Sign Up with the Oilfield News Online

Oilfield NEWS

www.oilfieldnews.ca

Published By: NEWS COMMUNICATIONS since 1977

Saturday March 11th 2017

VERMILION ENERGY INC. ANNOUNCES THE CLOSING OF ITS SENIOR UNSECURED NOTES OFFERING

Vermilion Energy Inc. ("Vermilion" or the "Company") (TSX, NYSE: VET) announces the closing of its previously announced private offering of US$300 million senior unsecured notes due 2025 (New Notes). The New Notes have a fixed coupon of 5.625% per annum, to be paid semi-annually on March 15 and September 15, commencing September 15, 2017. The company intends to use the net proceeds from the New Notes to repay a portion of the debt outstanding on its revolving credit facility.

The New Notes have not been and will not be registered under the Securities Act of 1933, as amended ("U.S. Securities Act"), or applicable state securities laws, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. The New Notes have not been and will not be qualified for sale to the public under applicable Canadian securities laws and, accordingly, any offer and sale of the New Notes in Canada will be made on a basis which is exempt from the prospectus requirements of such securities laws. Pursuant to the terms of the offering, the New Notes will be offered and sold only on a prospectus-exempt basis to institutional "accredited investors" in certain provinces in Canada and, in the United States, will be offered and sold only to "qualified institutional buyers" in reliance on Rule 144A under the U.S. Securities Act and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

This press release does not constitute an offer to sell or the solicitation of an offer to buy any security in any jurisdiction and shall not constitute an offer, solicitation or sale of any securities in any jurisdiction in which such offering, solicitation or sale would be unlawful.

About Vermilion

Vermilion is an international energy producer that seeks to create value through the acquisition, exploration, development and optimization of producing properties in North America, Europe and Australia. Our business model targets annual organic production growth, along with providing reliable and increasing dividends to investors. Vermilion is targeting growth in production primarily through the exploitation of light oil and liquids-rich natural gas conventional resource plays in Canada and the United States, the exploration and development of high impact natural gas opportunities in the Netherlands and Germany, and oil drilling and workover programs in France and Australia. Vermilion also holds an 18.5% working interest in the Corrib gas field in Ireland.

FORTISBC MAINTAINS COST OF NATURAL GAS FOR CUSTOMERS

FortisBC has received approval from the British Columbia Utilities Commission (BCUC) to maintain the cost of gas for customers. As of April 1, 2017, FortisBC customers will see no change to the cost of natural gas on their billing statement.

The cost of gas rate reflects the market price of natural gas itself. Natural gas is currently at some of its lowest commodity rates in the last 10 years. FortisBC reviews the cost of natural gas every three months with the BCUC.

Quote

"Market conditions have allowed us to maintain our current natural gas commodity rates. Through our commodity rates, we pass on the price of natural gas to our customers without markup; you pay what we pay. And while we work hard to deliver the best value for our customers, we do recognize that sometimes it can be challenging to understand the different components that make up your utility bill. We encourage our customers to visit our website or call our customer call centre to learn more about the details of your bill."

- Diane Roy, vice-president of regulatory affairs, FortisBC

As of April 1, 2017:

Lower Mainland, Vancouver Island, Whistler, Fraser Valley, Interior, North and the Kootenays

There is no change proposed to the current approved Cost of Gas Charge of $2.050 per gigajoule (GJ).

Fort Nelson

Customers in Fort Nelson will not see any changes to their cost of gas rates. Their Gas Cost Recovery Charge remains at $2.086 per GJ.

In addition to the cost of natural gas, there are other line items that customers will see displayed on their FortisBC natural gas billing statement. These charges reflect the cost of buying and transporting natural gas to our system and the delivery of gas through our system to homes. The delivery charge and storage and transport charge typically change once a year. Other fees and taxes are also collected on behalf of some municipalities and the provincial and federal government.

Quick facts

As other energy costs continue to rise, natural gas has remained the affordable option for a decade now.

Natural gas is the number one heating choice in Canada.

More than 50 per cent of the total amount of energy used in a home goes toward space heating.

Space heating and water heating together represent about 78 per cent of home energy costs.

With natural gas space heating systems up to 98 per cent efficient, natural gas is more affordable for space and water heating than other energy sources such as electricity.

For more information about rates and to learn about what components make up your bill, visit: fortisbc.com/rates

FortisBC Energy Inc. is a regulated utility focused on providing safe and reliable energy, including natural gas, propane and thermal energy solutions. FortisBC Energy Inc. employs almost 1,800 British Columbians and serves approximately 982,000 customers in 125 B.C. communities. FortisBC Energy Inc. is indirectly wholly owned by Fortis Inc., the largest investor-owned distribution utility in Canada. FortisBC Energy Inc. owns and operates approximately 48,200 kilometres of natural gas transmission and distribution pipelines. Fortis Inc. shares are listed on the TSX and NYSE and trade under the symbol FTS. Additional information can be accessed at fortisinc.com or sedar.com.

DESPITE HIGHER PRICES, CANADIAN OIL EXTRACTION INDUSTRY STILL IN SURVIVAL MODE

Although Canada's oil producers are expected to benefit from both higher prices and rising production, profitability will remain elusive for the industry – with losses expected for the third year in a row. Pre-tax losses in Canada's oil extraction industry are projected to reach just over $1.1 billion this year, according to The Conference Board of Canada's latest outlook for the industry.

"Following three consecutive years of oversupply, global crude oil markets are finally moving back into balance. Global demand is expected to increase in coming years, suggesting that prices will continue the upward trajectory that began late last summer," said Carlos A. Murillo, Economist, The Conference Board of Canada. "Despite recent positive developments, however, we do not expect the industry's bottom line to return to positive territory until the fourth quarter of this year given that it started from such a weak position."

Highlights

Pre-tax losses in Canada's oil extraction industry are projected to reach just over $1.1 billion this year, following over $8.6 billion in losses registered for 2016.

At just over $22 billion, or about a third of 2014's peak levels, industry investments will continue to be weak as a result of constrained cash flows and the winding down of a handful of large capital projects.

North America's light sweet crude benchmark—West Texas Intermediate—is estimated to average US$55 per barrel this year.

Growth in demand is projected to outpace supply this year and next, pointing to a more balanced market for the near term. Global crude oil demand is expected to increase by an average of more than 2 million barrels per day (MMb/d) over the next two years, a pace which is more than 50 per cent quicker than the average annual increase over the previous five years. Meanwhile, global production is expected to increase by an average of 1.3 MMb/d in 2017 and 2018. This will put some upward pressure on prices, which are expected to average US$55 per barrel this year. However, with inventories still elevated, fewer unplanned outages, and available spare production capacity, prices are not expected to return to pre-crisis highs in the near future.

Nonetheless, higher prices will be good for the industry's revenues, which we expect will increase at an average annual pace of close to 20 per cent over the next 5 years. This is a stark contrast to the average annual contraction of close to 10 per cent in revenues observed in the previous five years. However, stronger revenue growth alone will not be enough to return the industry to profitability before 2018. As a result, investment in the industry is expected to remain weak for a number of years still.

Meanwhile, recent conditional approval by Canada's federal government of Enbridge's Line 3 replacement and Kinder Morgan's Trans-Mountain expansion projects also provide some cause for optimism. The two projects represent a total of close to 1 MMb/d of additional crude export capacity over the forecast. What is more, TransCanada's Keystone XL and Energy East projects could further add close to 2 MMb/d of export capacity from Western Canada. In total, these pipelines can nearly double today's crude export pipeline system capacity and result in over $30 billion in infrastructure investments across Canada.

"While approval of these projects is good news for the industry, the reality is that new capacity is needed now, and the benefits of increased market access and better prices for the industry will take time to materialize. What is more, these projects are unlikely to be all needed at the same time," added Carlos.