

The Economic Impact of Canadian Oil and Gas

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Updates From Last Publication on April 11, 2025

- 🇨🇦 **Slide 4:** Updated to reflect the latest 2025 estimates
- 🇨🇦 **Slide 5:** Updated to reflect equity index values up to Jun. 30, 2025
- 🇨🇦 **Slides 8-10:** Updated to reflect the latest 2025 estimates
- 🇨🇦 **Slides 11-12:** Updated to reflect commodity prices up to Jun. 30, 2025
- 🇨🇦 **Slides 13-15 & 17-20:** Updated to reflect the latest 2024 and 2025 estimates
- 🇨🇦 **Slides 23-24:** Updated to reflect the latest Statistics Canada GDP Data (Jun. 27, 2025)
- 🇨🇦 **Slides 24-25:** Updated to reflect the latest Statistics Canada jobs data (May 20, 2025)

Summary of the Economic Impact of Canadian Oil and Gas

- Conditions for the Canadian upstream oil and gas industry have been challenging since the 2014/2015 downturn; however, the situation has drastically improved post-COVID with the commodity price recovery and improved pipeline takeaway capacity, which have resulted in record-high revenue levels in 2022 and 2023.
- Annual revenue for 2025 is currently estimated lower at \$178.3 billion (relative to 2024) due to weaker oil and gas prices. Capital expenditures (CAPEX) spending is expected to be up slightly compared to 2024, with the equivalent of approximately 60% of industry revenue, or \$104.6 billion, estimated to be spent on operating expenditures (OPEX) and CAPEX combined, mostly spent in Canada.
- The industry's improved health has transferred to the bottom line of provincial governments. The industry paid a record \$34 billion in oil and gas royalties to provincial governments in 2022. In 2024 and 2025, over \$20 billion is expected in each year.
- Over the past few years, cost inflation has erased some of the industry's previous gains in reducing operating costs. Managing these costs continues to be an area of focus.
- The economic impact of Canada's upstream oil and gas sector is significant. In 2024, the sector comprised over 3% of Canada's total GDP. The Oil and Gas Extraction sub-industry is the largest goods-producing industry in Canada. It is 31% bigger than the next largest sub-industry—Engineering and Other Construction Activities—and 37% bigger than the Residential Building Construction industry.
- Based on direct and indirect jobs, the oil and gas sector employs about 450,000 people in Canada. When induced jobs are also considered, the oil and gas sector employs closer to 900,000 people in Canada. These are well-paying jobs; the average direct oil and gas worker's total compensation is roughly 2x higher than the Canadian average for goods-producing industries.

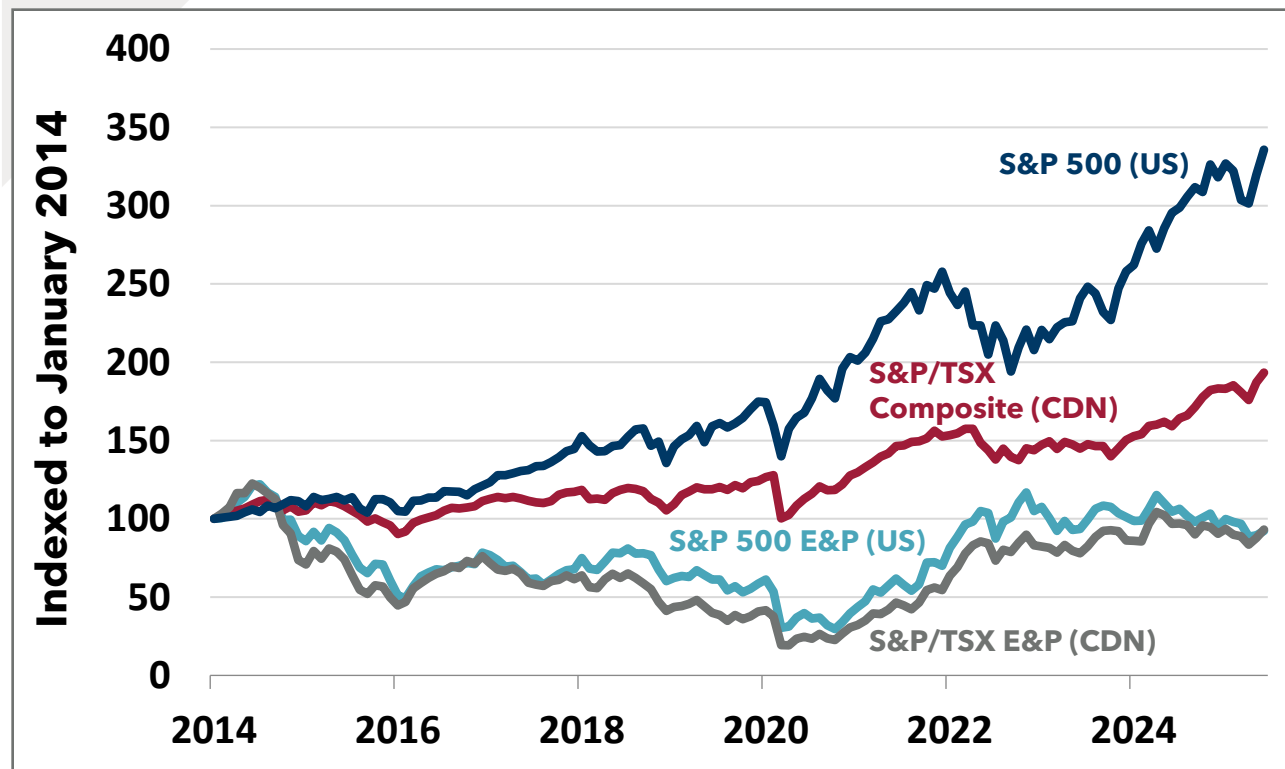
Canadian Oil and Gas Metrics (2025e)

\$178.3 billion
Revenue

\$63.2 billion
OPEX

\$41.4 billion
CAPEX

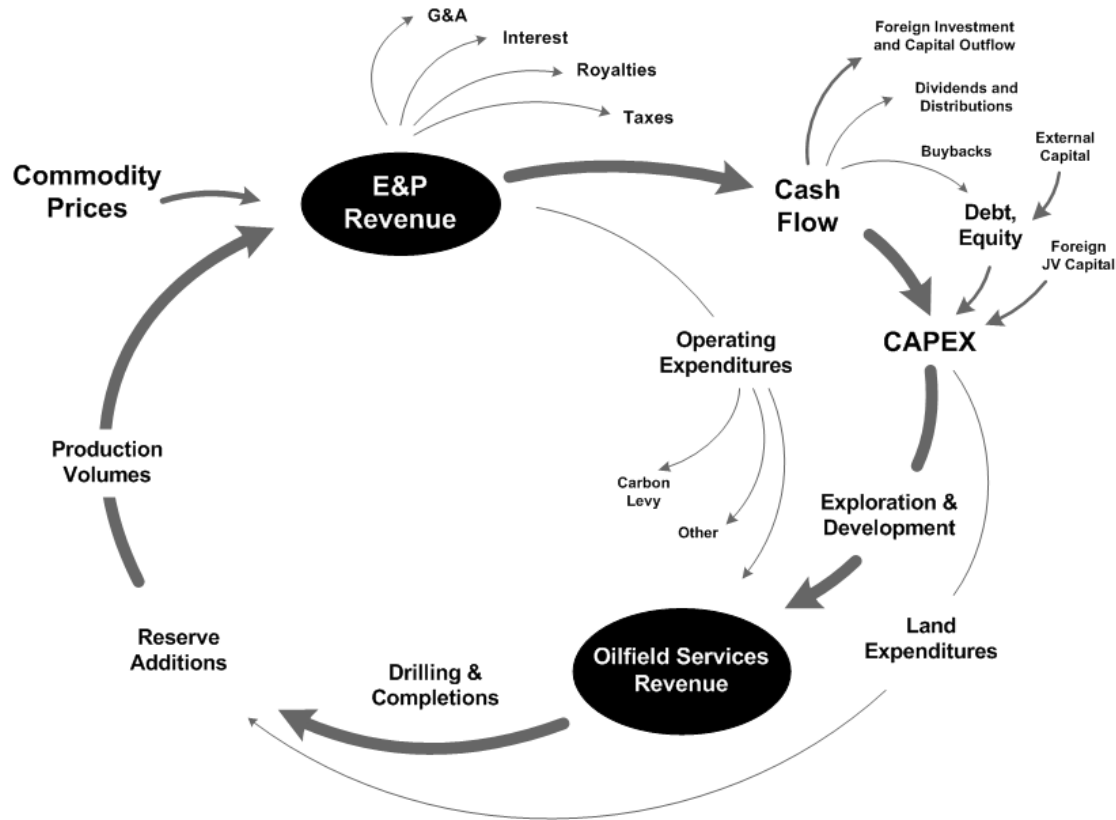
Equity Indices Performance Comparison | Monthly | 2014 to Jun. 2025



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

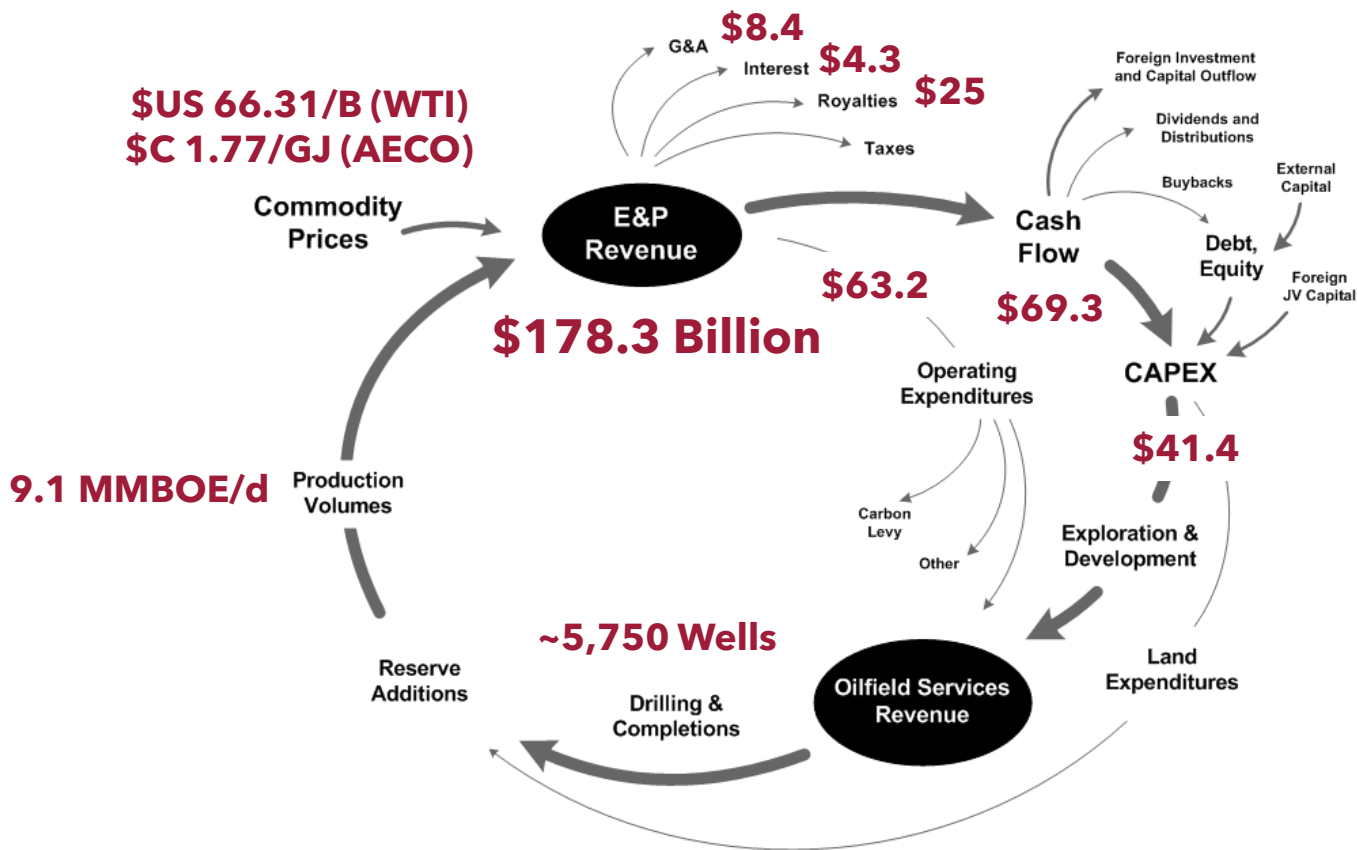
The Fiscal Pulse

The Fiscal Pulse | Total Canadian Upstream Oil and Gas Industry



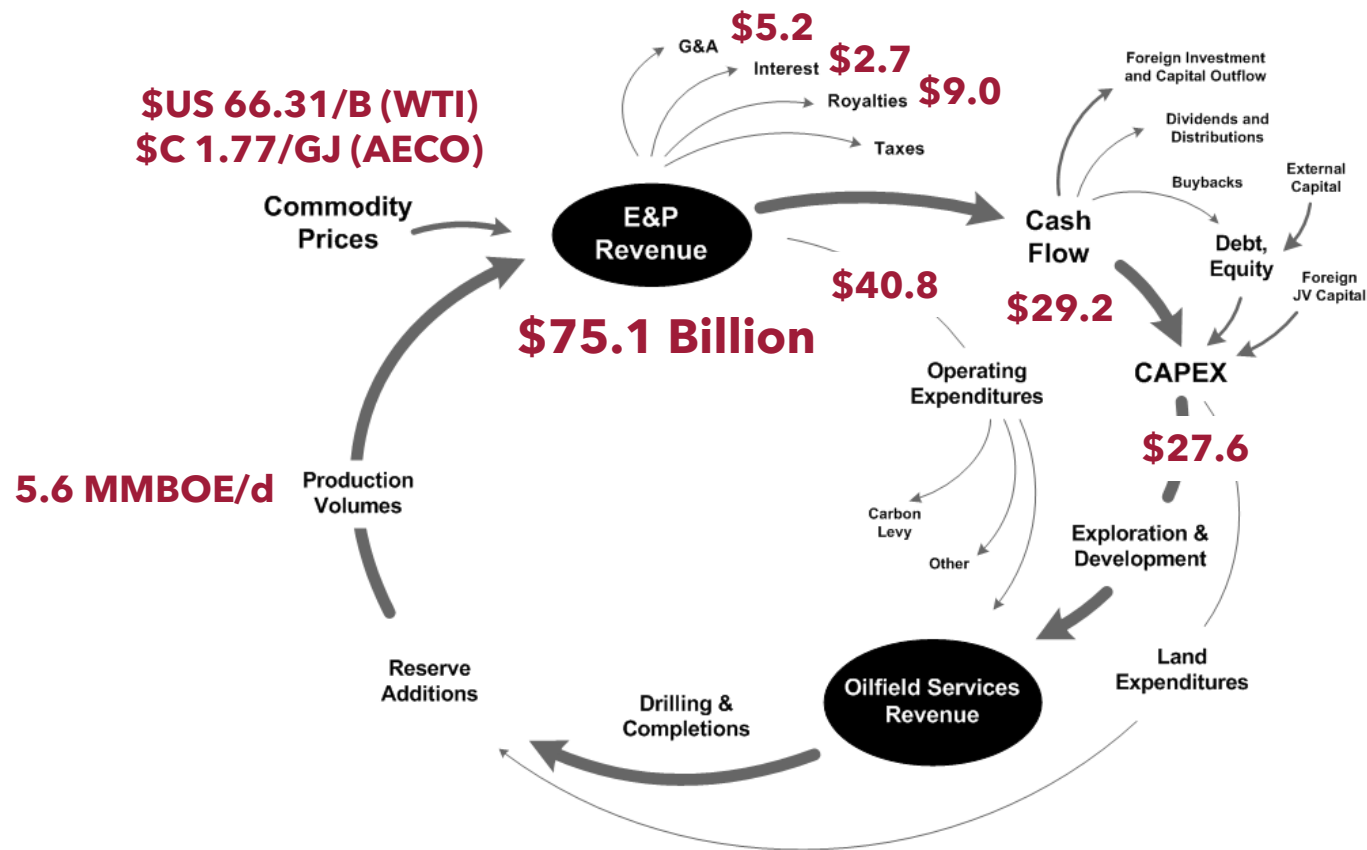
- ▶ The Fiscal Pulse diagram represents an accounting of how the dollars and product volumes flow through the Canadian oil and gas economy.
- ▶ Production Volumes are multiplied by Commodity Prices to yield E&P Revenue. Interest, G&A, Royalties, and Taxes, along with Operating Expenditures, are then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

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



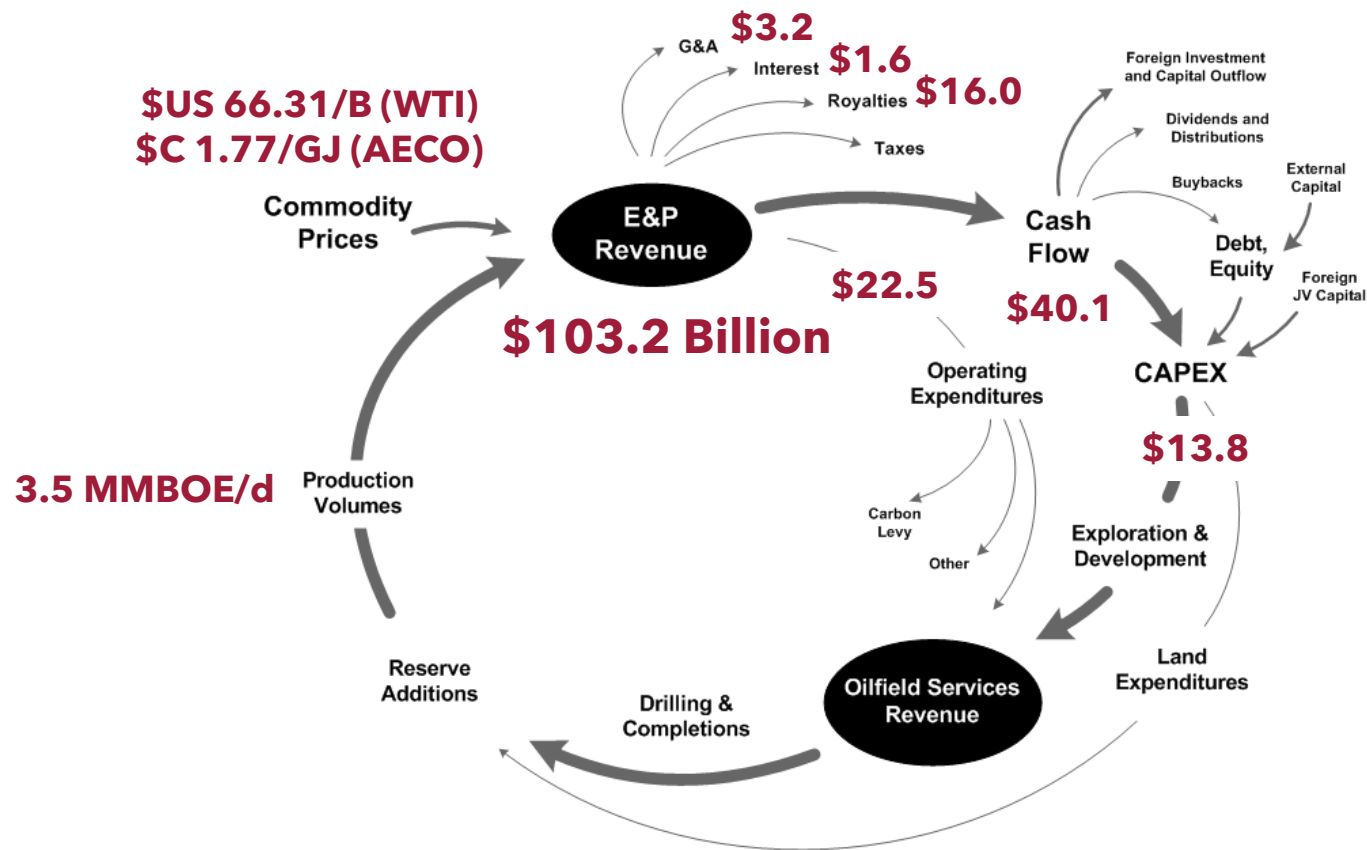
- This capital flow diagram updates the metrics for 2025.
- Total revenues are estimated to be \$178 billion in 2025, down from \$186 billion in 2024.
- Capital spending of about \$41 billion is expected to be slightly up from 2024 with roughly 60% of revenue, or \$105 billion (OPEX + CAPEX) that is mostly spent in Canada.

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



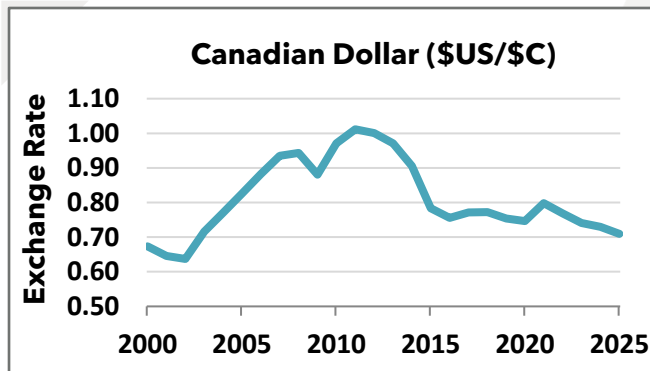
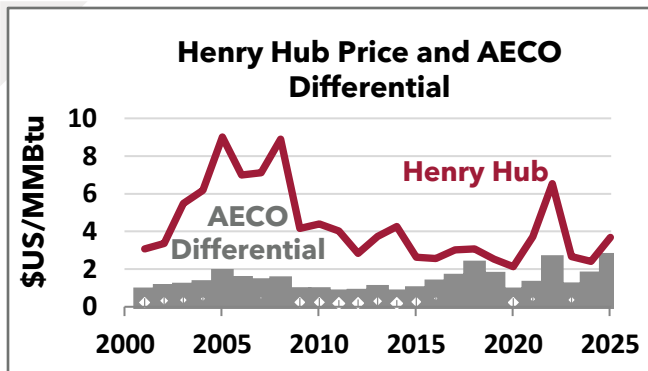
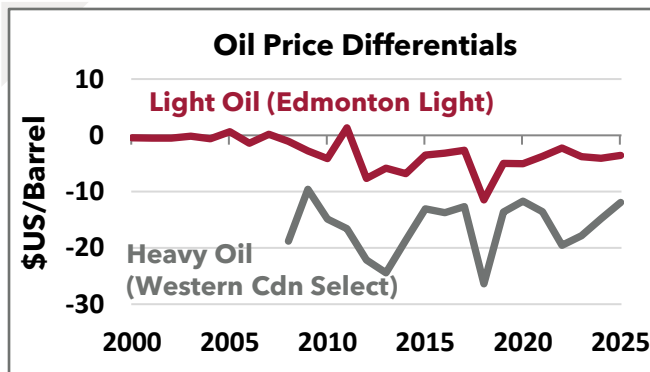
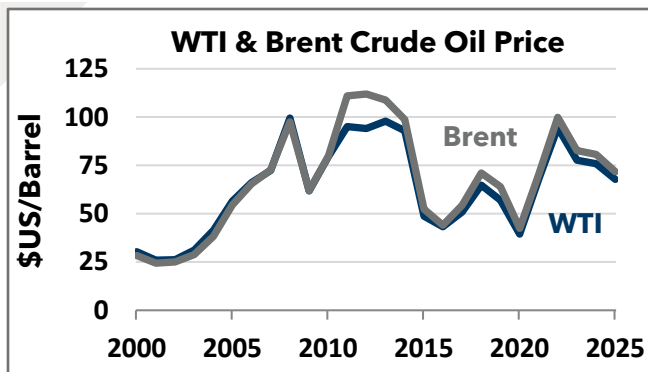
- In 2025, conventional production is estimated to make up under half of the total industry revenue.
- Conventional oil and gas is forecast to spend an estimated \$28 billion on CAPEX or close to 95% of the cash flow generated.
- The high decline rates of the existing wells require constant re-investment just to keep production flat.
- During the US\$100/B oil price era (pre-2014) annual CAPEX spending exceeded \$40 billion some years, an amount greater than peak oil sands spending of ~\$33 billion.

The Fiscal Pulse | Oil Sands Only | 2025 Estimates



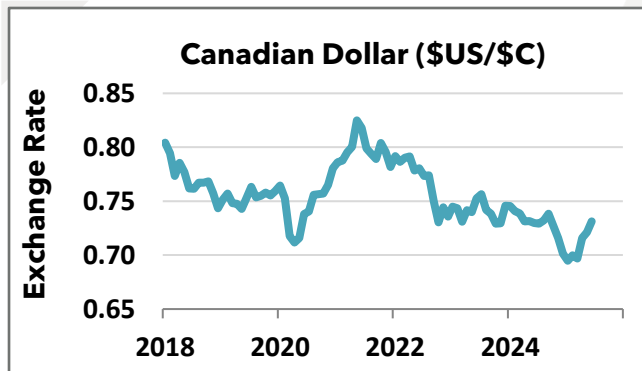
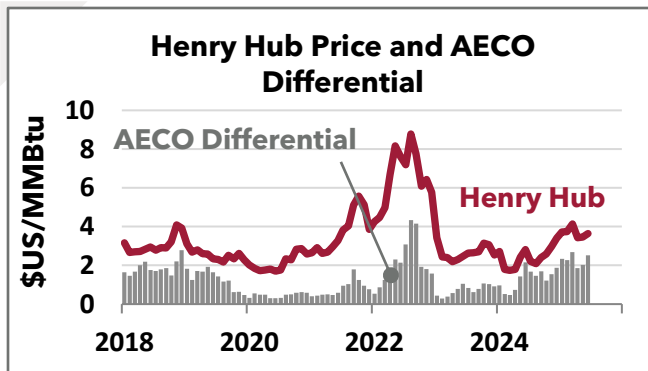
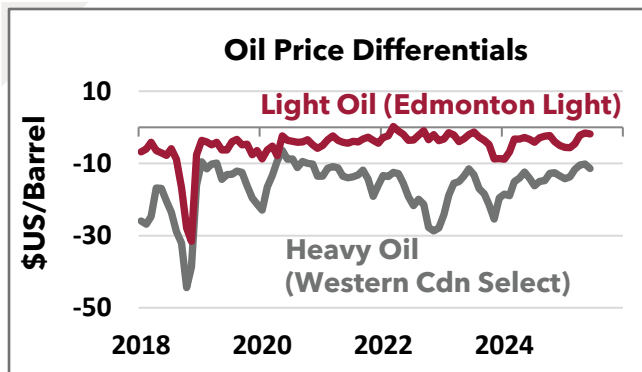
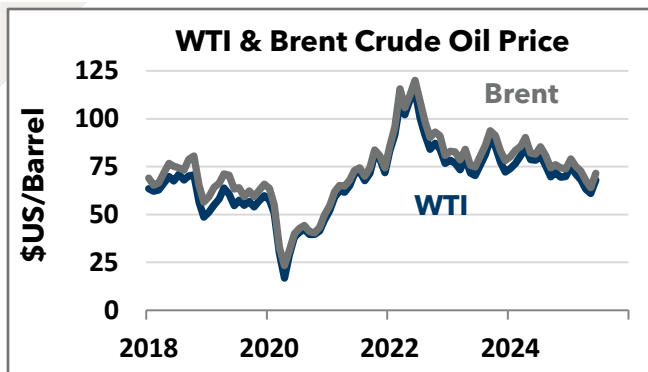
- In 2025, oil sands are estimated to account for over half of the upstream industry's total 2025 revenue.
- Oil sands capital spending is expected to be about half of the conventional amount, at just over \$13 billion for 2024.
- During the boom years of the oil sands construction (pre-2014) annual spending was over \$30 billion for some years.
- Greenfield construction of oil sands ended last decade. Today, the capex is mostly for production maintenance.

Commodity Prices and Differentials | Annual | 2000 to YTD 2025*



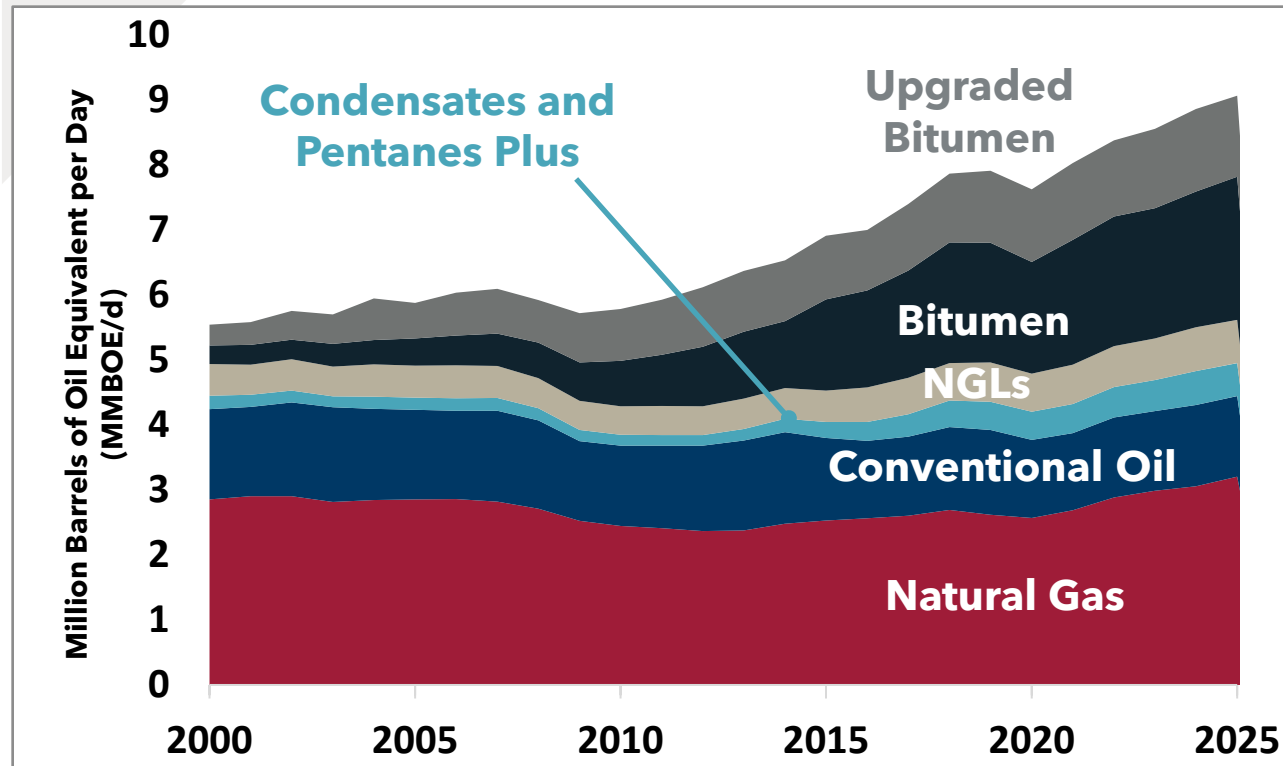
- In 2018, oil price discounts became extreme due to a lack of pipeline takeaway capacity.
- Discounts are more normal now, with new pipeline capacity and more moderate production growth.
- Canadian natural gas prices at AECO were heavily discounted in the 2017 to 2019 period, and again in the summer of 2022 and 2024. Canadian natural gas prices should improve as LNG Canada Phase 1, which shipped its first cargo in June 2025, continues to ramp-up.
- Oil and gas revenue is realized in US dollars - a weaker Canadian currency has helped boost revenue in Canadian dollars.

Commodity Prices and Differentials | Monthly | 2018 to June 2025



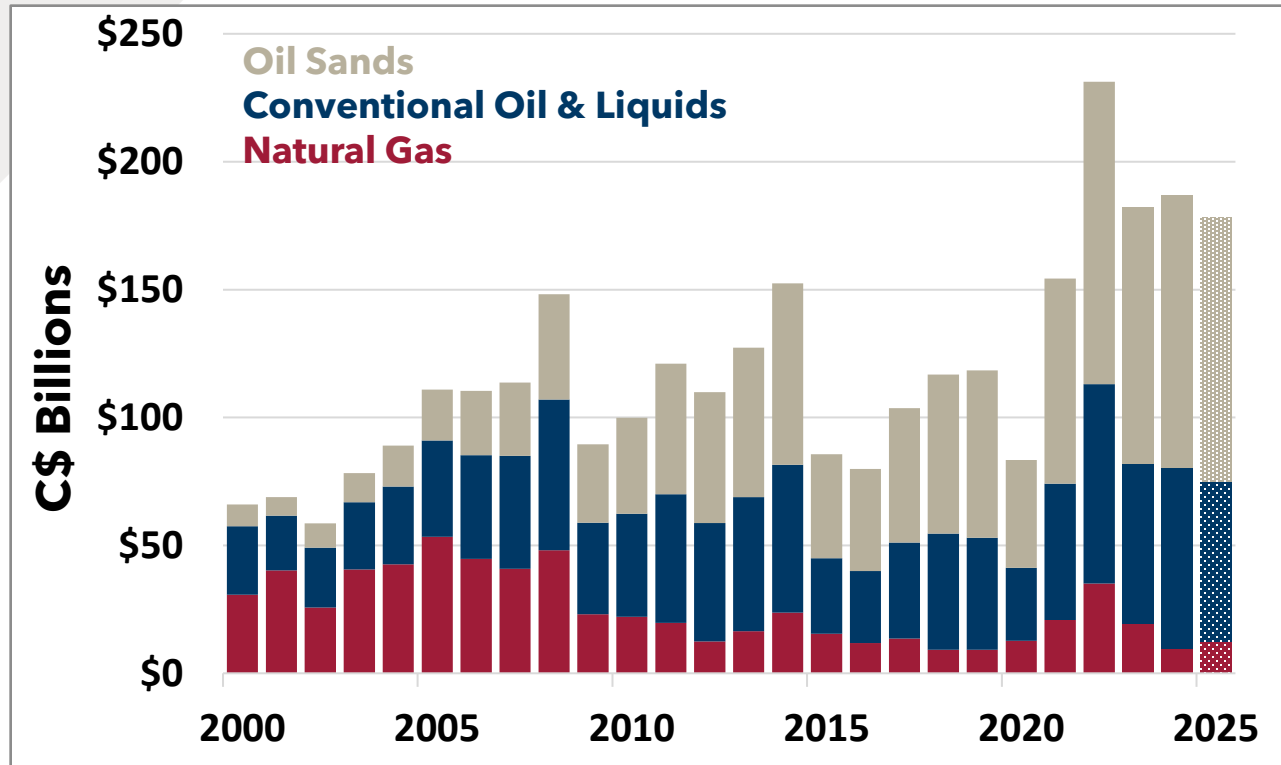
- The monthly data helps show the trends more clearly.
- WTI oil price hit roughly \$US 60/B in May 2025 bringing the average for Q2 to \$US 64/B, approximately \$US7/B lower compared to Q1/2025.
- The Canadian dollar also strengthened in Q2/2025 averaging just under \$US/\$C 0.72, up almost three cents.
- A weaker Canadian dollar boosts the industry's profitability. Companies sell their products in US dollars and pay expenses in discounted Canadian dollars.

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



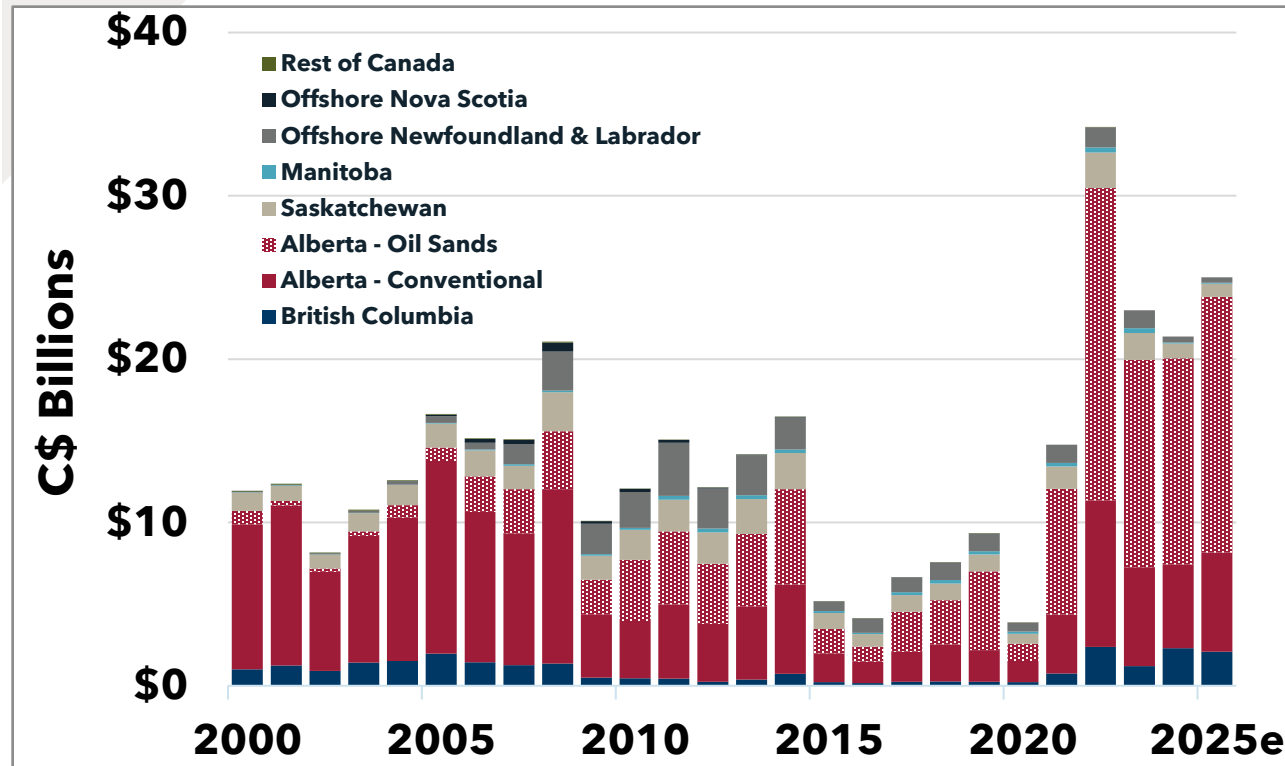
- Canada's total production reached an all-time high of 8.9 MMBOE/d (including NGLs) in 2024.
- Since 2021, natural gas and bitumen have been the primary sources of Canadian hydrocarbon production growth.
- Canada's resilient production bounced back faster from COVID than most other countries, including in the US.
- The resiliency of production is partly due to the industry's drive to be more operationally and cost-efficient since the 2014/2015 downturn but also driven by lower base declines associated with oil sands production.

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



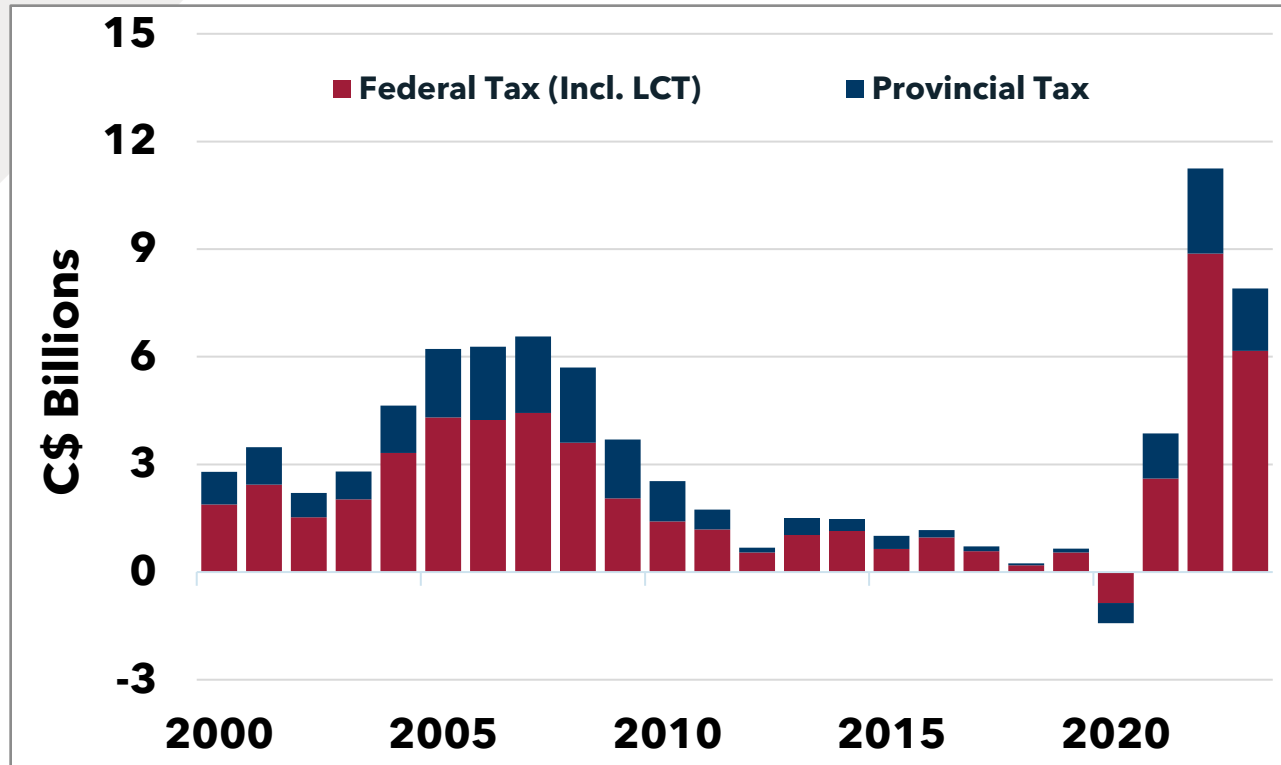
- Oil has a higher energy density than natural gas, therefore, oil is generally more valuable on a per-unit basis as it contains more energy. As such, Canadian oil and gas upstream revenues are more influenced by oil prices.
- While marketed natural gas production is expected to be at an all-time high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

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



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

Annual Canadian Oil and Gas Income Taxes | 2000 to 2023

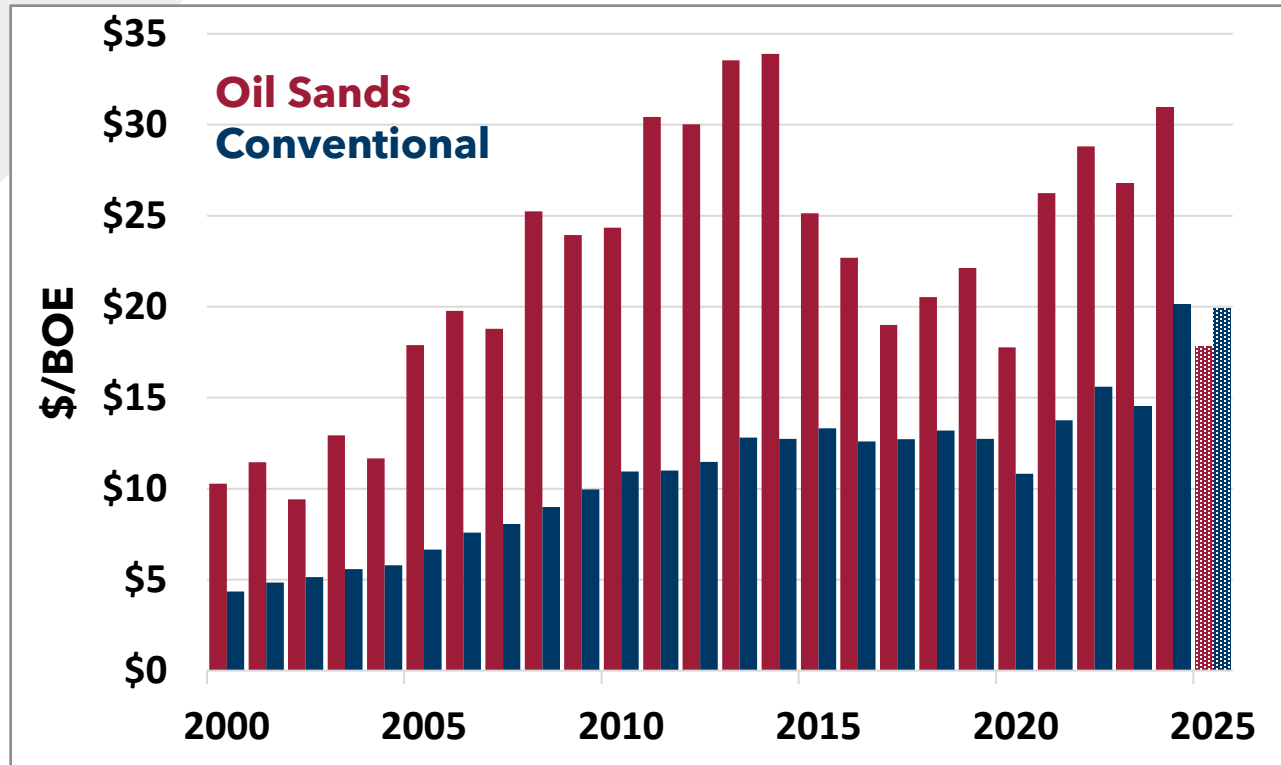


Canada's upstream oil and gas industry is an important contributor to government revenues through federal and provincial corporate income taxes.

In 2023, Canada's oil and gas industry paid the federal and provincial governments nearly \$8 billion of income taxes.

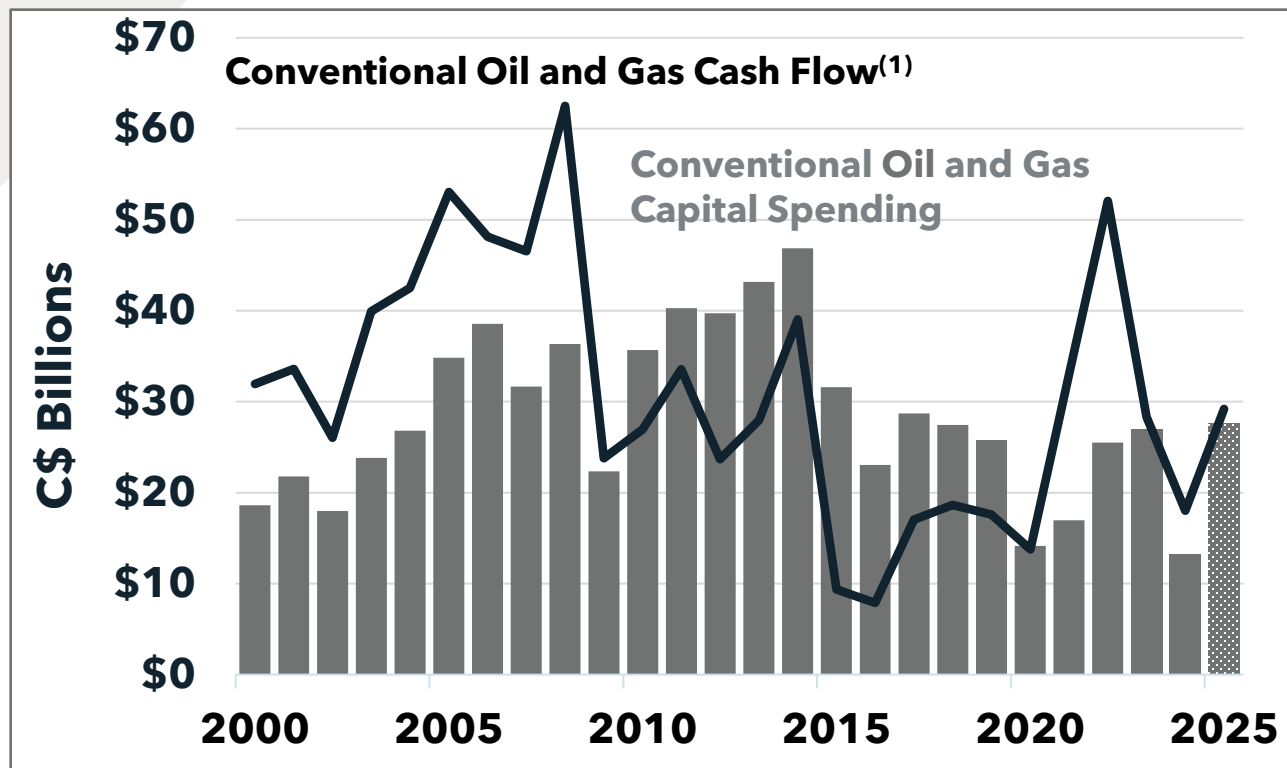
Since 2021, shareholders of oil and gas companies have shifted the focus from reinvestment in growth to profitability. This structural trend is expected to increase the amount of taxes in the coming decade.

Annual Operating Costs per BOE | 2000 to 2025e



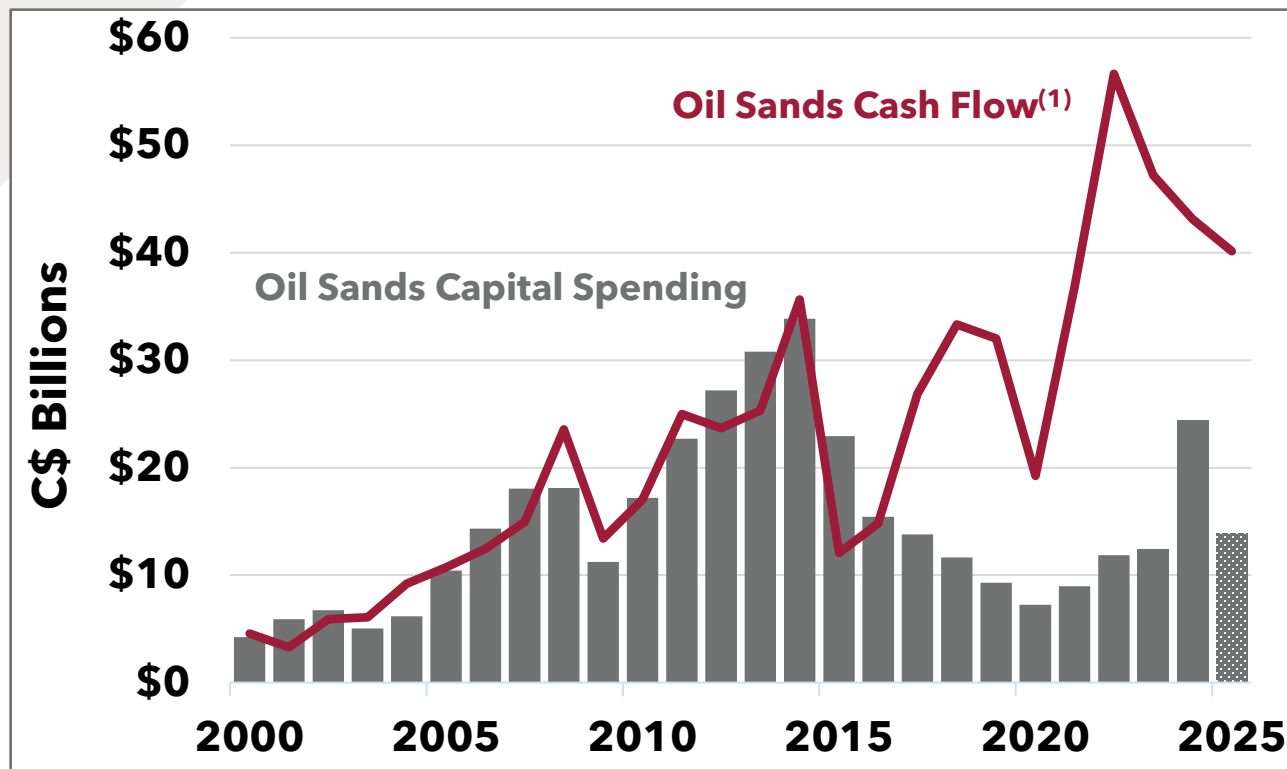
- After the 2014 downturn, through efficiencies, oil sands operators made significant strides in reducing their operating costs per barrel.
- Conventional operating costs declined but to a lesser extent. However, post-COVID, much of the gain in reducing operating costs has been eroded by cost inflation for goods and services.
- Managing cost inflation is an ongoing focus for the industry.
- For oil sands operators, fuel costs (e.g., natural gas) are a major component of operating costs. Low domestic natural gas prices enable lower operating costs for oil sands operators, as evidenced by estimated operating costs in 2025.

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



- From 2000 to 2010, the conventional industry's growth was constrained, and it did not spend all the cash flow that it generated.
- That changed in 2010. For the next 10 years, the industry had access to external debt and equity, allowing it to spend beyond its cash flow.
- Now, the focus has shifted from growth to shareholder returns. Consequently, since 2021, capital spending has mostly been lower than cash flow.

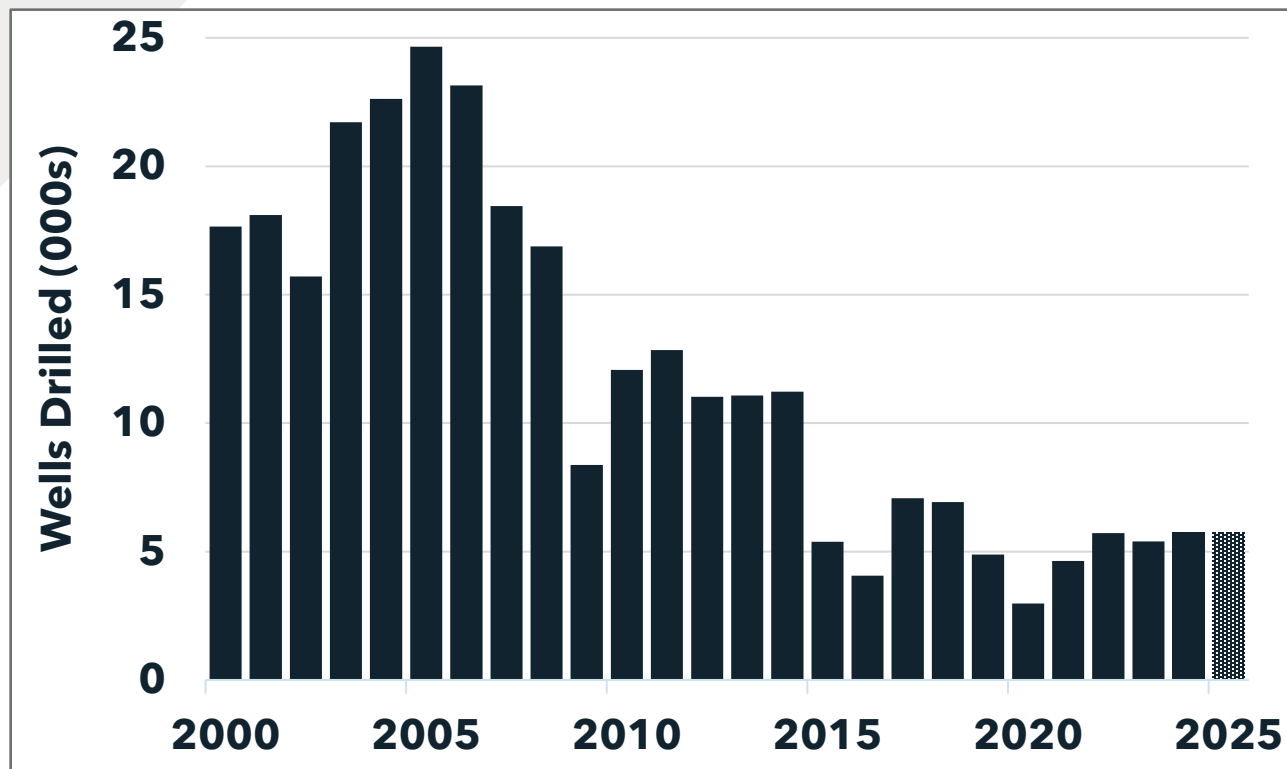
Cash Flow and Capital Spending | Oil Sands | 2000 to 2025e



Capital spending on oil sands projects peaked in 2014 at nearly \$35 billion. The collapse in oil prices caused many projects to be shelved and multinationals started to exit the sector.

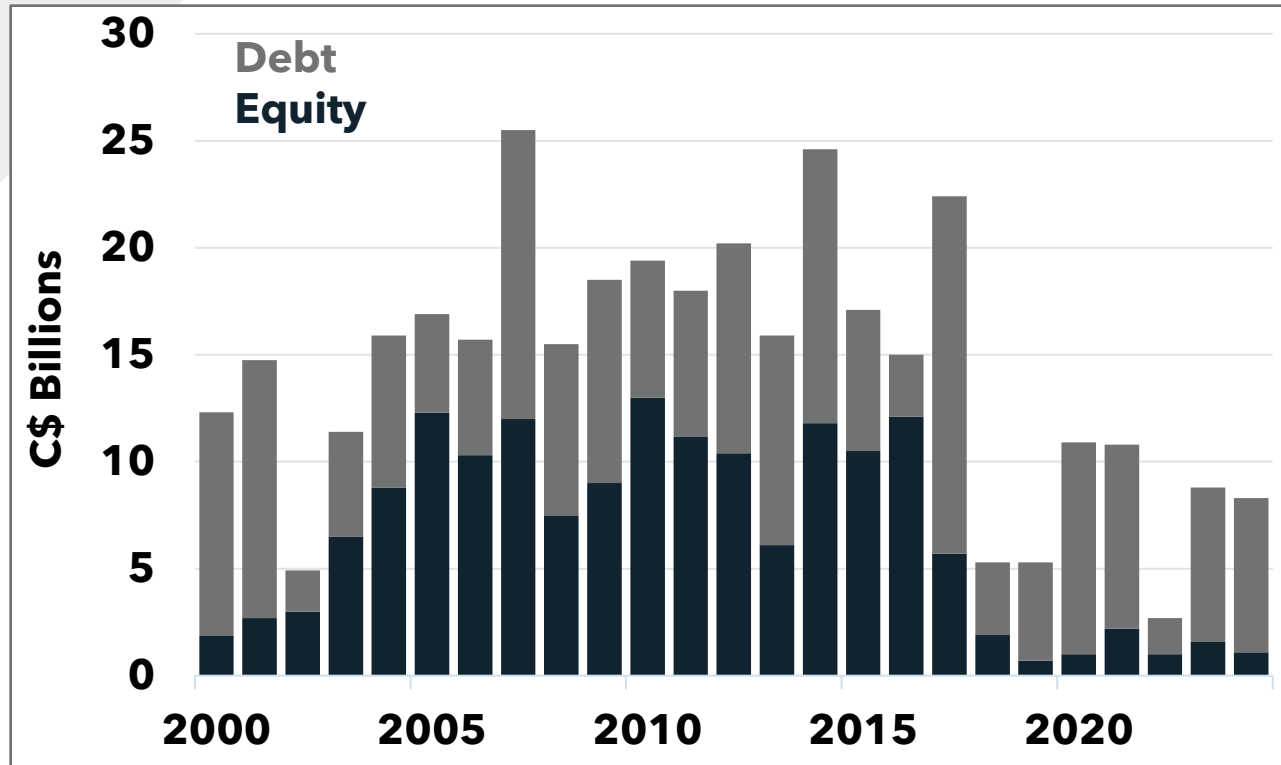
Today, no greenfield projects are progressing. CAPEX spending is on brownfield expansions and maintenance of existing assets that need relatively low amounts of capital. Consequently, oil sands generate more free cash flow (after CAPEX is deducted) than conventional, which requires higher levels of CAPEX.

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



- In the era of shallow gas drilling and high natural gas prices, a record ~25,000 wells and ~30 million meters were drilled in 2005.
- Today, wells are much deeper and take longer to drill. In 2023, 5,389 wells were drilled in the Western Canada Sedimentary Basin (WCSB) covering just under 18 million meters.
- That equates to wells being on average approximately 2.7X longer today than in 2005.
- The estimate for wells drilled in 2025 shown on the graph is ~5,750 which is roughly flat compared to the 5,758 wells drilled in 2024.

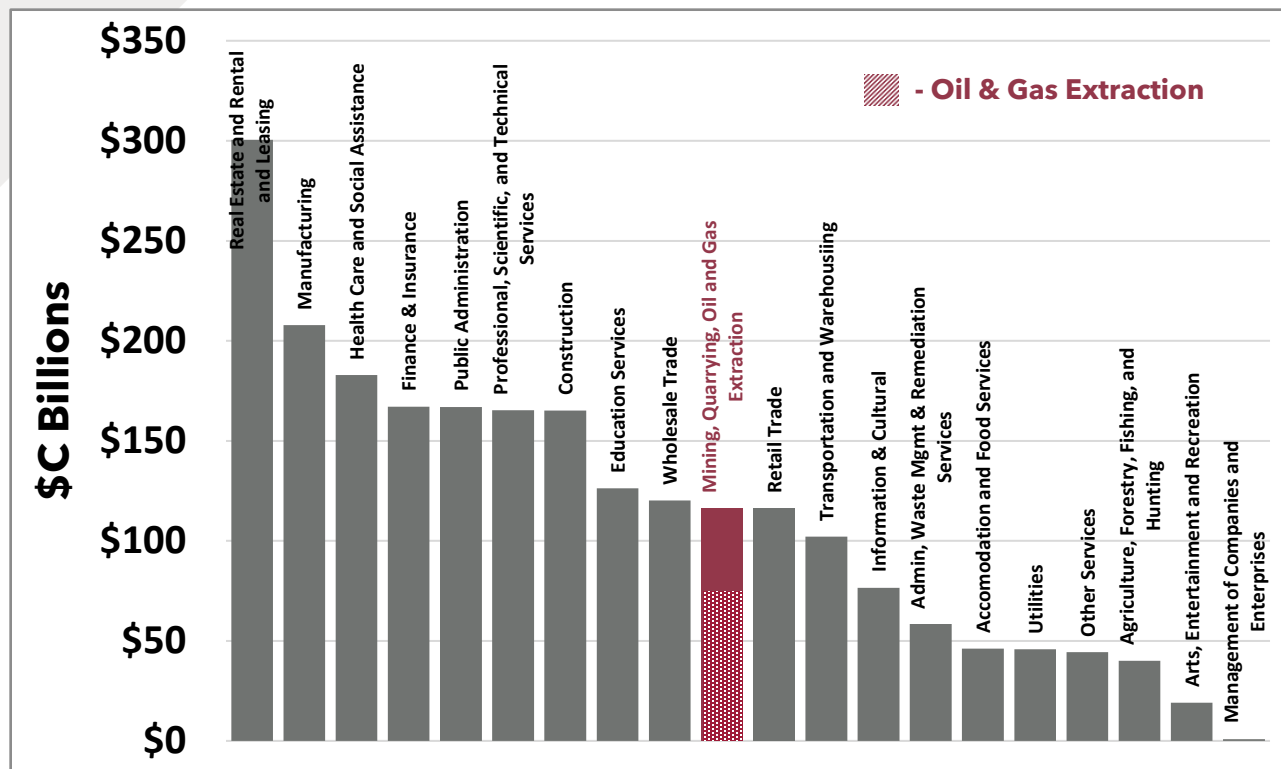
Annual Canadian Oil and Gas Industry Financings | 2000 to 2024



- While capital is constrained in the global oil and gas industry, the situation is heightened in Canada because of pipeline takeaway capacity issues, regulatory uncertainty surrounding pipeline projects, and carbon policy uncertainty.
- The total amount of capital raised in the Canadian oil and gas industry in 2024 was \$8.3 billion down slightly compared to \$8.8 billion in 2023.
- The industry is adapting to having less access to external capital than in the past, by reducing debt and relying on internally generated cash flow.

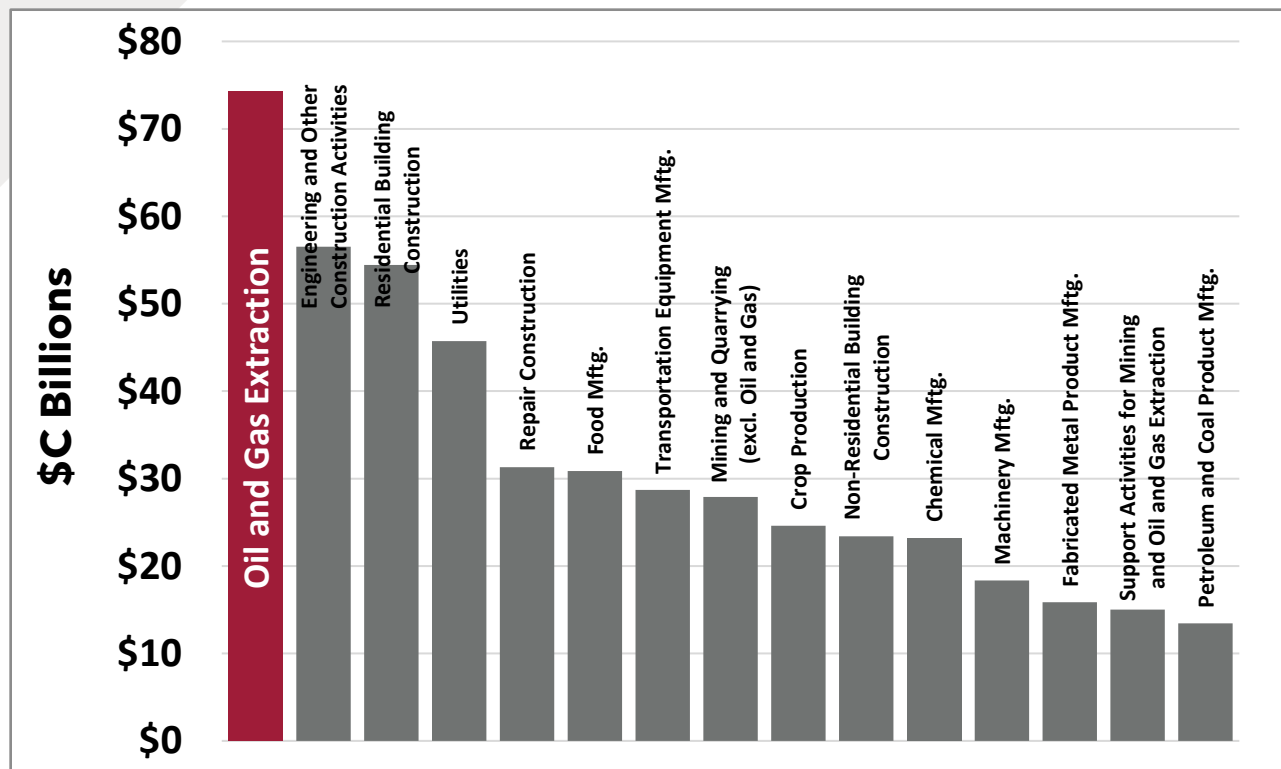
Economic Impact of the Oil and Gas Industry

Canada's Gross Domestic Product (GDP) by Industry | 2024



- In 2024, the Mining, Quarrying, and Oil and Gas Extraction industry significantly contributed to Canada's GDP at approximately \$116 billion.
- Collectively, the extractive industries (mining, quarrying, and oil and gas) accounted for 5.1% of Canada's total GDP of roughly \$2.3 trillion in 2024 - oil and gas is the largest of the three, contributing \$74 billion, or 3.3%.
- When using a broader definition for the oil and gas industry⁽¹⁾ to capture other related sub-industries, the GDP impact in 2024 was approximately ~\$127 billion.

Canada's Gross Domestic Product (GDP) | Largest 15 Goods-Producing Sub-Industries | 2024



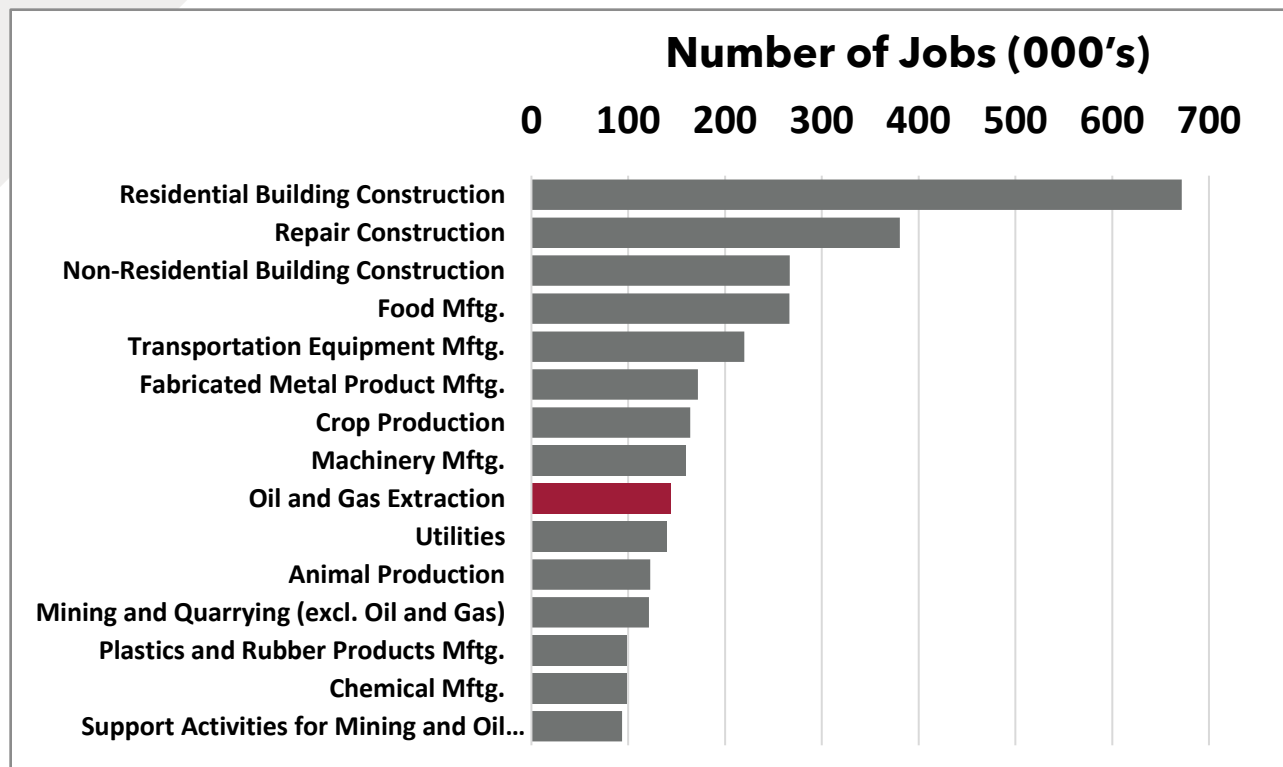
➤ In 2024, based on the latest Statistics Canada data, the Oil and Gas Extraction sub-industry accounted for \$74 billion or 3.3% of Canada's GDP.

➤ The Oil and Gas Extraction sub-industry is the largest Goods-Producing industry⁽¹⁾ in Canada.

➤ The Oil and Gas Extraction sub-industry is 31% bigger than the next largest sub-industry—Engineering and Other Construction Activities—and 37% bigger than the Residential Building Construction industry.

➤ When using a broader definition for the oil and gas industry⁽²⁾ to capture other related sub-industries, the GDP impact in 2024 was approximately ~\$127 billion.

Number of Direct Jobs Per Goods-Producing Industry⁽¹⁾ | 2024

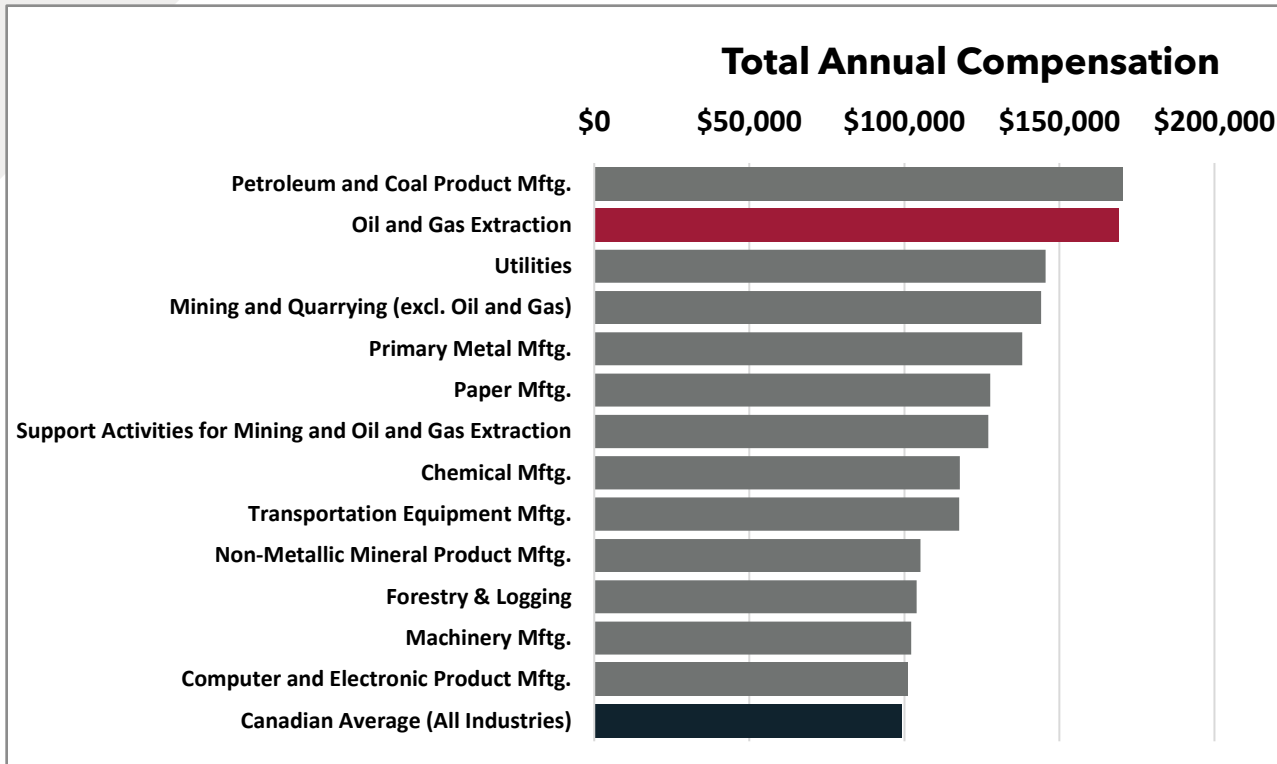


➤ The Oil and Gas Extraction⁽²⁾ sub-industry provided over 140,000 direct jobs in 2024, which includes support activities.

➤ Statistics Canada estimates that every direct oil and gas job creates two indirect jobs in businesses that sell to oil and gas producers, and three induced jobs, where oil and gas workers spend their money⁽³⁾. This would imply that roughly 900,000 jobs were a result of the oil and gas extraction industry in 2023.

➤ When using a broader definition for the oil and gas industry⁽⁴⁾ to capture other related sub-industries, the total number of direct jobs in 2024 was over 300,000.

Average Total Compensation Per Job by Goods-Producing Industry | 2024



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