

## December 2020 – CSUR Technical Webinar

### Canada's role in the evolving energy landscape.



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#### "CANADA'S ROLE IN THE EVOLVING ENERGY LANDSCAPE."

By April Read, MBA, P.Geol. - Senior  
Analyst, Canada Upstream Research from  
Wood Mackenzie.

CSUR's final webinar for 2020 featured April Read, Senior Analyst within Wood Mackenzie Group's Canada Upstream Research team. April's talk focused on the evolving global energy landscape & Canada's role within the same. The objective of her presentation was to provide a review of the year and to look ahead to 2021 & beyond. In addition, her goal was to delve into the various factors that have affected Canada's Oil & Gas industry over the past number of years, to summarize the overall strength of the industry going forward and to correlate to corresponding activity levels.

While the Canadian energy industry has had to cope with multiple price crashes, production curtailments, ongoing egress issues and expanding ESG (Environmental, Social & Governance) protocols, the speaker indicated that these events have made the sector that much more resilient overall. However, the 2020 pandemic has resulted in a significant decline in the Capex (capital expenditure) for most companies due to the demand crash. Although low prices have affected the oil market more than the gas market, it appears that the unconventional resource sector was hardest hit as far as Capex reductions are concerned. From a production perspective, the oil sands sector was adversely affected the most due to the global demand crash. As expected, activity levels in Western Canada paralleled this retraction more so for the oil players than the gas focused companies. Going forward, Wood Mackenzie

Group's forecast also suggests that the gas market will recover faster and have more growth potential than the oil market.

The speaker focused on the financial health of Canadian O&G companies compared to those in the US. She reiterated that generally the large Canadian companies' balance sheets are more robust and better prepared for volatile periods than their American counterparts. Having gone through multiple price fluctuations and disruptions over the past few years, these stronger companies have become much more strategic and hence able to overcome difficult periods. However, Canadian junior and intermediate operators are rated lower on the financial health index, primarily due to their difficulty in accessing the required capital for their operations.

In looking at global energy supply and demand, the speaker commented that all their scenarios & forecasts suggest that hydrocarbon-based energy will continue to play an important & significant role in the overall global energy equation. However, it was noted that known resources for both oil and gas will far exceed demand well beyond 2040. As such, resource companies will need to position themselves such that their respective production is categorized as "advantaged" as opposed to "disadvantaged" volumes. Wood Mackenzie's analysis suggest that companies will be

judged on two criteria as the world transitions toward a lower carbon future: resiliency (near-term focus) and sustainability (long-term outlook). Specifically, they believe that the key components or metrics that will be used are financial health, portfolio mix and finally ESG (carbon exposure). If Canadian E&P companies want to remain competitive globally, they will need to be even more strategic in all the above measures, including via mergers and consolidation (i.e., Cenovus and Husky). Similarly, with Canada's most important play, the Montney, companies will need to consider consolidating to build resiliency and sustainability to be able to survive and remain investable for the long term.

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## Summary

The Canadian oil and gas industry is evolving. The past six years have been a roller coaster for Canadian operators with multiple price crashes, production curtailments, continuing egress issues and ESG performance coming under the microscope. Coronavirus and the resulting demand crash are merely the latest free fall on the track. But, does being an experienced hand with shut-ins and pricing pain increase the resilience of Canadian companies to these latest trials?

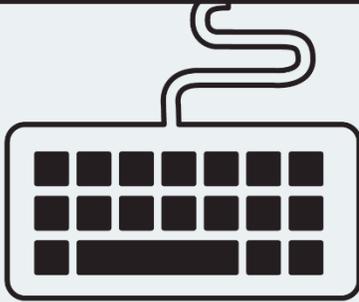
To answer these questions and more, we'll look at what effect the events of 2020 had on rig counts, production, capital expenditures, and the financial health of companies. We know there will be lingering consequences of the pandemic and price crash for years. What are the challenges and opportunities that lay ahead? And how will these help shape the Canadian industry in 2021 and beyond?

**PRESENTER:** April Read, MBA, P.Geol. - Senior Analyst, Canada Upstream Research from Wood Mackenzie.

April joined Wood Mackenzie in September 2019 as a Senior Analyst for the Canada Upstream Research team. April is focused on developing asset valuations, engaging with industry players and cultivating research that gives clients insights to aid in strategic decision-making. Some of the main operators she covers are Suncor, Husky, Imperial Oil and ARC Resources. She also covers Husky and Suncor for the corporate analysis team.

Prior to joining Wood Mackenzie, April worked as a Senior Geologist at several junior to intermediate oil and gas companies. In addition to technical and operations geology, April also worked on reserves evaluation, company strategy and A&D activities with particular focus on tight oil and gas plays.

April holds an MBA with Distinction from Cornell University and a BSc (Specialization in Geology) from the University of Alberta. She is also registered as a Professional Geologist in the province of Alberta.



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By April Read, Wood Mackenzie

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