Imperial Oil 3Q26 Earnings Call | October 30, 2026

Moderator:

Good day and welcome to the Imperial Oil third-quarter 2026 earnings call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Peter Shaw, vice president of investor relations. Please go ahead, sir.

Peter Shaw:

Good morning everyone, and welcome to our third quarter earnings conference call. I am joined this morning by Imperial's senior management team, including John Whelan, chairman, president and CEO, Dan Lyons, senior vice president, finance and administration, Cheryl Gomez-Smith, senior vice president of the upstream, and Scott Maloney, vice president of the downstream.

Today's comments include reference to non-GAAP financial measures. The definitions and reconciliations of these measures can be found in attachment six of our most recent press release and are available on our website with the links to this conference call. Today's comments may contain forward-looking information. Any forward-looking information is not a guarantee of future performance and actual future performance and operating results, and very materially depending on a number of factors and assumptions. Forward-looking information and the risk factors and assumptions are described in further detail on our third quarter earnings release that we issued this morning, as well as our most recent Form 10-K.

All these documents are available on CDAR+, Edgar, and our website, so I'd ask you to refer to those. John is going to start this morning with some opening remarks and then hand it over to Dan who is going to provide a financial update, and then John will provide an operational update. Once that is done, we will follow with a Q&A session. With that, I will turn it over to John for his opening remarks.

John Whelan:

Thank you, Peter. Good morning everybody, and welcome to our third quarter earnings call. Hope everybody's doing well, and as always, we appreciate you taking the time to join us this morning. Since our last earnings call, we've seen continued volatility in commodity markets driven by geopolitical events, highlighting the important role Canada plays as a reliable supplier of energy and the additional opportunity for Canada to play an even larger role going forward. We have also seen policy announcements to support growth in Canada, such as the productivity mega deduction and regulatory reforms to improve project approval timelines. Governments and industry continue to work closely

Disclaimer: Due to changes to the Competition Act, this archived information is provided solely for historical information and reference purposes. This information does not constitute an active representation of Imperial. Imperial fully disclaims any liability for the use of such information, and undertakes no obligation to update such information except as required by applicable law.

together to put in place the conditions needed to support a globally competitive growing and lower emissions Canadian oil sand sector. I remain encouraged by the progress to date. Further fiscal certainty and regulatory reform can unlock significant industry investment, improving our economy and creating jobs.

And Imperial is uniquely positioned with our advantaged portfolio of high quality undeveloped resource that underpins the opportunity to materially grow with the potential to double our gross operated production. Looking at the current quarter, our results benefited from our integrated business model, in particular our downstream segment, which delivered record earnings reflecting tightness in refined product markets as we continue to reliably deliver the fuels Canadians need. We generated over $3.2 billion of cash flow from operations in the quarter, excluding the impact of working capital cash flows from operating activities were nearly $3 billion. In the quarter, we increased our cash balance to $2.9 billion even after funding our capital expenditures, dividend payment, and accelerated share repurchases, and we continue to see strong market conditions in October. We're on pace to complete our NCIB by year-end and are well positioned to return additional surplus cash to shareholders in the new year.

As we continue to maximize the value of our existing assets, I want to highlight a few key achievements. In the downstream, I'm particularly pleased with the team's progress in achieving record renewable diesel production, allowing us to provide low carbon, locally produced renewable diesel fuel to the tight Canadian market while capturing significant ongoing value from this strategic investment. In the upstream, we recognize the third quarter was below expectations. The team at Kearl was challenged this quarter with a third party pipeline outage caused by a transformer failure that resulted in a full production shutdown for a few days. Last quarter, I shared that we were expecting to end the year at the low end of upstream production guidance range, and we still remain on track at Cold Lake and Syncrude to achieve that. However, as we disclosed in the press release this morning, given the impacts of third party events on Kearl's year-to-date production, we are now targeting gross annual production of 280,000 barrels per day at Kearl.

Stepping back from the quarter for a moment, I'd like to recognize the team at Kearl for achieving an important milestone, one billion barrels of cumulative production in the third quarter. I'm very proud of this accomplishment and the team, and I'm excited for what's to come. We continue to target higher volumes in the fourth quarter and remain confident in our strategy to maximize value at Kearl and Cold Lake, including previously shared higher volumes and lowering unit cash costs. Overall, we feel really good about our strategy and the investments we're making to grow free cash flow, progress long-term growth, and return substantial surplus cash to shareholders. And on that note, I'll pass it over to Dan to talk about our financial performance.

Dan Lyons:

Thanks, John. Starting with financial results for the third quarter, we recorded net income of $2, 454 million, up $1,915 million from the third quarter of 2025, primarily driven by higher commodity prices, excluding the impact of $555 million of identified items in the third quarter of 2025, net income increased by $1,360 million. When comparing sequentially, third quarter net income is up $264 million from the second quarter of 2026, primarily driven by higher margins and volumes in the downstream, partially offset by lower crude prices. Now shifting our attention to each business segment and looking sequentially, upstream earnings of $941 million are down $358 million from the second quarter, primarily due to lower realizations. Downstream earnings of $1,555 million or up $ 768 million from the second quarter due to higher margins and volumes. Our chemical business generated earnings of $52 million, down $13 million from the second quarter.

Moving to cash flow, in the third quarter we generated about $3.2 billion in cash flows from operating activities, excluding working capital effects, cash flows from operating activities for the third quarter were nearly $3 billion, up about $1.4 billion from the third quarter of 2025. We ended the quarter in a strong cash position with about $2.9 billion of cash on hand. Now shifting to CapEx, capital expenditures in the third quarter totaled $668 million, $163 million higher than the third quarter of 2025, and $137 million higher than the second quarter of 2026 driven by timing impacts in the upstream. In the upstream, third quarter spending of $514 million focused on sustaining capital at Kearl, Syncrude and Cold Lake. Increases in the quarter were associated with heavy equipment deliveries and project milestones at Kearl, as well as mine progression activities at Syncrude. In the downstream, third quarter CapEx was primarily spent on sustaining capital projects across our refinery network.

Another item of note regarding capital, if the productivity mega deduction becomes law as expected, eligible CapEx associated with assets acquired and available for use after September 14th will provide accelerated tax benefits. This will support added free cash flow generation going forward.

Shifting to shareholder distributions. In the third quarter, we continue to demonstrate our longstanding philosophy of returning free cash flow to shareholders, paying $420 million of dividends and returning almost $2.1 billion through accelerated share repurchases under our normal course issuer bid program. We anticipate completing our accelerated NCIB program by year-end.

Commodity prices have remained strong over the first month of the fourth quarter, positioning us for continued robust free cash flow generation as we close the year. We also ended the quarter with a healthy cash balance as was already stated. These factors, as John noted, leave us well positioned to return additional surplus cash to shareholders in the new year. Finally, this morning we declared a fourth quarter dividend of 87 cents per share in line with our third quarter dividend. Imperial remains committed to shareholder returns as demonstrated by 32 consecutive years of annual dividend growth. I'll now turn it back to John to discuss the company's operational performance.

John Whelan:

Thanks, Dan. I want to take the next few minutes to share key highlights from our operating results. Upstream production for the quarter averaged 418,000 gross oil equivalent barrels per day, up 4,000 oil equivalent barrels per day versus the second quarter of 2026. This was primarily driven by the absence of the planned Kearl turnaround, partially offset by a third party pipeline outage, which resulted in a full production shutdown at Kearl for multiple days and the planned turnaround work at Cold Lake and Syncrude. I'll now cover highlights from each of these assets starting with Kearl.

Kearl's quarterly production was 282,000 barrels per day gross up 25,000 barrels per day versus the second quarter of 2026. The increase was primarily driven by the absence of the planned turnaround work partially offset by a third party pipeline outage caused by an electrical transformer failure. The transformer failure affecting the Woodland pipeline resulted in a temporary production outage in mid-September. Production was impacted for several days before takeaway capacity was restored. While the outage impacted production during the quarter, we continued to progress key initiatives on the path to growing Kearl's production to 300,000 barrels per day in 2028.

The great example is the successful startup of our flotation column secondary recovery project. The project adds incremental production by recovering additional bitumen from the ore already being processed through the plant. So this is a highly capital efficient project with minimal incremental operating cost. As we look to next year, we're looking forward to realizing the full benefits of the secondary recovery units I just discussed, but also the volume growth that will be supported as we realize the benefits from our prior investments in extending plant turnaround intervals. We have no

planned major turnarounds at Kearl in 2027 or 2028. Our next planned major turnaround will be in 2029.

Moving next to Cold Lake highlights. Cold Lake's quarterly production averaged 139,000 barrels per day, down 10,000 barrels per day versus the second quarter of 2026, primarily driven by the planned Mexican turnaround work that started in September and was recently completed in October ahead of schedule and on budget. In addition, we remained transformation at Cold Lake with Leming SAGD ramping up through the quarter and currently producing 10,000 barrels per day. Our Grand Rapids SA-SAGD project continues to exceed expectations with production in excess of 21,000 barrels per day. Now in terms of future in-situ growth opportunities, on our Aspen lease, we continue to progress the enhanced bitumen recovery technology pilot with startup remaining on track for early 2027. As I look to the future, we've got three key high quality in-situ development opportunities in our portfolio where we're focused on solvent recovery technology to maximize value. Our Aspen, Clark Creek, and corner assets together with our Advantage technology underpin our long-term growth opportunities with the potential over time to double our gross operated upstream production.

To round out the upstream, I'll cover Syncrude results. Imperial's share of Syncrude production for the quarter averaged 70,000 barrels per day, down 3,000 barrels per day versus the second quarter of 2026, mainly due to the Coker 8.2 turnaround, which is now complete. Syncrude continued to utilize the interconnect pipeline to import bitumen and gas oil to ensure high upgrader utilization. This enabled approximately 10,000 barrels per day our share of additional Syncrude suite premium production.

Now let's move to the downstream. In the third quarter, we refined an average of 381,000 barrels per day, representing a utilization of 88%. Compared to the second quarter of 2026, refinery throughput was up 50,000 barrels per day, mainly driven by the absence of planned turnaround work at Strathcona, partially offset by an unplanned third party pipeline outage. At Strathcona, we continued to increase renewable diesel production and reached our highest production to date.

Given that renewable diesel is produced from canola feedstocks rather than crude oil, does not contribute to our reported refinery throughput, but it provides a margin uplift

John Whelan:

... supporting significant ongoing incremental earnings, as reflected in our positive downstream product mix factor of 170 million in the third quarter and 400 million year to date. Work associated with debottlenecking rail logistics at Strathcona to enable higher crude runs while supporting continued growth in canola throughput is progressing well and is anticipated to enhance refinery crude utilization by year-end. We experienced an 18-day unplanned third-party pipeline outage beginning in late August. The outage reduced feedstock availability across the downstream and resulted in overall refinery throughput being curtailed approximately 12,000 barrels per day during the quarter. Despite that third-party outage, we remain confident in our downstream guidance range. At Sarnia, the team recently completed a planned turnaround that ran from mid-September through late October.

The work was completed safely and successfully, ahead of schedule and on budget. With our planned turnarounds now complete, and market conditions remaining very favorable, we are entering the final months of the year well positioned to maximize available capacity and deliver a strong finish to 2026. Petroleum product sales were 474,000 barrels per day, up 28,000 barrels per day compared to the second quarter of 2026, primarily driven by opportunistic domestic sales and higher exports. And overall, across our Canadian network we saw very similar demand for each of our primary petroleum products in the third quarter of '26 relative to 2025. Turning now to chemicals, earnings in the third quarter were 52 million, down from 65 million in the second quarter of 2026, but up 31 million from the third quarter of 2025 due to higher product pricing.

In closing, despite a dynamic external environment, our priorities remain unchanged. We are focused on capturing the full value of our advantaged integrated business, growing profitable volumes, advancing structural cost improvements and increasing cashflow generation. With all our planned turnaround activity complete, we're focused on delivering a strong finish to the year. With the accelerated normal course issuer bid expected to wrap up by year-end, we are well positioned to return additional surplus cash to shareholders in the new year.

We continue to advance our restructuring plans, firmly in the implementation phase, guided by a robust and disciplined approach, and things are progressing well. And as shared previously, we will capture significant long-term efficiency and effectiveness benefits as we further transform our business, leveraging rapidly advancing technology and ExxonMobil's global capability centers. Operationally, our focus remains on execution excellence, and we remain confident in our plans to achieve 300,000 barrels per day and a unit cash cost of $18 per barrel at Kearl, and 165,000 barrels per day and a unit cash cost of $13 per barrel at Cold Lake. Through disciplined implementation we will continue to strengthen the competitiveness of our operations, maximize the value of our asset base and deliver superior long-term returns to our shareholders.

I'm very encouraged by the progress made by governments and industry to improve the investment climate and support global competitiveness for our industry. As I mentioned earlier, further fiscal certainty and regulatory reform can unlock significant opportunities, especially for Imperial, which is uniquely positioned with very material growth potential. As always, I want to thank our employees for their commitment, expertise, professionalism and teamwork.

Their dedication to safe operations, execution excellence and customer and community service is what makes our achievements possible. And I'd like to thank all of you once again for your continued interest and confidence in Imperial. And with that, we'll move to the Q&A portion of the call, and I'll hand it back to Peter.

Peter Shaw:

Thank you, John. As always, we'd appreciate if you could limit yourself to one question plus a follow-up so that we can get to all the questions. So with that, operator, could you please open up the lines for questions?

Operator:

Thank you. The floor is now open for questions. At this time, if you would like to ask a question, please click on the raise hand button, which can be found on the black bar at the bottom of your screen. When it is your turn, you will receive a message on your screen from the host allowing you to talk, and then you will hear your name called. Please accept, unmute your audio, and ask your question. If you are dialing in by phone, please press star nine to raise your hand and star six to unmute.

As a reminder, we are allowing analysts one question and one follow-up. Time permitting, we will return to you for additional questions. We will pause a moment for the queue to form. Our first question comes from Greg Pardy from RBC Capital Markets. Please unmute your line and ask your question. Greg Pardy, please unmute your line to ask your question.

Greg Pardy:

Hey, good morning, and sorry for that little new technology this morning. John, I wanted to maybe just come back to your comments around, just around upstream growth and potentially doubling over time. So the question is as follows. How much appetite does IMO have for upstream growth? How connected is that to finalization of the MOU? Essentially, would any of these projects now perhaps start to

coincide, like Corner and so forth, start to coincide with the timing on Aspen? So there's a bunch in there. But that's the gist of it, is how much do you want to grow?

John Whelan:

Well, thanks for the question, Greg. I think clearly what's happening externally in the investment climate is really important, and the framework that we put in place with governments... industry put in place with governments through the non-binding trilateral MOU, and the work we're doing today to turn that into a definitive agreement, and all of the things that we put in there to ensure our businesses are globally competitive, that is really important work.

And again, I'm really pleased with the progress we've made. We continue to work very closely with the governments and you've seen some of the conditions that were in that, or the things that we felt needed to be put in place. You see progress made on those already, like the accelerated capital cost allowance, the Impact Assessment Act improvements in project timelines. Those were things that we felt we needed to improve the competitive environment, and we see government acting on those. So I feel very encouraged about it.

But I think for us, I mean, we still think about ultimately our decision is going to be driven by technology readiness, project economics, and again that broader fiscal and regulatory environment. I think with all this, our preferred... Of course, as we talked about, we're doing the enhanced bitumen recovery technology pilot. It's going to start up early next year. We've said that's going to take two or three years to prove out the technology and we'd be in a position to FID Aspen at the end of the decade.

I will tell you though, with everything that's going on and the... We funded Aspen with SA-SAGD back in 2018 and we've got, I would say, reinforced even further confidence in that technology because of our experience at Grand Rapids. It's performed beyond our expectations and we've learned things from that that we can build into it to make SA-SAGD even better. So I will say, when there are enhanced understanding, confidence and improvements around SA-SAGD, and looking at the timing for the EBRT technology, which is still our preferred long-term development, we will look at do we want to bring Aspen forward? So instead of that FID at the end of the decade, we are looking at do we want to bring it forward? And we have options, I think, in the technology we may use for an initial phase.

Again, EBRT is still our preferred long-term development. We're going to certainly test that optionality, but ultimately we'll be driven by technology, project economics, and the fiscal environment. I'm really encouraged by what I'm seeing. I don't see us doing Aspen, Clark Creek and Corner all in parallel. I still see us sequencing those things where we kind of get into a program of work. If you think about all the work that has to be done, I think we still see the benefits of kind of design one, build many, and a program of work where you can ramp up to a rate and execute efficiently. So I don't see kind of bringing them all forward, doing them all in parallel. I do see the possibility that we'll look at Aspen and the timing of that and then we'll try to execute this as a program. I hope that that covers what you're thinking about there.

Greg Pardy:

Yeah. No, no, no. No, no, I think that's a very, very fair answer. I mean, there's a lot of moving pieces and so on. So I'm, secondly, just glad you brought up your unit cost targets with Cold Lake and then with Kearl. As you reflect maybe on CAL '26 operating performance, not Imperial's finest. But that being said, it certainly appears as though a lot of the factors have been external and to some extent one-offs. Is that a fair characterization? And then as you think about it and talk to your team and so forth, in terms of the achievements that you have on unit OpEx, like the objectives you have in unit OpEx, do those numbers

continue to be, in your view, pretty highly achievable, in part because of the volume growth you'll see? I'm putting words in your mouth, but I just want to make sure I'm characterizing it the right way.

John Whelan:

No, you are, Greg, exactly as we see it. Our volumes were a little lower this year than we were looking for. And you're right, a number of third-party impacts on us. As we've looked across the performance of the assets, we don't see systemic issues. We see one-offs that we're going to learn from. We dig into, we learn from those. We see nothing in the underlying performance that causes us any doubt whatsoever on our future targets around volumes growth and unit cost reduction. And all the fundamentals that were in place to get to those rates and unit cost numbers are in place. You know, the secondary recovery projects, the longer time between shutdowns, the improvement of productivity and recovery, all of those fundamentals are in place. So we remain very, very confident on those plans. And there's nothing in the performance this year that causes us any doubt whatsoever on that.

Greg Pardy:

Very good. Thanks a lot, John.

John Whelan:

Thank you, Greg.

Operator:

Thank you. Our next question is from Manav Gupta from UBS. Please unmute your line and ask your question. Manav, please press star six to unmute.

Manav Gupta:

Yeah, I figured it out finally. My quick question, I'll have two questions and I'll ask them up front. First, your cash is building. You're generating a lot of cash, and I'm just trying to understand, once the NCIB finishes, are there more ways you can return more cash to the shareholders? And my second question, I asked the same question to your parent, your outlook on your global refining, and how long do you see these margins elevated? If you could talk a little bit about that. Thank you.

John Whelan:

Thank you. I'm going to start with the refinery and the downstream margins, and then I'm going to come back to the capital allocation question. First off, we feel really good about our downstream business and you saw it in the results in the quarter. We've got a very strong business here with high margins in the base case, extremely high margins at the moment, lots of barriers to entry. So we feel good about our logistics, low-cost Western Canada crude at export parity, import parity in terms of our products that we sell, and very strong brands with Esso and Mobil. So it's a business we feel really good about and the structural advantages that we have in place there.

With the current geopolitical situation, which started with a supply shock in the environment and elevated refining margins, it's hard to say for sure how long it will persist, but we do feel that it could persist for longer. I mean, it started with the supply shock, but what we're seeing right now is, interestingly, the crude supply has not fully but significantly recovered, but the refining capacity has recovered much more slowly. There's three aspects of that: we've got Russia running at about 50% utilization of their refinery network. So if you look at that versus the crisis in Ukraine, they've got about

1.3 million barrels a day of refining capacity offline. We see Middle East shipping. While the crude shipments are now up about 70% of the pre-conflict period, maybe even a little higher, the refined products coming out through the strait are only about 35% of what they were before. So there's limited refined capacity there. And then we have China with export restrictions on their refined products.

So it does appear that refining capacity, it has been slow to recover. It's a little uncertain how all those things play out, and the pace of recovery will be an important factor on it. But there's a lot of things that have to recover to see the margins go back to where they were before. So we feel very good about the business, and I think we're

John Whelan:

...probably going to see margins to a degree into the future as well. And then in terms of capital allocation, the main thing I would tell you is nothing has changed in our philosophy on capital allocation. We're sitting on a strong cash balance today. We're going into the fourth quarter with what looks like strong margins at this point in time as well. And obviously, we'll look at the options for returning surplus cash in the new year.

But our philosophy hasn't changed. We have a track record of returning surplus cash to shareholders. We're comfortable with where our debt is. We're not trying to allocate capital to that. Our goal is to return 100% of our surplus cash to shareholders. If you look back over the last five years, we generated 25 billion of free cash flow and we return 24 billion. And so I think that philosophy hasn't changed and it'll always depend on commodity prices and things, but I think we're in a strong position to continue to return surplus cash flow in the new year.

Manav Gupta:

Thank you so much.

John Whelan:

Dan, do you want [inaudible 00:31:10]

Dan Lyons:

Maybe I'll just add a little bit. Because you said, do we have tools other than the NCIB? Obviously, as I said, we plan to wrap up our NCIB this quarter and we can't renew the NCIB till the end of late June in 2027. If share buybacks earlier in the year would have to be through a substantial issuer bid, which is the tool we've used in the past on numerous occasions. Yes, we do have tools. And as John said, our cash is strong now. With commodity prices where they are, despite doing the accelerated NCIB in the fourth quarter, there's every chance that our cash balance will actually grow. We'll see what happens but it looks like we'll have substantial cash balance at year-end and our longstanding philosophy is to return that timely to shareholders. Just a little more color.

Operator:

Thank you. Our next question is from Aayush Gupta.

John Whelan:

Thank you for your question.

Operator:

Please unmute your line and ask your question.

Hi, Aayush Gupta from Wolfe Research. Please unmute your line.

Aayush Gupta:

Hi. Thanks for taking my question. This is Aayush Gupta on behalf of Doug Leggett and Wolfe Research. Congrats on a solid quarter. I was wondering about the WCS discount. Where do you see the WCS discount heading into 2027 and what's really driving that and how do you manage that exposure?

John Whelan:

Yeah. Thank you, Ayush. And I'm getting used to the technology as well. I think, Manav, the last question was from you and I indicated it was Ayush [inaudible 00:33:01] list here as well.

Aayush Gupta:

All good.

John Whelan:

Just both you folks there.

Well, certainly we have seen the WCS differential widen. We have seen that over the last number of months. And a number of things causing that. Obviously, a strong pull on light barrels globally relative to heavy barrels when you look at the refining utilization and cracks around distillates. We have seen that widen. And then some increased supply on heavy oil both from Canada, Venezuela, and the Middle East. Those things have contributed to that.

We do anticipate that the differential will widen in the fourth quarter. We're starting to see that. And most of that is driven by the sharp increase in freight rates out of the Gulf Coast. Transportation costs are up significantly 8 to 10 times and VLCCs are going for close to $1 million dollars US a day in freight rates. We do see that contributing to higher differentials in the fourth quarter.

That said, the absolute price of WCS remains extremely constructive. When you look at where WTI is, yes, the WTI is up, the differential has widened, but the WCS price remains very constructive. And at the end of the day, we recognize we don't control those things. And our focus is on, as you've heard from us before, low price resiliency in the business. We have very low cash breakevens, less than $25 a barrel WTI for the business. When you include the dividend and sustaining capital, less than $35 a barrel. Again, we've got a business that's designed across a broad range of price forecasts. But even with these higher differentials, WCS remains very constructive.

Aayush Gupta:

Thank you. That makes a lot of sense. Appreciate your answer.

John Whelan:

Thank you.

Operator:

Thank you. Our next question comes from Menno Hulshof from TD Securities. Please unmute your line and ask your question.

Menno Hulshof:

Good morning, everyone. Thanks for taking my question. I'll just start with one on the upstream outlook into the end of the year, which you did touch on in your opening remarks. Can you maybe just give us a sense of what the bookends on Q4 production could look like and where could we see the biggest increases or decreases at the asset level through the end of the year?

John Whelan:

Well, I think... Again, we look to finish the year strong on all our assets. We've got all of our planned turnarounds behind us and the signal is very clear to maximize production. I think when you look across all of them, we've got a clean run coming into the fourth quarter and good conditions to have a good strong fourth quarter. I can't be very specific on all of them other than the kind of commentary we've provided. We did indicate the last quarter we thought we'd be at the low end of the upstream guidance. We've shared that Coal Lake and Syncrude remain in that area. And then we indicated where Curl where we thought the outlook, the target for us for the total year for Curl is now below the low end of the Curl specific guidance by about 5 KBD at 280 KBD for the year. But we're in a good place, I think, Menno, for a strong fourth quarter. No planned shutdowns and that's what we're looking to do.

Menno Hulshof:

Great. Thanks for that, John. And then the second question, it probably ties a bit into what Greg was asking, just conversion of the MOU into definitive agreements. Is there anything that you can share in terms of confidence level in hitting the November 15th deadline since it's only a couple of weeks away? And then I guess as a follow-up to that, is it fair to assume that we won't get an announcement on royalty concessions until all of that gets nailed down?

John Whelan:

I think one piece of this obviously is growth royalty incentives, which we're working with the province and I can't really speak to when the province will feel comfortable to make announcements around that. What I can really say is, look, I remain really optimistic and encouraged by the progress that we've made. And we've got our federal government, provincial government in Alberta looking to, as their stated objectives, energy superpower for Canada, doubling production in Alberta. That's very constructive. And then I will tell you industry, our Oil Sands Alliance, myself and my counterparts in the Oil Sands Alliance, we continue to meet every single week on this topic. And we have people on our teams working with both the federal and provincial government every day to progress what we put together in the non-binding MOU.

We're all targeting towards November 15th. I would tell you there's still a lot of work left to do. You're right, it's only a couple of weeks away. But there's no lack of energy or desire to get to definitive agreements. The exact timing, we're going to make sure we do all the right things that enable us to execute on the definitive agreement. Most importantly for me is the shared ambition to make this happen and the work that's going into that, and I remain really encouraged about where we are.

Menno Hulshof:

Thanks again, John. I'll turn it back.

John Whelan:

Thanks, Menno.

Operator:

Thank you. Our next question is from Patrick O'Rourke from ATB Cormark Capital Markets. Please unmute your line and ask your question.

Patrick O'Rourke:

Hey, good morning guys. And thanks for taking my question. I guess maybe just a little bit more on the question asked by Menno. But in particular with Curl, if you look at the new guidance implies a pretty strong end of the year for that particular asset that would be within a rounding error of record performance for the asset. We're 1/3 of the way into the quarter here. Can you maybe comment on how that particular asset is performing? I know one of the benchmarks you look at is the high output days above 300,000 barrels per day.

John Whelan:

Yeah, I'll say a few words and then ask Cheryl to chime in as well. But you're right and the 280 does... The numbers that you described are correct, and that's exactly the target we've put out for our team. And we've done it before and we feel confident about where we are with all of our schedule work behind us. As we talked about in some of the other questions, you look at some of the things that we've experienced, including in this quarter, third party related outages. When we look at the fundamentals of the asset, we feel we are capable of putting record performance on the board. We have to deliver that but we feel the capability is there to do it. And I'll ask Cheryl to chime in with a little more color.

Cheryl Gomez-Smith:

Sure. And I'll add a little bit more in terms of our confidence to get there. A few things and this really gets to the how we're going to do that. We've already advanced our mine sequencing and that's really to increase the tonnage to the plant to do exactly what you're talking about. The interesting part, of course, is we're heading into winter so we're already staging more ripping dozers. When you get to these open mine faces, you want to have those ripping dozers as well as ensure an active shovel face. That's just getting ourselves set up. The other help in this space is we have more engineered roads than we've had in history. And what we know about that is our trucks like to run better on those engineered roads. The final thing I'll tell you is with our 797s, they have built-in features which approve wheel traction. In the upcoming weather, they run better. All of this in mind sets us up for how we're going to deliver, which to your point is going to be one of our best ever fourth quarters. But setting ourselves up to deliver that.

Patrick O'Rourke:

Okay, great. Thanks. And another question here, just with respect to the RD, things look like they're going really, really well. It looks like the federal government is considering some changes to the CFR and some of the credits associated with renewable diesel domestically produced. What impact would that have from a financial perspective? And from the way, at least I'm reading, you can correct me if I'm wrong, some of those enhancements to the credit factor would be retroactive back to the start of the year and how that would be recognized by Imperial.

John Whelan:

Yeah. Thanks, Patrick. I'll say a few words and then I'll hand over to Scott. Just at the highest level when I think about this project, which we feel really good about and the stronger performance that we're now seeing enables us to better able to capture higher margins driven by the tightening in the US market

fundamentals and so on. What I would tell you overall is that we've evaluated this project over a broad range of market and policy scenarios, and we're very comfortable with the resilience of the project over a broad range of those. It's not a single regulation in a single jurisdiction that we're reliant on. There's a number of things that make this project work and it is working for us.

In terms of this specific... The clean fuels regulation, I will tell you we're working very closely with the government. We provide input to that and so we're not uncomfortable with where this is headed. And I'll ask Scott to say a few more words about it.

Scott Maloney:

Sure. Yeah. Thanks, John. Thanks for your question, Patrick. Yeah, as John mentioned, we worked really closely with the government on what I would call tweaks to the clean fuels regulation that's being proposed now. Really, the objective behind that is try to make sure that the program is balanced with the amount of credits that can be generated with the obligation that continues to increase as we go year-on-year to really reduce the carbon intensity in the market of these fuels. And so that balance is what's helpful for that program to remain effective, and we're very confident in our renewable diesel project will continue to be a key contributor to generate credits to maintain that balance. And so we're pretty confident about the outlook today, as John mentioned, but even in the future scenario with these potential tweaks coming into play.

Patrick O'Rourke:

Okay, thank you very much.

Operator:

Thank you. Our next question is from Dennis Fong from CIBC. Please press *6 to unmute your line and ask your question.

Dennis Fong:

Hi, good morning. And thanks for taking my questions. I would say the first one that I have here focuses a little bit on the downstream flexibility and maybe follows along the lines of a couple of the predecessor questions. Can you remind us as to the flexibility Imperial has in terms of processing their own barrels or flexing towards more heavy, again, in light of the wider WCS differentials, as well as the preferences in terms of obviously capturing a greater amount of diesel output, just again given the

Dennis Fong:

... the refined product pricing in the market.

John Whelan:

Yeah, thanks for the question, Dennis. And again, I'll say a few words, but then I'm going to pass it over to Scott. I'll let Scott talk about the specifics. We do have some flexibility on the amount of heavy we run. There's some limits to that, but we do have some flexibility on the amount of heavy and we do have some flexibility on the products we generate. And obviously right now, Scott's team is looking at that every day, every hour and optimizing what feedstock we take in and what products we develop or we produce within the range of, there are some limits. Clearly these are big refineries and they are piped up a certain way, but we do have flexibility and we optimize that on a daily basis. But I'll let Scott talk about a little more of the details around that.

Scott Maloney:

Sure. Yeah, thanks for the question, Dennis. As we think about the downstream business, we think about flexibility in a few different ways. The first one is getting the right feedstocks to run in our refineries to make the products with the highest uplift. And I've kind of shared that on a couple of the prior quarters about how we're targeting the most profitable barrels that we can run and then produce finished products in. In our specific business, we do have some uniqueness with a coker unit in our Sarnia refinery that allows us to ramp up some of those heavier crudes that supports us taking advantage of some of these market considerations.

And then when you think about finished product production, we also have the ability to ramp up what we call maximum distillate signals versus maximum gasoline signals as we're thinking about producing products in our refineries. And so the way we're thinking about it in this current environment is we're running our refineries to make enough gasoline to meet all of the needs for the Canadian consumers. And then what we're doing with refineries is tuning up to go from a maximum distillate signal on top of that so we can actually get more access to the diesel and jet barrels that are more profitable in the market right now. And so that's how we run our refineries.

And then thinking about flexibility, we also think about it quite a bit in our midstream logistics network as well. And so I've shared that before, that once you have these products, then we utilize that coast to coast logistics setup that we have to most efficiently get the product to the market that need it the most. And so that also gives us an advantage in the full value share of the fuels business. And so that's how we think about it and we set our teams up to run efficiently in the base case and then that allows us to have access to higher margins when they're available in the marketplace.

Dennis Fong:

Great. Thank you for that color and commentary. My second question here shifts the focus back to the upstream. And Cheryl, I really appreciate some of the comments that you made around Q4 and your readiness for a stronger throughput, specifically at curl going to the end of the year. I was hoping if you could provide us some incremental color just on the thoughts around mine progression. I know in John's prepared remarks, he discussed a little bit around the completion of some of the mine plan development and progression and opening up of that capacity in the 28/28 timeframe, but really as it also relates to ore quality as that was one of the key items that was cited as a year-over-year change as well.

Cheryl Gomez-Smith:

Sure. And thank you for that question, Dennis. And I'm going to go back to a couple things that John mentioned before, which is really what's underpinning our confidence in the future. So I'm looking more towards beyond 2024. If I think about it and step back, we've made significant optimizations over the past few years. So as we think about that going forward, that cumulative effect will be happening next year and beyond.

John mentioned about our recovery projects that we just brought online, KFCC, which are additional float cell columns. Those will contribute next year, of course. Without a turnaround, that'll be a help. The underpinning and the foundation here is around our continued focus on productivity and reliability, which really talks to our digital, our technology and so forth. Mentioned that several times, but we continue to unleash that really just as a kind of foundational table stakes.

Now to answer your question, in 2027, we'll be shifting from not only producing from our north pit, but in 2027 we'll begin to produce from our new east pit. When we look in terms of ore quality, everything that we've done with delineating the wells and so forth, we anticipate and looking forward to east pit

being stronger from that perspective. The other thing that east pit will bring along with it as well is a strong engineered road network as well as fewer routes. So if I take all that into account and what we're going to see in 2027, it'll be that increased diversity in ore headings and then all of the positive impacts that I've just shared in terms of productivity and reliability. This is really that and equation I continue to emphasize, which will be all of these setting in place that we've been working on for years that'll come forward next year.

Dennis Fong:

Great. Thank you so much.

John Whelan:

Thank you, Dennis.

Operator:

Thank you. Our next question is from Travis Wood from National Bank. Please unmute your line and ask your question.

Travis Wood:

Yeah, good morning guys. Question, it goes back to the MOU and I'm just trying to get an understanding of what that critical path looks like for the group, you guys specifically, as it relates to the carbon capture segment, any kind of spending cadence that you can help us understand. And then as it relates to Pacific Link, is the goal here and maybe the delay from November 15th, is the goal to work with the federal and provincial governments to effectively try to get that carbon capture cost to net-zero, meaning with the help of this, the mega tax reduction, potentially royalty savings, maybe there's some tolling negotiation that can go on, on the pipeline itself. Is that the right way to think of it longer term in terms of net cost to the Oil Sands Alliance Group?

John Whelan:

Well, I think, Travis, I think what we're trying to do with the trilateral, what we put in place at the trilateral MOU, we're trying to do really three things or three interconnected things here. We're trying to create an environment where it's more globally competitive to invest in production growth, and that's where you get into growth royalty incentives, accelerated capital cost allowances, you get into timelines around project approvals that are best in world-class and predictable. So part of it is production, growing the production. Now, the other parts are a pipeline to the West Coast, so we have egress to take away that increased production. And then another part that's important for the government and for us, if you think about our company, we talk about the and equation of providing reliable, affordable energy and reducing emissions is the pathways project to capture carbon.

So those are the three elements of what we're trying to make work, what some have coined as the grand bargain, that's what we're working through. And what we've committed, what's in the trilateral MOU, which is actually non-binding and we're moving towards a definitive, what industry has said we would commit to is a six megaton per annum pathways project. And the governments have said they'll commit to a pipeline to the West Coast at a million barrels a day, and then setting in place the fiscal and regulatory framework to incentivize the investment that needs to go in to production growth to fill that pipeline and support the pathways project, which is a cost to the industry. So that's the components of it that we're trying to get in the right balance so all of those things work together and that's really what we're trying to do. And obviously we look at the carbon capture storage side of it, it is a cost to the

industry and we're looking at other aspects that will be benefits to the industry like the capital cost allowance acceleration and growth royalties.

So overall, you have a collective environment that is globally competitive and will incentivize investment. And that's what we're working on.

Travis Wood:

Okay.

John Whelan:

And that's pretty complex, so that's why I think... But again, I'm encouraged, we're working really well together to try to get that marriage of all those things in place that works for everybody.

Travis Wood:

Okay. No, that makes sense. Appreciate the detailed color there. My second question would be, you talked about, and it marries with the growth prospect, potentially accelerating Aspen depending on probably how this MOU shakes out. How would Aspen rank, and maybe this is too strategic and you might not want to answer this, but how would Aspen rank as you look at this upcoming land sale and the potential ease of surface access to some of these Caribou lands? Is there anything that could leapfrog Aspen in terms of future development from the thermal perspective or would Aspen, given the pilot and the data that you guys have, would that still rank at the top of the list as we think about future growth?

John Whelan:

Well, when we just look at our portfolio, I would tell you Aspen is, and we've been very clear about this, we feel very bullish about the quality of the resource, very bullish about the technology that we're developing, Ebert or even SA-SAGD to apply there. And then we have other opportunities like Mexican SA-SAGD at Coal Lake, getting curl to 300, getting Coal Lake to 165. Those are very attractive opportunities that we have, very low flowing, very capitally efficient. Then the next in terms of organic growth, Aspen is the next best thing in our portfolio and it is extremely advantaged given the technology and the quality of the resource. We're very bullish on it.

Travis Wood:

Okay, thank you. And would there be potential with this land sale to expand the resource adjacent to the projects already in the pipeline?

John Whelan:

I would just say for us, look, we are very pleased with the existing portfolio of organic opportunities we have with Aspen, Clark Creek, Corner, and the opportunities we have at our existing assets. So we're focused on unlocking the potential of those opportunities that we have today, and we feel extremely bullish about them, positive about them.

Travis Wood:

Okay, perfect. Appreciate the commentary.

John Whelan:

Thank you, Travis.

Operator:

Thank you. That concludes today's question and answer session. At this time, I will turn the conference back to Mr. Peter Shaw for any additional or closing remarks.

Peter Shaw:

Thank you. And so on behalf of the management team, I'd like to thank everyone for joining us this morning and we're navigating through the new technology. If there are any further questions, please don't hesitate to reach out to investor relations team and we'll be happy to answer your questions. With that, enjoy the rest of your day and have a great weekend.

Operator:

This concludes our conference for today. Thank you for participating. You may now disconnect.