

March 31, 2020

The Honourable Seamus O'Regan, P.C., M.P.
580 Booth Street, 21st Floor
Ottawa, Ontario K1A 0E4
(via e-mail: Seamus.OREgan@parl.gc.ca)

Dear Minister O'Regan:

Re: COVID-19 Action Plan Thank you – Additional Effort to Support Liquidity, Investment and Jobs

On behalf of the Canadian Association of Petroleum Producers (CAPP) and our member companies, we would like to thank the government for the bold actions it has taken to date during this health and economic crisis. For our member companies, health and safety continues to be a top priority and we are committed to supporting the government and the measures it has taken to protect the health of Canadians and halt the spread of COVID 19. At the same time, the crisis poses a unique threat to the economic viability of our industry and our ability to preserve jobs and investment.

The Canadian upstream industry has already announced approximately \$6.5 billion in cuts to capital expenditures for this year (an approximate 30% reduction) and experienced an erosion of \$150 billion of enterprise value since 2019. We believe it is important for government and industry to work together on a substantial and comprehensive response to keep our industry viable so that our members can continue to create jobs and contribute to Canada's prosperity.

We would like to thank you for the meetings with CAPP and our members in recent weeks, and agreeing to initiate a *COVID-19 Market Crisis Joint Working Group*. The goal of the Joint Working Group is to bring government and industry together to implement policy solutions that help achieve our shared objective of keeping Canadians working and its industries viable, and to better position Canada for economic recovery when the current crisis has passed.

Your government has already taken early and impactful economy wide action, including:

- Direct transfers to families and to stabilize the economy and boost consumer confidence
- \$10 billion in support in businesses through Business Credit Availability Program (BCAP)
- Benchmark interest rate reductions totaling 1.5 percentage points
- New liquidity facilities and provisions provided by the Bank of Canada and Office of the Superintendent of Financial Institutions

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- A new wage supplement program for companies that have seen a substantial revenue decline.

Building on these actions, we believe there is a need for a supplemental and concerted effort to advance oil and gas specific relief to provide liquidity, preserve jobs and encourage new investment in our industry. Our key priorities include:

1. Inject Liquidity

- Introduce liquidity measures for industry on a scale similar to 2008-09 crisis.
- Work with EDC and existing financial institutions to ensure companies are provided with continued access to existing/ new credit facilities
- Consider more active government involvement through:
 - Backstopping or relaxing of government collateral/ prepayment requirements on industry
 - Bridge loan financing for viable companies
 - Consider directly investing in companies as a last resort

2. Encourage job growth and strengthen company viability by reducing environmental liabilities

- Partner with industry and the provinces to provide matching funding or cost sharing for near-term inactive liability reduction-related expenditures to reduce liability while creating needed jobs for the service sector.
- Provide additional financial support for the Orphan Well Association (OWA) should the orphan site inventory increase further

3. Enhance industry cashflow and encourage investment

- Introduce 100% immediate deductibility of capital costs and eliminate available for use rule.
- Advance Atlantic Canada Joint Working Group recommendations, including reforms to: Atlantic Investment Tax Credit, equity stake, regulatory streamlining, local content requirements, R&D spending, exploration incentives, and UNCLOS.

Our recommendation is that these priorities, taken in combination with our additional priorities to “Do no harm by eliminating or avoiding unnecessary costs” and “Ensuring business continuity and treatment of oil and gas as an essential service”, as articulated in the attached letters, should frame the scope of the work of the Joint Working Group table.

We also recommend that this work be advanced expeditiously, given the urgent and compelling need for specific government measures in support of our industry that will help achieve our shared objectives of protecting public safety, maintaining jobs, and ensuring continuity of the essential services provided by our sector.

Thank you for your commitment to advancing the Joint Working Group table and for your consideration of these important matters.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tim McMillan". The signature is fluid and cursive, with the first name "Tim" written in a larger, more prominent style than the last name "McMillan".

Tim McMillan
President and CEO

cc: The Honourable Bill Morneau Minister of Finance of Canada
The Honourable Chrystia Freeland Deputy Prime Minister of Canada