



# **Imperial 2020 Investor Day**

Thursday, November 19<sup>th</sup>, 2020

## Welcome

Dave Hughes

*VP, Investor Relations*

[VIDEO]

Morning everybody, and welcome to Imperial Oil's 2020 Virtual Investor Day. I'm Dave Hughes, Investor Relations at Imperial, and I'd like to thank you for joining us on our webcast this morning. I'm joined today by our management team who you'll meet throughout the morning, and we're coming to live from our head office at Quarry Park in Calgary. We're fortunate to have a facility here that allows us to do this together and allow for us to follow all the appropriate health and safety guidelines, most notably, appropriate physical distancing.

Before we get started, I'd like to draw your attention to the cautionary statement, which you'll find at the back of the presentation materials that we posted to our website earlier this morning. It contains some important information regarding forward-looking statements, reserves, resources, risks and uncertainties, and we would highly recommend you have a look at that at your convenience.

### Agenda

Just before we get going, I'm going to take a quick run through the agenda. In a minute, Brad Carson, Chairman, President and CEO, is going to come up and offer some opening remarks. After Brad, Theresa Redburn, our Senior Vice President of Commercial and Corporate Development, is going to talk to you a bit about Imperial and ESG. And then we'll have Simon Younger, the Senior Vice President of the Upstream, give you an update on our Upstream business. Then we're going to take a very short 10 minute break, and after the break, we'll be joined by Jon Wetmore, Vice President of our Downstream, who's going to provide you some information on our Downstream and Chemical businesses. And then Dan Lyons, Chief Financial Officer, is going to provide a financial update. And then we'll close the presentation portion of the event with Brad's closing remarks.

As usual, we'll have a Q&A session after, scheduled for 30 minutes. Typical rules, if you wouldn't mind keeping your questions to a single question, plus a follow-up, that will allow us to get to as many questions as we can in the allotted time. And of course, if we can't get to all the questions, we will follow up after the event.

So with that, I'd like to hand it over to Brad Corson.

## Opening Remarks

Brad Corson

*Chairman, President & CEO*

Well, good morning, everyone, and let me welcome you to our 2020 Investor Day. We certainly appreciate your participation and your interest in our company. I'm really excited about today. We have the full senior management team of Imperial gathered here to talk to

you about their segments of the business, and of course we will all be available for questions at the end of our presentation.

### **A History of Success**

So, let's get started. I'd like to kick off this year's Investor Day by talking a little bit about our history as this year marks a significant milestone for Imperial. 140 years ago, on September 8th, 1880, 16 oil refiners in Ontario pool their resources and created the Imperial Oil Company. At that time, Canada as a country was only 13 years old. And what started out as a company that produced mainly lamp oil, axle grease, wax, and candles has grown into a large, integrated enterprise with operations and a presence across all of Canada.

The journey hasn't been easy. It required grit and determination to overcome major events, such as World Wars, pandemics, and price collapses. It also required innovation to adjust to changing market demands like the introduction of the horseless carriage. Competitive challenges forced us to evaluate our ways of working, including being the first company in Canada to introduce an eight-hour workday and the second to introduce a five-day work week.

In some ways, it really reminds me of what we're going through right now. We're facing a pandemic, a challenging business environment and calls for an energy transition, all at the same time. But Imperial has a history of overcoming these challenges, as evidenced by this being our 140th anniversary. Throughout this 140 years, our people used creativity and determination to overcome obstacles, whether it was finding a way to remove the skunky odor from kerosene; or developing processes and additives to improve gasoline and product quality; helping build Canada's largest crude transport network in only 150 days; or advancing many in situ oil sands extraction techniques, including SAGD that are used today throughout the industry.

Imperial employees have been tackling challenges head-on for well over a century and securing Canada's place as a major oil-producing nation along the way. And over the last 140 years, Imperial has delivered many firsts, including opening the first service station, in Vancouver in 1907; being the first company in Canada to adopt joint industrial councils, in 1918; opening the industry's first petroleum research department, in 1924; and decades-long association with hockey, including sponsoring the first radio broadcast of Hockey Night in Canada and sponsoring the NHL's Three Stars, both starting in 1936.

And from a resource development perspective, Imperial discovered oil in Fort Norman, now called Norman Wells, in 1920; in Leduc in 1947, which really marked the beginning of Western Canada's oil development. And we began experimenting with extracting bitumen from the oil sands in Cold Lake in 1964.

So why the focus on history? Because I believe this demonstrates the innovative and resilient spirit of Imperial and its people, the same spirit that I have come to recognize every day since joining this great organization.

Our teams are also responding to calls for improved environmental performance. Imperial continues to be a leader in developing technologies that could, in some cases, reduce greenhouse gas emissions intensity up to 90% for future oil sands developments, as well as nearly a 100% reduction in water use intensity. We're constantly focusing on reducing the environmental footprint for ourselves and our customers.

I want to recognize and thank all of the employees of Imperial for the last 140 years. It is their creativity, determination and resilience that has allowed Imperial to manage through significant changes and challenges over the decades, but always coming out stronger. And I'd also like to thank our business partners and our customers who have been with us the whole way. And of course I want to thank you as well, our investors, for continuing to believe in us.

So, that's the first 140 years. And so today we're going to talk to you about how we plan to move forward and continue to be an industry leader for the next 140.

### **Impressions to Date**

Impressions to date. Well, I often get asked about this, so now let me talk a bit about my impressions of the company based on the first year on the job. I have to say that when I took over as CEO back on January 1<sup>st</sup>, I never would have expected the challenges we have faced this year. I also never would have guessed that my first Investor Day as CEO would have to be done virtually due to a global pandemic. But we feel it is very important to have these annual events, to take the opportunity to talk in more detail about the company and our plans, and to be able to interact with all of you, albeit virtually. So today's plan B, a virtual setting, is going to work just fine. And thank you for accommodating us.

Over the last year, I've come to get to know the leadership team at Imperial quite well. And I must say I'm super impressed. They are clearly a highly capable, committed team, focused on driving performance improvement and shareholder value. In fact, they're really some of the best I've worked with over my 37-year career, anywhere in the world. I'll let you make your own judgments about my performance, but I can assure you that you definitely have the A team working for you.

And those positive comments extend to the Imperial workforce as well. I can't tell you just how impressed I am with the talent and commitment of the entire organization. They have demonstrated resilience, countless sacrifices, and unwavering commitment throughout this pandemic. They are all focused on winning, every day.

I've also come to realize that Imperial has an enviable set of high-quality, long-life assets. These assets have significant long-term potential, and we're focused on capturing and delivering that potential.

And these assets and our people are underpinned by a robust, resilient business model, benefiting from its integrated nature, our innovative technologies and powerful and highly recognized brands.

That being said, I realize I don't need to point out to anyone what a strange and challenging year this has been, not just with the pandemic, but also with the market forces that have been impacted by the pandemic as well as global crude over-supply issues. This is in addition to some of the environmental and regulatory pressures that continue to present challenges to our sector.

Having said that, I'm very much looking forward to the management team spending the next two and a half hours highlighting to you some very real successes we have had this year on the operational front, as well as the value delivered in our response to the challenges I mentioned.

We also plan to spend some more time than we have in the past talking about our strategic priorities. I think that once you hear these plans, you will agree we are well positioned to drive value, whatever the future may hold. And you will see just how well-placed my confidence is in the future, and our ability to drive increasing value to our shareholders.

### **What you will hear Today**

So today, we're going to go in a slightly different direction than we have in the past. Our intent is to focus a bit less on our physical assets and their past performance, which I think you are all generally familiar with, but focus more on highlighting future potential. Of course, future potential needs to be founded on a solid base consisting of financial strength and resilience, high-quality, long-life assets and a talented workforce.

#### *Delivering super value to shareholders*

To that end, you will hear how all of these things are allowing us to weather the storm that is 2020 and set us up with the ability and flexibility needed to succeed in any business environment. And it starts with a continued focus on delivering shareholder value. For example, we have maintained our dividend for the last three quarters, not something many others can claim. We're continuing our relentless focus on improving reliability and driving down costs, particularly the upstream. And our disciplined capital management is reflected in our approach to pursue low cost volume growth opportunities, especially in the form of debottlenecks, really getting more out of our existing asset base.

#### *Built to be resilient throughout the cycle*

And I know you're all aware of the value our downstream business delivers, and we're committed to supporting its ongoing success through investments in enhanced logistics and continuing to grow our high-value product sales. We have built a company that is known for being resilient throughout the cycle. This resiliency is underpinned by such things as the long-life, high-quality nature of our asset base and the value we derive from its integrated nature. And we continue to focus on maintaining a strong balance sheet.

#### *Plans that will deliver increasing shareholder returns*

As a management team, we have spent a lot of time the last several months focused on shaping a strategy that really maximizes shareholder value, and returning cash to shareholders, lots of cash, I hope. And we're going to talk about our strategy and plans for the future today. We are committed to deliver winning performance versus our peers and are in the process of executing plans that do just that. Robust shareholder returns need to be supported by driving cash flow growth. We were successful in generating a healthy amount of cash in the third quarter, despite the challenges the business environment has put in front of us. And we are renewing our focus on increasing our cash-generating capability going forward. And again, we are completely committed to returning excess cash to our shareholders.

#### *Ongoing ESG focus*

And underpinning this is how we are working towards a lower-carbon future and a pathway to net zero. We believe that Canadian industry and, in fact, the country should be especially proud of its performance in the world of ESG, and really stands to be a major player in supplying the world's energy needs going forward. And more specifically, we at Imperial are

very proud of our performance in this area. And we'll talk about what we, as a company, are doing to continue to improve our sustainability.

### **Imperial's COVID-19 Response**

I do want to take a moment now to talk about how Imperial has responded to, and really continues to respond to the global pandemic we are all facing. First, let me take the opportunity to once, again, recognize our workforce. Back in March, at the outset of the pandemic, I, of course, was still relatively new to Imperial. And from initial interactions, I knew Imperial had a great team, but what I have seen since March is nothing short of outstanding and has only reinforced that sentiment. Many members of our workforce continued to come to our sites during the pandemic, ensuring our operations could run safely. They have shown creativity in working through challenges and they have demonstrated an immense amount of care for each other and our communities. And others, of course, work remotely, very quickly adopting the technology solutions that allowed them to adapt to this new normal. I am incredibly thankful to the entire Imperial team and quite proud to be a part of it.

#### *Continued operations ensuring reliable energy supply*

In March, while we saw a significant decrease in demand for our fuel products, we take great pride in knowing that we were able to continue to reliably provide the fuel that Canadians continued to need, keeping people moving and getting products to stores and homes, and, of course, essential services. Ensuring our ability to do this required certain actions to be taken at our operations to manage the health and wellbeing of our workforce, while also optimizing our operations. For example, we were able to quickly adjust our turnarounds to respond to the decreased demand. These optimization steps included adjusting turnaround scope and timing, which not only helped us to reduce costs, but also facilitated appropriate physical distancing and has also helped position us well for the demand recovery.

#### *Enhanced cleaning, health screening, PPE at sites*

Across our operations, we have put in place extensive safeguards to keep our people and the communities where we operate, safe. This includes temperature screening, mandatory face coverings, enhanced cleaning, physical distancing, working from home and much, much more. Our workforce has adjusted to working in this new normal, and we have seen that these measures have helped keep our people safe and prevent the spread of the virus within our facilities.

#### *Leveraged technology to reduced non-essential personnel at sites*

Technology has played a large role in ensuring our ability to manage through this. Almost overnight, our IT teams implemented collaboration tools that allowed us to connect while distanced. We were able to set up a remote control center for Kearn here in Calgary at our Calgary campus, and have been using drone technology for inspections, all reducing the need for people to be together in tight spaces. And of course, as many of you can relate, we shifted heavily to virtual meetings as a way of staying connected, not just internally, but with our external stakeholders as well. The best part about these technology solutions that we have deployed is that they will continue to be used long after the pandemic is over. We knew it before COVID-19, but this has reinforced just how important digital technologies will be in our business not just now, but in the future.

*Giving back to communities where we operate*

And finally, we have continued to support the communities where we operate during these challenging times. I believe good corporate citizens are there in the good times and the bad. I have previously discussed our Healthcare Heroes campaign, which provided \$2 million in free fuel vouchers to frontline healthcare workers. And we also donated 60 tonnes of isopropyl alcohol when there was a scarcity, and we also supported our employees, giving through the Impact program. In October, just recently, we also announced a new campaign called Fuel What Matters, where for every download of our Speedpass+ app between October 14th and the 28th, we donated \$5 to mental health organizations across Canada, totaling \$140,000 in honour of Imperial's 140<sup>th</sup> anniversary this year.

We may not know how long we will need to manage through this pandemic, but the past nine months have shown that Imperial and our people are more than capable of not just working within the restrictions introduced by COVID-19 but positioning us to succeed and capture opportunities through the recovery.

**Managing Through a Challenging Environment**

While we are very proud of how we have managed the health and safety of our workforce, we're also proud of how we have managed through the business challenges over the last several months. We talk a lot about the resilience of Imperial and our ability to manage through the business cycles, and never has that been more on display than this year. I wanted to briefly just share with you how we have been approaching this - some of our principles and philosophies.

When the pandemic hit, we immediately started developing plans to respond and minimize the business impact during the downturn. At the root of this is focusing on what we can control. As you know, we made significant commitments earlier this year to reduce capital spending and operating costs. And as you heard on our third quarter earnings call, and you'll see on the next chart, we have surpassed these commitments by a large margin. And, of course, we're going to continue to look for further efficiencies going forward.

However, it's also critical that we also take a long-term view. We are in a sector characterized by long-life, low-decline assets, and are focused on ensuring that the cash conservation measures that we are taking do not jeopardize the long-term health of our business. Honestly, I feel very good about the balance we are striking between the near-term realities and our long-term objectives.

And one of the key factors that supports these efforts is the strength of our balance sheet. While we did see a large cash draw in the second quarter, unlike many others, we did not take on new debt as we had the cash on hand to support our requirements. And the third quarter saw significant improvement in cash generated from operations, which allowed us to materially rebuild our cash balances.

Our operational flexibility has been a big story for us year-to-date, our ability to quickly alter the scope of our turnaround activities, accelerate the scheduling, and manage them on extended timelines not only allowed us to effectively manage the health and safety of our workforce, but execute this work at significantly lower costs. And of course, all of this is underpinned by the strength of our people, both employees and our business partners. The energy and commitment of the organization has been nothing short of incredible. All of these

factors together and well-managed put us in an enviable position to accelerate out of the downturn.

### **Progress on Capital and Expense Reductions**

In an environment of significantly weaker demand and depressed commodity prices, we needed to respond quickly to preserve shareholder value. We did this in a number of ways, which we've talked about throughout the year. We adjusted spending, modified our maintenance plans and slowed the pace of various work efforts we had underway. In particular, though, I'd like to turn your attention to two significant commitments we made to you back in late March. At that time, we announced we were taking some prudent measures in response to the business environment, the two most significant of which were a \$500 million reduction in expenses versus last year, and a \$500 million reduction in our capital budget. As I told you a few weeks ago on our earnings call, at the end of the third quarter, we had exceeded both of those targets. In fact, the graphs on the chart show our current view of where we think we will end up the year.

As we mentioned on the last earnings call, we revised our capital guidance down a further \$250 million. So we are now at \$900 million for the year, which represents a 45% decrease from our original guidance provided at last year's Investor Day. And through strict cost management, we've also reduced our production and manufacturing expenses by over \$800 million through the third quarter, with an expectation that we will end the year over \$1 billion lower than 2019. This represents a 16% year-over-year reduction.

And I'd also point out that all the business lines are playing a significant role in these reductions. We are seeing contributions from each of our businesses, including significant reductions in Kearn unit costs; we're seeing through the Downstream prudent turnaround management, that's delivered significant savings; and even all of our service lines are also supporting with their own reductions.

But we also recognize we're not finished. We're continuing to look for and identify other efficiency opportunities. And you'll hear more about that today.

### **Near-term View of Recovery**

So, just before I wrap up my section and pass it over to Theresa, I wanted to take a moment to provide an update on what we are seeing in terms of demand recovery. On the left is a chart similar to the one I showed back at our AGM earlier this year, but this one is updated with current global data. It shows global oil supply and demand on a quarterly basis. And you can see how significant the global oil demand destruction was back in the second quarter and the supply imbalance that was created. Our experience here in North America, and more specifically, Canada was really quite similar. And if you recall the chart from the AGM, at the time, the EIA was predicting a fairly gradual recovery. In fact, what we saw was an initial recovery that was quite a bit stronger than expected, especially through the summer.

Unfortunately though, that recovery seems to have stalled a bit, with global demand for oil sitting now at about 95% of typical seasonal values, driven by what we are seeing as a second wave of COVID-19, globally. The blue band represents the EIA's view of demand through the fourth quarter of 2021. And as you can see, they are predicting that things will approach normal levels by the end of next year.



As I mentioned, this is fairly consistent with what we experienced and continue to experience here in Canada, which of course, translates into petroleum product demands. We've seen motor gasoline and diesel demands return to levels around [85 to 95%] of normal, but that recovery has slowed recently, and in some cases, mostly halted. The second wave of COVID-19 seems to have significantly slowed the demand recovery for now. And of course, jet demand is experiencing even more significant challenges. While we have seen recovery from a roughly 90% drop in demand back in March and April, it's only back to around 40% of normal, and any further recovery hinges strongly on the resumption of global travel.

So, while the demand recovery has been improving over the last few months, there is still much uncertainty over the timeline for full recovery.

So with that, I'm going to pause here and I'm going to hand over to Theresa Redburn, who will talk about the importance of energy and really how that relates to our strong ESG performance. Thank you.

## **Environmental/Social/Governance**

Theresa Redburn

*SVP, Commercial and Corporate Development*

Good morning, everyone. Thank you, Brad. We'll start with a brief summary of what I hope you will see throughout our discussion today.

### **Responsibly Meeting Global Energy Needs**

And what we'll show is that oil and gas remains significant sources of energy in most scenarios going forward and Canada is first among some of the top global oil and gas producers. Imperial continues to be a leader in the oil and gas industry with an exciting suite of new technologies to support pathways to net zero, along with our strong social commitment and contribution to local communities. And pulling this all together, real value comes when we can integrate these three areas, environmental, social, and economic, and deliver real value to shareholders.

### **Oil and Gas will continue to Supply Energy Needs**

So we'll start with a view of oil and gas supply and demand. And the chart on the left is an IEA chart that looks at two scenarios going forward to [2040]; the STEPS scenario which is the stated policies of most countries; and then the SDS scenario, which is the sustainable development, or two-degree scenario.

And you'll see in both of those scenarios, looking out to 2040, certainly renewables and biofuels grow significantly; coal decreases as you would expect, but oil and gas remain a significant component of the energy mix; about 54% in the STEPS scenario and about 46% in the SDS scenario.

And then turning to the right is more of a hypothetical example, but what happens to oil supply, specifically in the absence of any investment. Now, obviously that's not a realistic case, but certainly this year we've seen the decline of about 30% in investment in the industry. So, the chart there shows the natural decline in oil, which is about 7% a year. And the STEPS and SDS volumes in 2040. So you can see that without investment, there is a gap

anywhere from \$12 trillion in investment in the SDS scenario to up to \$17 trillion in the STEPS scenario. So that creates an opportunity for the industry.

### **Canada is an ESG Leader**

Canada remains a leader in ESG, as Brad mentioned. Canada's emissions are less than 2% of global emissions today. The chart below shows independent comparisons of Canada's performance as a country and compares it to the top 10 global producers in the world. And the top 10 oil [reserve holders] hold about 80% of the world's oil reserves. These are the top 10 global reserve holders.

So, the chart on the left looks at environmental performance via the Yale and Columbia environmental index. This looks at about 24 different indicators, and you can see Canada is a leader on that chart. And of note, Canada has carbon pricing policies that cover all of the oil and gas sector, whereas that's about 10% in the rest of the countries shown there. So certainly a leader on the environmental side.

As we move to the middle and look at the Social Progress Index, that looks at about 51 parameters in a country, such as medical care, human rights and education. Again, Canada is a leader. And then turning to the right, the Worldwide Governance Indicators. There are about six indicators here that look at things like political stability and regulatory quality. Again, Canada shows up as a leader. So, we like to think that Canada is the choice for responsible energy supply worldwide.

### **Imperial is a top ESG Performer**

And now we turn to more of a company view and this looks at company performance using, again, an independent view, CSRHub with BMO analysis. And we show social and governance scores on the x-axis and environmental on the y-axis. And you'll see Canadian companies are shown in red dots. You'll see they occupy a significant component of that upper right quadrant or the most sustainable quadrant, with Imperial shown there as a star. And not surprisingly, Canada shows well ahead of [countries] such as Russia and the Middle East. And divestment of oil sands just moves volumes from Canada to some of these others actors.

### **Imperial's Strategy for a Lower-carbon Future**

So, we'll now turn to Imperial's climate strategy and we're focused on ways that we can move the company forward in a lower-carbon future. And there's a number of elements shown here. Certainly, we'll start at the top. We engage in climate policy with various governments with a goal of providing solutions that not only achieve the objectives but do so for the lowest cost to society. And a big lever in achieving that is our research and development. We have two research centers in Sarnia and in Calgary, and that's our own proprietary research, but we also benefit from our relationship with ExxonMobil and their worldwide research. And also, we do a number of collaborations with others in industry, through organizations such as COSIA and CRIN.

We set goals and targets, and we're working on pathways to net zero. We are also to actively doing things to mitigate emissions in our operations today, as well as providing customers with solutions to reduce their emissions.

We've enhanced our disclosures, guided by international frameworks, such as TCFD, and all of this again comes together to maximize returns to shareholders.

## **Reducing Operated Oil Sands GHG Emissions**

So, now we'll turn to oil sands emissions in particular and greenhouse gas intensity. And since 2013, Imperial has seen a greater-than-20% reduction in our greenhouse gas intensity. And we've got a target to reduce by a further 10% by 2023. And we know it doesn't end there. And that comes with the actions both in energy efficiency, as well as improving reliability and deploying next-generation technologies.

And a few examples are shown here of things we're actively working on to help move us towards that 10% reduction. Improved productivity at our Kearl oil sands mine, which allows us to produce higher production levels with little extra energy. We've got a heat recovery from boiler flue gas at Kearl, which will capture waste heat and reuse in our operations. And Liquid Addition to Steam or LASER, which we're currently employing at Cold Lake.

So these are near-term actions, but we're also working on longer term pathways to net zero.

## **Imperial's Oil Sands Technology Competes Globally**

The next slide, we'll just take a closer look at our oil sands technologies, and we feel that we're very competitive with our technologies. And the chart on the lower left shows the Kearl PFT or paraffinic froth treatment technology at our Kearl mine and how it compares to the global and US average. And you can see here, Kearl competes quite well. The Kearl PFT technology returns the carbon-intensive portion to the ground, and also allows us to transport our diluted bitumen without upgrading.

And then turning to the right shows a number of Imperial technologies that will lead to even greater step change improvements as we go forward. A lot of acronyms here, CSS is a cyclic steam. LASER, I mentioned earlier, we're deploying that at our Cold Lake operation today. Then as we move further to the right, SA-SAGD – solvent-assisted SAGD. EBRT is an enhanced bitumen recovery technology and CSP is cyclic solvent process. So you can see the step-change improvement that these Imperial technologies will deliver.

I just might mention, our cyclic solvent process, as Brad mentioned earlier has the potential when applied, to deliver an up to 90% reduction in greenhouse gas intensity and corresponding reduction in water use. And what it can also do is unlock lower-quality reservoirs and do so in a more capially efficient way, because we don't have the steam infrastructure. So coming together to improve returns, a triple win.

## **Technology is Key to the Future**

Now, as we move forward, looking to the future, we show our technology suite here. And by no means is this complete, but certainly a number of examples. We've got both short-term, medium-term and long-term.

### *Short-term*

And currently in our operations today, we've got co-generation, 600 megawatts, which is the equivalent of taking 166,000 cars off the road for a year. We've got renewable fuels through our Esso products today. With other partners, we launched Iris, a satellite, in September to help us monitor methane emissions. We've got a laser, as I mentioned already, at our Cold Lake operation and underway, the boiler flue gas at Kearl, as well as SA-SAGD that we plan to deploy at our Grand Rapids expansion.

*Medium-term*

Then moving over to the medium-term, we've got a number of technologies, some of which I mentioned earlier, but in addition, we've got ELP, our enhanced late-life process and non-condensable gas. These ones, combined with the LASER example, are all technologies that we can apply to our existing assets. And then I mentioned EBRT and CSP, and those technologies and SA-SAGD are technologies we can apply to a new developments. So a really broad suite of options.

Then in the medium-term, we also show carbon capture and sequestration. ExxonMobil has been in this area for over 30 years. In fact, they've captured more CO<sub>2</sub> since 1970 than any other company, so we can benefit from their expertise as we look to apply these technologies here in Canada. And interestingly, when you use these technologies and you could apply economically, carbon capture and sequestration, there's the possibility of seeing incremental production at net-zero emissions. So that's very exciting going forward.

*Long-term*

Longer-term, early days for these examples shown here, but a number of technologies. ExxonMobil is very involved in a number of these areas worldwide. So we're evaluating these in partnership with them. And as well, some other technologies, we are working more locally here through collaborations with COSIA and CRIN and others.

And there's a number of ways to apply these as we look at pathways to net zero and key considerations will be, what can the technology deliver in terms of greenhouse gas reductions? Can it be applied cost effectively? What are the government policies that we need to align with? And then most importantly, bringing it all together to deliver shareholder returns.

**Social Innovation**

Now, that covers the E of E, S and G. The social space is very important and Imperial has had this on its priority list for many, many years. We've built long-term relationships with those in our communities, both our local communities and Indigenous communities. And most importantly, it's working together to build sustainable economic development. And that can come in a variety of ways; jobs within our company, as well as contracting with businesses in these communities to develop jobs there and allow the communities to flourish.

In fact, we've been awarded the Canadian Center for Diversity and Inclusion Employer Initiative of the Year award for our model for working with indigenous communities. In fact, we've spent over \$3 billion since 2008 with indigenous businesses.

Imperial has also been recognized overall as when a Canada's Top 100 employers; recognized for our benefits programs, employee development and training, and our community involvement. And the chart on the right shows our continued industry leading safety performance.

So these areas are very important to us. They have been for years and will continue in the years to come.

**Board oversees ESG Risks and Opportunities**

Lastly, the G element of E, S and G, and our board is very involved, as you can imagine, in this space. The chart on the right shows our climate risk management elements, and it's very integrated into all our managing processes at Imperial. The board, it reviews our climate strategy and the various elements and the board is supported by two committees; one, the Public Policy and Responsibility Committee that reviews climate, other E, H and S elements in the areas of policy, risk and our plans to go forward; and the Community Collaboration and Engagement Committee, which looks at our social relationships, as I just discussed. And the focus here is on high-quality ESG opportunities that are economic and drive real shareholder value.

And lastly in recent years, we've enhanced our disclosures. You'll be able to see on our website, the Energy and carbon summary, as well as our sustainability report. And these are guided by the international frameworks, such as TCFD, the Task Force on Climate-related Disclosure; UN Sustainable Development Goals, among others.

**Imperial's Triple Win**

So, all of this comes together hopefully for what we call a triple win. Sustainability at Imperial is not about checking boxes. It's really about value creation in a competitive marketplace, where we can improve ESG performance in a way that's profitable for our shareholders. So, reducing environmental performance, capitally efficient projects, and sustainable development in local communities; we like to think of it as a triple win.

So, with that, I'll conclude the ESG section and turn it over to Simon Younger, our Senior Vice President of the Upstream, to cover the Upstream discussion. Thank you.

**Upstream Outlook**

Simon Younger

*SVP, Upstream*

Well, thank you very much, Theresa, and good morning, everyone. It's certainly my pleasure to be here with you this morning, providing an overview of our Upstream assets and strategy. And I'll just say it's a real honour for me to represent Imperial's Upstream. And it's really a particular honour for me to represent its many wonderfully talented and dedicated people in our Upstream business.

So, as I talk you through the Upstream today, I'm going to start at an overall Upstream level. We'll talk about some key parameters like volumes investments and cash flow; talk about digital and technology. And then the back half of the presentation, I'll focus on asset-specific details.

**Upstream Vision**

Let me start with our Upstream vision, which is to be the best-in-class producer, laser focused on maximizing cash flow. We have long-life, low-decline assets that offer decades of cash flow. To maximize value, we are targeting reducing costs and improving reliability. This is driven by an intense focus on continuous improvement internally, but our organization is also focusing externally to understand the industry and competition.

Our objective is to emerge from the current downturn stronger than ever, and our organization is laser focused on getting to industry leading. We are pursuing only the most select, disciplined investments without sacrificing long-term value or flexibility. We continue to see enormous potential in digital and research. Our digital program is marching towards an annual target of greater than \$500 million incremental value, and I'm going to share more on that later. Finally, and most importantly, through everything we do, we will continue to pursue excellence through safe, responsible operations. And as Theresa alluded to, we aim to be a highly-valued partner in the communities where we work, operate and live.

### **2020 Upstream Performance**

As Brad has already discussed, 2020 has been a very challenging year for our business. Despite the external impact, our team has not only been able to remain focused on day-to-day operations, we've been able to improve our safety performance. And we are on track to deliver a year where fewer people have been hurt in our workplaces than ever before. And we're also very proud of the fact that we were able to safely assure the continuity of our business amidst the pandemic.

The top left chart here shows the benefit of our rapid actions to reduce spending. As you can see, we've been able to reduce our spending by \$1.4 billion versus 2019. Our operating expenses are down greater than 15% and capital investments have been reduced by more than 50%. Deliberate action, such as adjusting the Kearl and Syncrude turnarounds enabled significant savings in our Upstream business, but better still, more than half of the production and manufacturing savings achieved represents structural cost savings that have been accelerated and will be sustained. For example, reductions in our contractor workforces and risk-based extensions to maintenance intervals for major plant and equipment.

I would say capital reductions were driven by conscious decisions to ramp down activity, particularly in our unconventional business, and by pacing Cold Lake development and drilling and Kearl debottlenecking investments. The bottom left chart highlights that despite the reduction in spending and significant external events, we've been able to maintain flat production versus 2019, at around 395 KOEBD, Imperial share. And that includes Kearl at 220 KOEBD gross and Cold Lake at 135 KOEBD, consistent with updates we've provided earlier in the year.

This year has caused us to rethink many things in a very short amount of time, not least of which is how we can leverage technology to enable production. As Brad has already mentioned, at Kearl we reduced our onsite staff and contractors to the bare minimum through leveraging our remote operations center in our Quarry Park offices. We expanded autonomous haul and we maximized remote technical support. Not only did these examples prove out new ways to work, they also gave us unique insights in how we can drive costs out of our business.

### **Long-life, Low-decline Asset Base**

Next, I'd like to emphasize our high-quality, long-life, low-decline asset base. At year-end 2019, we had proved and probable reserves of approximately 6.3 billion oil equivalent barrels, providing decades of remaining proved reserves life. As the chart here shows, production is predominantly driven by our oil sands assets, Kearl, Cold Lake, and our 25% ownership in Syncrude. We expect production of around 415 KOEBD in 2021, an increase of 20 KOEBD

from 2020. Liquids production will be up around 25 KOEBD, driven by growth through performance and reliability at Kearl and Syncrude. And this is partially offset by decline in natural gas production of around 5 KOEBD driven by a reduction in our unconventional business. We expect to grow production 12% through 2025. Kearl drives this growth in the near-term through continued improvements in productivity, reliability, and debottlenecking. Syncrude continues to grow through reliability improvement and enhancements such as the interconnect pipeline. And Cold Lake sees growth later in the period, driven by the timing of production sustainment activities.

### **Upstream Cash Flow Outlook**

Now let's talk about cash flow. We have a determined focus on improving the cash generation potential of our Upstream business and improving resilience to lower prices. As shown in the chart, in 2015 to 2016, our assets generated around \$300 million of cash from operating activities annually. In that period, Kearl was going through its ramp-up phase where production was about 60 KOEBD below that of 2020. As you can see, in 2017 to 2019, stronger volumes and prices led to cash generation of around \$1.5 billion annually.

Now, as we know, 2020 is a historically difficult year due to the collapse in pricing, but efforts to reduce spending means we will finish this year generating positive cash in the Upstream, more than in the 2015 to 2016 period shown, despite lower prices. And you'll note the WTI and WCS markers and scenarios in the table below the chart in US dollars.

Across the forward-looking 2021 to 2025 period, at a \$50 WTI price scenario, we estimate annual cash from operation operating activities in the range of \$1.8 billion. And as you can see, this is considerably stronger than the 2017 to 2019 average, despite lower price if you compare the \$37 WCS assumption at \$50 WTI shown in the table against the \$41 actual WCS price average across 2017 to 2019. This improvement is driven by Kearl where volumes growth is being delivered at a lower cost, making an increasingly meaningful impact to Upstream cash generation, as well as incremental improvements in our other assets.

Similarly, as shown by the \$40 scenario indicated with the red bar on the chart, you can see significantly strengthened cash flow at this lower price scenario when comparing against prior periods. And at a price scenario of \$60 WTI, you can see the upside. Over the upcoming slides, I'll explain, with specific examples, how our assets are positioned to generate significantly more value than the past five years.

### **Upstream Investment Outlook**

Our investment strategy is to invest for value and select volume growth. This chart shows our planned capital spending by asset compared to last year's plan, which is shown in the red diamonds; and recent history, which has shown by the average bar at the far left of the chart. Our proactive reductions this year and next have reduced capital spending by around 40% versus last year's outlook. Reductions have focused on pacing, selective prioritization and concept optimization of our capital portfolio. These conscious decisions preserve critical strategic projects and support continued volumes growth from 395 KOEBD in 2020, as I've already mentioned, to 435 KOEBD by 2024.

Now, a key strength of our upstream portfolio is very low sustaining capital needs, which is projected at an average of \$5 per barrel looking forward. The infrastructure projects drive our near term profile that, as you can see, increased spend relative to 2020, but at levels

comparable to or below recent history, as shown by the chart. The spend is driven by Kearl's transition to in-pit tailings, which I'll discuss in the Kearl section this morning; and Syncrude's Mildred Lake extension, which develops a new ore body to maintain existing production and maximize existing infrastructure utilization. You might recall, we discussed that extensively in last year's session. Over the three-year period, 2021 to 2023, these two projects alone represent around a third of our total investment profile shown.

### **Large Portfolio of Investment Options**

Looking at the types of investments, we are fortunate to have a large portfolio of options that span our Upstream. The table shows the types of opportunities we are pursuing and indicative returns in the form of net present value over investment. This is a key metric for us in the current constrained environment, providing the best indicator for maximizing return from scarce capital.

Our investment focus is on optimization within our existing assets and our absolute highest priority is on cost reduction opportunities and productivity enhancements that deliver robust returns at any price.

At the top of the table, our digital-driven cost reductions such as schedule optimization and workforce visualization, which I'll discuss in a little more detail shortly. These projects typically require a minimal investment and therefore stand out with exceptionally high returns.

Below that much, of our research effort is also focused on cost reductions, such as advanced metallurgy to extend component life and enhanced tailings chemicals to improve effectiveness and lower costs.

And in the middle of the table, greenhouse gas intensity reduction opportunities are competitive and aligned with our strategy to reduce energy intensity and greenhouse gases, as Theresa outlined. You see, with the right approach and innovation, the selected investments generate an attractive return driven by improving energy efficiency and lowering consumption.

### **Accelerating Innovation and Modernization**

Next, I want to talk to you about our exciting efforts to accelerate innovation and modernization in our business with a big focus on digital. We continue to see enormous scope for value creation here. We started our journey in 2017 and at that time we saw potential for \$500 million per year of incremental value. We've already realized \$150 million of that value. And I'm going to share examples in a moment. And we now see potential that exceeds our original target.

We evaluate our digital projects under the lens of three key principles. They must be capital efficient, have a very fast payback – and think months not years. And the way we deploy the technology must be flexible and mesh with our existing operations. To enable this, we initially focused on our team, which has grown to over 30 people, incorporating data scientists, business advisors, and software developers; and the digital foundation, connecting equipment assets, and people. We've now completed over 15 projects, predominantly reducing cost structure and improving the reliability of our operations, driving value that will continue to be realized year over year.



And this is only the tip of the iceberg. Over the coming years, we plan to generate much more value. As you can see on the chart, we'll continue to pursue cost and reliability improvements, but we'll also use advanced analytics to maximize our recovery, provide useful data which will enable better decision making. And we'll digitize our workforce simplifying how we complete daily tasks and enhance the protections that keep our workers safe.

### **Digital in Action**

And here are some of the examples. I'll work through these from left to right, starting at the top. We continue to develop our autonomous haul fleet. We see growing productivity improvements here and cost efficiencies of a dollar a barrel at Kearl. This year, we successfully transitioned the fleet from waste movement to ore and in so doing, we've pioneered the first ever 797 haul trucks to dump ore into a crusher.

We developed a digital workforce visualization tool that matches supply and demand for craft labor. That's enabled savings of greater than \$50 million annually at Kearl. Similarly, we're applying algorithms to maintenance scheduling software, to generate optimized plans for over 40 trades and greater than 50,000 tasks per week. And this is delivering greater than \$15 million in annual value and growing as we expand its application.

Some initiatives involve creating apps to eliminate paper processes. We've quickly adapted a tool developed actually in our refineries, which geo tags scaffolds across Kearl. We now manage 2,000 scaffolds with 85% fewer resources than before.

Leveraging big data analytics. We've been able to significantly improve shovel operations using the heat map. To display it in their cabs as shown here, our operators are able to optimize their spacing to the dig face, leading to a 4% increase in shovel productivity.

And in the final example, machine learning algorithms have enabled us to optimize steam deployment at Cold Lake. And as a result, we're able to produce more bitumen for the same amount of steam, generating significant value uplift.

### **Digital in Action with Cutting-Edge Applications**

Looking ahead, we're piloting several technologies which show promising initial results, and we would expect to proceed to deployment in the near future.

Brad's already mentioned it, but using drones for internal vessel inspections avoids large amounts of scaffolding and simplifies vessel preparations. We're saying savings of over \$1 million for each inspection and expect multiple applications of this technology.

Using advanced laser scanning and drone imagery, we've created a digital twin of the Kearl plant, with accurate measurements to within three millimeters for the entire plant. We expect to use this technology to enable remote maintenance planning, engineering design, and QA checks, just to name a few.

As I said, we will continue to expand the use of advanced data-driven analytics, just like the successful approach used for the Kearl shovel productivity improvements. The image shown here on the top right is a tool for visualizing slurry system run hours, which enables better condition-based predictions for line rotations and replacements. We're testing a pilot at Cold Lake which provides a visual aid to identify high priority areas, optimized travel routes, and ultimately enable visit by exception to our well pads there.

We are piloting the use of machine learning algorithms to optimize our control parameters to reduce commodity consumption. This has the potential to deliver significant value through optimizing chemicals usage, energy consumption, and diluent usage, all of which represent very substantial input costs to our business.

And finally, physical automation offers significant scope for value enhancement. This photo shows an example of an automated fueling that we plan to pilot next year. The system can reduce fueling time from 18 minutes to seven minutes, which might not sound like much, but has a material impact on truck productivity.

You can probably tell we're very encouraged by the scope we see here.

### **Investing in Technology to Maximize Value**

I now want to touch briefly on our broader and ongoing commitment to research and development. Over the last 140 years, Imperial has committed to innovation and research that has revolutionized our company and our industry, and this commitment remains to this day. As many of you know, and as Brad's already mentioned, we have Upstream and Downstream research centers, including a Calgary research center focusing on oil sands and environmental technologies. And it's that Calgary research team that is responsible for the innovations shown on this slide.

In mining, we're in the process of piloting and deploying advanced metals which can withstand extreme wear. Successful pilots are showing potential to double the life of shovel teeth, which is shown here in the photo, generating greater than \$20 million in annual cost savings and productivity value.

Enhanced flocculation using chemicals common in sewage treatment is improving fines capture in tailings.

Successful pilot phases shown in the middle photo are leading to commercial deployment next year with greater than \$15 million in annual savings expected.

And we're working on recovering additional bitumen from coarse tailings by air countercurrent in flotation cells. Laboratory testing is encouraging and we believe up to 10 KBD of lost bitumen can be recovered at Kearl.

And at Cold Lake, we continue to develop our suite of advanced solvent technologies to improve recovery and reduce greenhouse gas. And we are planning two very low-cost pilots in the near term for our Steamflood operations.

Enhanced late-life process, as Theresa mentioned, will replace steam with butane in late life Steamflood fields, with the aim of reducing greenhouse gas and water use intensity. And non-condensable gas replaces a portion of steam with methane gas, improving cost efficiency and energy intensity.

Finally, we continue to develop our Enhanced Bitumen Recovery Technology, or EBRT. This technology is targeted for low pressure reservoirs with the potential for a significant step change reduction in greenhouse gas intensity.

### **Kearl 2020 Performance**

Now I'd like to switch to a bit more of an asset-based focus, starting with Kearl. The performance of this asset this year has been nothing short of outstanding, with the

supplemental crushers delivering significant value. The Kearl team are continuing to make tremendous strides in improving this asset and we are increasingly able to see its potential.

The production chart on the upper left shows Kearl's average production by quarter comparing this year with last year. Q1 saw a production record of 226 KOEBD, an improvement of 45 KBD from the same quarter in 2019. Q4 really shows Kearl's potential, including October's record setting production of 301 KBD. We're expecting around 280 KBD for the quarter.

The second and third quarters reflect the impact of positively responding to market conditions, particularly in adjusting turnaround plans and, of course, the impact of the IPL diluent pipeline outage. This outstanding performance at Kearl has been driven by a number of factors. We've improved plant availability achieved through years of reliability, focus and enhancements, and you'll see greater than 85% in 2020. And in 2016, this was at 60%. This year bitumen recovery has improved 2%, adding around 4 KBD, in large part due to the improved stability of the plant. And the supplemental crushers avoided 30 KBD of downtime.

The lower left chart shows the corresponding unit production and manufacturing expenses, demonstrating a strongly improving trend. We've spoken in the past about Kearl's \$US20 per barrel target. And I'm very pleased to provide you with an update on our progress with respect to that target. Our focus on driving down costs, unit cost in particular, has been relentless. Kearl's year-to-date unit cost is around \$US21 a barrel, down from around \$28 a barrel full year 2019. The third quarter averaged around \$US20 a barrel and we saw performance below that level in October. We are now firmly focused on achieving unit costs of better than \$US20 per barrel in future years.

### **Kearl Journey**

With such a strong finish to 2020, I'd like to reflect on how far we've come with Kearl and where we see it going in the coming years. From initial startup in 2013, we persevered through a very challenging ramp-up period and eventually achieved stable operations. The key message here is that we are now truly in the optimization phase, where we are applying a disciplined manufacturing mindset to extract every drop of value from this asset. Keys to the success of this journey have been a relentless focus on addressing bad actors to improve reliability; we've implemented process upgrades, for example, in extraction and froth treatment to improve performance and extend runtime; this year demonstrated the transformational benefits of the supplemental crushers; and finally, our mine fleet has improved significantly with haul trucks and shovels now at or exceeding industry best best-in-class utilization.

Next year, we see potential, as it says on the chart, for 255 KBD gross, which is 10 KBD ahead of last year's outlook, at around \$US20 per barrel, also, ahead of our prior view. We have a clear pathway to 280,000 barrels a day from Kearl annual average. The key enablers of that are transitioning to only one major turnaround per year, which will start in 2022; completing debottlenecking projects; mining the most valuable ore; installing secondary recovery facilities to enhance recovery performance – as I've already mentioned in the technology discussion; and applying digital solutions that I've discussed extensively already also. We are confident that 280 KBD and above is a very achievable goal for Kearl in the

coming years. And we are also focused on achieving this in the most cost effective and profitable way.

### **Autonomous Haul Update**

So a brief update on autonomous haul. We've been working on this since 2017 and are now up to 22 ultra-class size haul trucks converted, with 25 trucks planned by yearend. These caterpillars 797s are the first haul trucks of this size globally hauling in ore and have been setting multiple material movement records for us. This technology works at Kearl and it's a big part of the operation's future.

As we've added autonomous trucks to our fleet, the Northwest portion of the mine is now fully automated. We see a cost efficiency prize of a dollar a barrel through increased truck utilization with no breaks or shift handover, reduced staffing, and improved productivity through more consistent speeds, computer optimized passing and maneuvers, reduced maintenance and reduced tire wear. We're targeting having the entire haul truck fleet fully autonomous in 2023.

### **Kearl In-pit Tailings Project**

Before we leave Kearl, I just wanted to briefly discuss our upcoming in-pit tailings project, which is the next major sustaining capital infrastructure project upcoming that I mentioned in our investment profile discussion. As part of mining operations, tailings are byproducts of processing and are stored in specialized containment facilities. As the external tailings area, which is in the Northeast portion of the lease, as you can see, reaches capacity, development plans have always called for adding tailings infrastructure in step with the mine by 2023. This method uses mined-out pits to store tailings, minimizing footprint and land disturbance. And this industry standard approach is also the safest and most cost-effective.

The project is locking in costs and pricing in the current market to gain cost competitiveness and also certainty, using a similar project model as we adopted for the successful supplemental crusher projects just completed at the beginning of this year. We're applying lessons learned and leveraging the global project management expertise of ExxonMobil, just as we did for the crushers.

Finally, the project has been benchmarked against a variety of local oil sands tailings projects and is schedule and cost competitive.

Now, before I leave Kearl, I just want to reiterate, we see a very bright future for Kearl in the coming years. As I've outlined, production and reliability have been increasing and unit cash costs have been improving ahead of schedule. Multiple activities are underway to unlock further value. We are excited and enthusiastic about the improving financial and operating results and the clear pathway to 280 KBD.

### **Cold Lake Strategy**

Okay. Now I'd like to take a few minutes to talk about Cold Lake. As everybody knows, Cold Lake is our flagship in situ asset that's been producing for over 45 years. Our strategy at Cold Lake is to maintain strong cash flow generation and reduce greenhouse gas intensity over the long-term. Cold Lake delivers resilient cash generation through the business cycle. If you think about the Upstream cash from operations I shared in an earlier chart, Cold Lake is delivering positive cash in 2020. And over the 2015 to 2019 historical period that we

discussed, of our Upstream assets, Cold Lake contributes the strongest annual cash flow from operations by far.

In 2020, just as in other parts of our business, we've taken steps to reduce spending. Capital spending, including the rate and scope of drilling and pad programs, has been paced as we look to balance near-term cash flow and maximize the asset's long-term value. And we've maintained unit costs flat versus 2019, despite slightly lower production at around 135 KBD this year, as I've already mentioned. We are focused on maximizing base performance, optimizing our flowing wells and maximizing reliability. We also see huge and ongoing potential in the digital initiatives I spoke about earlier, to deliver cost savings and productivity improvements for Cold Lake. I expect volumes in the near time to be around 130 KBD, reflecting some of the pacing that I've already discussed, and to be 140 KBD and above by 2024.

Now, our long-term strategy at Cold Lake reflects the decades of remaining production and the keys to maximizing value, which are maintaining optimum utilization of our existing infrastructure; new production will be drilled and brought online, prioritized based on value – and that's linked to oil-to-steam efficiency; and finally, as you can see in the bottom left chart, we will continue to transition towards solvent technologies to improve energy efficiency and reduce greenhouse gas intensity.

### **Select Cold Lake Capital Investments**

As outlined in this asset strategy, we are selectively investing in Cold Lake to maintain strong cash flow generation. This page highlights some of the key investments that deliver volumes nearer term and bring production to 140 KBD by 2024. You'll also recognize different technologies matched to different stages of the resource being developed and reflecting the transition towards solvent technologies.

#### *Infill drilling*

The first, infill drilling. It has been our ongoing volumes replenishment activity to offset natural decline of around 7% a year at Cold Lake. This year's program involved drilling three infill pads in the Mahihkan part of the field with 26 wells contributing for 8 KBD of production. We have a large inventory of additional pad programs to draw upon, providing flexibility to manage production and capital. We did make some choices this year to not drill all of the pads in the Mahihkan program.

#### *Mahkeses LASER*

Second, Mahkeses LASER is the next deployment of commercially proven solvent technology. With LASER, a low concentration solvent steam mixture is injected into CSS, wells, improving productivity. The project is nearly complete and we expect to begin solvent injection next month. At its peak, Mahkeses LASER will contribute 11 KBD of production.

Lastly, Grand Rapids Phase one will be industry's first ever, solvent assisted, SAGD operation, and a new frontier for Cold Lake. As we shared last year, this development accesses a new production reservoir versus Cold Lake's current wells. And given broader market conditions, we are pacing the development relative to the outlook we provided last year, with production now expected to begin in 2023, albeit with no impact to overall production potential.

Grand Rapids will improve Cold Lake's greenhouse gas intensity, improve unit costs by a dollar a barrel and contribute around 15 KBD. Cold Lake is a plateau 140-150 KBD production asset for the long-term. We'll continue to optimize the development of this resource with a priority on value for decades to come.

### **Syncrude Strategy**

Now turning to Syncrude. Our focus has been to work with the other owners to increase reliability and drive down unit costs at Syncrude. And I'll share an example of our collaboration on the interconnect pipeline on the next slide. We strongly believe this strategy is delivering results and in particular, driving reliability improvement. Syncrude's performance in 2019 provides the best illustration of this. 2019 was the second best year in the asset's history and the best in over a decade with production of 73 KBD, our share. Improvements in reliability enabled upgrader utilization to increase by over 10% from the prior four-year average. Utilization is expected to continue improving over the next five years, achieving 90%, consistent with best-in-class performance.

As shown on the chart, 2020 volumes will be below 2019 as we intentionally constrained production through a modified turnaround approach in response to demand impacts. But in return, the asset was able to translate this and other initiatives into a year-over-year cash expenditure reduction of 15%, Syncrude is on track to meet this target while delivering cash positive performance in 2020.

As you know, Syncrude produces a synthetic crude product, which trades at similar pricing to WTI. Imperial's share of SSP is predominantly consumed in our refineries, creating integration advantage for us. For example, in 2019, approximately 75% of our share of Syncrude SSP went to Imperial refineries. And as we've shared previously, we are targeting below \$US30 per barrel all-in unit cash operating costs for Syncrude. And in 2020, unit cost performance is well on the way to achieving this target and is expected to be around \$US32 per barrel, which is down nearly \$US12 per barrel since 2018.

### **Syncrude Interconnect Pipeline**

Today's presentation provides the opportunity for a timely update on the interconnect pipeline project at Syncrude. And this project is currently in commissioning and is expected to be ready for service by year end. This project creates value through enhanced integration between the owner's assets. Integration with Suncor's assets enables greater overall utilization at Syncrude, generating incremental value for all owners. The schematic on the left shows the simplified process with the two additional pipelines, one for bitumen imports and exports and another for light sour. Importing and exporting these products during turnarounds allows Syncrude to continue to use equipment that remains in service while performing maintenance on out-of-service equipment. Most of the value will be generated based on planned utilization of these interconnects, but there's also additional potential upside from imports and exports during unplanned events. Based on planned utilization in 2021, we anticipate incremental sales volumes in the range of 1-3 KBD, Imperial share, as a result of these investments.

I want to close by emphasizing the collaboration and synergy potential at Syncrude. And we've talked about this in the past, including last year. With consolidation to four owners and 80% of that ownership held by two companies that have oil sands mining experience, namely

ourselves and Suncor, and with all owners having oil and gas industry experience, the collaboration potential is significantly amplified. We continue to work on transitioning the provision of business services from Imperial to Suncor, as we outlined last year, and this transition is progressing very well. This continues to make the best sense, given Suncor's ownership and also their proximity to the asset. But I will also tell you, the owner group is continuing to work very hard on finding additional synergies and additional ways to drive performance improvement and value at Syncrude. And we're making excellent progress.

### **Future Resource Optionality**

I'd like to switch gears near the end here and discuss our organic growth portfolio. And the message here is very simple. We have a large inventory of opportunities, including in situ developments like regulatory-approved Aspen and positions in the Montney and Duvernay unconventional plays. And our strategic approach to this future development in the current environment is very clear.

Our approach is for minimal investment while maintaining optionality to progress when it makes sense. For example, we are progressing small steps such as completing delineation programs at our Clarke Creek resource this past winter. As we've discussed today, we are selectively progressing the most promising next-generation in situ technologies with sufficient lead time to develop these resources in the future when the time is right. And in our unconventional plays, we've ramped down all development drilling and we'll continue to produce from our existing infrastructure, which is currently around 20 KOEBD.

Aspen of course remains the first project off the shelf as ready to execute. However, major investment remains on hold, pending activities to further strengthen our base assets as per the plans I laid out today, ongoing competitiveness with internal and external opportunities and improvement in the general market conditions as we've discussed previously. The good news is that we have a wonderfully strong suite of base Upstream assets to focus on, with exceptionally strong performance today and in combination with very attractive scope to drive value improvement looking forward.

### **Upstream Summary**

Before we go to break, I'd just like to repeat a few key messages from the Upstream discussion this morning. First and foremost, we have focused on maximizing value from our existing asset base and incremental efficient growth. We are growing volumes by 12% through 2025 and growing our cash generating capacity even more.

Next, we're extremely encouraged by the performance of our Kearl asset where volumes and cost improvement are outpacing our prior outlook.

Technology and innovation, and especially digital, is a big part of our future. We're already seeing \$150 million per year in incremental value driven out of our asset digital programs.

Our capital plan is down significantly, reduced by over 40% in the 2020 to 2021 timeframe, relative to last year's outlook, without sacrificing long-term value or flexibility.

And finally, we have a large portfolio of high-return investments, both active and on-hold, that are offering great leverage and optionality as we continue to pursue our vision of being the best-in-class producer, maximizing cash flow.

Now that concludes my Upstream comments and I thank you for your valuable time. We are now going to take a 10 minute break. At the resumption of that 10 minute break, you'll be hearing from Jon Wetmore, our Vice President, Downstream. Thank you very much.

[BREAK]

## **Downstream & Chemical Outlook**

Jon Wetmore

*VP, Downstream*

Okay. Welcome back everyone. Good morning. My name is Jon Wetmore. I'm the Vice President of Downstream that Imperial. I hope you really enjoyed those videos, we showed it twice because we love it so much. We wanted to just highlight our special relationship with hockey that we've had for many years. It's really the foundation of how we approach our retail customers and the Esso logo is directly linked to hockey in many communities across Canada. So we'll continue to build on that platform to reach our consumers and help them understand how much we value that sponsorship and community support.

### **Downstream Strengths**

What I'll do today is describe a few key attributes of our Downstream business. And you'll find my slides today are really driven around some foundational explanations of the Downstream and where we get value from it as Imperial Oil. We're fortunate to have some of the best downstream assets in Canada and the best sales portfolios as well. We've really been able to match or outperform other integrated companies' downstream earnings results for many years as a result of those assets. Our three refineries are amongst the largest in Canada and most complex. And we'll show you later that they have industry-leading cost performance and operational performance.

Imperial has some of the best midstream logistics in the industry as well. Our pipeline networks cross Canada coast to coast, and they provide us with key crude access and access to all the major fuels markets. Our terminals are located in high demand centers and they're some of the largest, most flexible rail and truck-loading facilities anywhere in the country. The suite of products that we sell is very well configured to the Canadian market, and we participate in all major sales channels across the country. We sell branded gasoline into urban centers. We sell diesel into large industrial sectors, such as mining, agriculture, rail. And we provide an industry-leading advertised diesel offer called Diesel Efficient, which provides significant mileage and emissions benefits. We sell jet fuel at all major airports in Canada, and we sell differentiated asphalt products that cover the entire northern tier of North America.

The two brands that we have, Esso and Mobil, you saw them in the ad, they're instantly recognizable to consumers in Canada. They carry the strongest loyalty program in Canada called PC Optimum. And that loyalty program touches 70% of all households in Canada. The strength of our retail offer allows us to anchor long-term branded wholesale agreements, and they're with some of the world's best retailers of gasoline, 7-Eleven, Couche-Tard, to name a couple.



Furthermore, we produce and sell branded lubricants right across Canada. And those go into auto manufacturers, into industrial consumers, as well as right out to the retail sector with a lot of loyal shoppers for Mobil 1.

And finally, all of this works together as a finely tuned network to bring together a number one market share in Canada in key segments. We are the number one market share leader in retail fuel and gasoline, we're the number one market share in jet fuel sales to airports, and we're the number one in asphalt sold in Canada.

### **Downstream Cash Generation**

So on this chart, I just wanted to cover a bit around Downstream cash generation and explain how the business has been resilient in recent years. On the left side, you'll see the cash flow generation for the Downstream. The periods of time that we've covered here have covered both high and low crude price windows, they've covered high and low windows of product demand. There's been a tremendous amount of regulatory change during this period of time. And there's been changes in the consumer habits, from industrial sectors all the way out to retail consumer habits changing. And through all that set of diverse conditions, you can see how resilient the business is. It's offering about \$1.5 billion of free cash flow in all those different scenarios.

Now, we would say 2020 is certainly a bit of an aberration year, and I think that's a fair description, but even in this condition, you'll see that we're currently at about \$0.5 billion of free cash flow as of the third quarter of 2020.

Now, on the right side, you'll see, we wanted to give you a quick update as to where our fuels demands are in the COVID-19 flu pandemic. And I just wanted to offer that you can see that gasoline and diesel have largely recovered. Right now, jet fuel would be the one exception. It sits about 40% of normal as of October. And we do expect that there'll be a multi-year recovery for jet fuel in the years to come.

Right now, we're preparing that there may be, with the spread of COVID-19 in a second wave across the country, a bit of step back in the gasoline demand. We particularly expect that that may occur in Ontario and Quebec, but overall, regardless of the volatile recovery path that we see coming out of the COVID-19 period, we're confident that in 2021, the Downstream business is going to continue to be a very reliable source of cash flow for Imperial.

### **Canadian Downstream Market Environment**

So, just to comment a bit on the market environment, and spend a bit of time on this page just to describe what is unique about Canada, because there are some very interesting unique aspects. Just starting in the top left, Canada obviously has a huge geographic expanse, and that means that fuel sellers need to be able to find logistics that can traverse wide distances with very low cost and highly efficient assets. It's one of the greatest strengths of Imperial that we do have logistics that cover us from coast to coast.

Our fuel supply chain has proprietary terminals in effectively all regions of Canada. We have proprietary pipelines that operate in Vancouver, in Winnipeg and in Ontario and where we don't use our own proprietary pipelines, we use advantaged assets such as the Trans-Northern Pipeline assets in Alberta and Ontario, as well as of course, the Enbridge mainline

that traverses the Prairies. And where we don't have our own proprietary terminals in key urban centers, we have unique negotiated access agreements with third-party terminals. And so we do that in both examples of Vancouver, Oakville, other urban centers where we know that some of our strategic partners have got very good access and we've negotiated over the years to have an advantage set of agreements that allow us to also terminal through those areas.

In Canada, the midstream assets that carry fuels are proprietary assets, and they're owned by the major fuel producers. That's very different than what you'll find in the US, where it's much more of a merchant terminal business, and the assets are open for all competitors to have access. In Canada, these proprietary assets are not open. The only way to gain access through those terminals is to negotiate with the owner of the terminal. And what that does is it creates the fact that any importer that wants to enter Canada has to have those negotiations. And if they're unsuccessful, what they're left with is really looking at more expensive, higher complexity cost logistics, like using rail-to-truck trans-loading and all the difficulties with permitting that come with that.

Really, what we say about this is that Imperial is incredibly well positioned in this market, because what that does is it creates very much significant barriers to importing fuel into Canada. And what it results from there, of course, is that the fuels traded in Canada are traded near import parity where the last high-cost imported barrel really sets the entire market. This all leads to Canada having higher domestic margins on fuels sold in Canada versus the US and I have a chart coming up on that, just to explain it a bit further. And as a result of that, Canada's downstream companies realize higher unit earnings per barrel than you'll see in the US.

The southwest Ontario market is a very important market for us. It is structurally short in the summertime, and we'll expect to see that short continue into the future, even with conservative modeling around electrical vehicle penetration. At this point in time, we expect that to occur with population growth well into the end of this decade. And we expect to be able to capture a large amount of value from that as a result of being the largest market share of gasoline sold in southwest Ontario. We are actually more than a third of all the gasoline sold in that region.

Western Canada crude prices are the lowest in North America. Refiners with access to that crude slate have a structural gross advantage versus those in other parts of North America, or certainly those that are buying Atlantic basin crudes that are based off of Brent crude price. Imperial's three refineries run on a diet of 100% western Canada and Bakken crude. And so we enjoy that gross margin benefit, but I'm happy to say that we also have grade flexibility, that I'll show you in a minute, to be able to take advantage of different types of crudes coming from that basin. And we're also advantaged that we have configurations in our refineries that are structurally built to take advantage of these types of crudes.

And finally, I'll say that parts of North America and parts of Canada are in structural exports. The only way to clear the refinery and continue to run it full is to export barrels. And we'd say that oftentimes those exports, particularly in the Prairies region of Canada, come with a lot of higher cost and complexity. The cross-border logistics of making that work make it higher cost. On average, in Canada, Imperial's fuel sales actually exceed the produced amount of fuel that we have from our three refineries. And what that means for us is that if

we have some structural exports that we need to look at, we can always have debates about the amount of fuel that we purchase that goes into those sales, and really play and trade with that purchase layer and that resold layer as a means to be able to keep our refineries full, point them into the most advantaged product markets and be able to avoid exports wherever we feel we need to.

### **Canadian Product Margins**

Okay. And this next slide, what I wanted to do is just describe a bit of why import parity pricing is so effective and so important for Canada. What we've got here is a plot on both gasoline and diesel of the crack spreads that you'll find in Canada versus the US. For Canada, what we did is use a mix of both west and east product spreads in both cases for gasoline and diesel. And we did that because I think a lot of refiners in Canada are integrated players that are in both parts of the country. And so for Imperial, we literally are split almost 50:50 between the west and the east regions. And so what we did here is blend a mix of margins between these two locations. So east and west for Canada would be Toronto and Edmonton and east and west for the US comparator would be the New York harbour for east, Chicago for the west.

We use the same crude underneath all these assumptions, and I'll come back to that in a minute, but we did that just to keep things on an apples-to-apples basis.

So what you can see from these two charts is that the crack spreads in Canada are stronger, structurally stronger than the US and they've been that way for more than a decade. And had we plotted data further back in these charts, you would see that it was there in prior history as well. And if you start staring at the size of the blue space there, you'll see that since about 2016, oftentimes the Canadian spread is almost double what it is in the US.

So coming back to crude, I think is important to note that the crudes are not the same in terms of costs between these two regions, Canada and the US. In the US refiners will pay oftentimes about \$6-7 a barrel if they're located in the Midwest to transport crude from western Canada to that region. And certainly we say our own Ontario refineries also spend something similar in the way of tariffs.

But just to point to western Canada for a minute, our refinery in Edmonton, it's called Strathcona. It has a very, very low cost of crude transportation. As you can imagine, it's very close to the source of the crude. That advantage around western Canadian refineries, because there's a group – really, about a third of all refining capacities sits in this region. If you were to take that and apply it in a pro-rata share against the charts that you see here, it would add another \$2-3 a barrel for the Canadian advantage, on average for Canada. So you can see that it's an incredibly lucrative market, really the best in North America. We're really pleased to have large assets that can take advantage of this value. And I'll describe that here on the next slide.

### **Canadian Refining Leadership**

So, while I said previously that Imperial has Canada's largest refinery base, it's important to note that we would always say the largest isn't always the best. In this business, in order to beat competition, you need to have well-run facilities. They have to be the right configuration, and they need to be well-suited to serve the local market, and they need to demonstrate cost leadership. And when I'd say cost leadership, what's important to note

here is that costs in this case are not just about trying to improve shareholder returns, which of course are very important. In this business, if you're not a cost leader, oftentimes it will mean the difference between winning or losing a sales contract.

In Canada, we are cost leaders in this business, and you'll see that from the chart what's plotted. Here are the Solomon surveys that – in this case 2018, but we've been participating in Solomon surveys for refining for many decades. And I'll offer that in the 1980s and 1990s, we would have had periods of time where the results coming from Solomon were not favourable to us. They would've pointed at us and said that, 'There are certain aspects of your business and certain equipment reliability issues that are causing you to be uncompetitive.' And that was a decision underneath part of how we landed on a choice to divest our Dartmouth refinery, and eventually turn it into a fuels terminal. But I'm happy to say that as of 2018, with 99 refineries in the survey from Solomon in that year, you can see the results on the page. We are cost leaders in this business on a total cost basis and further we're cost leaders when you start to deduct the energy cost, which again will have commodity prices of energy in it. And so we sometimes like to show it that way.

The place that we are currently not a cost leader would be an energy efficiency. And I'll come back and talk a bit about our Strathcona project, because I do believe it will push us toward that first quartile performance that we strive for.

On a net cash margin basis on the right side, it's really important to note again, that the blue circle for Canada, for the reasons I described in the last chart, it is first quartile within North America. And I'm really pleased to say that our three assets in Canada are equally in that first quartile. And the one stand would be our Edmonton refinery; as I mentioned, with very low cost crude, it is at the very top of that net cash margin list.

Unit costs are really important in this business, and we're fortunate to have larger refineries that are greater than 100,000 barrels a day. They're all in the top half of the size of refineries that exist in Canada. Our two refineries, Sarnia and Nanticoke, are run in an integrated fashion. There are pipeline connections between the two of them. And the reason that we did that was in order to really be able to efficiently deploy capital.

So, to give you an example, what we've done over the years is decided that if we need to invest in emissions reductions or in changing the quality of the fuel or removing contaminants, such as sulfur or benzene, we only invest at one of the two locations between Sarnia and Nanticoke. And what we do is use the proprietary pipelines that we own in between the two sites to move the molecules back and forth and do that treatment at only one of the two sites. And after that processing step is done, we send the molecules back to the origin site for blending. That's allowed us to avoid hundreds of millions of capital over the decades. And I don't think it's well understood in industry that that we do that.

Strathcona is our largest asset, of course, in Canada. It's the biggest refinery in western Canada, and it's really well situated to take advantage of that low cost crude that I mentioned. But the one thing I will say about Strathcona, it's not just about cheap crude. They've done incredibly well to be a cost leader and to have reliability performance that is one of the best anywhere in the region, certainly in the region, but also within the ExxonMobil set of refineries that we look at globally.

Just coming to ExxonMobil, it can't be understated the value that we get from ExxonMobil with refinery experience. This is a tough business. I've been a refinery manager for eight years in my career, three different locations, but I can tell you that's a tough business. What we find that what we get from ExxonMobil is the ability to get their lessons learned so that each of our different facilities in Canada doesn't need to learn them through their own events and incidents and issues. They've been able to get that excellent set of experience and best practice brought into Canada, and we've been able to implement it consistently across our three refineries. So I can't emphasize that enough. We're getting global experience underneath our Imperial three assets in Canada. And it's absolutely unique in this business versus Canadian competitors.

### **Downstream Value Chain**

Okay. On the fuels value chain, what I wanted to show you with these colorful charts here is a bit of the breakdown on the feedstocks and products that we have. So on crude selection, if you look at the left side and again, with the axis here is just showing you the relative amount versus what we process. We have the ability to choose from a wide variety of different crudes. Really what we're trying to do there is take advantage of not just the cheapest crude, but the crude that is the best fit for the yield profile that we need seasonally, or really to go after the highest margin set that exists in the business, whether it be gasoline grades, diesel, grades, jet fuel, and beyond. You can see we've got about 100,000 barrels a day of crude flexibility in the light side. And that really has to do with being able to choose between synthetic grades and other light grades, particularly the Bakken. And at the bottom end, you can see we've got about 50,000 barrels a day of heavy crude flexibility. There, again, being able to play the ratio of heavy crudes against others and being able to choose those that are good for asphalt production, heavy fuel oil or marine fuels.

On the next bar, you can see the breakdown of how we have our product slate built. And the shaded areas in here, or hashed areas are really meant to show you the flexibility we have in being able to choose different products coming out of the refinery. There's not limitless flexibility in the space. The hardware can only go so far, but we're really pleased to say that we have the flexibility where it counts. And one item that of course came up in 2020 is that as the jet fuel market really did collapse under COVID-19, you can see that the entire jet area for us is a flexible area. We've been able to unmake all the jet that we need to, and to have that put into higher value diesel sales and not have quality giveaway as we do that. So lots of really powerful flexibility there.

And on the right hand side, you can see, again, Imperial's branded presence. Esso and Mobil are very recognizable brands in the chain. They're there under the retail blue bar that you see at the right. That business has brought us a lot of profitability over the years, and we've been able to use it to secure some very long-term outlets into the retail business. Often our contracts in the retail space are greater than 10 years, and we have more than just a simple supply relationship there. What we have is a brand value premium that we ask our customers to pay for in exchange for all the loyalty program that we help build with them, the promotion, the advertising campaigns, the card offers and everything that comes with a really important, capable retail presence.

## **Fuels, Lubricants and Asphalt Sales Channels**

### *Retail*

Okay. Just to talk a little bit about the different products that we sell again, I'm going to start a bit with Retail, just to hit the space again. If you see the right hand side where we've shown a bit of the growth that we've had since 2016 – and we always start with 2016, because that's the year that we chose to divest of our retail assets. Big change in the industry. I think a lot of people looked at it and said, well, time will tell if that was a good choice to make. I'm really pleased to say that we are incredibly happy with that change. When we did it at the time, it was built around the premise that branded wholesalers, being some of the world's most capable retailers – as I mentioned, Couche-Tard, 7-Eleven, Parkland – they are very, very capable at their business and they're specialists. And our view was we wanted to avoid some of the capital upkeep and maintenance that we had to do across those retail assets, but still enjoy the value premium that comes with retail sales. So a cake and eat it too strategy that certainly we had.

I'm really pleased to say that since 2016, we've been able to grow our branded sales by 20%, we've been able to grow a steady rate of profits through that period. And we've now been able to capture the number one market share in retail gasoline sold in Canada. So truth be told, we are very pleased with that approach, and we're very confident that the branded wholesaler method of business is the right one for us.

### *Lubricants*

On the lubricant side, it's not a part of the business that we talk about very much. We've got some very important brands that are recognized as leaders in this business, Mobil 1, Delvac SHC, and so on. We've got a really well-trained salesforce that are customer intimate in this space, and you need that to sell lubricants in Canada. There's lots of cold weather applications with heavy-duty machinery. You need to know your customers incredibly well. We've got a field engineering team that sit with customers and help them troubleshoot applications. And then we also have a Sarnia research facility that helps take applications in heavy equipment and look at not just lubricants, but greases and waxes as well. And really be able to look at how does the customer get the maximum value from the lubricant or the grease and be able to extend the life of that equipment. So it's a tremendous advantage that only we have in Canada.

### *Asphalt*

In asphalt, we're the largest producer in Canada, and we produce asphalt at two of our three facilities. We take advantage of the fact that Cold Lake crude as our equity crude is recognized as one of, if not the best asphaltic crude available in North America. So the yield of asphalt that comes with it is something that we take advantage from, but certainly we offer differentiated products that go into construction applications all across the northern part of North America.

The one thing I'll say about this is we're incredibly happy about the ability to produce asphalt and not be completely exposed to heavy fuel oil. I know with IMO 2020, there was a lot of doom and gloom and worry about the HFO value, heavy fuel oil value that would be out there in the market. It hasn't been as bad as people thought, but I would say our asphalt business adds tens of millions of dollars of uplift versus being purely participating in heavy fuel oil

across the residue coming from our three refineries. So very, very pleased to be in this space. And we're recognized as the leader in asphalt in Canada.

### **Downstream Investments**

So just a bit about Downstream investments. What we wanted to do here is talk to you a little bit about where we invest and what areas do we see value in investing in. You'll see on the graph on the left that we're currently planning to spend about \$400 million a year in CAPEX, and that's lower than the forecast from last year. You can see the dots on the page, the fact that we're lower. I would say that we are confident that those reduction steps come with non-regret. We have paced out some of the projects that we expected to be able to do early in the window here in 2021 and 2022, we don't have regret over that pacing. In some cases, it was there to capture margins that we thought would be there in 2021 and 2022. And now we know that COVID-19 will have an impact on some of that recovery. And so we're pleased to say that there isn't regret around the deferral of some of these projects.

And the other thing I'll say is that some of the savings underneath the diamonds coming down to the blue bars here is us having really good success with negotiating with constructors about cost savings. And we've taken more than our fair share, entitled share of cost reductions from the COVID-19 impacts on the broader construction industry.

Logistics are absolutely key to this business, and they're very key and strategic to us as well. We're spending \$400 million to replace a segment of our Sarnia Products Pipeline in Ontario. It runs through a very dense part of Ontario, between Hamilton and Mississauga and Toronto. And I'll describe that further in an upcoming slide.

But other logistics spend that we're spending on is rail, unloading and loading capacity in western Canada. And we're looking to expand our reach into both gasoline and diesel markets with rail infrastructure across the country.

Other investments that we've got planned include biofuel blending to meet the new Canadian Clean Fuel Standard, as well as other provincial mandates for biofuel. But we're also going past compliance layers to go into opportunistic biofuels sales. And we do have some investments that are planned along that run, as well as energy efficiency investments across 2022 to 2024.

### **Strathcona Cogeneration**

So in the next three slides, what I thought I'd do is just walk you through two or three examples of where we are investing in this period of time. Strathcona Cogen is actually an example of a completed project. So this one is up and running. We've spent \$200 million for a 41 megawatt facility, as you see there. We've been able to install co-generation; if you know what that is, it's really about running a gas turbine to produce electricity, and then capturing the waste heat from the turbine to produce steam.

And as we do that, we've been able to capture 75 to 80% of the refinery's electrical demands, as well as about 50% of the steam required to run the Strathcona refinery. And that allows us to retire some older expensive boilers that we have at the site. It saves 112,000 tons a year of CO<sub>2</sub>. As you can see, it's a really important contribution to Alberta's climate goals. And as Theresa mentioned, previously, Imperial now sits with an installed capacity of 600 megawatts of cogeneration. So really we're a leader in this space right across the country.

**Sarnia Products Pipeline**

On Sarnia product pipeline, again, as I mentioned, it's a \$400 million investment. It's a fairly short run of pipe, if you will, from an area called Waterdown in Ontario, right into Toronto. The challenges we have of course is this is basically the most densely populated part of the entire country. We need to do this because we want to secure that important Toronto market for us. It's a very core market, as I mentioned, with more than a third of all the gasoline sold being Imperial's. And really what we've been working on the last couple of years is to get all the right of way and pipeline permits setup.

So we're very pleased to see that once this project is up and running and commissioned, we will be able to realize some cost savings. Because what's happened with the pipeline in the interim, is that as it approaches an end of life condition, we've been managing the pressure envelope in the pipeline to manage its safety, proactively doing that, which is exactly the right thing to do. And so when the new pipe comes back on with full pressure capability, and as well as some debottlenecking capability, we expect to realize some very significant savings.

**Edmonton Rail Terminal**

The Edmonton rail terminal is an interesting asset for us. And I know we'll probably get some questions at the end around this one. A quick refresher on what this is. It's really our alternative logistics to get crude to market. We knew coming into 2015 that we would see some periods of time, maybe not sustained, but we'd see periods of time when pipeline capacity leaving Alberta would be constrained. So that's our primary strategic interest in it, is to provide that secondary outlet.

Now, its design and its location and the supply chain that's connected to it is the most cost efficient and effective crude-by-rail facility that exists anywhere in Canada. And we're very confident when we say that. It really has the advantage of being integrated with our majority shareholder, ExxonMobil, in the way that they've been able to help us establish some advantage off-take agreements across more than five different terminals in the US so that we're not beholden to one location. We can choose to take the crude by rail to multiple dispositions and add value.

The other thing that we do with ExxonMobil is manage a fleet of rail cars for this facility. To give you a sense, the current rail car count that we've got for this facility is about 4,000 rail cars, but ExxonMobil have access to more than double that in terms of rail cars that can be fit in fungible services. So really what that allows us to do is to optimize the fleet if and when we're not shipping as much through it. And it allows us to get some of the best purchased and leased costs anywhere in North America with that size advantage.

And the last thing I mentioned is that it's the only crude-by-rail terminal that we're aware of that has service from two class one railroads. So both the CN Rail and CP Rail, and that allows us, of course, the flexibility to be able to choose the lowest cost freight that's available in western Canada.

So, as it's been mentioned in the past, I think you've seen the amount of volume going through the terminal has been lower recently. And you can see that in the short chart there at the bottom. Really, what we say is a lot of that's driven by the economics underneath crude by rail. Oftentimes the industry will say that it needs somewhere in the range of \$12 to



\$15 a barrel in what's called price arbitrage, arbitrage being the point of origin and the point of a destination; in this case, Edmonton or Hardesty versus the US sales point. And that arbitrage number has shrunk to less than \$10 for a good portion of 2020, and certainly back into 2019. But in periods of time where it has been open arbitrage, we've been able to ship successfully through the terminal. So we're very pleased to have test-run it up to as much as 160,000 barrels a day versus its 210,000 barrel a day limit. And we're looking forward to seeing some of those arbitrage numbers potentially reopened in 2021 or 2022.

In times when it's not running full, we've been able to market the space and sell some of the space for ERT to be able to recover the costs of operating the terminal. So overall, we're happy that we've got the flexibility to use it, and to be able to manage the cost envelope of what we have there while we're waiting to see the utilization increase.

### **Downstream's Total Package**

On this page, you're going to see a lot of information and it's a very busy chart, but it's busy on purpose. The point we're trying to make with this is that Imperial's business covers the country from coast to coast. We are effectively operating in every corner of Canada.

So just to walk through some of the logos and the information that's here, the site or the map does show you where the retail site counts are for each province in the numbers. And the total is 2,100 for us across the country, again, for both Esso and Mobil. These sites again are operated by others and they're owned by others, but they are highly proficient retailers, globally recognized. And we work with them to provide that loyalty program, the card offer, the growth expectations around what we expect to see in the way of volume growth, as well as advertising and promotion campaigns.

We have access to more than 40 terminals across Canada, 21 of which our own proprietary terminals; they're shown with little red tanker trucks symbols here. The rest are with agreements with third parties and they're strategic partners that we have. We sell through 14 large airports across Canada. And as also, we sell into the truck transport business with more than 160 commercial cardlock locations clustered along highway corridors.

We have 23 Esso Branded Resellers across Canada. And this is probably what I'll call the most important part of our Commercial business. These are folks that have built up small, medium-sized businesses that are experts in their local market, and they sell everything under our envelope. So they're selling everything from lubricants to heating oil, to diesel, to fuel management services. They're family owned, they're entrepreneurial, they're hungry for business, and they know their area better than we could, and oftentimes much better than our competitors do. So, we're really pleased to have that group of 23 that operate coast to coast with us.

The pipeline connections are shown in lines here, you can see yellow and blue, really important part of how we were efficient for long distance transport of product. This vast network that you see on the page is the foundational element of how Imperial has had a resilient downstream business for many, many years. This is unparalleled in the business and many importers look at this and wonder how on earth they're going to compete with us when they come to Canada and look for options. And so they should. It's basically impossible, in my mind, to think of how an importer could try to build this up in a short period of time. It

would take the years and the decades that we've spent to build this up, not just in terms of the hardware set, but in terms of the knowledge of how to optimize it.

### **Imperial's Downstream Advantage**

Just a quick summary here around the different market conditions that we think we'll face in the years to come and explain a bit how our businesses ready to face those conditions. For crude markets, the key question that I know you'll resonate with is whether or not there is surplus capacity in the way a pipeline expansions coming. And we would expect that if there is surplus capacity, that comes along with both the Trans Mountain express pipeline built and perhaps the Keystone XL project as well, that that will reduce the crude spreads and create transportation parity for crudes like WCS and the light crudes that we buy.

Imperial's refineries are really well positioned to take advantage of narrow crude spreads like this. We're a light crude refiner, but again, we've built up the opportunity to be able to be close to the crude source, as I mentioned in Edmonton, as well as be able to take Bakken crude and other crudes - synthetic crudes that are attached to the light crude slate.

Equally, I would say if you went back in time and looked at periods like 2019 and 2015, where there was very narrow crude spreads available, our business was very resilient in those years. And you can go back and have a look.

The Canadian Clean Fuel Standard coming into the business is a very important event for us. Environment Canada has forecast that the current biofuel content blended in fuel could rise from about 6% where it is today up to 12%. And our modeling would suggest it could even go higher than that. That's going to put pressure on refiners, obviously, to consider if they're going to run full and try to run their refineries full, the incremental amount of production needs to go into exports. And when you're faced with lower margins and net backs coming from those exports, you'll fight very hard to maintain your domestic market share.

We're in a great position to weather that storm. Again, we've got a supply chain coast to coast that allows us to be resilient to that space. And we don't just do that in terms of product movement, we do it in the way of blending. And what I'd say with biofuel, as I mentioned on the investment page, is that we're not just interested in blending biofuel for compliance sake. We'll use our advantaged blending hardware sets in the locations where we do this to take advantage and really try to find some margin uplift versus a high-cost marginal blender.

We've been able to develop technology for the cold-flow properties of biofuel to understand how it can perform in this market. And we've also been able to secure sources of lower carbon-intensity biofuel that we know will give us an advantage going forward.

So considering the biofuel penetration and the slow uptake of electrical vehicles, as I mentioned, that will put pressure on refinery utilization that will force some folks into exports. At this point in time, the key advantage that we see in our businesses that we have this surplus, if you will, of sales versus the amount that we produce. And if we're unhappy with some margins in our business, the first layer that we can choose to step out of is that purchased and resold layer into that business and be able to keep our refineries full and keep them pointed at our strategic sales accounts, when we choose to do that.

### **Imperial Chemicals Produces High-Value Products**

Okay, I'm going to switch gears a little bit now just to talk about Chemical. Chemical is, I'd like to call our unsung hero of the business in Canada. It's smaller, we tend not to talk about it as much, but we are very pleased to have it. And it's a strategically important business for us, and I'll explain that. Our largest piece of business under Chemical is our polyethylene production. And we don't just produce the polyethylene, we've got a sales and marketing team that help us move that product all over the eastern part of North America.

Now, certain companies out there will enter and exit plastic grades, depending on consumer trends, depending on the margin set that they see forecasted. We have remained solely vested in a greater polyethylene called high-density polyethylene, and really where it goes into a very particular, highly engineered application called either injection molded or rotomolded products. And you can see some of the photos on the screen from what those are.

They look like simple objects, but boy, building those on an assembly line with rotational molding applications is an incredibly difficult thing to do. The resin properties that need to work for those kinds of applications have been honed over decades of work, working closely with those manufacturers of the products. We have perfected that science of being able to produce this high-density polyethylene that works perfectly for this space.

So it's a niche business. It's very high margin, and it's where we're going to continue to operate.

Over time, like our Lubricants business, what we've done has been able to put our field salesforce in front of the customers and be able to take their learnings back to our manufacturing facilities. So, today we have formulations that will change on the way we produce this polyethylene so that it's perfectly customized to that end application use.

### **Chemical Site Integrations Drives Efficiency**

Now, in the next slide, what I wanted to do is just talk to you a bit about the value of this business and how it works. And really what we wanted to do first is show you the cash flow from operations on the right-hand side. Now, I would say that w all of this page is talking about polyethylene, and I'd be remiss if I didn't mention the fact that we have other products that we produce in Chemical, such as alcohols, plasticizers, solvent. And they go into very important, final-end products, whether they be paints or detergents or solvents, and beyond. Today, I'm just going to focus on polyethylene for time sake, it's our largest profitability business that we have, but just know that in Sarnia, we've got multiple other products that we produce.

So, you can see over in the right-hand side, the cash flow from operations moves between about \$100 million to \$250 million. It's very cyclical. I would say that as much as you and I moan about the price of oil moving up and down, the price of plastics and polyethylene is even more cyclical and the highs and the lows are even more pronounced. So, this business, of course, has a huge variability in its margins. And we would say that with some additional production being built in North America in the last five years, that we would expect the margins of polyethylene to be lower in 2021, and then on a pretty steady recovery path.

The reason we're confident in the recovery path is the chart on the left side. So if you can see polyethylene demand with a blip there in 2020, we do expect it to exceed GDP growth.

And again, it's because the number of uses of plastic in society and the benefits that they bring continue to outweigh economic growth year after year after year. And you can see for the last five years, that's been the case.

#### *Chemical facility in Sarnia*

Now, our Chemical facility in Sarnia produces polyethylene from an ethylene step and what we've shown here for ethylene and how you produce it is the feedstock in this stack bar. And really what we're trying to show you is this bottom part, the unique advantage that no one else possesses in Canada is that we've linked a refinery with a chemical plant. And we take the refinery off-gases to make up about a third or more of all the feed to make ethylene. That provides us with about a \$10 million a year advantage versus buying ethane or propane to feed that ethylene production step.

So it's a really important part of the business that we like to protect. And the great part about not just using the refinery's integration into the chemical plant with this stream is that we've really been able to combine a lot of other services to run the refinery and the chemical plant together. The management teams are combined, the maintenance services are combined, the support services are all put together into one common team. So we've saved more than a third of unit op costs as a result of combining the refinery and the chem plant versus what would exist if it were a standalone chemical plant in another part of the country.

So with that integration, we're very confident that this business is resilient going forward, and it will recover and track, growing polyethylene demand. And again, we're very pleased to be in this niche, specialized business that's added so much value over the years.

#### **Downstream and Chemical Summary**

Okay. Just for summary then, what I wanted to do is just talk about the key advantages that we have in this market and going forward, we'd expect them to be there for us. We will continue to capture advantaged crude slates as a result of being connected to the western Canadian crude base. And as the largest refinery in Canada, we know we're capturing the most value. We've led market share in key products across the country, as I mentioned, and we'll continue to see that underpin our cash flow. Our western Canada crude slate will remain the lowest anywhere in North America, and we're confident of that. Our Downstream integration, not just with the Chemical plant, as I mentioned, but within the supply chain that I described in the map, and as well as Upstream examples, which I didn't get into much today, those things drive substantial savings versus our competitors.

We reach coast to coast with that supply chain. As I mentioned, it's unparalleled in the business and we're able to produce products like asphalt and polyethylene that go right across North America.

So finally, we've invested where it counts the most, in the customer relationships. Brad, at the very beginning, thanked our customers. And I want to do that again. Our business only exists because of our customers, and we're really pleased to see them stay with us year after year through all types of different perturbations in the market. And so we're pleased to say that we have some of the strongest long-term relationships in the business, and it's a huge competitive advantage for us.

So thank you very much for all your time. I know we've gone a bit over time here. We've tried to cover a lot of ground. What I wanted to do is pick up on some of these points in the Q&A session if you've got some questions.

So now what I'll do is pass it over to Dan Lyons, our Chief Financial Officer, and he'll cover the financial outlook.

## **Financial Outlook**

Dan Lyons

*CFO*

### **Financial Profile**

Good morning, and good afternoon to folks out east. I'm going to start my presentation here just describing our financial profile, as I see it, some of the key financial characteristics of Imperial. We have an integrated, balanced business model, as I think you've heard through the prior presentations; we have growing production; long-life assets, as Simon talked about; as Jon just covered, advantage refining. We're a leading fuels marketer. We have integrated logistics tying all that together, and we have an attractive Chemical business, as Jon called it, I think the unsung hero, and its ability to make positive cash and earnings, even at a low point in the commodity cycle.

And if you look over on the little picture we have there on the left, you can see how balanced we are across the Upstream on one side and Downstream and Chemical on the other. There's the 10-year average of our operating cash flow. It's about \$3.5 billion a year, and you can see it's split quite close to 50:50.

And another aspect of our integrated and balanced model is the ExxonMobil relationship, which you heard about a little bit earlier, especially from Jon. But the scale, the expertise, the know-how and best practices and technology across ExxonMobil's global business, we leverage that, and that's a key part of our integration and balance as well. We have a strong balance sheet, and I'll talk more about that in a moment. And we have a low corporate breakeven, and it's come down significantly from prior years. And that obviously volume growth that Simon talked about, but the real driver is reduced unit costs, especially at Kearl. And I'll cover that in a few moments.

We're also very well positioned for the recovery. We're really leveraged to the upside. Our production is unhedged, all that production Simon talked about. As prices go up, obviously we would benefit. And as Jon talked about, our refinery production is flexible. We've managed for example, to de-make jet in the current environment. And when planes get back in the sky, as God intended, shortly, hopefully, we'll be able to take advantage of our leading position in that market.

So we have resilience and at the same time we have upside leverage.

### **Advanced Access to Capital**

We go to the next chart. I mentioned our strong balance sheet. I think this chart demonstrates it well. Our debt to capital has remained at a low level, and that's both in

absolute terms and relative to our peers. You can see along the bottom of the chart, we show also our credit rating and our competitor's credit ratings. You can see, we are AA and our competitors are all in the BBB range. So the lowest leverage ratio and the highest credit rating.

It's also notable, as Brad said earlier, we took on no additional debt year-to-date in 2020. We did use cash, obviously, in the second quarter, as we were in the depths of the crisis. But we had that on our balance sheet. We didn't have to increase debt. In the third quarter, as Brad said, we began to rebuild our cash balances. We generated operating cash flow more than sufficient to cover our CAPEX and dividend.

We have multiple sources of low [cost] liquidity. Obviously, that's driven by our balance sheet and our credit rating. We have access, obviously to commercial paper markets, term debt. We have a facility with ExxonMobil as well, and clearly our balance sheet is sufficient to support our key priorities. And at the same time, we maintain the optionality to pursue potentially highly attractive growth opportunities as they arise, and if they makes sense.

### **Capital Allocation Priorities**

This chart, I'll talk more specifically about how we think about capital allocation and what our priorities are. It starts with a reliable and growing dividend. We've been paying a dividend for over 100 years and we've increased it each of the last 26 years. And if you look at the graphic, you can see that our rate of increase of the dividend has picked up over the last number of years, and this remains a key priority for us.

We want to maintain a strong balance sheet. We're happy with the low debt level that we have. We're not looking to reduce that from that low level. And at the same time our base plans, as I'll cover shortly, show us generating significant surplus cash, so we don't have any current plans to increase our debt either.

Obviously, along with the dividend, sustaining capital is a key priority to support our business. And once we've taken care of the dividend and sustaining capital, then we look at select investments in existing assets. And you've heard about those low cost, high return debottlenecks that Simon talked about. In particular, in our plans, I'll cover in a few moments, we have about \$200-300 million allocated for those very high return investments.

After that, then we look at returning cash to shareholders. The surplus cash, we look at returning it through share buybacks. That's been a historical go-to. I think it's still our go-to, but we'll look at other methods as well as that surplus cash arises. And at same time, obviously, we'll look at truly highly attractive growth opportunities. These could be organic or inorganic. There's a fairly high hurdle rate. They have to be truly accretive and very attractive.

So, let me talk specifically about our capital expenditure outlook on a corporate basis. You saw a piece of this from both Jon and Simon. Here on the chart on the left, we show in the dark blue, our historical average from 2015 to 2019. The light blue bars are our forecast and the one on the far right is the average from 2020 to 2024. And the red diamonds are our last year's outlook at Investor Day.

So, a few points. Our 2021 target for CAPEX is \$1.2 billion. Obviously, as you can see, the diamonds versus the top of those blue bars, our plan is lower than it was last year. In fact,

the five-year average is down about 30% from the prior view. Sustaining capital over this period averages about \$1.1 billion. It includes some larger one-time investments that Simon talked about, the Mildred Lake extension at Syncrude as well as the Kearl tailings project. In fact, in 2022 to 2024, you see those bars come up a bit, about \$250-300 million in each of those years just relates to those two projects.

As in the past, about 70% of our sustaining capital is in the Upstream. And you can see growth capital relatively moderate in our outlook, \$200-300 million a year. And this is focused on enhancing existing assets, those debottlenecks and things we talked about. And the biggest pieces of it are the Grand Rapids project Simon talked about, as well as a series of projects, the Kearl pathway to 280 KBD.

### **Corporate WTI Breakeven**

So I'll go on to the next page and I will talk about our corporate breakeven, which I said has come down rather nicely. This is a real strong story for us. Our efforts to reduce unit cost, especially at Kearl, are really paying off in these lower breakeven numbers. Obviously, there's the volume aspect too, but largely it's really a cost-focused, a unit cost-focused story.

These numbers are in US dollars WTI, and I'll just walk down the chart from top to bottom. The first bar at \$US27 is our cash flow breakeven for cash from operating activities. So, above \$US27, we'd expect have positive cash from operating activities. The next bar at \$US33, our cash from operating activities can cover our sustaining capital. And at \$US36, we anticipate being able to cover both our sustaining capital and our current dividends. So, this is really strong progress, and we're quite proud of this.

I will make a note because I think it's a question you'll have, obviously this is a corporate breakeven so includes Downstream and Chemical cash flow as well. And over this period on average, we have about \$1.5 billion of cash flow from Chemical and the Downstream. It starts slower and picks up during the period, but it's about \$1.5 billion on average, which I think is quite reasonable when you look at 2019 where we had about \$2.1 billion, a little bit over that actually from those two businesses.

But the real story here, the real impact on these breakevens is the work we've done to reduce unit cash opex and make ourselves more resilient to lower prices.

### **Significant Leverage to Higher Prices**

But as I'll show on the next page, we also have substantial leverage to higher prices. This is a great page for me to more or less end my section on, because it shows the kind of cash we're capable of generating and returning to shareholders. Just to talk to the chart a little bit, the dashed line there is our sustaining capital plus the dividend. And then the blue bars are scenarios of oil prices WTI \$US40, \$US50 and \$US60. And obviously the space between the dash line and the top of those blue bars are surplus cash, which is available for growth CAPEX and returning cash to shareholders.

If you look across, you can see, even you have \$200-300 million of growth CAPEX that we have in our plans, even at \$US40, we have surplus cash after that. At \$US50, the space between that blue bar, the top of the blue bar and the dash line is \$1.5 billion. And at \$US60, it goes to about \$2.5 billion.

And one thing maybe folks don't realize, we have a competitive royalty structure, for example, at Kearn. Even at \$US60, our royalty rate is less than 5%. So as prices go up, we really benefit as a company from that upside. So, as I've shown on the prior chart, we reduced our corporate breakevens. We're resilient on the downside. We can cover our dividend sustaining capital at \$US36 WTI, and we have an awful lot of leverage to the upside

### **Summary of 2020 and 2021 Guidance**

On that happy note, I'm almost wrapped up with my piece of this. There's one more chart, which I'll just let you look at it. You have it. This just shows our guidance for 2020 and 2021 on some key metrics like CAPEX, Upstream production by key asset, refinery throughput, and utilization.

With that, I will turn it back to Brad for his closing remarks. Thank you.

## **Closing Remarks**

Brad Corson

*Chairman, President & CEO*

All right. Well thanks, Dan. And I'm back. I hope you found the morning informative and insightful, and I especially hope you enjoyed the hockey video. Quite honestly, it brings me just pride and inspiration every time I watch that. And it's really how I feel about the company.

### **The Imperial Advantage**

As we wrap up, I want to take just a moment to highlight some of the key messages from the last couple of hours. I will start by reiterating our commitment as a management team and a company to deliver maximum shareholder value. And we're confident that we have the strategy to deliver this across a range of external scenarios. We have very high-quality, long-life assets, and so it is important that any decisions we make are made with that in mind, protecting their long-term productivity and value. And this is even more critical in a challenging environment, such as we face right now.

So, again, any measures we are taking are with this in mind, and our integrated nature allows us to benefit from significant synergies on many levels. You heard about that on several occasions this morning. Most people when they think about integration, think on an Upstream and a Downstream basis. And that's certainly true, including for us. For example, we see benefits from the hedge this provides against crude price volatility, and the ability to run our own Cold Lake crude in our own refineries supports our material asphalt business, as Jon described.

But in our view, integration is much, much more than that. Having three refineries enables us to optimize across those facilities. As an example, Jon mentioned this, we tend to run our two Ontario refineries as an integrated site, transferring streams back and forth between the two. And at Sarnia, the full integration between the refinery and the chemical manufacturing site also allows us price-advantage feedstocks for the chemical plant and really supporting the strong financial performance of that business.



And surrounding all of this is our relationship with ExxonMobil. We have often talked about this as a competitive advantage, and I really believe that is the case. The ability to leverage ExxonMobil's technical expertise, their world-class research capabilities, their global experience, all of that provides real value to Imperial.

And we remain proud of our strong balance sheet. It provides extensive optionality and certainly served us well early in the year when financial challenges to the industry were at their most significant levels. Not only have we managed to maintain our dividend this year, we have done so without incurring any incremental debt. This is something that really underscores our strength and we feel truly differentiates us. While we have been through some operational challenges over the past few years, our focus on operational excellence has once, again, underpinned an outstanding improvement in performance at Kearn. And as you heard today, we have great plans for the future.

The recognition that technology is key to delivering on our commitments, whether financial or environmental, drives our continued investments in research and technology at our two research centers, one in Calgary, one in Sarnia. This is critical not only just for the efficiencies that technology will deliver, but also is a key part of moving towards a lower-carbon future.

So I hope that one message you heard clearly today is that as a management team, and as a company, we are quite aligned on plans and strategy to win. And ultimately, we believe our current focus on maximizing the value of our existing assets will drive significant cash flow in the near term, and we fully expect to return that excess cash to you, our shareholders.

### **Our Winning Strategy**

So let me just wrap up with this slide on our winning strategy. I mentioned at the outset that there would be more of a strategic theme in this year's presentations, and hopefully that came across. And I wanted to sum it up by highlighting how we are focusing on the business moving forward.

First, we are putting this focus on getting the most out of our current asset base. To do that, we are targeting industry leading reliability and costs, and have already made some significant progress in both areas. And we will continue to leverage our integrated nature and all of the resulting benefits that you have heard of described this morning. And of course we won't lose sight of the commitments we have made to continue to deliver on our ESG targets.

Second, we are committed to generating and returning more cash to our shareholders. As we execute on our asset optimization plans, we will deliver more free cash, which will support our priority of reliably paying and growing our dividend. And our view is that any cash in excess of that will also be returned to shareholders, via buyback program, or other cash management options.

We don't want to leave growth opportunities off the table though. While organic growth may not be as exciting today, as it was a few years ago, we still have the opportunity to deliver meaningful, low-cost growth through debottlenecking of our existing assets. And Simon provided detail of some of these opportunities at Kearn and across the upstream as examples of that. And as we've always done, we will continue to keep our eyes open for opportunistic M&A.

And finally, we will remain nimble. Our ability to quickly adapt our operations and spending in response to the pandemic allowed us to perform relatively well so far this year. And our thoughtful approach to these sudden changes has left us in a position to react quickly as market conditions change.

I would also like to highlight, as I close, how much I have enjoyed the opportunities to interface directly with you, our shareholders and analysts. Over the past year, I've had many virtual engagements with you and the value, the dialogue and the input you provide is quite helpful and rich. I view these relationships as quite key and recognize the value they provide. And certainly, I hope you see it the same way. And let me assure you, I am equally committed to continuing the path we were on to sharing more information, and I'm certainly looking forward to a return to normalcy that will allow us to engage in person.

So, in closing, a challenging year, for sure, but our people and our organization have truly risen to the challenge. I and the management team have spent a lot of time over the past month, just developing and aligning on a strategy to win. And I'm excited about what the future holds. So thank you very much, especially for your continued interest and supportive of Imperial. I wish you and your family and your loved ones continue to stay safe and healthy through the pandemic.

And so with that, I think we're ready to move into the Q&A session. I'm actually going to move to my seat along the panel, with the rest of the management team. And collectively, we look forward to your questions. Again, thank you very much.

## Q&A

**Operator:** Thank you. Ladies and gentlemen, if you'd like to ask the question, you may do so by pressing star, then one on your telephone. To withdraw your question, press the pound key. Again, that's star one to ask the question. Please stand by while we compile the Q&A roster.

Our first question comes from the line of Matt Murphy with Tudor, Pickering, Holt. Matt, your line is open.

**Matt Murphy (Tudor, Pickering, Holt):** Good morning. Just coming back to slide 13. You guys talk early in the presentation about a lack of investment by global industry in response obviously to the challenges this year and the opportunity that it might present for industry over time. I guess, tying that into your capital allocation priorities, where you, like many others, have growth capital at the bottom of the stack. My question is if you approach allocation from return on capital lens and you see this growth – this gap, sorry, an investment presenting an opportunity, I guess what's the right balance there in growth capital versus buying Imperial shares that you guys have historically done? In terms of the outer years of your present capital allocation.

**Brad Corson:** Yeah. Thanks for that question, Matt. It is very much striking the right balance. As you heard today, we've maintained a very strong focus on our sustaining capital. But we're being what I think is appropriately selective with our growth capital, especially in the current economic conditions. We have the benefit of a very rich portfolio of growth opportunities from an organic standpoint, and we're going to continue to evaluate those on an

annual basis to assess what is the right strategy, what's the appropriate level of investment and the right pace to progress those. Again, in the current environment, we don't think it's appropriate to be focused on those. We would rather focus on our existing asset portfolio and really squeezing as much cash as possible out of them through these reliability and cost improvements that we discussed.

But again, we've got that flexibility in the portfolio and we're going to continue to make those judgements as we go forward. And then equally we'll continue to look at M&A and see if there's something that provides a very unique opportunistic situation for us. But in the short term, I hope everybody on the call heard loud and clear that we're very much focused on maximizing cash from the existing assets and returning that cash through a variety of means. Thank you Matt.

**Matt Murphy:** I appreciate the thoughts there, and I don't think anyone would disagree with the approach, particularly in the short term. If I may follow up just, with Line 5, once again in the spotlight, talked a bit about today, the flexibility and advantages for the Ontario refineries, for example. I was just wondering if you could remind us on the flexibility to manage feedstock that those refineries in the context of those headlines and maybe just general thinking on the path forward there for industry for Line 5. Thanks.

**Brad Corson:** Yeah, I think that's a really good question. I'm going to turn that over to Jon as it relates directly to our Downstream refineries, and he can give you a very good perspective on that.

**Jon Wetmore:** Sure. Thanks Matt. It is disappointing to watch what's happening in Michigan. You know, I understand the concern over the population's concerns over the pipeline itself, but I think Enbridge have done a good job of trying to explain the safety of the pipeline locally, and we'll continue to let them take the lead, obviously, in managing that situation interface with the government there. I think right now, the point that you're making around Sarnia and Nanticoke's attachment to Line 5, it is a core way that we get crude into those refineries, there's no question. But I would try to emphasize the fact that we have multiple other ways to bring some crude into that area.

We could bring marine vessels in with crude, depending on the seaway status and whether it's open or closed. We can bring vacuum gas oils and other feedstocks in as well, if that's to our advantage. There's rail facilities, there's a number of ways that we can manage if Line 5 isn't available. So while we don't hope that there's any kind of outage or downtime on Line 5, we're prepared and looking at all kinds of contingencies. It does have a lot to do with how Enbridge rebalances the system, if Line 5 isn't available. And so that's why I would not be able to give you a perfect scenario with hard and fast numbers around this. There's a lot of assumptions that you need to make about how Enbridge rebalance that system. And we've had lots of good discussions with them to prepare for all those different scenarios.

**Operator:** Thank you. Our next question comes from the line of Phil Gresh with JP Morgan. Your line is open.

**Phil Gresh (JP Morgan):** Yes. Hi, thanks so much for holding this event, a lot of very useful information. I wanted to touch on the cost savings that you've achieved this year, the \$1 billion of savings, \$700 million of which is in the Upstream. Could you remind us how much

of that you view as being temporary savings versus permanent savings as we move into 2021?

**Brad Corson:** Yeah. So it's a really good question, Phil, and thanks for joining us today. Certainly, we continue to reevaluate that as the level of savings continue to grow. What I'm quite pleased to announce is certainly well over 50% of that we believe to be structural and we believe to be repeatable as we go forward. Certainly, there are some elements that are temporary and very much tied to specific operating conditions and temporary deferrals. But again, a majority of it we view as structural. And I think you saw that as an example with what Simon showed about the Kearn unit costs and how we have continued to bring that unit cost down throughout the year. And we now have an objective to bring it even lower in future years. So I think that demonstrates that we expect to capture most of that as we go forward.

**Phil Gresh:** Okay. Got it. Thank you. Just a follow-up question in terms of obviously the strong balance sheet that that could be used in many different ways. How do you think about the right level of leverage here and with respect to M&A, do you feel like the opportunities in the marketplace, the bid-ask spreads are reasonable and – versus, say, an organic project, like Aspen, which you used to have on the board at one point, do you feel like M&A is a better option versus organic growth?

**Brad Corson:** Yeah, let me comment on that from two aspects. And then I'll give Dan the opportunity if he wants to add anything. First of all, from a leverage standpoint, as Dan has commented in the past, relative to our peer group, we are under-levered. But we feel quite comfortable with the level that we're at today. And we think that gives us further strength in our balance sheet, further strength in future opportunities. So, we're quite comfortable with that.

In terms of organic growth versus M&A, from my perspective, that's a case-by-case analysis. As I've said on multiple occasions, we very much have the aperture open and are looking for unique opportunities. Having said that, there hasn't been anything yet that we've wanted to act on and the good news is we don't need to. We do have this strong inventory of organic opportunities. And for right now, again, from a strategy standpoint, we're quite comfortable focusing on the existing assets with some smaller levels of growth in those assets that are high value.

As we go forward, we're going to continue to weigh M&A opportunities against organic growth opportunities. And it'll come down to just an economic decision, what looks best both in the near term and the long-term, just from a value standpoint, from a strategic fit standpoint, from synergy, all those considerations.

So, with that, I don't know Dan, anything you want to add about the balance sheet?

**Dan Lyons:** Just to elaborate slightly, as I noted and as Brad said, we're not really looking to pay down debt. Returning cash to shareholders would be our priority, given our low leverage level. To the extent at the right time at the right price or the right strategic fit, the right economics, opportunities come along, M&A or otherwise, we clearly have a balance sheet where we could quite quickly and at low cost, borrow significant sums if that's what made sense.

**Phil Gresh:** Okay, great. Thank you.

**Operator:** Thank you. The next question comes from the line of Greg Pardy with RBC Capital Markets. Your line is open.

**Greg Pardy:** Yeah. Thanks. Good afternoon guys. Great session today. A couple of questions. I guess the first one is just with the upgrade in in the capacity and production levels you're expecting a Kearn, do you expect to be able to move all of that by pipe in 2021? Or do you think that there may also be some reliance on rail?

**Brad Corson:** Yeah. Thanks, Greg. I appreciate you joining us today and good to hear your voice. As we look at that, again, it's going to come down to economics as to whether we move it via pipe or via rail. And I think Jon described those considerations. But from a total capacity standpoint, we feel quite confident that we will be able to move all of those barrels. Simon, anything else you want to add?

**Simon Younger:** No, I don't think so, Brad, I think that sums it up. And if you think about what we've achieved this year, we've been at that level. I mentioned that we expect to be at 280 KBD for Kearn for this quarter, and so far managing that outflow very capably.

**Greg Pardy:** Okay, terrific. And then the second is – look, it's a left field question. And it really has to do with the Mobil rebranding. So obviously I've noted those stations and so on. Is there a scenario where you could still go and acquire stations that might be under another company's brand, like a Husky, where you're picking up the sites and look to rebrand those and ultimately – rebrand those as Mobil, and then ultimately flip those into one of the specialized companies? I know there's a lot of hypothetical in there, but just trying to get a sense as to what your appetite might be to expand that brand in Canada.

**Brad Corson:** Thanks for that, Greg. And I think we have a history of some of that in the base case, but maybe I'll let Jon comment a little bit more about it.

**Jon Wetmore:** Sure. Yeah. That's a great question. I think what we've done – and we have looked at exactly those types of opportunities just recently and really decided that the best approach for us, because we've had such a success with the Branded Wholesaler business, if we wanted to get into an acquisition or a partnership like that, we would work with our BWs to get some of those assets and really put them under those brands. We could look at other brands, but we've had such material success with rebranding to Esso and Mobil, that I would say 90+% that that's the route we would go with, any new stations being rebranded. But we would get equity support and have a partnership model, if you will, with our BWs under that. I don't think I see us currently going back into site ownership at this point in time. Again, just built on that success that we've seen since 2016.

Now we'll say things can change. The businesses is very fluid. The retail space changes all the time. We'll continue to keep our eyes open to market changes that may question whether or not we want to be owners of certain assets in certain parts of the country. So it would always be urban centers where we would look to say that that's the biggest value and the highest unit margins that we can get. But at this point in time, our BW partners would be right along with us if we look at those things.

**Greg Pardy:** Okay. Terrific. Thanks guys.

**Operator:** Thank you. Our next question comes from the line of Neil Mehta with Goldman Sachs. Your line is open.

**Neil Mehta (Goldman Sachs):** Yeah. Good morning team. And thanks for a very helpful session here. The first question was related to the Canadian oil macro and would love your perspective on pipeline egress coming out of western Canada. And how you're thinking about the timeline of important pipelines, whether it is Trans Mountain or Line 3. And I would think Keystone XL would be a little bit harder. But just how you're thinking about that and that how that feeds into your view of WCS spreads as well.

**Brad Corson:** Yeah. Thanks Neil. I'll maybe start off with a few high-level thoughts and then I'll turn over to Jon, our pipeline expert. First of all, from a macro standpoint, I would say broadly we've been quite encouraged by the construction progress that we've seen this year, especially relative to where we were at this time a year ago. We've seen material progress on Trans Mountain. We've seen material progress on Line 3, including completion of the segment in Canada that has offered additional capacity, and material progress on Keystone XL as well.

Now, that's not to say that there's not some ongoing challenges with each of those projects, but again, I think when you look at it at a very high level, there's been good progress on all of those. And that continues to give us increased confidence with the egress capacity leaving Canada.

And so, maybe I'll let Jon comment on anything about timelines or anything else he wants to add.

**Jon Wetmore:** Sure. Yeah. I think those words 'cautiously optimistic' are often overused, but it is probably appropriate in this case. I think just to walk through, Neil, the view that we'd have. Line 3 startup, I know Enbridge had gotten some very positive feedback from Minnesota recently around the MPUC and some of the other permits they need. The Army Corps of Engineers we think we'll provide them with that last layer of permitting. And so right now, late 2021 does make sense to us, but we could see, again, some more barriers and maybe early 2022 has to happen there.

I think TMX again, they're motoring along doing incredibly well for a very complicated project. They're well past all the consultation questions that we've seen raised in the last year or so, and late 2022 would be what they would talk to people about. And we'd say, yeah, that could happen, and maybe early 2023, but the probabilities are improving, I think there.

I think on KXL, again, there's just a lot of questions around the new Biden administration and how they manage things. Right now, I know the in-service date is in mid-2023. There's going to need to be some really careful discussion with the new administration around all this. And we've been really working carefully with Trans Canada around how best to approach, and they've had a very well thought-through strategy around this. So we'll see how that goes. And, certainly, the Alberta government's there to try to provide as much support as they can. So cautiously optimistic there, but we would say mid-2023 and perhaps slipping a bit into 2024, depending on how things turn out.

**Neil Mehta:** Okay. Okay, great. My follow-up is on CAPEX. You had a great discussion around CAPEX in both the Downstream section and the Upstream section, but I thought you

guys could maybe provide a wrapper here and talk a little bit about what drives the kink higher in CAPEX In 2022. And then, the \$1.1 billion in sustaining CAPEX, is there an opportunity actually to drive that lower? Because one of the things that we have seen about Imperial over the last five years is that sustaining CAPEX consistently finds ways to surprise to the downside. So, talk a little bit about what drives maybe a higher medium-term CAPEX look, but then over the longer term, is there a way that you can drive that sustaining lower than that \$1.1 billion.

**Brad Corson:** Yeah, it's a great question, Neil, and certainly capital discipline is very high on our priority list. And you've seen the results of that so far this year, and that's going to continue to be front and center for us in the coming months and years. That does provide potential to continue to improve on a project-by-project basis even within the sustaining capital. And, of course, you saw the macro numbers of the 30% reductions we've made overall in this year's plan outlook for the next few years relative to where we were at this time last year.

We do have some, if you will, lumpy projects, larger projects that are part of sustaining capital in the out-years, 2022, 2023, 2024, and you saw that reflected in the bars. And I think that's primarily associated with Mildred Lake extension as well as the tailings project.

And maybe I'll ask Simon if he wants to comment a little bit more on those projects since that will drive some of that increase in future years.

**Simon Younger:** Yeah, absolutely right, Brad, and I think it is the upstream that's driving that peak. And I think the question was specifically around 2022. And what we see is that is in fact, the peak year of spend for the Kearl tailings project. And it's also a year of increased spend on the Mildred Lake project. So it's really those two that drive that profile for the Upstream and that I think is driving the profile for our overall Imperial spend outlook.

Just to give you some numbers, the tailings project at Kearl, we could spend between \$300 million and \$350 million in that, in that 2022 timeframe on that project. So, as I said, that is the peak year for spend on that project where we'll be spending between now and 2025.

I also agree, and as Brad's already said, with the concept that there's opportunity there to drive that sustaining capital down, and that is absolutely our focus. In the case of the tailings project, as I mentioned in some of the prepared remarks, we've now got a project team assembled, we're capturing benefits in the current market, locking in pricing on certain dimensions of the project. And so our focus is, I would say, very, very honed and sharpened on trying to get that spend down as much as we can and as efficient as we possibly can.

**Operator:** Thank you. Our next question comes from the line of Manav Gupta with Credit Suisse. Your line is open.

**Manav Gupta (Credit Suisse):** Hey guys, congrats on lowering the breakeven to \$36. My question is, can you remind us what this breakeven number was for the last couple of years? And then circling back to Phil's question, a high percentage of the expenses that you have got are permanent, but let's say activity resumes, there's a little bit of inflation. Does the \$36 number go up in the future with cost inflation? If you could walk us around those numbers.

**Brad Corson:** Yeah, thanks. And I appreciate you noticing that there is a material reduction in those breakeven costs, because we're working very hard to achieve that. I might ask Dan to comment a little bit about the historical comparisons.

**Dan Lyons:** Sure. Yeah. Thanks. Yeah, sure, Brad. We haven't done this detailed disclosure breakevens historically. But we talked last year about a \$US40 WTI. So, obviously the \$US36 is lower than that. And these are based on five-year averages, 2021 to 2025, obviously forecast. And we do not see the breakeven going up over the period. Obviously, there's always the challenge of inflation, but with our continued focus on reducing unit OPEX, we expect this to be our breakeven roughly over the period.

**Manav Gupta:** Quick follow-up. We've seen the partway to 280 KBD, and what I'm trying to understand here is coming out of the turnaround for a month, I think you were at 313 KBD. For the month of October, you were at 300 KBD. For fourth quarter, you are at 280 KBD. So I understand that's a particular quarter, but can you help us walk through what the pathway to 280 KBD is? Because technically you're already there.

**Brad Corson:** Well, I'm glad you're watching those volumes really closely, just like me. I'm watching them every day and Simon knows that. But maybe I'll ask Simon to talk a little bit more about the pathway to 280 KBD, but we have a lot of confidence in our ability to deliver on that. And that's an annual average number, of course.

**Simon Younger:** Yeah, absolutely, Brad. I think that is the point. I mean, we are looking – if you think about the pathway where we're looking to deliver 255 KBD next year that's substantially up from the 220 KBD outlook this year. I agree, certainly with the premise of the question. We're able to see particularly this year, particularly in the fourth quarter, some really strong production, and that's underpinned by very, very strong reliability, positioning the mine, the ore that we're mining at that particular time, exceptional recovery in the plant. When you look at an annual average, obviously we've got to do turnarounds. We'll do a turnaround on both plants next year. In 2022, we'll get to one plant per year. So that's a key step in the pathway. We'll get stronger productivity, as we fully implement autonomous haul. I mentioned some deep bottlenecking opportunities that are part of that pathway.

So, really, it's the difference between what you see in a quarter and what you see over the annual average performance. But as Brad said, we're extremely encouraged and optimistic about the outlook for this asset.

**Brad Corson:** And I would just add, we're blazing new ground here. We're experiencing record performance levels that we've never experienced in the past. And so, as we gain more experience with that, we'll be better informed and in a more confident position to make any further adjustments as we go forward. So I just encourage you to keep your eye on the plus at the back end of that 280+ KBD.

**Manav Gupta:** Thanks for that. I just want to make a point. There are very few global oil majors who did not cut their dividend and are already covering it. You are one of the few global oil majors who covered the dividend, even in 3Q, in a very tough macro, and you did not cut your dividend. So that's very positive. Thanks for all the updates.



**Brad Corson:** Thank you. Thank you. We're very proud of that. And it's taken not just this whole management team, but the whole organization to deliver on that. So thanks for acknowledging that.

**Operator:** Thank you. Our next question comes from the line of Dennis Fong at CIBC World Markets. Your line is open.

**Dennis Fong (CIBC World Markets):** Good morning and thank you for taking my questions. The first one, maybe just to follow along a little bit with Manav's train of thought around Kearn. I know historically, in the past, you've discussed the cost of driving production to 280,000 barrels a day plus as something similar to the supplemental crushing, albeit over not a significant or a major project, but over multiple smaller items, including adjustments to the mine plan, implementation of AHS and even potentially other upgrades to secondary extraction. Given that we're already here at about 255,000 barrels a day, and you're discussing the ability to extend the time between turnarounds, I was actually curious as to what you believe the potential capital intensity would be that would be required to drive to 280,000 barrels a day? Just given the list of items don't seem to be nearly capital-intensive, as you've also listed a digitalization in that list there. Thanks.

**Brad Corson:** Do you want to take that, Simon?

**Simon Younger:** Yeah, certainly I can take that, Brad. And I think if you look at that pathway to 280 KBD, specifically to your question, that the capital intensity I would characterize as really quite low. I mean, one material piece of it is continuing and completing the autonomous haul transition. And then there's some minor debottlenecking as has also already been referenced. We've actually been able to push that out in the profile quite a bit relative to last year's outlook. And that's really because base performance has climbed so steeply, allowing us to push that debottlenecking investment spend out a bit and still meet or exceed the prior profile, if you look out at the 2025 type timeframe, so we're talking a number of years out from here.

But really the capital intensity is low. The transition to one plant turnaround per year, those investments have already been made. We made those in prior years, it's just about getting all of the maintenance activities aligned to be able to pull the trigger on that and get that started. And, by far, the biggest portion of the pathway is continued base performance, reliability, uptime, optimizing the mine plan and optimizing the ore that we mine.

**Dennis Fong:** Great. Thank you. And then just as a bit of a follow-up, to switch gears here a little bit, I see that you've discussed the implementation of LASER technology at Cold Lake. And my understanding there is that it does also help free up steam capacity. How can we think about that in the context as well of your eventual rollout of the Grand Rapids and transitioning to SA-SAGD or more solvent-related extractive technology and your ability to – I don't want to say necessarily grow, but maintain production towards the 150,000 barrel a day level and potentially higher?

**Brad Corson:** Well, I'll just make a brief comment, then I'll turn over to Simon and you hit on really a key strategic component of our Cold Lake operations. And that is around steam utilization. That certainly drives costs and that certainly drives environmental performance as well. So we are purposely looking at how we can better optimize that. And the Grand Rapids

project is an example of where we are purposely utilizing surplus steam capacity in the system to make that project more economic, more efficient.

But maybe more broadly I'll turn it over to Simon for any further comments.

**Simon Younger:** Yeah. Thanks, Brad. And thanks for the question. I think the way to look at LASER is it's a fairly fine tuning adjustment on steam utilization. I outlined the project that we're progressing on the Makheses LASER. This is not our first LASER project at Cold Lake, we've already got LASER going in the Mahihkan part of the field, but it's a pretty low concentration of solvent steam mixture injected into the CSS wells. And it's unique to the particular types of resource and reservoir and particular stages in the life cycle. So it definitely offers some opportunity to optimize steam but it's by no means the biggest opportunities, as we look forward. And I think that's reflected, if you notice the greenhouse gas intensity of these different technologies, LASER is the first step versus CSS, and there are subsequent steps that offer much more benefit in terms of greenhouse gas intensity, and that really links to steam intensity and being able to free up steam and utilize it elsewhere. For example, non-condensable gas, which we're a bit earlier in the piloting phase on, I think offers much more opportunity. And then Grand Rapids via solvent assisted SAGD, as we've discussed, also offers more significant leverage in terms of steam efficiency and freeing up steam to do utilize elsewhere in the field. But overall, and as Brad outlined, that is the general and long-term strategy for the Cold Lake asset, as I outlined today.

**Dennis Fong:** Great. Thank you for taking my questions.

**Operator:** Thank you. The next question comes from Prashant Rao with Citigroup.

**Prashant Rao (Citigroup):** Hi, thanks for taking the questions and thanks for the presentation and all the details today. It's very helpful. My first question is on, I wanted to start on the guidance for the Downstream. Just thinking about your utilization rate for next year, how to frame that. On one hand, it's in line with the five-year average prior to this year. On the other hand, the Canadian market has shown more resiliency in terms of crude runs and peers have been indicating – some of your peers have been indicating almost full utilization levels here in the fourth quarter. So, just trying to get a sense of what your view for crude runs in the Downstream reflect in terms of how you're thinking about the product demand market as it evolves through 2021 and into post-COVID recovery.

**Brad Corson:** Well, just one quick comment from me, and then I'll let Jon give you some more details and insights. But certainly a key factor for our assumptions around refinery utilization and throughput is directly dependent on the pace of COVID recovery. That's been a factor for us all year and at least as it relates to jet, will most certainly still be a factor for us next year. So we've tried to take all that into account as best we can, but I think it's fair to say that there is still some uncertainty around those levels.

But I'll maybe turn over to Jon to give any further insights, especially maybe comment a little bit about our views on utilization versus how others may calculate it.

**Jon Wetmore:** Yeah, absolutely. It's a great question. I think if I asked my team any given day what 2021's crude throughput will be, it depends a little bit on the media wire, unfortunately, right, as we see the current pessimism out there about a potential second wave. And then as I mentioned in my presentation, a bit of gasoline demand destruction in

the near term that may come with that, obviously that would create a drag in the first quarter. We're, as we say, cautiously optimistic, and we do believe that we're headed into a recovery period that underpins the 375 KBD number that I think we put in there.

We will say it's very fluid. As Brad mentioned, our competitors and some of the analyst groups out there, across a huge wide spectrum, there are some that are betting on a very quick recovery with very high utilization numbers. And as you mentioned, there's a margin set underneath it that would justify that or explain it fairly well. I think there'll be the other end of the spectrum that just say, well, global refining margins are under a bit of compression in 2021, 2022 and 2023 with a bit of overbuild globally.

Now, Canada, with this import-based market, as I mentioned, the fact that we're really insulated from a lot of global forces because we've travel on import parity, it is a bit resilient to some of those global pressures. And so I would say maybe put that aside for a minute and just think a little bit about the COVID recovery. And I feel like we're directionally correct with the 375 KBD and the 89% that we put in the guidance. We do have some turnaround activity, so that's pre-planned and baked into the numbers. But it has an awful lot to do with what this recovery path looks like in the first quarter. And so we'll probably try to provide updates as we go through discussions with you and all your counterparts here in the next few months. But I think right now that's the best yard stick we can offer.

**Prashant Rao (Citigroup):** Okay. Thanks. That's very helpful. My follow-up on Grand Rapids, so appreciate the commentary about the paced approach to the investment in the Upstream here. For Grand Rapids, it looks like phase one is in scope. I wanted to get a sense of what you would need to see in terms of green-lighting phase two, or to get more constructive about moving forward past phase one. I know it's a little bit longer and farther out there but given that the capital intensity for phase one does look slightly higher than some of the other projects in the portfolio, I just wanted to see how that plays out versus your other opportunity set. And how you think about that longer term, because there are those steam efficiency and other longer-term technological gains to be had. So just some framework around that as to how to think about that phase one and the prospect for phase two would be helpful.

**Brad Corson:** Yeah, certainly our long-term vision is to progress beyond phase one into subsequent phases. With any project like this, that has multiple phases, the first phase is burdened by incremental capital costs to basically outfit the base infrastructure, if you will, for the project. And Grand Rapids is no different than that. So we're quite excited about the potential for phase one and the value that it will generate. And I believe once we get some experience with that, that'll allow us to sharpen our pencil and identify what is the optimum timing to progress phase two. But as we look much longer term, we feel quite good about the future phases of Grand Rapids as well.

But maybe, I'll see if Simon wants to add to that.

**Simon Younger:** Yeah, I think exactly right, Brad, I mean, the only thing I would add is that really the subsequent phases of Grand Rapids are not about if or what conditions, or what signals, having taken the first step, as Brad outlined, it's really just a question of timing. And really that timing is linked to the optimum utilization of the steam capacity. As you know, we're not installing any new steam capacity with this development. That's part of the reason

it's efficient and advantaged and the subsequent phases, pads and wells will be timed to make optimum use of that steam capacity as it becomes available, particularly in Nabiye but across the field.

And as Brad exactly correctly said, the early phase is burdened by some of that infrastructure that gets installed and invested in but will benefit subsequent phases through the 30-plus year life of this development.

**Speaker:** Thank you. That's very helpful. Thanks for taking the questions.

**Operator:** Thank you. Next question comes from the line of Benny Wong with Morgan Stanley.

**Benny Wong (Morgan Stanley):** Hey, good morning team. Thanks for putting on the event, very helpful. A lot of questions have been asked. Just had a couple of clarification questions, one on the future potential of digitization, the incremental value unlocks up to \$750 million. Just want to clarify, is that already in your base case and already within your five-year capital outlook, or would that be incremental pending a decision to move forward with those?

And then the second part of the question is really, can you maybe talk about how you guys think and risk those numbers? Just trying to get a sense of there's upside or how much upside there is in the more blue sky scenario.

**Brad Corson:** All right. Thanks. Benny. Do you want to take that, Simon?

**Simon Younger:** I can take that Brad, happy to, and I think the simple answer to your question is no, the \$750 million potential that we now see, and as you can see on the chart that I shared earlier, it is labeled as future potential. It's not yet defined, but we feel like based on the progress we've made so far and based on the opportunity space that we're seeing and the success that we're having, frankly, we're pretty confident that it's of that magnitude, very, very substantial and very material obviously. That is not, I would say, baked into our plans or our outlooks and even the \$500 million original target, I would say when you get out to 2025, it's the nearer-term, the better defined elements that are baked into our forward outlooks, and then other elements start getting risked in, on a risk basis.

The other part of your question was on capital and how much of that have we factored in. I think one of the messages that I really want to leave you with is these opportunities, these digital opportunities, our experience has been, and we expect it to continue to be the same, they are not capital intensive at all. Probably autonomous haul is a bit of an exception. That's been quite the investment, a lot of infrastructure, but also very, very material benefit there in terms of improvement. But outside of that, after having built the foundation, these opportunities are typically low capital intensity. So, I would argue the majority of that value is achievable with pretty minimal capital investment.

**Benny Wong:** Great. Thank you very much. That's very clear, very helpful. The second question is on Aspen, it looks like it's been deferred and out of your capital outlook for the time being. I think you've mentioned looking for a right environment, including more attractive commodity prices and more egress clarity. Just curious, just get an update on how you think about that project. And is there any opportunity to re-scope or change your development approach for that project potentially going forward? I recall that the project was

actually re-scoped once in the past. Just curious, in terms of how you guys think about that and you think going forward in a new environment?

**Brad Corson:** Yeah. Thanks for the question, Benny, and you're right. We have very consciously pushed that out of the near-term plan window. I would say though that the underpinning economics and benefits from the project are still strong. I think Simon's chart outlined there are some key criteria that we need to continue to update and revisit to assess what might be the right timing for it. And certainly, as time goes on, we're going to continue to refresh our views of the project, refresh our view of the approach, make sure we're taking full advantage of any technology developments that might influence the cost and economics and approach to the project. So, all of those things certainly come into play as we look to the long-term for that project.

But we've continued to be pleased to have that in our portfolio. It does give us a lot of optionality because again, it is fundamentally a robust project. So maybe with that Simon, anything else?

**Simon Younger:** No, nothing to add Brad.

**Operator:** Thank you. Our next question comes from the line of Chris Tillett with Barclays. Your line is open.

**Chris Tillett (Barclays):** Hi guys. Good afternoon. Most of my questions have been asked already actually, but I did have a quick one with regards to the Chem. business. I see there on slide 60 or 61, you guys talk about substantial amount of the feedstock to that business comes out of Marcellus. So I was just wondering if you could provide any thoughts longer term about your sourcing of those barrels, in particular, as we maybe start to see an increase in demand for some of that ethane along the US Gulf coast, specifically in a recovery scenario. And is there opportunity to maybe increase the amount of ethane that's supplied out of the off gas as well?

**Brad Corson:** You want to comment on it, Jon?

**Jon Wetmore:** We have had access to the Marcellus formation for some number of years now, but it hasn't been there for forever. Certainly, we had a business that was built on other access points for ethane and propane supply into the Sarnia region for many, many years that came from other locations, from Michigan and beyond. What's interesting about this area is that it is blessed with a lot of NGL pipes that can do a lot of different things. And there are frack facilities in the area and including in Sarnia that provide lots of options.

And I guess what I point you to there is that not only would we look at ethane source changes, but we'd look at ethylene purchase options as well in Sarnia. So I think it's almost always more economic for us to run NGLs through our gas cracker and make our own ethylene, but there'll be times depending on geographic swaps and other things that we can do across North America, with some support from ExxonMobil, that we can look at other options there too.

So we're not truly beholden to just what ethane supply sits in front of us, and whether there is a tightness that's created by some of it moving further along the east coast. So we've got lots of different options at our fingertips. The one you mentioned there around the refinery, we have over the years, I would say, squeezed every last drop of material we can get out of

the refinery, just having such a good understanding of how much money we save when we do that. And I would say it's not just the NGLs, it's the olefin content of what comes off the refinery's off-gases. So ethylene, propylene, and beyond the feed or other chemicals businesses. So I would offer there that I think we've squeezed that as much as we can.

**Chris Tillet:** Okay, great. That's very helpful. Thank you.

**Operator:** Thank you, ladies and gentlemen, due to the interest of time, I will now turn the call over to Dave Hughes, Vice President, Investor Relations, for closing remarks.

**Dave Hughes:** Okay. Well, that brings us to the end of our 2020 Investor Day. So on behalf of the management team, I'd like to thank everybody for joining the webcast today and for your interest and ongoing support. I also encourage you, if you have any further questions, please don't hesitate to reach out, contact anybody here on the Investor Relations team, and we'll be happy to answer them. So, thank you very much.

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