and such. Curtailment's made it a little more problematic in the sense that it's harder to run the site to capacity and constraints to fully understand what the constraints are in all the temperatures and ambient temperatures and such. So we're working through it. We think that there's $1 billion of this that's very defined, which are really the items that I mentioned. And then there's other work that we're working on. So but this is an area of focus. And I really think probably by early into next year, middle of next year, we'll have a lot more detail on this, but there is information available on the projects that we've flagged and chatted about.

Neil Mehta: Thanks. A follow-up question just around some of the guidance updates. Can you talk about some of the factors that drove the capital spend guidance to get the top end of the range to come down a little bit? And then Syncrude cash costs moved up here. Is that something that we should be carrying forward? Or do you think that's just timing of turnarounds?

Mark Little: Yes. On the capital side, our focus has always been don't spend a dollar unless it's absolutely going to drive value and be very disciplined on the execution, and so spend as little as much as you can to drive as much value as possible. So the decrease in the range is really just reflecting the discipline that's coming into the execution of every project that we're doing. And so our view is, is there's no way that we're going to end up spending $5.6 billion this year. So we've just moved down that range.

On the Syncrude side, our focus on this is when you look at the operation overall, Syncrude's had excellent performance over the last 3 quarters. –In Q4 of last year, our utilization was over 100%; in Q1, it was 89%; in Q2, it was 92%. Those numbers in the first half of this year are actually quite remarkable, considering that this is in a curtailed environment where we can't run the machine to its full capacity. That being said, I think it's obvious that we've prioritized the curtailment and moved as much capacity to Syncrude as possible to try and maximize the value of the synthetic barrel because we're not just curtailing production, we're curtailing conversion capacity in the province at Syncrude in particular. So it's had a really good progress.

Now, the increase in cash cost is really reflecting the fact that we are going into turnaround. And so this unit, we're taking one of the cokers offline, and we're doing that coming up here at the end of August. So for September and some of October, that unit will be down and so production is declining. Still even with all of that said, in a curtailed market, we're going to end up delivering one of the lowest unit operating costs in the last decade at Syncrude, is what we're expecting, and we're making good progress on the reliability. So we don't view -- or we're fully committed to our $30 a barrel operating cost and our 90% utilization. We won't average that in 2020, but we think that all the conditions will be in place at the end of 2020 to achieve that going forward. And the Syncrude interconnecting pipeline is another one of those critical pieces that's required and that'll be in place towards the end of 2020.

Neil Mehta: And then lastly, I always value your views, Mark, on egress issues and where we stand. What is the near-term fix? It sounds like there could be a deal in hand to increase production, reduce curtailments in exchange for incremental rail. Where do we stand as it relates to that? And then something that's been bubbling up to the surface in the last couple weeks is around Line 5 and risk around disruption around that pipeline, which adds another wrinkle to this egress question. So I'd love for you to kind of frame this all out for us, and how we should think about this playing out?

Mark Little: Yes. Maybe just to take those in reverse order. With Line 5, we think the probability of Line 5 getting shut in is very low. This is a critical piece of infrastructure, not just to Ontario refining and Quebec refining, but it also is to Michigan and their supply. And so one thing is, if they end up shutting in Line 5, it will have an impact, not just on us, but on the state of Michigan and their product prices and such. And that after this issue in Philadelphia, where refining capacity on the East Coast has already taken off and starting to put some pressure on clean products and stuff on the East Coast of the U.S. So we think that this is a low probability. We think that the pipeline operator actually has a really good plan in place to be able to execute. They want to do it in a disciplined way, which we fully support. And so shutting down the Line, in our view, doesn't make a whole lot of sense. But with all that said, our focus -- we're spending time looking through and trying to understand how we would manage that, and we think that there are ways that we can mitigate the risk associated with it. And so that's an area that we've spent a lot of time focusing on. So we don't really view that as that material.

When you turn your attention to what's the opportunity now, I've talked from time to time about the work that we've been doing across the industry with the Alberta government to try and set up this arrangement where you get production above your quota that is established during curtailment for incremental rail. So if you can bring incremental rail and bring it to market, then you can actually end up moving additional production. We think it makes a lot of sense. I think it's just taking some time to work through it with the Alberta government. So we're still waiting to get some decisions out of the Alberta government on it. But we think it's good for everybody, and there's a whole group of producers that, quite frankly, have been on both sides of the fence around curtailment. But we all think that this is in the best interest of the province for royalties and for the people of Alberta to be able to move forward. So I'm hoping that we'll get to a decision on that. Now we haven't accounted for that in the comments Alister made about the impact of curtailment on our production and operating costs. So we're reflecting that curtailment carries on, but we think this is a good opportunity. We are expecting and hope that we can get to a decision fairly quickly on it. And then it's just the market forces about how fast we can bring additional rail to market. I'm expecting that between now and year-end, if we can get that agreement in place, we could bring somewhere in the neighborhood of 250,000 to 300,000 barrels a day of incremental rail and so that would be substantial. Keeping in mind, in August, curtailment -- the official curtailment number is that we're constrained by 150,000 barrels a day as an industry. All the industry players realize the constraint is actually much higher than that, but I do believe that at 200,000 to 250,000 or 250,000 to 300,000 barrels of additional rail, we'll be able to clear the market. And we're hoping at that point, along with some other opportunities, the industry is pursuing that we'll be able to get out of curtailment and then people can start looking at what are their investment opportunities going forward.

Neil Mehta: And then really last question. Is there any timeline on when you expect some resolution on some sort of agreement with the producers and the government?

Mark Little: I don't know really. This is in the government's court. I know they're working it hard. They've had a lot of balls in the air in the couple of months that they've been in power. And last night, they just came out with the whole piece on the electrical market. So they're working it very diligently. But so I'm hoping that in the next month or so we can get some action moving on this.

Operator: And our next question comes from Greg Pardy with RBC Capital Markets.

Greg Pardy (RBC Capital Markets): Thanks, good morning. I guess first just on your capital guidance, a significant amount of your growth capital is allocated to our E&P business. And could you provide an update maybe on those projects and specifically Hebron, White Rose and then Oda?

Mark Little: Yes. Thanks, Greg. We are actually spending a fair amount, as you say, in the E&P side of the host right now. Hebron's been going great. The operator has done a very good job. It's ahead of our expectations. We just brought the sixth well on, and so it's going extremely well there. West White Rose, I would say the project did not start well. – Now, the operator I think has done a good job of bringing productivity back in line after some of the issues at the start of the project. So now the operator's also already announced essentially a 1-year delay from the start of 2022 to the end of 2022 on the startup and such. And so now we're deferring revenue, increasing and paying for a project team that'll be in place another year. So this is actually, I would say, the impact on the project is outside of what we would expect the normal range for the uncertainty of project of this type. But the operator has done a good job of getting things under control, getting productivity in line and moving things forward. So we're working with the operator now on a full review of the project, and we're expecting a project update here in the second half of 2019. I think in our annual report, we said it would be in the first half. It's been pushed to the second half of 2019. And then Oda, Oda has actually gone well. It basically met expectations. It's online and producing. This was the first full quarter of production, so I think it's pretty much on track.

Greg Pardy: Okay. Maybe just as a footnote, there's that small oil spill at Hibernia. I mean is it back up? And I guess the question really is, is there anything to worry about there?

Mark Little: Well, I don't think so. I mean this is a disappointment for all of the partners involved. Although we have a very high confidence in the operator and the discipline that they bring to moving this thing forward, and so I think they're handling the situation well and working with the authorities to deal with it.

Operator: And our next question comes from Dennis Fong with Canaccord Genuity.

Dennis Fong (Canaccord): Hi, good morning, and thanks for taking my question. So just as we continue to see you guys delever (deleverage) with essentially allocating your excess free cash flow, and Alister, I know you already mentioned how comfortable you guys feel about the balance sheet right now. I guess it's a good problem to have, but at what levels do you guys feel that you no longer need to allocate excess free cash flow to the balance sheet? Where are kind of some of maybe the debt metrics in terms of where you feel comfortable around the balance sheet? And where you can maybe think about allocating that free cash flow elsewhere, whether it be to incremental share buybacks or anything along those lines?

Alister Cowan: Thanks, Dennis. Yes, I mean I would say that I have been consistent with my comments earlier that we are very comfortable where we are with the balance sheet today. We do, however, take a very disciplined approach to where put our cash flow. We've been very consistent with our metrics that we laid out, and we would allocate surplus cash flow. You did see us sort of ramp up the stock buyback in the quarter. So we are on pace to exceed the $2 billion that we had laid out. So you've seen us do that. I think as we look forward to the remainder of the year, clearly pricing is down a bit from the first half. So we will remain cautious around where we allocate the free cash flow. But as we've demonstrated in the past, and you saw us do it last year, if we are generating more free cash flow, you can expect to see us take a balanced approach to where that cash flow will go between further strengthening the balance sheet and potentially increasing stock buybacks.

Operator: And our next question comes from Prashant Rao with Citigroup.

Joseph Ng (Citi Research): This is Joe Ng on for Prashant. First, you're well balanced today in terms of integration, but looking to next year and beyond, how do you think about the optimal time to grow the upstream production base or resource like further? And in this context, how are you thinking about organic versus inorganic growth?

Mark Little: Yes, great question, thank you. So I think we're on the record saying that this band of having like 65% to 80% integration between our upstream and downstream is an ideal range. We're in the low 70s right now, and so we would like to maintain that. We do think we could get a few phases of replication on without integration. And -- but we continue to work the integrated model and look for opportunities like debottlenecking our investments and those -- and the assets and stuff that we have now.

On the M&A side, we're really always looking at make versus buy. So if we can buy it and drive more value by buying it than making it, that makes a lot of sense to us. But trying to find the fit, what -- I think if you go back and look at our M&A record, you'll find out we're quite disciplined buyers. We tend to be opportunistic because we're really looking to ensure that with the expected potential volatility of the market and such, we really want to ensure that whatever we do, we're driving real value for the shareholder. And often that comes with some synergy associated with our business, either through integration or ability to influence and such to get kind of disproportionate value. So our expectation is we constantly are looking and trying to understand the opportunities in the marketplace, but I guess we should be judged on our discipline. Discipline is probably more defined about what we don't do than what we do, do, and so we're wanting to ensure that we're really challenging ourselves to ensure that whatever we do, we're going to drive value with it.

Joseph Ng: Got it. Second, could you give us a status update on your bi-directional pipeline connecting Syncrude and the baseline? Any changes to the expected timeline, cost and benefits? Also could you give us a sense on how much of that $2 billion incremental cash flow is from the pipeline? And how much of the $2 billion is like from the cogen project that you mentioned?

Mark Little: Yes. So let me just start with the cogen first. So the cogen is about $250 million a year. The great thing about the cogen is we stopped burning petroleum coke to be able to make steam. And so because of that, we improved both the reliability, we drive down our maintenance costs, and we've reduced our greenhouse gas emissions for making the steam at base plant. And then we put the most efficient power generation from an energy efficiency perspective as well as greenhouse gas emissions from a hydrocarbon source, we put that electricity out onto the grid, which is helping the province shut down their 5,000 megawatts of coal-based power generation. So we think that's a good opportunity for us.

On the interconnecting pipeline, our interconnecting pipeline is expected to be in place for the back half of 2020. It will generate about $200 million a year of cash flow. The overall cost really hasn't changed on that project. And right now we're in the process of doing detailed engineering and some pre-site work and stuff getting ready for construction coming up as we get into the fall and into the winter.

Operator: And our next question comes from Asit Sen with Bank of America Merrill Lynch.

Asit Sen (BAML): Thanks. Good morning. I have 2 follow-up questions to the earlier question. So first, Mark, on the target savings cash flow. You talked about, I believe $1 billion in debottlenecking and digital strategies. Could you perhaps talk about digital technology adoption? How is that coming along? Any update that you can share in specific wins and kind of your broader vision?

Mark Little: Yes. Yes, thanks so much for that. So we really are calling this next chapter of the company Suncor 4.0. And Suncor 4.0., if this is a chapter in our book, we're bringing into it capital discipline, operational excellence, the integrated model and returning cash to shareholders and such through that. So, there's some big pillars that are coming from for sure, the third chapter, some of these go back some period of time. But and now what we're trying to do is, like technology and innovation has always been in the DNA of the company, but now we're trying to add digital to it. And so -- and we are actually big users of digital technology and process control and managing and opening valves and controlling chemical processes and those sorts of things. So that's a significant part of who we are. But we're trying to figure out, how do we take this technology innovation and all of the opportunities that are out there and leverage it to drive value. So like one of the examples that we have is we've been using artificial intelligence to be able to help us in predicting what's happening within our oil sands assets, and ensuring that we manage it to drive up reliability, drive down our cost, minimize upset conditions and such, really interesting piece of work. We're just getting through the pilot stage, but the pilot stage would say that we've been conservative on the assumptions associated with that. Or you could take things like bots, where we've been able to apply them to administrative kind of manual processes to significantly reduce the work effort that's required to be able to perform some function. The beauty of it is -- and probably any company can sit and give you 2 or 3 examples. I call this kind of the cruel initiative phase, but we're working really hard as a leadership team to be able to leverage this technology as a strategy of the company so that literally 5 years from now, people would add to things like operational excellence and capital discipline. Leveraging digital technology would just be one of those pillars that you think of as Suncor. Honestly, I don't think there's going to be any -- too many companies around that if you don't make that a strength of your company, 5 to 10 years from now, it's going to be hard to compete in literally any industry.

So that's an area that we're spending a lot of time on, and we're seeing a lot of interesting opportunities, but we're just not at the point where we can articulate it. And quite frankly, for the next 12 to 18 months, we really see ourselves dealing with some of the foundational issues around our data and data management and some of the historical issues of the company of implementing some of these systems before we kind of launch into some of these more exciting opportunities about leveraging some of the end user pieces to it. But we have a lot of good opportunities coming up, and we're working on a number of those. It'll just take a bit of time.

Asit Sen: And my follow-up unrelated question is on crude by rail. Would Suncor have any interest in crude by rail contracts that the government wants to get rid of? And what would it take for you guys to be interested?

Mark Little: Well, as we said -- we've said previously is we had all the pipeline space to move all of our volumes prior to curtailment showing up. But the catch-22 is, but the government curtailed the production, and we understood why they did that. So now the proposal that's on the table that the companies that are curtailed have supported, or I should say some of the significant companies that are curtailed have supported, is really about, look, if we can bring incremental rail, can we produce incremental volumes? Because the government nor do the companies want to see the whole market go in the ditch from upsetting the supply/demand balance and kind of oversupplying the supply logistics. So right now there's, I would say, no incentive to go and get incremental rail. And one of the reasons that there isn't is that even if you do, you can't produce an incremental barrel. So I think that's fairly straightforward. But in the system that I just mentioned, incremental production for incremental rail, we would be incentive to go and figure out rail because if we can bring incremental rail, we'd be able to move more oil to market. And so that's an area that we spend time looking at. The integrated players are in the railing of hydrocarbons 100% of the time because we move clean product across the country all the time, and we have for decades. So it's a little different for us because we're in that market ongoing. But so the incentive for producers to sign up for rail and take the government out, which we support, is being able to open up the door to give us an incentive to use it. If I have to buy rail and then I can't use it, what's the point? So we see that there is a potential opportunity there. And then depending on what happens with debottlenecks and stuff, it could be that there's a circumstance that for a period of time, if the debottleneck is actually really cost effective, it could -- we could get our minds around using inefficient logistics and shipping crude by rail if it turned out that it would allow us to be able to capture a super economic project on the debottleneck side. So we just need to wait and see what the debottleneck looks like.

Operator: And our next question comes from Mike Dunn with GMP FirstEnergy.

Mike Dunn (GMP FirstEnergy): This question is probably for Mark. Mark, I'm just wondering with the new government in place in Alberta and their proposal, I guess, or what they want to do with taxing greenhouse gas emissions and the recent, I guess, platform or proposal that the federal conservatives have announced. I'm just wondering, between, I guess, the old NDP system, the current federal system for GHG emissions tax and what's proposed in Alberta and what's proposed federally by the conservatives, are there any of those proposals that would make or break the cogen project that you have planned?

Mark Little: No, we don't think so. But maybe just a step back from this. So we believe that hydrocarbons and us, humankind, are actually having an impact on the climate. And so because of that, we've literally had policies in place in the company for 2 decades. And I mentioned today, this is for 25 years, we've been publishing a sustainability report because we believe that this is a critical area. One of the things we've literally had in place for 2 decades is supporting a price on carbon because we think markets are efficient. And we believe that by creating a market, the market finds the most efficient way to be able to deal with this.

That said, the first government in North America to introduce a carbon price in kind of the industrial complex was in Alberta in 2007. And since that period of time, although the price has changed, since that period of time, we've paid a carbon price as a producer. And we've done that, it's over a decade now that we've been paying it, and we expect it to pay it before the last government was elected. We paid it during the last government, and we're going to pay it with this government in place.

So from our perspective, it's almost -- there's really no material change around the pricing and market mechanisms that we're seeing on our side. There is a little bit around some of the power generation pieces around the federal government where they're incenting certain types of energy sources and such to stay in the market or whatever it might be. But generally, we would say is that, from us looking at the cogen, this is almost immaterial to the discussion. And we fully expect that this is -- what we're seeing and literally have been seen for over a decade is a very consistent application. Really the debate is much more on the consumer side, where whether you're pushing it into the consumer side and rebating it to them or whether you're just saving the hassle of facing them and rebating it. Now we believe the consumer side is important because 80% of the emissions that come from there. But nevertheless, none of the policies that have been talked about on the consumer side align with kind of our broader principles around how we would see a broader carbon price be put on. So for the cogen, we do not view that this is a material piece to moving forward.

Mike Dunn: And a second question on a different topic, if I may. I know in the past regarding potential M&A, your messaging has been quite consistent that you'd look for synergies and consistent with your existing operations. What would it take for you guys to get interested in, I guess, oil sands assets that are not obviously hugely physically synergistic with your existing footprint?

Mark Little: Well, I think the synergy piece associated with it just allows us to make sure that we're getting the financial return. So if it was just an oil sands asset, it's just a debate about price versus the market. And so if we can integrate the barrels and such, it just needs to set a price. And so you've seen over a period of time, the price of transactions for pure bitumen barrels has declined, and I'd say quite significantly over a period of time. So if we ended up buying just a pure bitumen asset, it would just be -- the price would have to fully reflect the uncertainty that exists within the market.

Operator: And I'm showing no further questions in the queue at this time. I'd like to turn the call back to Trevor for any closing remarks.

Trevor Bell: Great. Thank you, operator. Thanks, everyone, for attending today. I know it's a busy earnings day, so appreciate it. Our team will be around all day. If there's any follow-up questions, please reach out. And thank you again for attending. Bye-bye.

Operator: Ladies and gentlemen, thank you for your participation on today's conference. This does conclude your program, and you may all disconnect. Everyone, have a great day.