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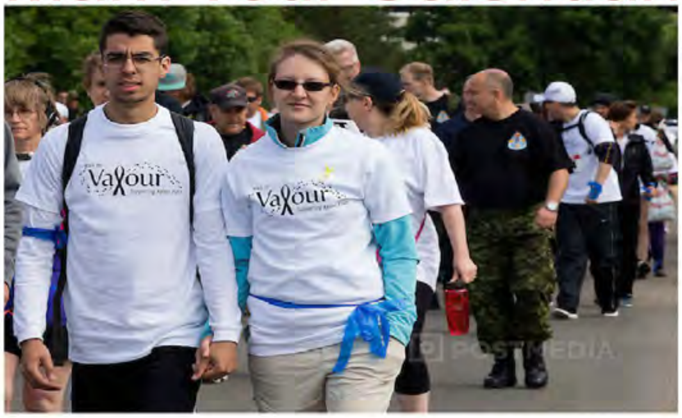






## OIL PATCH EARNINGS SEASON WILL BRING MORE RED INK

Fort McMurray wildfires are a complicating factor.Today, earnings will start to flow from the energy sector. Generally speaking they're expected to be better than they were in the winter quarter, but that's not saying much.Red ink will continue to be a major theme, but it won't be the only theme. The impact the Fort McMurray wildfires had on production will be key for oilsands companies, and as importantly, analysts will be watching to see if there's any confidence in oil at least maintaining current levels.

Alberta recession one of the most severe ever, TD Economics report finds

Oil downturn leads to rise in underground contractors"You'll see some strong improvement in Q2 over Q1," said Martin Pelletier, a portfolio manager with Trivest Wealth Counsel"You had oil up 48 or 49 per cent. Natural gas was up 31 per cent, that's going to reflect in some pretty good top-line revenue numbers."Refining margins were also strong in the quarter. That will help the big so-called integrated companies, such as Imperial Oil and Suncor, which refine oil and sell gasoline. In a research report, BMO Capital Markets analyst Randy Ollenberger noted that But then there are the wildfires that raged through the Fort McMurray region in May, taking as much as 1.5 million barrels a day of supply off the market. But then there are the wildfires that raged through the Fort McMurray region in May, taking as much as 1.5 million barrels a day of supply off the market. As a result, Ollenberger wrote that he expects the production of four key oilsands players: Suncor, Cenovus, Husky, and Imperial Oil to be lower by 25 per cent in the quarter. Ollenberger expects all but Imperial to post a loss and forecasts that Imperial will break even in the quarter. Notably, Ollenberger is expecting oilsands numbers to improve over the first quarter of the year, when oil hit a low of $26 US a barrel.

It was, of course, the production cuts resulting from the fires that helped to boost the price of oil, the very definition of cold comfort.Outside of the oilsands, the picture is brighter, with the large majority of senior producers able to take advantage of higher prices without the pain of production cuts.However, Pelletier pointed out that the market prefers to look forward, not backward, so the focus will be on what comes next. Will oil prices manage to stay above $40 US a barrel, or will they sink again?In the past two springs, oil topped out in late spring, and then fell sharply as the summer driving season came to an end. In 2014, the situation was made worse by OPEC's decision to turn on the taps. Those taps are still turned on maximum. According to the International Energy Agency, oil production in the Middle East has been above a record 31 million barrels a day for three months, offsetting, at least in part, the drop in U.S. production. The IEA still thinks that the market will be in balance in this half of 2016.Pelletier counts himself as bear on oil at the moment. He said will be watching to see if energy companies chose to hedge (or presell their oil) when oil prices were high, whether they are continuing with cost cutting, or possibly increasing spending."I think the risks are certainly more to the downside, the question is: are companies sharing that same view, or are they optimistic?"

## AMERICAN ENERGY COMPANIES CONTINUE TO SHED CANADIAN ASSET

Over the past several years there has been a notable trend in the North American energy sector: American energy companies are jettisoning their Canadian assets. That trend continued to play out this past week when U.S.-based oil and gas producer Devon Energy Corp. (NYSE:DVN) sealed a deal for its stake in an oil pipeline. Following that transaction was a report that the auction of American energy infrastructure giant Williams Companies Inc.'s (NYSE:WMB) Canadian unit attracted at least seven bidders. This deal news suggests that U.S. energy companies continue to see better opportunities by cashing in their Canadian assets, so they can focus on growing in their home country.Access to additional capital grantedDevon Energy announced the sale of its 50% stake in the Access Pipeline in the Canadian oil sands region to Canada Pension Plan Investment Board–



backed Wolf Midstream. The initial sale price was $1.4 billion, though it includes the potential for Devon to earn an additional $150 million after it sanctions the development of a new project on its Pike oil sands lease. That is noteworthy in and of itself because it suggests that Devon Energy has plans to grow its presence in the oil sands.That said, this is not the first time the company has jettisoned assets in Canada. In 2014 the company sold its conventional assets in the country to Canadian Natural Resources for $3.125 billion. That transaction represented the entirety of its conventional business in Canada. However, the company did retain its shale gas assets in the Horn River, its heavy oil assets at Lloydminster, and its oil sands assets in Alberta.

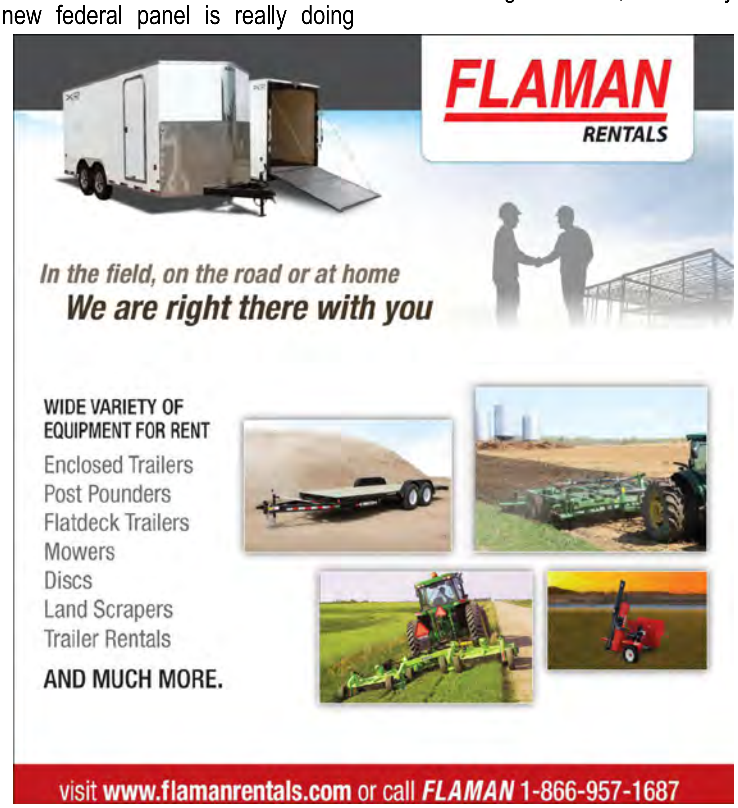
While Devon Energy retained assets that had the most upside, it cashed in on those that did not to reinvest the proceeds into its U.S. shale business. For example, the proceeds from the sale to Canadian Natural Resources were used to pay for its Eagle Ford shale acquisition, while the sale of its stake in the Access Pipeline will go towards accelerating the development of its STACK and Delaware Basin resource plays.Cashing out

Meanwhile, Williams Companies is reportedly well advanced in the sale process for its Canadian assets. The company owns a unique slate of assets, including the only fractionator in Canada capable of processing offgas liquids found in the oil sands. To date, the company has invested US$2 billion in building its Canadian assets, and it has another US$2.8 billion in future investment opportunities. That said, according to reports, the company's Canadian assets are only expected to sell for between US$1 billion and US$2 billion. This is due in large part to the impact of low oil prices, which cut into the margins of Williams Companies's Canadian operations by $89 million last year.

Aside from the impact of low oil prices, the other reason Williams Companies is looking to sell its Canadian assets is that it needs the cash to fund growth in the states. Earlier this year the company and its MLP had to cut US$1 billion out of the capex budget due to lack of resources; it also needs to sell at least US$1 billion of assets to bridge the gap between the budget and capital resources. It is a gap the company appears poised to fund via the sale of its Canadian assets. Investor takeawayAmerican energy companies continue to return home slowly. For the most part, it is not that they don't see growth potential in Canada, but that they need the money to fund the abundant opportunities they have in their own back yard. It is a trend that will likely continue because all but the biggest U.S. oil companies appear content to operate within their own borders.

## TRANS MOUNTAIN PIPELINE CONSULTATIONS QUESTIONED BY FIRST NATIONS CHIEF

Cheam First Nation chief says he wasn't given enough notice to properly prepare for the roundtable discussion.A federal panel on the Trans Mountain Pipeline Expansion is holding public consultations in Chilliwack Thursday, as part of an attempt to rebuild public trust in the federal review process.The controversial project was approved in May with 157 conditions to be met before moving forward, and the three-person panel will be consulting communities and First Nations along the route of the pipeline.Questions have been raised by some local First Nations as to whether the new federal panel is really doing any better at offering meaningful consultation, especially given the two-month time frame.Cheam First Nation Chief Ernie Crey says he was emailed an invitation to the event 10 days ago and feels that he was not given enough notice or information to properly prepare."I just don't see how this panel could show up in Chilliwack, having given the First Nations eight or nine days notice to exercise or discharge this responsibility of consulting thoroughly, broadly and in a meaningful fashion," said Crey.



“It has to be more than a part of an afternoon with muffins and coffee. Are you, or are you not sending information about your mandate as a panel. What are you expectations? They didn’t communicate those things to me.”In response to this criticism, Kim Baird, one of the three ministerial panel members consulting communities, says the purpose of the panel needs to be made clear to the public to avoid this kind of conflict. Acknowledging that the invitation sent to Crey was given with short notice, she defended the panel’s purpose by saying the process is only to collect information, not to make decisions.”I do need to stress that this isn’t Crown consultation that is going on between the federal government and First Nations. Our panel’s role is to talk about the omissions from the current environmental assessment process,” said Baird.”We’re not talking about accommodating First Nations rights and title or any of those things, rather hearing concerns about any oversights in the process from the public perspective and from First Nations perspective as well.”The panel has met with communities in Calgary, Edmonton, Jasper and Kamloops so far and have had varying levels of attendance, but Baird says each consultation has provided valuable and specific feedback from citizens invested in this issue.”The oil and gas industry in Canada as a whole is starting to think about how to transition to a low carbon economy and how long that transition might take. The federal government is reviewing their overall environmental assessment process. Until those changes happen, this panel is an interim measure to try and gauge public concern about the existing process,” she said.”It’s a fairly specific task. We’re not completing an environmental assessment. We’re canvassing process concerns which is fairly specific and, I think, achievable in a short period of time.”Following today’s roundtable discussion, the panel will move on to hold meetings in Abbotsford and Langley next week.

## RISK OF ABANDONED OIL AND GAS WELLS ON THE RISE IN B.C.

‘We’re at the bottom of our worst downturn in four decades’

Northeastern B.C. is now home to 45 abandoned oil and gas sites, according to the province’s energy regulator. They’re dubbed “orphan sites,” abandoned by parent companies that go bust and take off before capping or cleaning up their wells, pipelines and facilities. But a scientist with the David Suzuki Foundation says there are literally thousands of abandoned sites in BC, some impacting local First Nations and farmers.Companies that end production are required to remove surface equipment, cut off, cap and plug wells, clean up any soil and water contamination, and reclaim the land.That is, unless they can’t afford to — and simply walk away.And now, the number of energy companies at risk of abandoning facilities is up and continues to rise, according to B.C.’s Oil and Gas Commission. The B.C. government continues to place its economic hopes in LNG, hopeful that gas fracked in northeastern B.C. will soon be piped to the west coast and exported to Asia.But no LNG projects are under construction. Oil and gas prices remain at rock bottom. And the dramatic downturn in B.C.’s energy industry continues.”We are in some taxing times,” said Brad Herald, vice president of Western Canada Operations for the Canadian Association of Petroleum Producers. “We’re at the bottom of our worst downturn in four decades.”But Herald says that doesn’t mean companies are off the hook.”There’s clearly an expectation, in our business, when folks drill a well, they know there’s an associated liability with its clean up,” said Herald. “This doesn’t come as a surprise to industry.”In fact, an industry levy funds the cleanup of abandoned sites.

“Industry funds the safety net to make sure there’s no liability to the taxpayer ... and those costs do not flow through to the public in British Columbia,” said Herald.B.C.’s energy regulator also keeps a close eye on the balance sheets of energy producers, processors, and disposers operating in the gasfields. A company's assets have to be greater than its liability.

If not, the OGC requires the company to sell off assets, shut down and reclaim wells and facilities, or pay a security deposit.But with rock-bottom energy prices, Herald said many companies are shutting in or reducing production that's now unprofitable. That impacts their asset calculations, and often triggers the requirement to pay a security deposit. Current OGC figures show a growing proportion of companies considered at-risk. They've had to pay $11 million in security deposits over the last year to continue operating.In addition, seven high-risk companies have failed to pay the required security deposit and are now considered "non compliant." B.C.'s fund to decommission and restore orphan sites sits at $4.2 million. But its estimated liability for future restoration work is far greater: $7.5 million, according to the OGC. In B.C., according to the OGC, 33 of the 45 orphaned well sites have yet to be fully restored.No one from the OGC was available to comment. The David Suzuki Foundation disputes the OGC's official count. There were 6,978 abandoned wells and 2,945 suspended wells in B.C. as of November, 2014.according to research conducted by John Werring, senior science and policy advisor with the David Suzuki Foundation. He estimated the cleanup costs to B.C. taxpayers at $700 million. The research documented wells abandoned as long as 40 years ago. And it noted that an entire gas facility at Red Creek is still standing, despite being deemed abandoned by the OGC several years ago.

## HUSKY ENERGY RUSHES TO CLEAN UP CANADA OIL SPILL

Crews rushed to clean up on Friday an oil leak by Husky Energy into a major Canadian river, as officials focused on concerns about contaminating drinking water of communities downstream.The company said late on Thursday it shut and isolated a pipeline on its Saskatchewan Gathering System, after roughly 200,000 to 250,000 liters of heavy oil and diluent spilled from the line, running into the North Saskatchewan River.

"My understanding is that the leak is stopped, the site is contained, and they are fully into clean-up phase," said Karen Hill, spokeswoman for Saskatchewan's environment ministry, in an email.The city of North Battleford draws its drinking water from the river, and planned to shut supply intakes if the oil spill reached the community of 14,000 people, city environment manager Tammy MacCormack told Global News.The Saskatchewan government said it had dispatched an environmental protection officer to the site and was working with Husky to notify downstream users of the river.

The Saskatchewan Gathering System runs from Husky's heavy oil operations east of Lloydminster to the company's facilities in that city, where the oil is upgraded, used in asphalt or shipped on to the oilsands hub of Hardisty, Alberta.The North Saskatchewan River is a major tributary to the Saskatchewan River, which flows east across Saskatchewan and Manitoba into Lake Winnipeg.Last year, a pipeline owned by Nexen Energy ULC [NEUI.UL] leaked 35,000 barrels of emulsion – a mixture of bitumen, water and sand - in Alberta in one of North America's largest-ever oil-related spills on land.

In that case, the pipeline's leak detection systems failed, and it could have been leaking for weeks before the spill was detected by a contractor walking along the line.

Earlier on Friday, Husky posted a smaller-than-expected loss as the focus on fewer, more efficient resource plays helped reduce production costs.

## QUEBEC'S GASPE MI'KMAQ SEEK TO HALT NEW BRUNSWICK OIL TERMINAL

Three Quebec Mi'kmaq communities are heading to federal court looking to reverse the approval of a $400 million project in Belledune, N.B.Three Mi'kmaq communities in Quebec's Gaspe region are asking the federal court to halt an oil export terminal in northern New Brunswick.The communities want the court to reverse the approval of a $400 million project that would see Alberta crude shipped by rail to the Chaleur Terminals facility in Belledune, N.B.Tanya Barnaby, executive director of the Mi'gmawei Mawiomi Secretariat, said the federal government didn't properly consult the First Nations communities on the project."We received a notice that a permit was granted to the Port of Belledune without any consultation to the Mi'kmaq and it is a federal obligation," said Barnaby. "We felt we had no choice at this point but to go into court and fight it this way."A lawyer filed a notice of application with the federal court in Montreal on behalf of Chief Darcy Gray of the Listuguj First Nation and the secretariat's two other members, the Mi'kmaq communities of Gesgapegiag and Gespeg.The attorney general of Canada, the minister of transport, the minister of fisheries and oceans and the coast guard, the minister of environment and climate change, the Belledune Port Authority and Chaleur Terminals Inc. are named as respondents. Barnaby said the Mi'kmaq have concerns about the environmental impact on their salmon fishery in the event of a spill along the railway system."Having increased traffic of 225 rail cars a day through our already aging railway system we don't feel is safe in any way," she said.The court application is for a judicial review in respect to the October, 2015 decision made by the Belledune Port Authority that the project "was not likely to result in significant adverse environmental effects.""The project has the potential to negatively and irreparably impact the Aboriginal and Treaty Rights and Title, interests, activities, practices, customs and traditions of the Mi'kmaq communities," the document states. Of particular concern is the transport of heavy crude oil along the rail line which the document says poses a number of "serious risks.""Not limited to increased train derailments causing oil spills into the waters . . . including the Matapedia and Restigouche rivers and the Baie des Chaleurs, as well as fire and explosions. An oil spill would result in catastrophic and irreparable impacts to the ecosystems . . . and lead to the destruction, loss, impairment harm or contamination of habitats and wildlife."It says any salmon pools downstream from a hypothetical derailment "would be at risk within days."The court document alleges the federal government "completely ignored" and failed to consult with the Mi'kmaq once a decision to grant permission for the project was made."The duty to consult and accommodate owed by the Government of Canada to the Applicants in respect to the project is at the high end of the spectrum given the strength of their rights claims as well as the gravity of the potential impacts arising from the project."None of the allegations have been proven in court.Meanwhile, the secretariat is also waiting for a ruling from the Court of Queen's Bench in New Brunswick, after it challenged the province's granting of permits for the project during a hearing that wrapped up in May.

## CALGARY-BASED ALTAGAS SLASHES 70 POSITIONS TO SAVE $7M A YEAR

Company listed 1,753 employees in 2015, 1,056 utility workers and 697 in gas, power and corporate. Calgary-based power and natural gas supplier AltaGas Ltd. said Thursday it has reduced its workforce by about 70 workers. It said the job cuts completed in June would result in a $7-million restructuring charge — which includes severance packages — on its second-quarter earnings.The reduction of its non-utility workforce is expected to result in savings of about $7 million per year.The company listed 1,753 employees at the end of 2015 in a regulatory filing, with 1,056 considered utility workers and 697 in gas, power and corporate roles.Spokeswoman Sandra Semple said the restructuring was prompted in part by AltaGas selling natural gas-gathering and -processing facilities to Tidewater Midstream and Infrastructure in February, allowing it to focus on operating larger projects requiring fewer staff.AltaGas and its joint venture partners have halted work on two proposed liquefied natural gas projects in northern British Columbia in the past year, citing poor global LNG markets. But Semple said almost all of the workers associated with those projects have been reassigned to help plan its proposed Ridley Island Propane Export Terminal on the West Coast. The $400-million to $500-million project is undergoing a formal environmental review process. The company plans to reach a final investment decision this year and begin commercial operations in 2018, subject to approvals. AltaGas reported that adjusted earnings in the three months ended June 30 rose 43 per cent to $153 million from the same quarter of 2015, mainly due to its purchase last November of three natural gas-fired power plants in northern California for $642 million US.

## SUNCOR SETS EMISSIONS TARGET

Oilsands giant Suncor Energy said it plans to meet a new emissions target by 2030 as part of its broader strategy to tackle climate change. The Calgary-based producer said it will cut emission intensity — a measurement of emissions per barrel — by 30 per cent in the next 14 years, though it notes "the path to that goal isn't clearly defined."In broad terms, Suncor said it will try to reach the target with a range of measures, such as developing new technologies to extract bitumen and generating electricity with renewables.

The company believes a downturn is the right time to address climate change "because we're having to redesign a lot of our processes and business anyway" and that it's important to adjust in anticipation of market demand for lower emissions. Simon Dyer, of the environmental think-tank Pembina Institute, said Suncor's target comes as producers face pressure to meet the provincial government's new cap of 100 megatonnes of greenhouse gas emissions annually."There hasn't been any intensity improvements in the past decade so there is need for leading companies like Suncor to be able to demonstrate significant improvements," Dyer said.Suncor has been supportive of Alberta's climate change plan, which imposes an economy-wide carbon tax. CEO Steve Williams said in a note on the company's website the plan "allows our industry to grow, but not in an unlimited way," and will accelerate investments in technology to cut emissions.

## SIBLINGS CYCLE FROM B.C. TO RAISE MONEY FOR FORT MCMURRAY

Throughout their 1,600 kilometer bike ride from Maple Ridge, B.C. to Fort McMurray, Jack and Jorgia Globeil, 13 and 11, pedaled through a mountain range, endured torrential rain and battled total exhaustion.The siblings made it to Fort McMurray shortly before 2 p.m. Thursday, all in the name of raising money to help local child and youth initiatives that may have been affected by the fire.The pair, who have called the fundraising operation "Beat the Heat 1600 km", were met by a police escort once they entered city limits and were given safe passage to the Oil Sands Discovery Centre to mark the end of their interprovincial journey."Every time we took out the bikes it started raining," said Jorgia, recounting some of the hurdles they had to overcome throughout the 17 days they were on the road. "It was hard to get up in the morning, but we managed."Jack recalled that the most challenging leg of the journey was overcoming the Canadian Rockies, which involved lots of small, winding roads and steep hills. According to Samantha Gobeil, the pair's mother, the expedition got a lot easier once they got passed the mountains and entered into Alberta."Once we got to the other side of Banff, we had to basically pick it up at Fort Saskatchewan," she said. "I was actually able to talk them into doing 90 km [a day]."While the Gobeil family doesn't have any family in Fort McMurray, they have close friends that were affected by the wildfire.In fact, in the wake of mass evacuation in May the Gobeil's opened their home to the Reid family, who they've known since Jorgia and Jack were babies.It was because of this closeness to their childhood friends Ashton and Caden Reid that Jorgia and Jack decided the best use of their time this summer was to bike all the way to Fort McMurray to raise money for local youth programs.With the long road finally behind them, Jack and Jorgia said they plan to spend the whole weekend sleeping and visiting with their friends.However, even though the trek is over, their fundraising goal of $16,000 has still not been met. Because of this, Samantha said that they have extended their submission deadline to Aug. 16.If you would like to make a donation to fund local youth initiatives, you can visit their official fundraising page or find "Beat the Heat 1,600 km" on Facebook.