

A woman wearing a white hard hat and safety glasses stands in an industrial oil field, looking upwards. In the background, there are large white storage tanks and yellow industrial structures under a clear sky.

# The Economic Impact of Canadian Oil and Gas

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# Summary of the Economic Impact of Canadian Oil and Gas

- Conditions for the Canadian upstream oil and gas industry have been challenging since the 2014/2015 downturn; however, the situation has drastically improved post-COVID with the commodity price recovery and improved pipeline takeaway capacity, which have resulted in record-high revenue levels in 2022 and 2023.
- Annual revenue for 2025 is now estimated lower at \$177 billion (relative to 2024) due to weaker oil and gas prices. CAPEX spending is expected to be similar to 2024, with the equivalent of 60% of industry revenue, or \$106 billion, estimated to be spent on operating expenditures (OPEX) and capital expenditures (CAPEX) combined; this is mostly spent in Canada.
- The industry's improved health has transferred to the bottom line of provincial governments. The industry paid a record \$34 billion in oil and gas royalties to provincial governments in 2022. In 2024 and 2025, over \$20 billion is expected in each year.
- Over the past few years, cost inflation has erased some of the industry's previous gains in reducing operating costs. Managing these costs continues to be an area of focus.
- The economic impact of Canada's upstream oil and gas sector is significant. In 2023, the sector comprised over 3% of Canada's total GDP. The Oil and Gas Extraction sub-industry is the largest goods-producing industry in Canada. It is 27% bigger than the next largest sub-industry—Engineering and Other Construction Activities—and 30% bigger than the Residential Building Construction industry.
- When direct, indirect, and induced jobs are considered, the oil and gas sector employs about 900,000 people in Canada. These are well-paying jobs; the average direct oil and gas worker's total compensation is roughly 2X higher than the Canadian average for goods-producing industries.

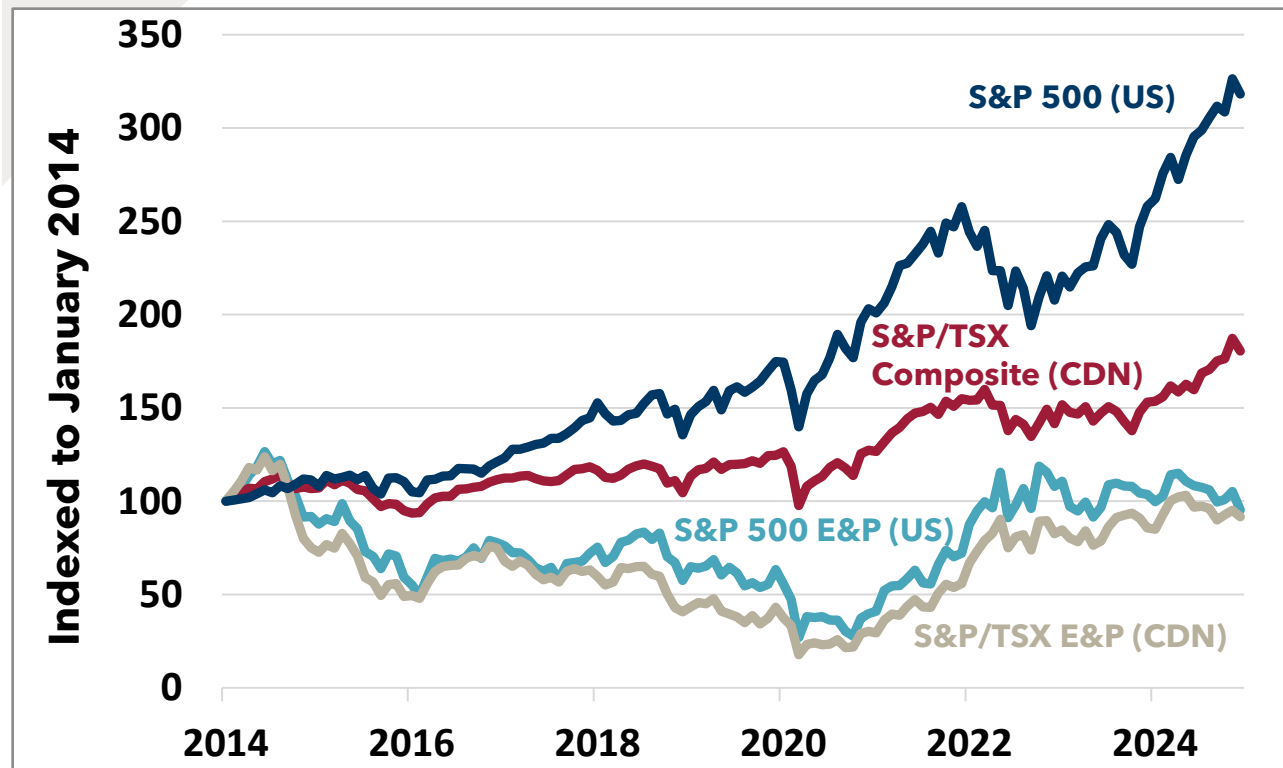
## Canadian Oil and Gas Metrics (2025e)

**\$177 billion**  
Revenue

**\$64 billion**  
OPEX

**\$42 billion**  
CAPEX

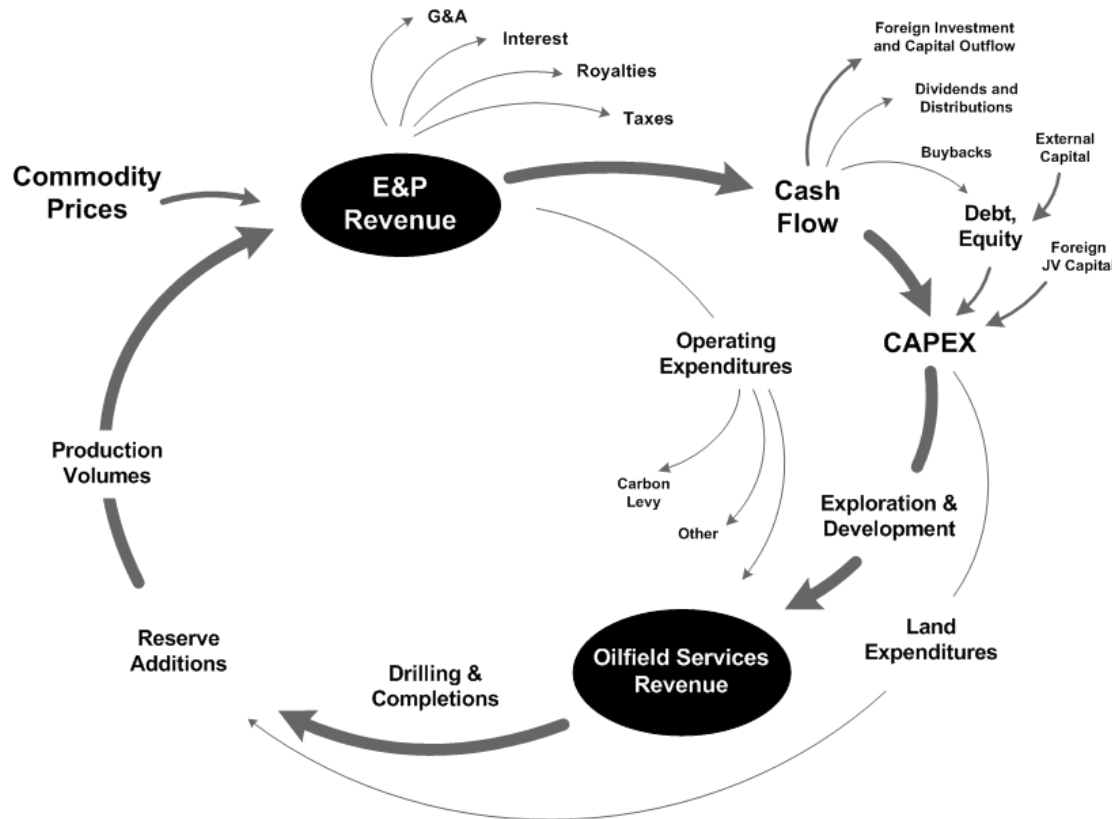
# Equity Indices Performance Comparison | Monthly | 2014 to Dec 2024



- The oil and gas sector has underperformed vs. the broad market since the 2014/15 downturn.
- Indexed to 2014, Canadian oil and gas equities have fared worse than US oil and gas equities. In 2018, a shortage of pipeline capacity caused massive Canadian oil price discounts, and the Alberta government forced production curtailment to stabilize prices. This and other issues like pipeline politics and GHG policy uncertainty have contributed to underperformance.
- However, since 2020, Canadian oil and gas equities have outperformed US oil and gas equities. Canadian oil and gas equities finished 2024 up 6.9%.

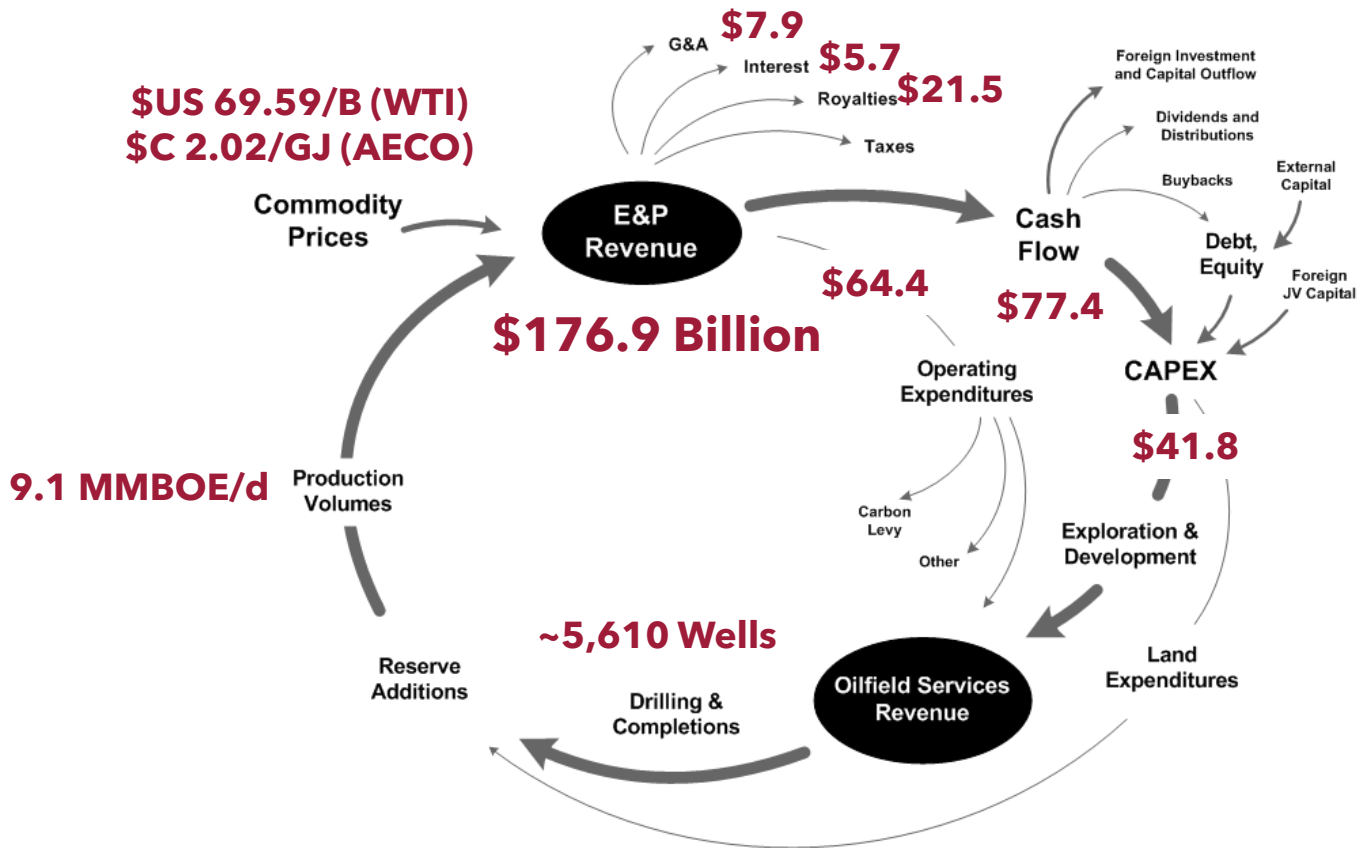
# The Fiscal Pulse

# The Fiscal Pulse | Total Canadian Upstream Oil and Gas Industry



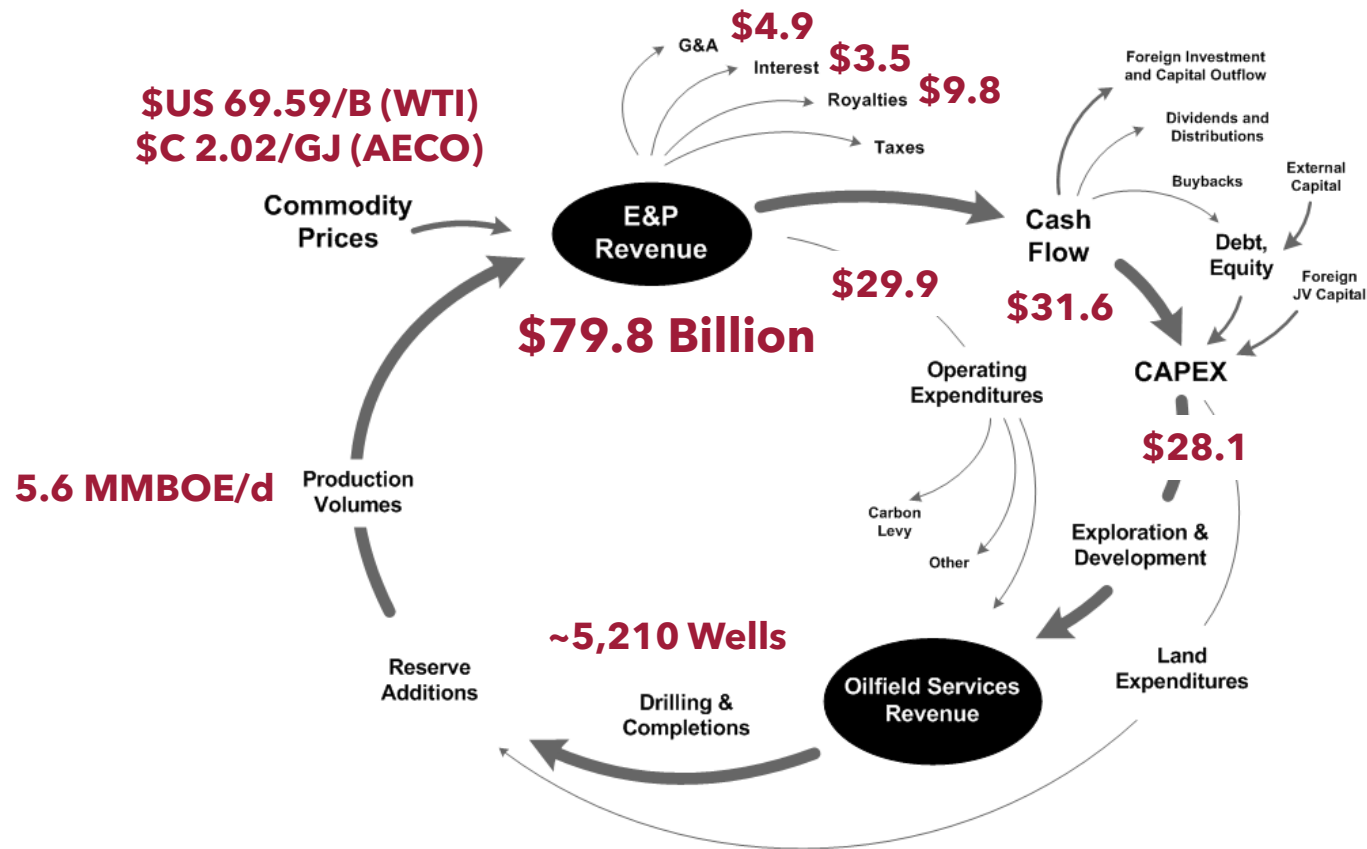
- The Fiscal Pulse diagram represents an accounting of how the dollars and product volumes flow through the Canadian oil and gas economy.
- Production Volumes are multiplied by Commodity Prices to yield E&P Revenue. Interest, G&A, Royalties, and Taxes, along with Operating Expenditures, are then deducted to arrive at Cash Flow.
- Cash Flow is then reinvested back into the industry through CAPEX to maintain or grow Production Volumes, measured by Drilling and Completions and Reserve Additions.
- Cash Flow can also flow back to shareholders through Dividends, Distributions, and/or Buybacks.

# The Fiscal Pulse | Total Canadian Upstream Oil and Gas Industry | 2025 Estimates



- This capital flow diagram updates the metrics for 2025.
- Total revenues are estimated to be \$177 billion in 2025, down from \$180 billion in 2024.
- Capital spending of almost \$42 billion is expected to be similar to 2024 with 60% of revenue, or \$106 billion (operating expenditures + CAPEX) that is mostly spent in Canada.
- Annual commodity price expectation averages for 2025 are based on the calendar 2025 futures prices as of January 2<sup>nd</sup>, 2025.

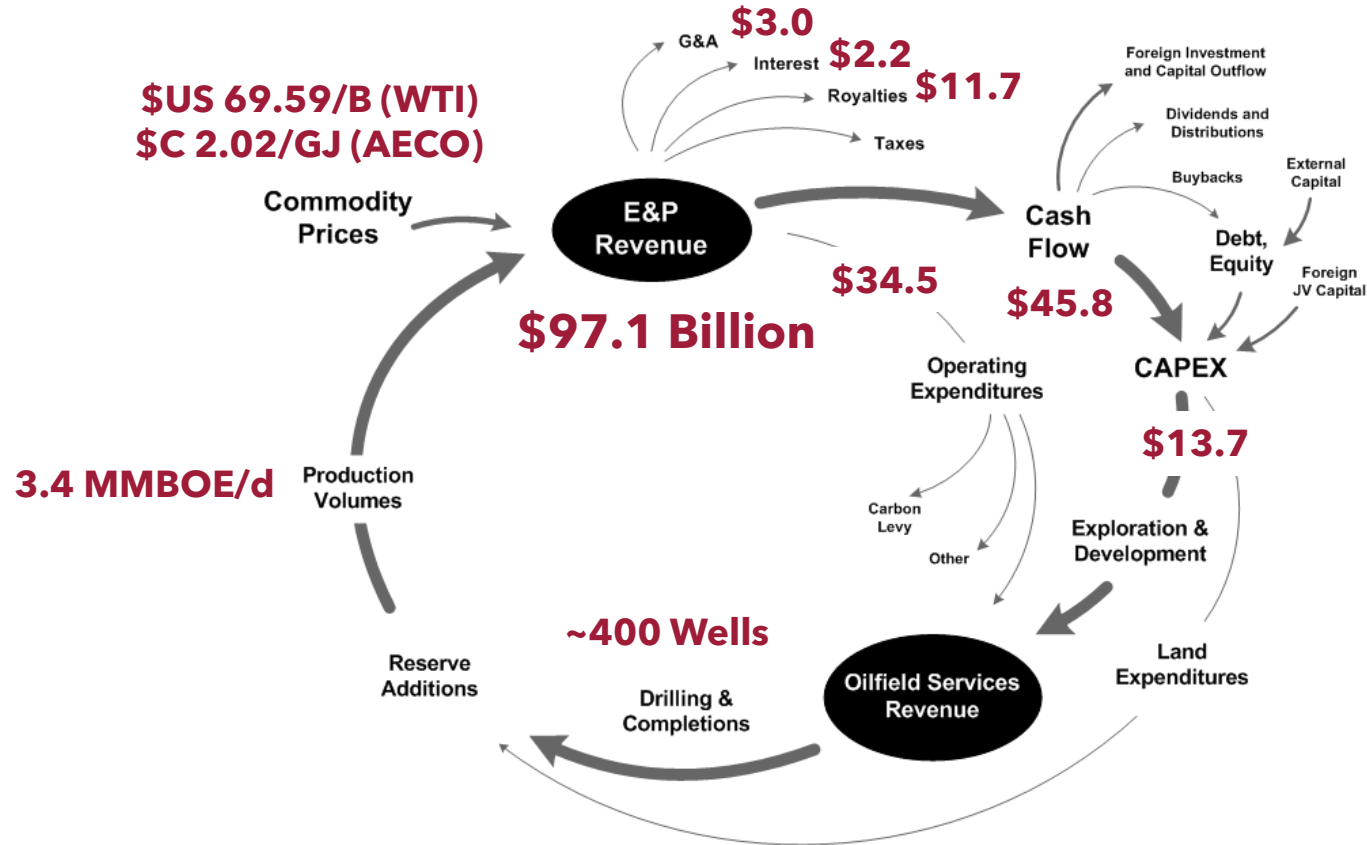
# The Fiscal Pulse | Conventional Crude Oil, Liquids and Natural Gas | 2025 Estimates



- In 2025, conventional production is estimated to make up under half of the total industry revenue.
- Conventional oil and gas is forecast to spend an estimated \$28 billion on CAPEX or about 89% of the cash flow generated.
- The high decline rates of the existing wells require constant re-investment just to keep production flat.
- During the US\$100/B oil price era (pre-2014) annual CAPEX spending exceeded \$40 billion some years, an amount greater than peak oil sands spending of ~\$33 billion.

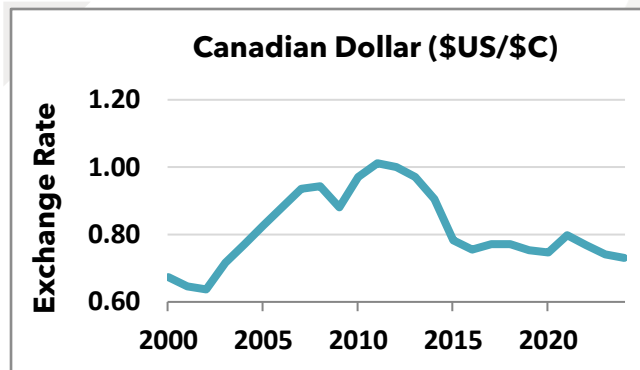
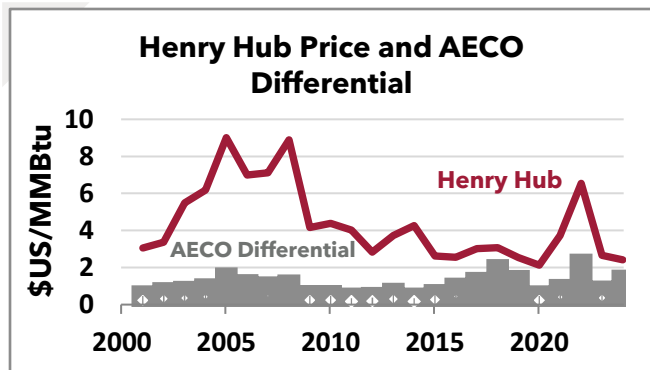
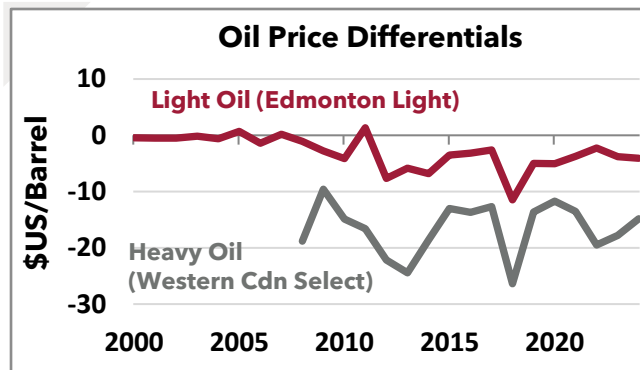
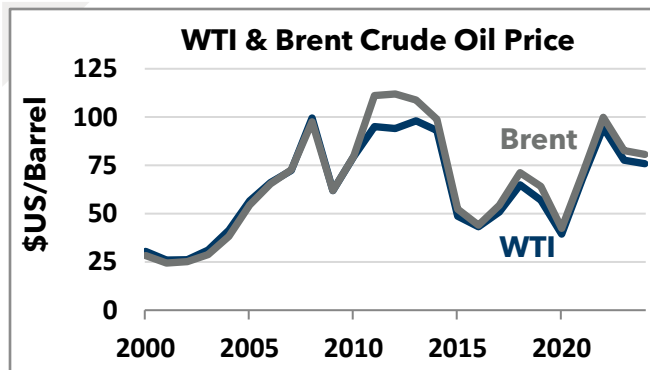


# The Fiscal Pulse | Oil Sands Only | 2025 Estimates



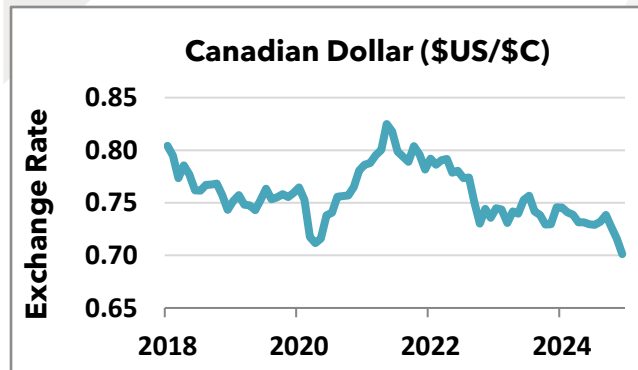
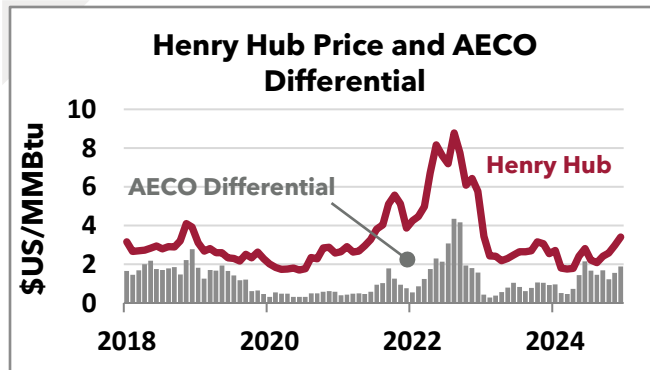
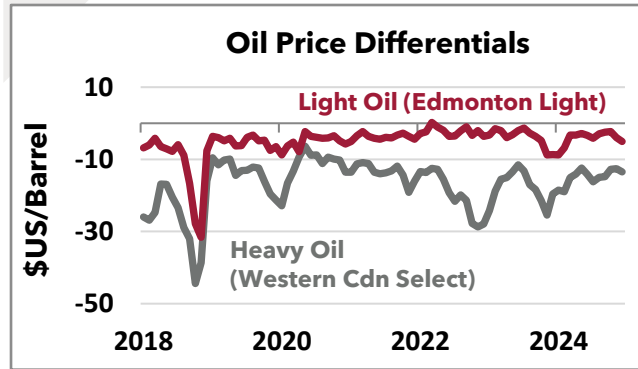
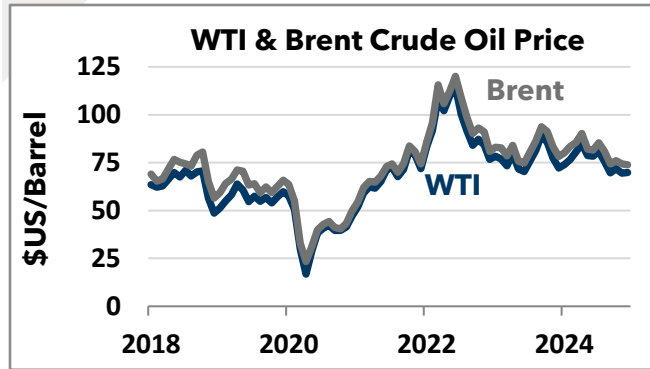
- In 2025, oil sands are estimated to account for over half of the upstream industry's total 2025 revenue.
- Oil sands capital spending is expected to be about half of the conventional amount, at almost \$14 billion for 2024.
- During the boom years of the oil sands construction (pre-2014) annual spending was over \$30 billion for some years.
- Greenfield construction of oil sands ended last decade. Today, the capex is mostly for production maintenance.

# Commodity Prices and Differentials | Annual | 2000 to 2024



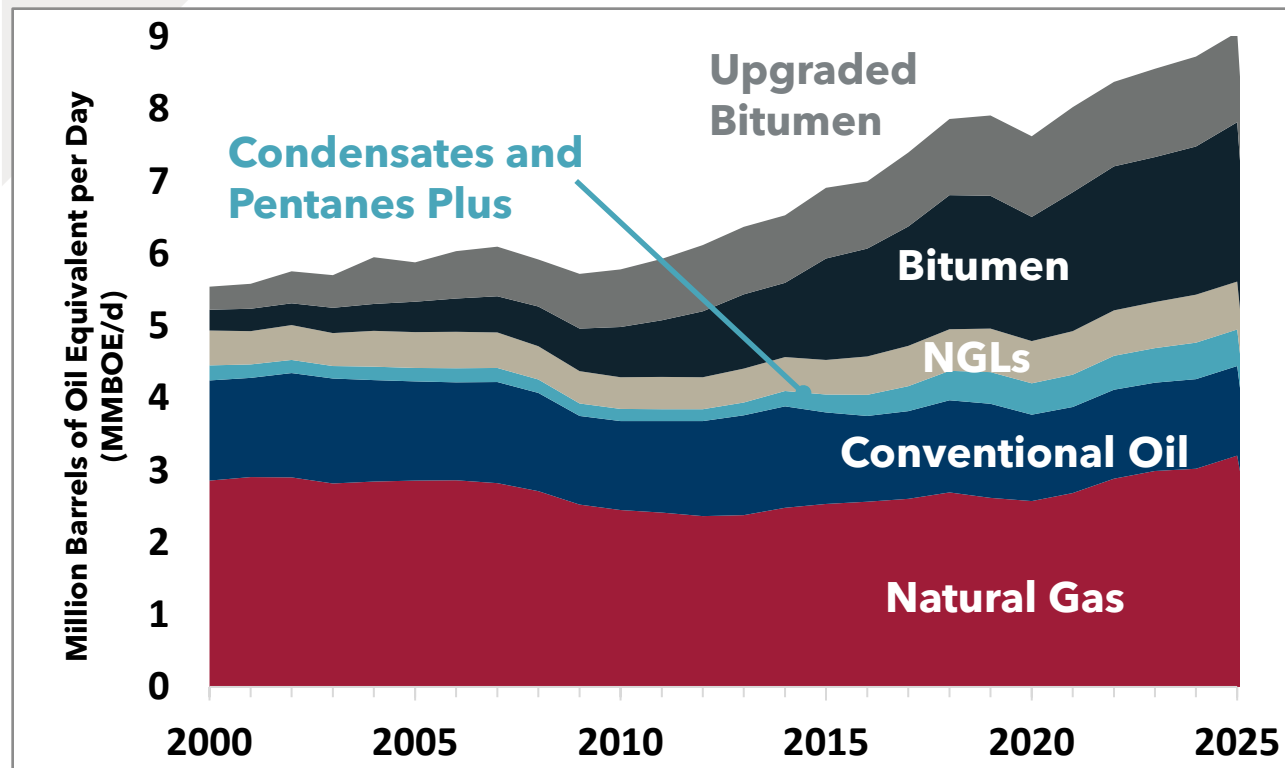
- In 2018, oil price discounts became extreme due to a lack of pipeline takeaway capacity.
- Discounts are more normal now, with new pipeline capacity and more moderate production growth.
- Canadian natural gas prices at AECO were heavily discounted in the 2017 to 2019 period, and again in the summer of 2022. That has improved with additional egress capacity added to Western Canadian natural gas infrastructure.
- Oil and gas revenue is realized in US dollars—a weaker Canadian currency has helped boost revenue in Canadian dollars.

# Commodity Prices and Differentials | Monthly | 2018 to Dec 2024



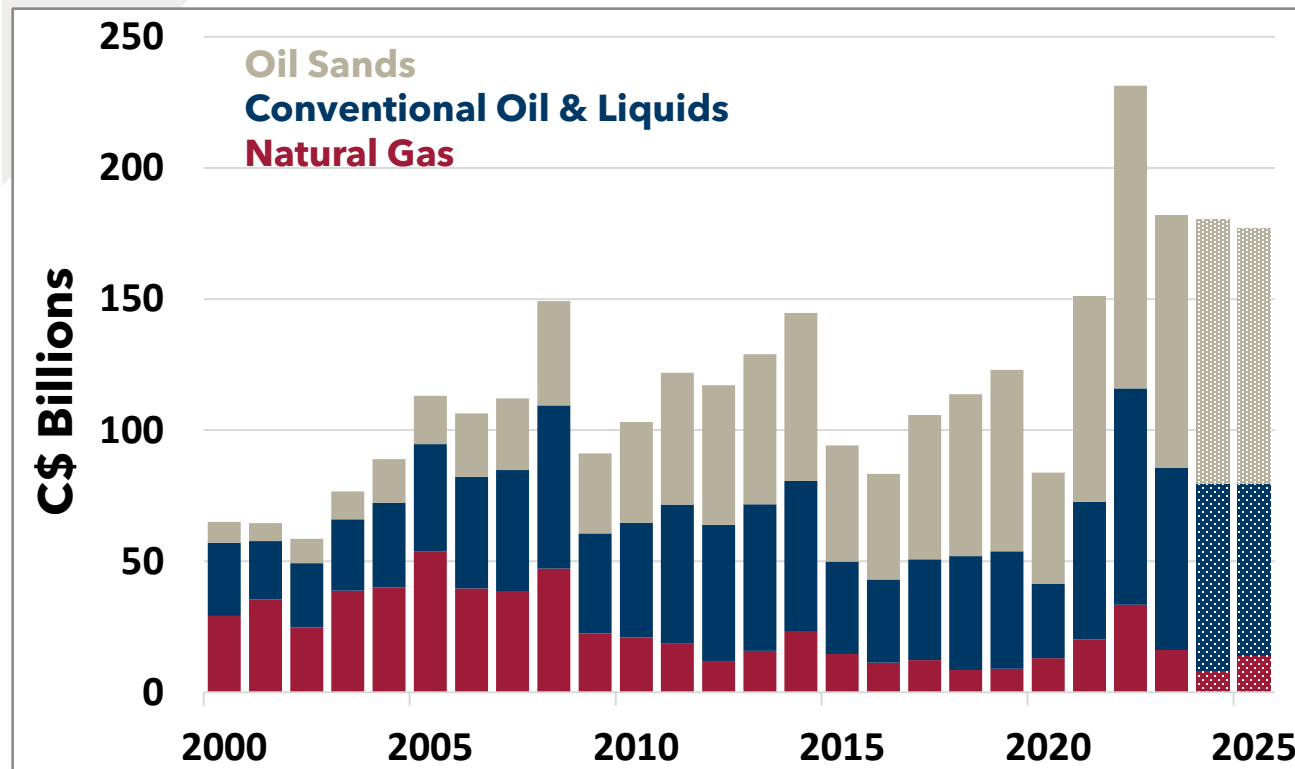
- The monthly data helps show the trends more clearly.
- WTI oil price averaged close to \$US79/B in the first half of 2024. WTI prices weakened in Q3 and Q4 averaging just over \$US75/B and \$US70/B, respectively.
- The Canadian dollar also weakened falling almost two cents from Q3 for an average of \$US/\$C 0.71 in Q4 2024.
- A weaker Canadian dollar boosts the industry's profitability. Companies sell their products in US dollars and pay expenses in discounted Canadian dollars.

# Total Annual Canadian Oil and Gas Production by Type | 2000 to 2025e



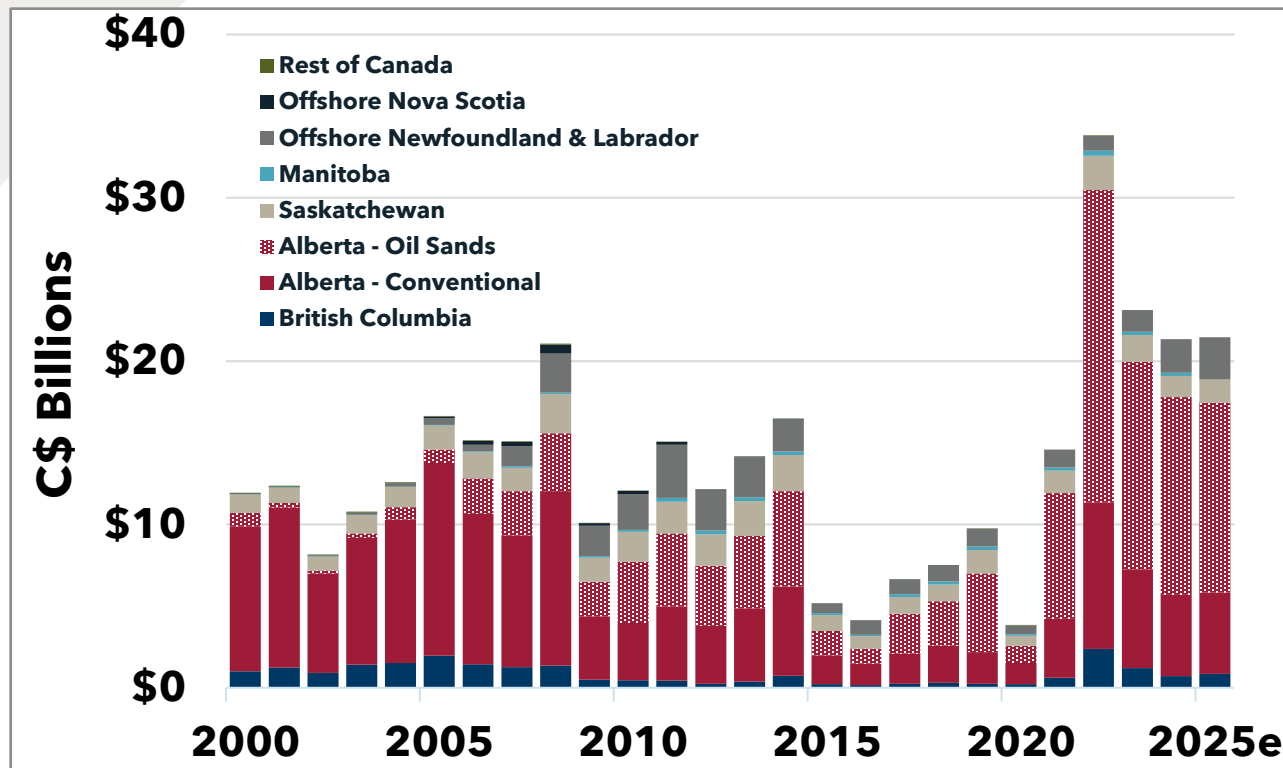
- Canada's total production is projected to reach an all-time high of 8.7 MMBOE/d (including NGLs) in 2024.
- Canada's resilient production bounced back faster from COVID than most other countries, including in the US.
- The resiliency of production is partly due to the industry's drive to be more operationally and cost-efficient since the 2014/2015 downturn but also driven by lower base declines associated with oil sands production.

# Annual Canadian Oil and Gas Upstream Total Revenues | 2000 to 2025e



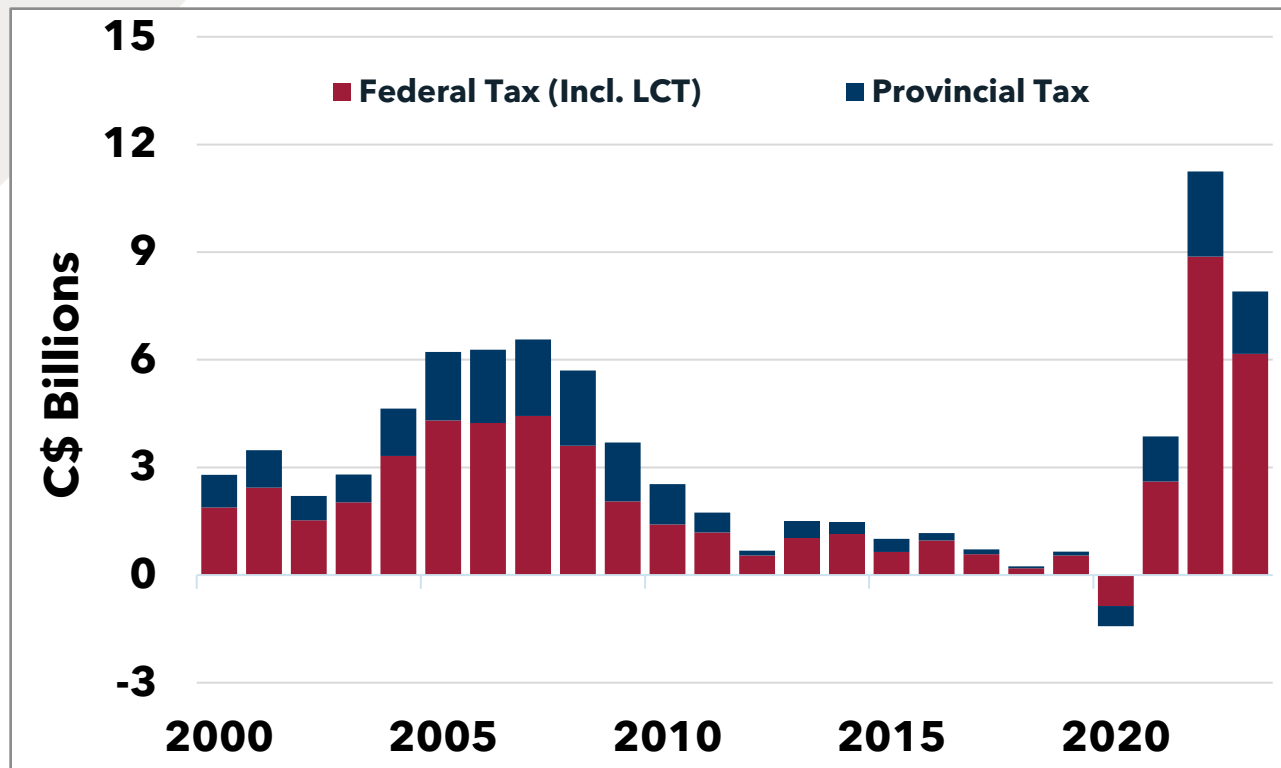
- Oil has a higher energy density than natural gas, therefore, oil is generally more valuable on a per-unit basis as it contains more energy. As such, Canadian oil and gas upstream revenues are more influenced by oil prices.
- While marketed natural gas production is expected to be at an all-time high in 2025, low gas prices reduce the revenue impact. In the early 2000s, gas revenue was greater, while marketed natural gas volume was slightly lower than now, and gas prices were 2-3X higher.

# Annual Canadian Oil and Gas Royalties by Province | 2000 to 2025e



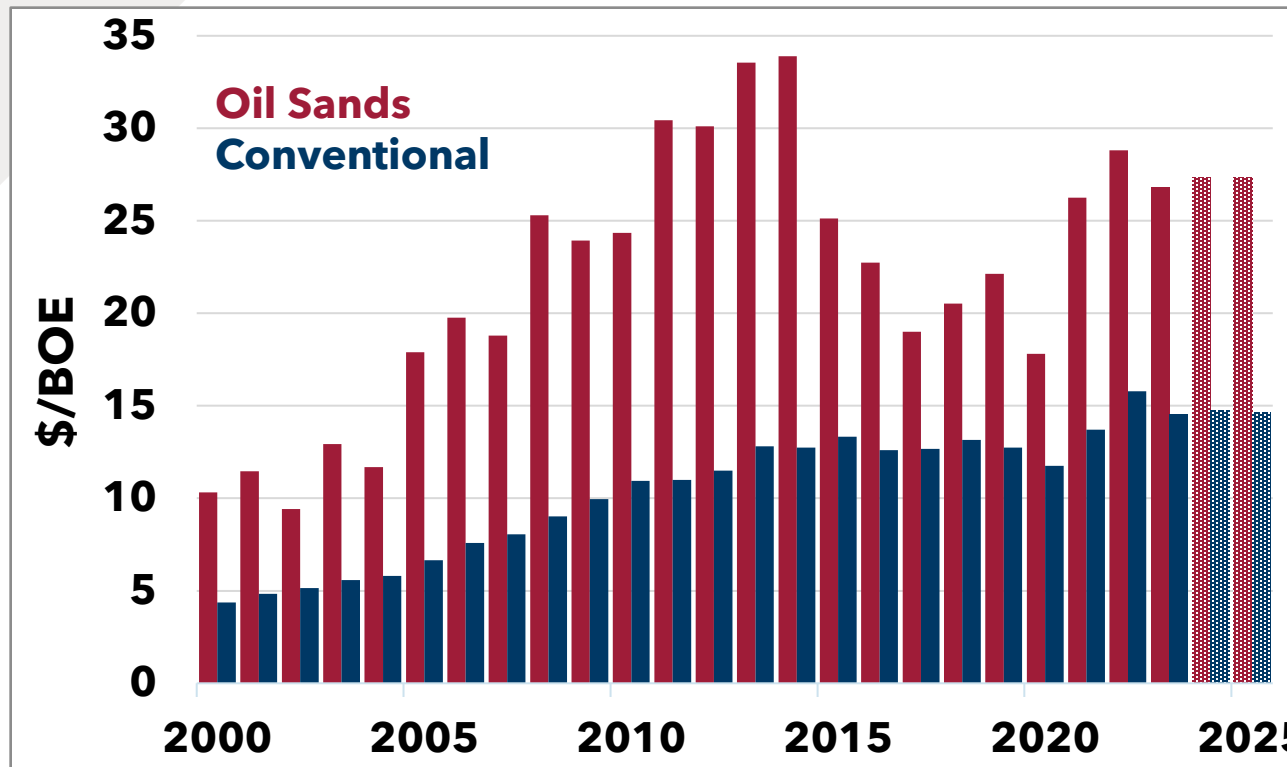
- The improved fiscal health of the oil and gas industry has transferred to the bottom line of the provinces through the payment of royalties.
- For 2022, a record-high \$34 billion in royalties were collected by oil and gas producing provinces in Canada.
- For 2022, \$28 billion in oil and gas royalties was collected for Alberta, the highest ever for the province.
- Recent high oil prices pushed some oil sands projects into 'post-payout' status, meaning they will pay a higher royalty rate earlier than expected.

# Annual Canadian Oil and Gas Income Taxes | 2000 to 2023



- Canada's upstream oil and gas industry is an important contributor to government revenues through federal and provincial corporate income taxes.
- In 2023, Canada's oil and gas industry paid the federal and provincial governments nearly \$8 billion of income taxes.
- Since 2021, shareholders of oil and gas companies have shifted the focus from reinvestment in growth to profitability. This structural trend is expected to increase the amount of taxes in the coming decade.

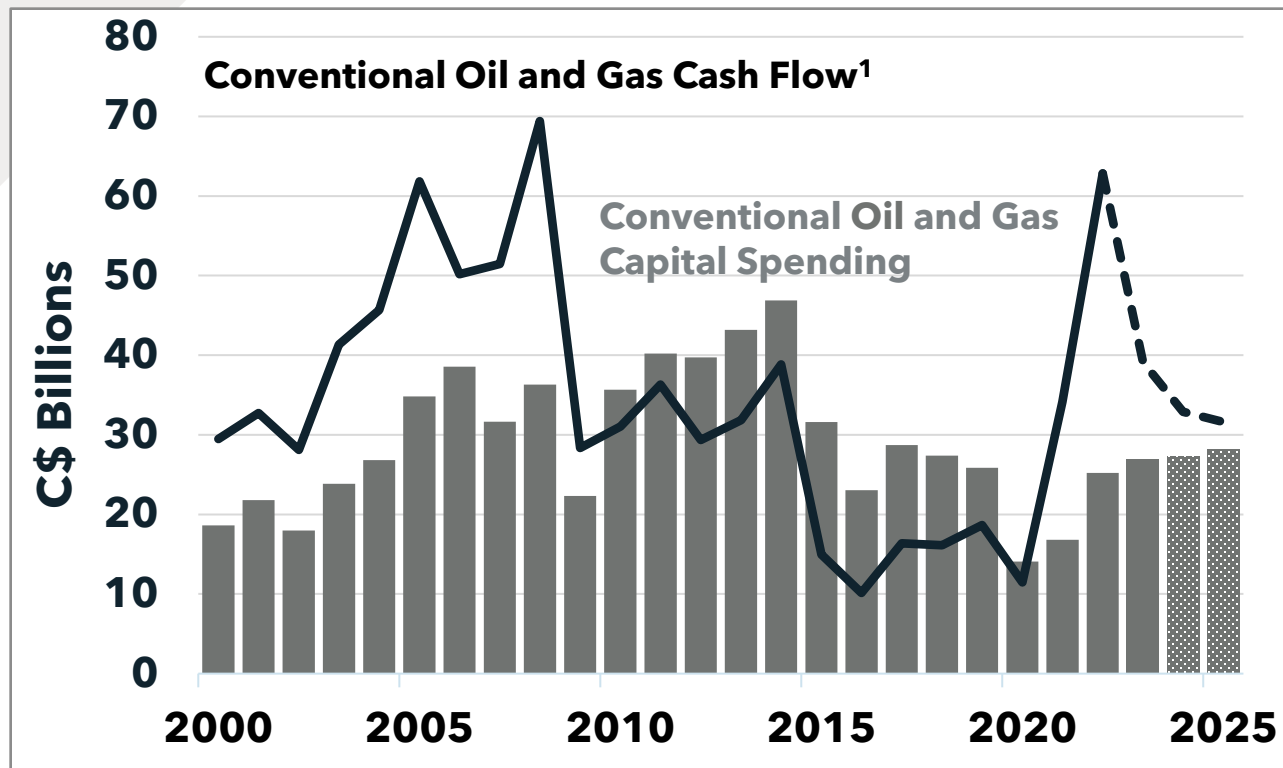
# Annual Operating Costs per BOE | 2000 to 2025e



- After the 2014 downturn, through efficiencies, oil sands operators made significant strides in reducing their operating costs per barrel.
- Conventional operating costs declined but to a lesser extent. However, post-COVID, much of the gain in reducing operating costs has been eroded by cost inflation for goods and services.
- Managing cost inflation is an ongoing focus for the industry.

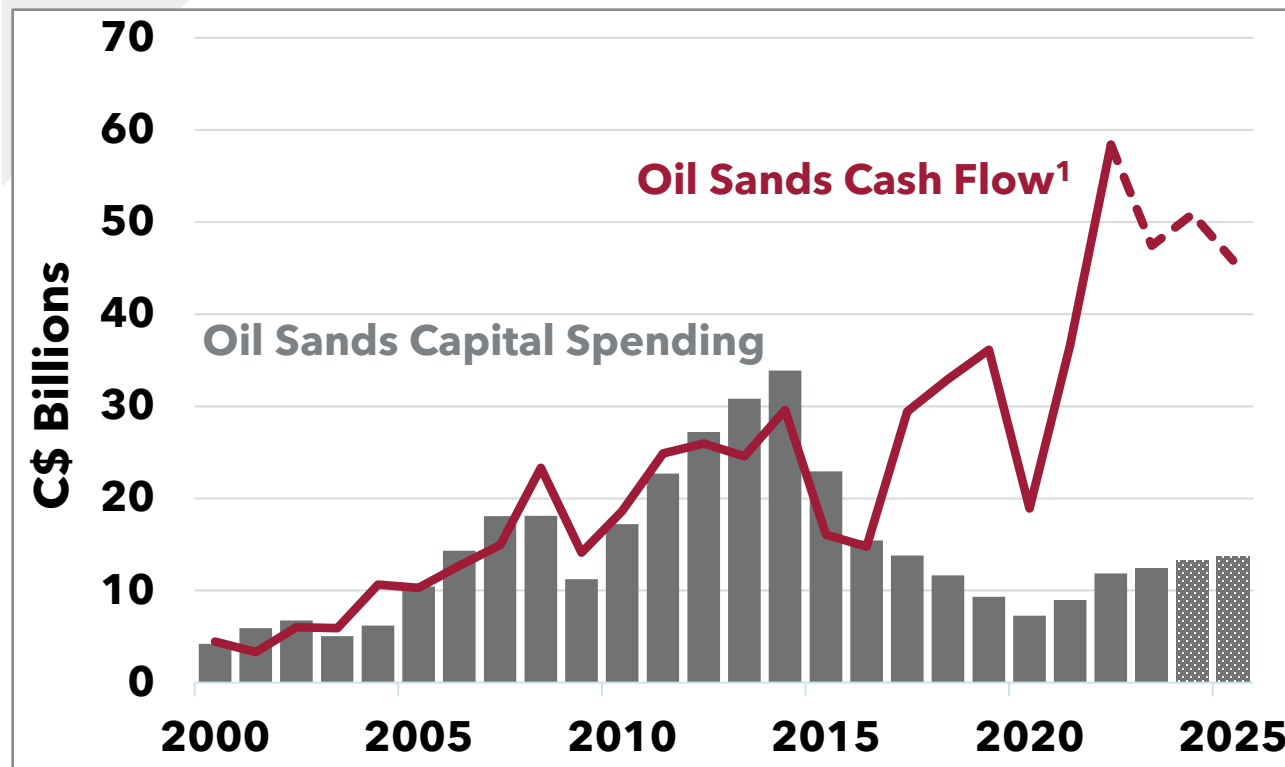


# Cash Flow and Capital Spending | Conventional Oil and Gas | 2000 to 2025e



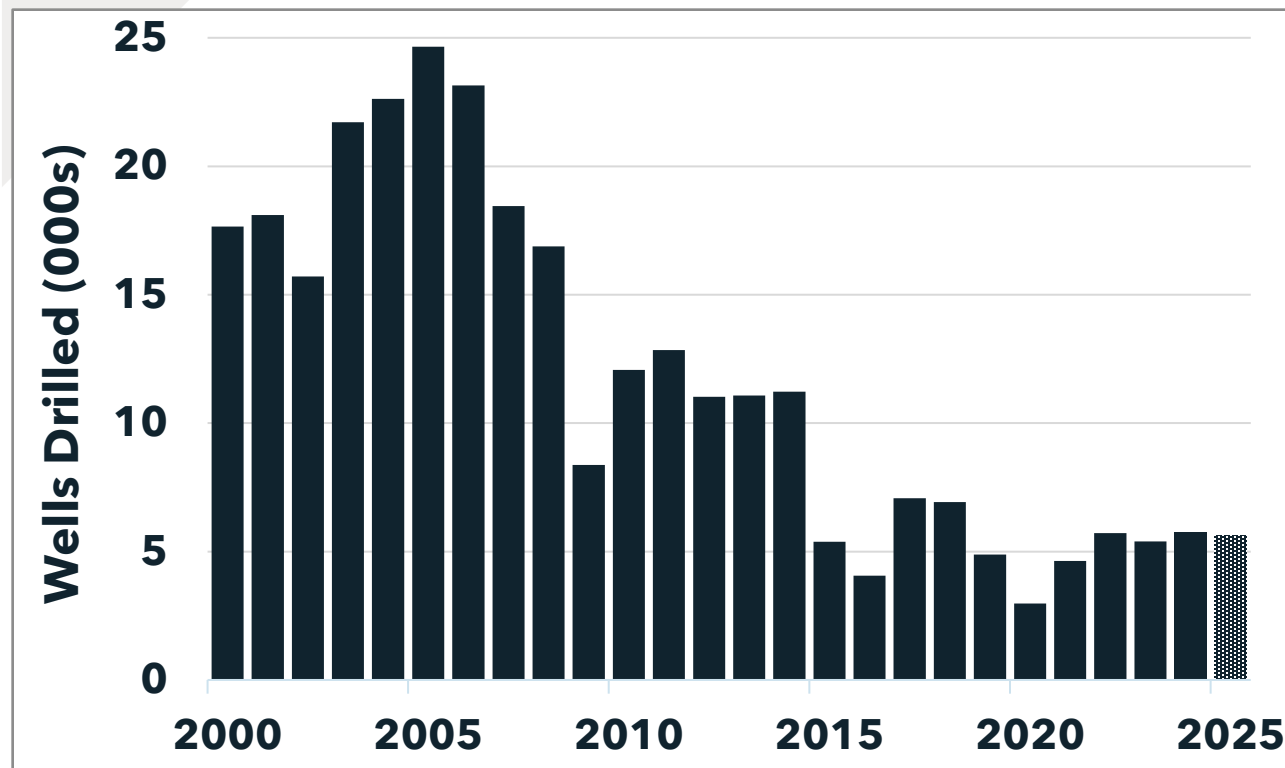
- 2000 to 2010 - the conventional industry's growth was constrained, and it did not spend all the cash flow that it generated.
- That changed in 2010. For the next 10 years, the industry had access to external debt and equity, allowing it to spend beyond its cash flow.
- Now, the focus has shifted from growth to shareholder returns. Consequently, since 2021, capital spending has been lower than cash flow.
- Assuming futures pricing as of January 2<sup>nd</sup>, 2025, and expected CAPEX remain true, conventional producers are anticipated to reinvest most of their cash flow in 2024.

# Cash Flow and Capital Spending | Oil Sands | 2000 to 2025e



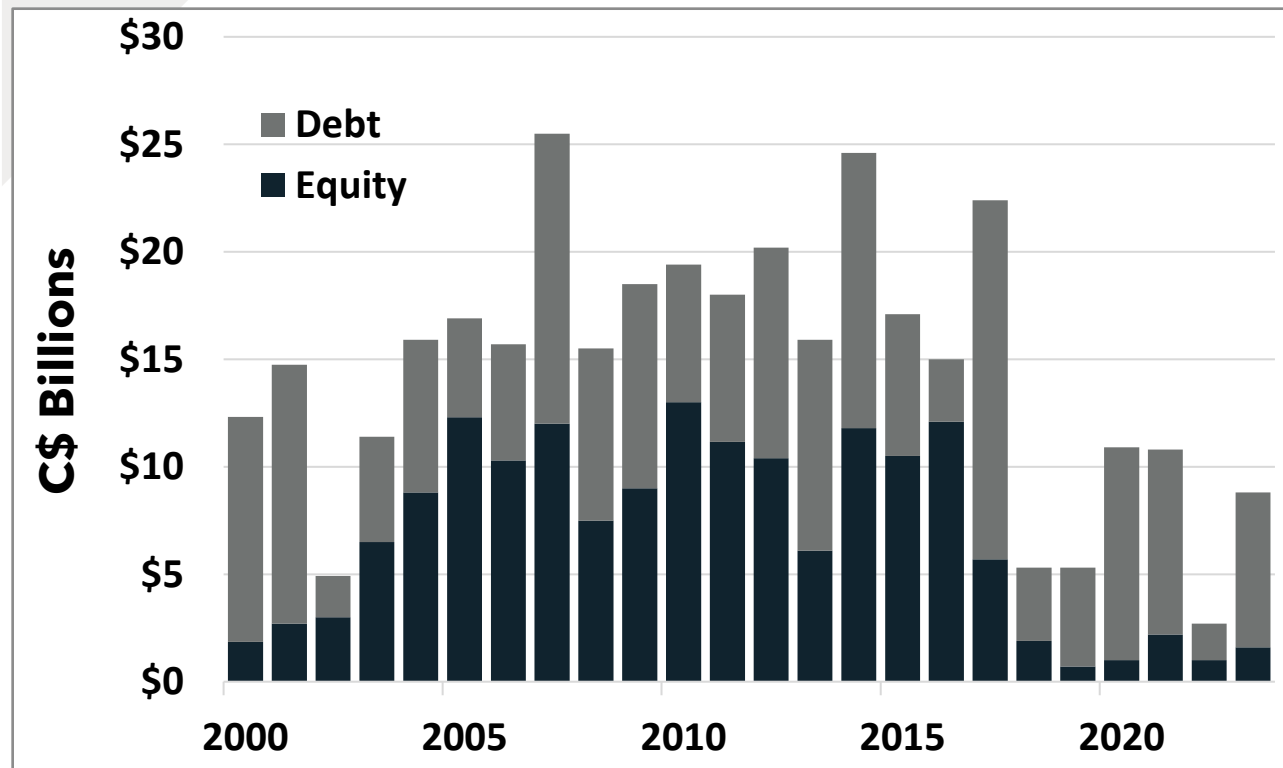
- Capital spending on oil sands projects peaked in 2014. The collapse in oil prices caused many projects to be shelved and multinationals started to exit the sector.
- Today, no greenfield projects are progressing. CAPEX spending is on brownfield expansions and maintenance of existing assets that need relatively low amounts of capital. Consequently, oil sands generate more free cash flow (after CAPEX is deducted) than conventional, which requires higher levels of CAPEX.
- Note: Cash flow is pre-tax. The split between conventional and oil sands is based on a production ratio.

# WCSB Oil and Gas Industry Activity | Wells Drilled (Rig-Released) | 2000 to 2025e



- In the era of shallow gas drilling and high natural gas prices, a record ~25,000 wells and ~30 million meters were drilled in 2005.
- Today, wells are much deeper and take longer to drill. In 2023, 5,389 wells were drilled in the Western Canadian Sedimentary Basin (WCSB) covering just under 18 million meters.
- That equates to wells being on average approximately 2.7X longer today than in 2005.
- The estimate for wells drilled in 2025 shown on the graph is ~5,610 which is about 3% lower compared to the 5,758 wells drilled in 2024.

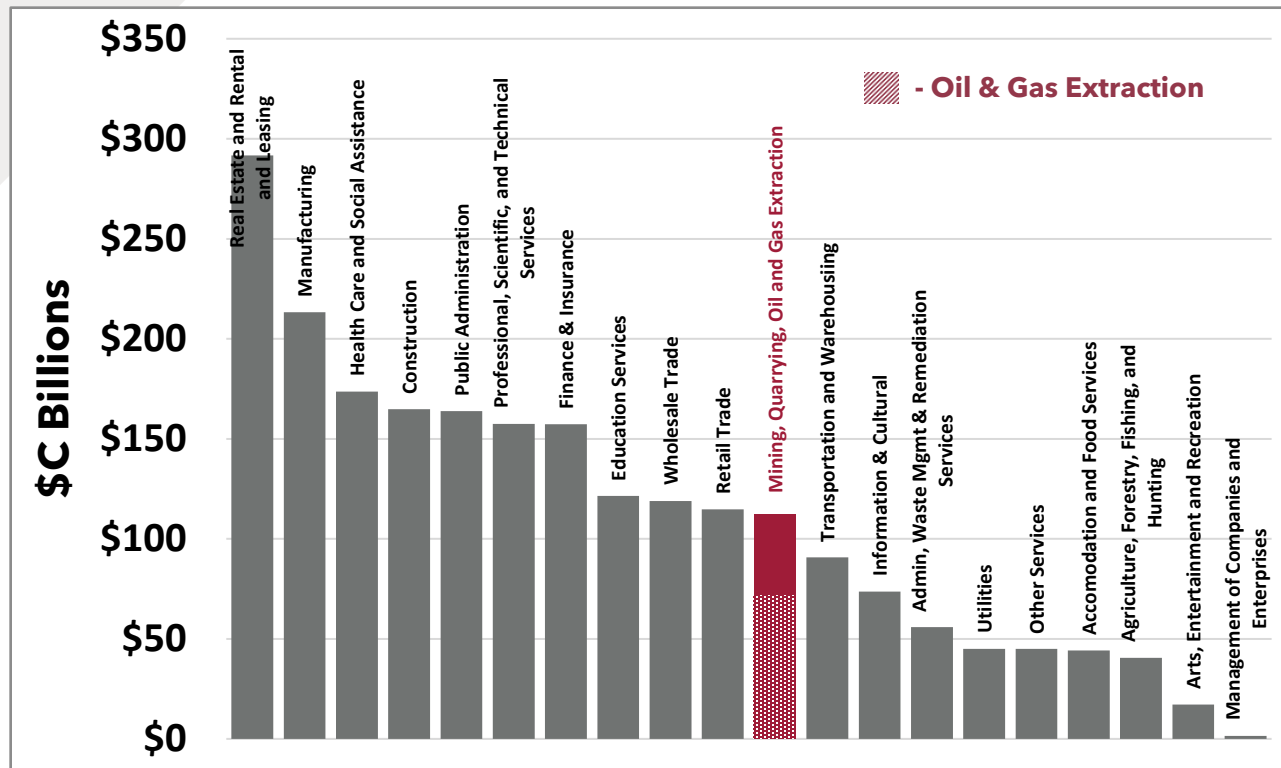
# Annual Canadian Oil and Gas Industry Financings | 2000 to 2023



- While capital is constrained in the global oil and gas industry, the situation is heightened in Canada because of pipeline takeaway capacity issues, regulatory uncertainty surrounding pipeline projects, and carbon policy uncertainty.
- The total amount of capital raised in the Canadian oil and gas industry in 2023 more than tripled to \$8.8 billion compared to \$2.7 billion in 2022.
- The industry is adapting to having less access to external capital than in the past, by reducing debt and relying on internally generated cash flow.

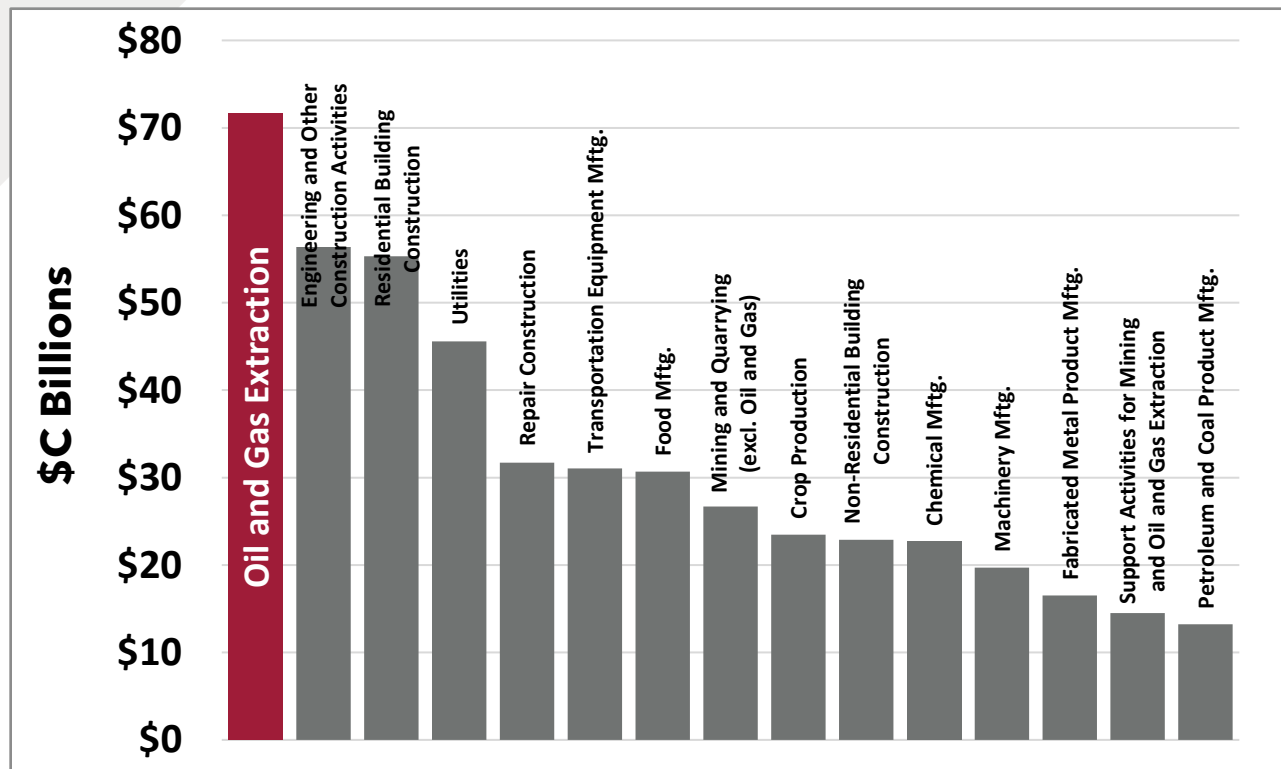
# Economic Impact of the Oil and Gas Industry

# Canada's Gross Domestic Product (GDP) by Industry | 2023



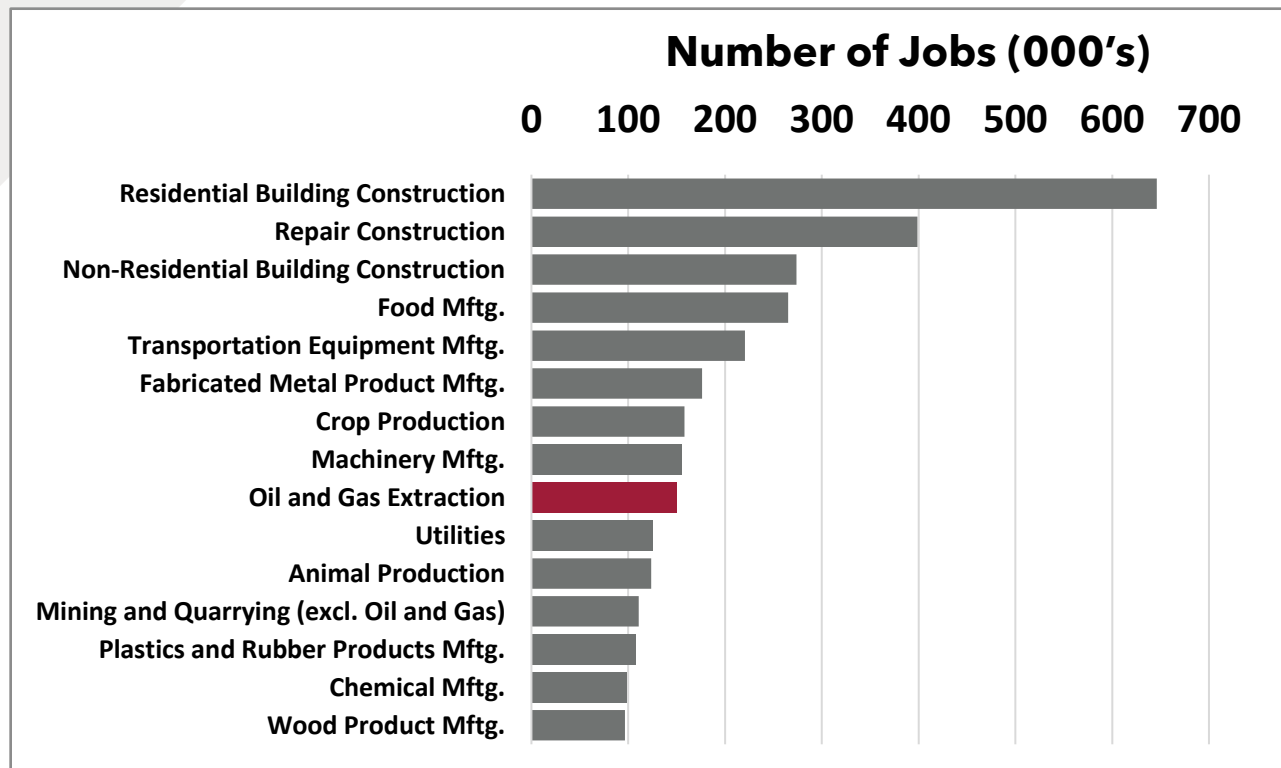
- In 2023, the Mining, Quarrying, and Oil and Gas extraction industry significantly contributed to Canada's GDP at approximately \$112 billion.
- Collectively, the extractive industries (mining, quarrying, and oil and gas) accounted for 5.1% of Canada's total GDP of roughly \$2,202 billion in 2023—oil and gas is the largest of the three, contributing \$71.7 billion, or 3.2%.

# Canada's Gross Domestic Product (GDP) | Largest 15 Goods-Producing Sub-Industries | 2023



- In 2023, based on the latest Statistics Canada data, the Oil and Gas Extraction sub-industry accounted for \$71.7 billion or 3.2% of Canada's GDP.
- The Oil and Gas Extraction sub-industry is the largest Goods-Producing industry<sup>1</sup> in Canada.
- The Oil and Gas Extraction sub-industry is 27% bigger than the next largest sub-industry—Engineering and Other Construction Activities—and 30% bigger than the Residential Building Construction industry.

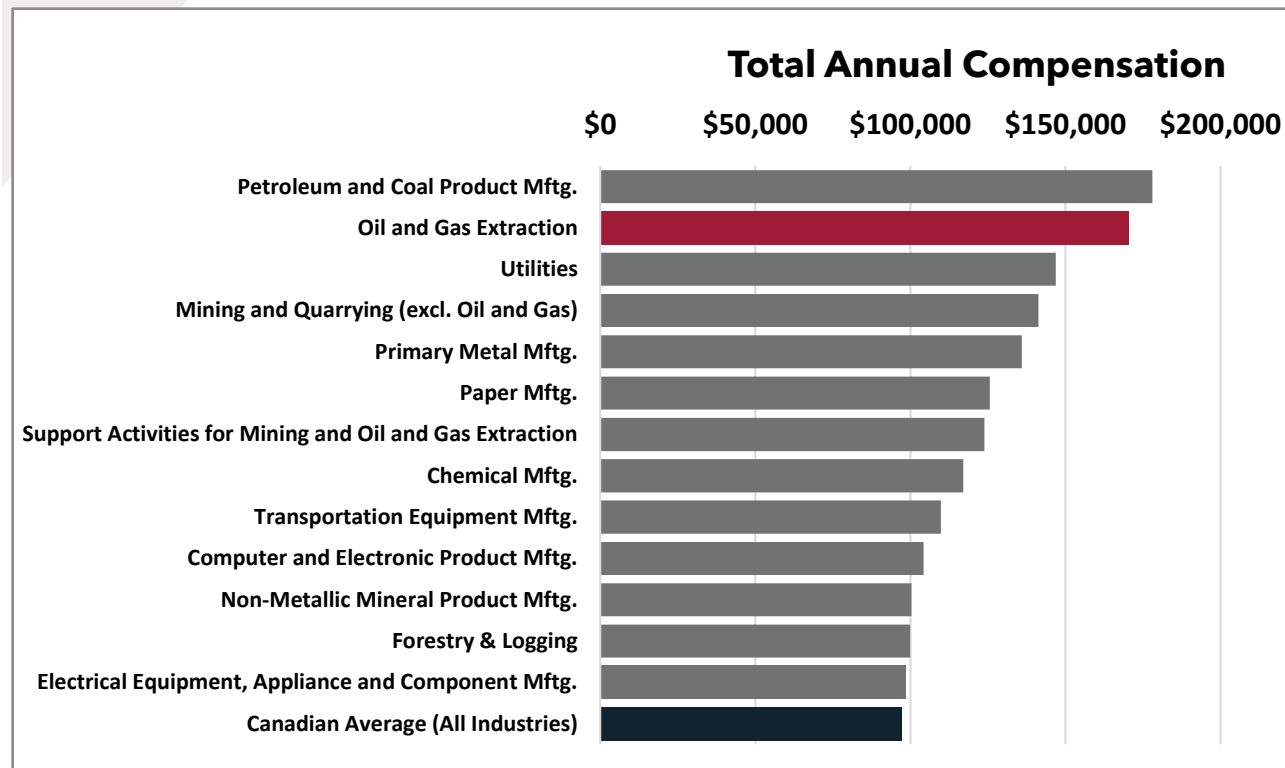
# Number of Direct Jobs Per Goods-Producing Industry<sup>1</sup> | 2023



- The Oil and Gas Extraction<sup>2</sup> sub-industry provided roughly 150,000 direct jobs in 2023, which includes support activities.
- Statistics Canada estimates that every direct oil and gas job creates two indirect jobs in businesses that sell to oil and gas producers, and three induced jobs, where oil and gas workers spend their money<sup>3</sup>. This would imply that roughly 900,000 jobs were a result of the oil and gas extraction industry in 2023.



# Average Total Compensation Per Job by Goods-Producing Industry | 2023



Jobs in the Oil and Gas Extraction<sup>1</sup> sub-industry are amongst the highest paying within the country's Goods-Producing industry<sup>2</sup>, paying roughly 2X more than the Canadian average total compensation for all goods-producing industries.

<sup>1</sup> Includes support activities for mining and oil and gas extraction [21311A]

<sup>2</sup> Goods-producing industries include: i) Agriculture, forestry, fishing, and hunting, ii) Mining, quarrying, and oil and gas extraction, iii) Utilities, iv) Construction, and v) Manufacturing