Oil Sands & The Art of Difficult Conversations

The Canadian Crude Quality Technical Association Conference – Day 2
June 20, 2012
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Manager, Media and Issues
Canadian Association of Petroleum Producers
Global Primary Energy Demand

- **Significant energy demand growth:**
  - Population, standards of living
- **Need all forms of energy:**
  - Increasing role for renewables
  - Continuing reliance on hydrocarbons
  - Increasing role for non-conventional crude oil & natural gas
- **Technology is a key lever for sustainable growth**
  - Production
  - Cost competitiveness
  - Environmental performance

![Graph showing global primary energy demand](source: IEA World Energy Outlook 2010, Current Policies Scenario)
Performance & Policy

1. The Canadian and global energy system;
2. GHG emissions and climate policy;
3. Local and regional environmental and social impacts; and,
REPUTATION RISK – WHAT IS IT?
REPUTATION RISK – WHAT IS IT?

We Say NO to Enbridge

We Say NO to Enbridge Oil
REPUTATION RISK – WHAT IS IT?
WHAT ARE WE UP AGAINST?

STAKEHOLDERS

• Direct influence on project license
• Landowners, First Nations

Consultation, accommodation, negotiations and other forms of conflict resolution

“BIG GREEN”

Environmental Non-Governmental Organizations

• Consultation, accommodation, negotiations and other forms of conflict resolution
• Ignore
• Advocate

Issues and opponents are local and global. So are the solutions.
CONTEXT FOR UNCONVENTIONAL OIL AND GAS DEVELOPMENT

OIL SANDS

Understanding Stakeholder/Audience perceptions
Impressions of Energy Sources
For each of the following, please indicate if your overall feelings are negative, neutral, positive?

- Solar: Positive 90%, Neutral 7%, Negative 3%
- Wind: Positive 82%, Neutral 12%, Negative 6%
- Hydro electricity: Positive 75%, Neutral 21%, Negative 4%
- Bioenergy made from household garbage: Positive 72%, Neutral 31%, Negative 12%
- Bioenergy made from animal waste: Positive 57%, Neutral 31%, Negative 12%
- Bioenergy made from forest residues: Positive 49%, Neutral 39%, Negative 12%
- Bioenergy made from crops: Positive 45%, Neutral 30%, Negative 25%
- Canadian natural gas: Positive 44%, Neutral 39%, Negative 17%
- Natural gas: Positive 38%, Neutral 39%, Negative 23%
- Hydrogen: Positive 34%, Neutral 51%, Negative 15%
- Oil from Canadian sources: Positive 29%, Neutral 33%, Negative 38%
- Nuclear: Positive 29%, Neutral 31%, Negative 40%
- Oil from Canada's oil sands: Positive 23%, Neutral 27%, Negative 50%
- Shale or unconventional gas: Positive 12%, Neutral 47%, Negative 41%
- Coal: Positive 5%, Neutral 18%, Negative 77%
- Oil from imported sources: Positive 4%, Neutral 18%, Negative 80%
PUBLIC OPINION - OIL AND OIL SANDS

• IMAGE OF FOSSIL FUELS CONTINUES TO DECLINE
  • ISSUE IS NOT OIL SANDS, OR CARBON, OR GULF SPILL: ALL ABOVE
  • GROWING FASHION FOR NEW ENERGY SOURCES

• OIL SANDS PRESENT CHALLENGES

• BUT PLENTY OF EVIDENCE THEY ARE MANAGEABLE
  • OIL SANDS PROGRAM IS MOVING IN THE RIGHT DIRECTION
  • FOCUS ON PROGRESS TO DATE, EFFORT TO LIGHTEN IMPACT
  • DELIVERED BY PEOPLE WHOSE VALUES AND EXPERTISE BUILD TRUST
2010 Canada Public Opinion Research

- Even the negative accept oil sands’ economic benefits

- A campaign focused on economic benefits is unlikely to reverse the prevailing trends or shift soft/neutral opinion

- Supporters of oil sands are concerned about environmental impacts.

- Communication on environmental performance critical to ensuring support levels do not continue to drop and to shift soft/neutral opinions
Which is the best goal when it comes to the oil sands?

- To develop the oil sands with an effort to limit the environmental impacts
- To stop the development of the oil sands altogether
- To focus on maximizing the full economic benefits of the oil sands resource

2010 Research - Best Goal for Oil Sands

- **Total**: 74% develop, 17% stop, 9% maximize
- **Conservative**: 78% develop, 4% stop, 18% maximize
- **Liberal**: 79% develop, 12% stop, 9% maximize
- **NDP**: 65% develop, 31% stop, 4% maximize
- **Green**: 58% develop, 38% stop, 4% maximize
- **BQ**: 78% develop, 20% stop, 2% maximize
Perceptions of Oil Sands Developers

<table>
<thead>
<tr>
<th>Activity</th>
<th>A very good job</th>
<th>A good job</th>
<th>An acceptable job</th>
<th>A poor job</th>
<th>A very poor job</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating job opportunities for Canadians</td>
<td>16%</td>
<td>37%</td>
<td>37%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Helping create economic benefits</td>
<td>14%</td>
<td>33%</td>
<td>39%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Being open about how they are conducting their work</td>
<td>42%</td>
<td>37%</td>
<td>32%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>Working to lessen the environmental impact of oil sands development</td>
<td>42%</td>
<td>37%</td>
<td>32%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Being responsive to the concerns of others</td>
<td>42%</td>
<td>37%</td>
<td>32%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Being honest in the things they say</td>
<td>9%</td>
<td>40%</td>
<td>32%</td>
<td>16%</td>
<td></td>
</tr>
</tbody>
</table>

2010 Perceptions of Oil Sands Developers

- Many unsure about how much has been done to date to alleviate environmental impacts
- People think there’s environmental underperformance
- Need to show industry is more accessible, open and dynamic
- Willingness to believe capital, science, technology, talent and entrepreneurship can solve challenges
- Focus on how these assets have been harnessed to produce environmental successes already – with more to come
Performance + Communication = Reputation
2010 CAPP OIL SANDS CAMPAIGN
CANADA’S OIL SANDS

Talking Hard Truths:
What Works
In overall terms, do you think the development of the oil sands resource in Northern Alberta is a very positive, positive, negative or very negative thing for Canada or do you not feel you know enough to say?

- **Baseline (Mar 2010)**: 39% Positive, 28% Neutral, 33% Negative
- **Wave 1 (Jul 2010)**: 40% Positive, 28% Neutral, 32% Negative
- **Wave 2 (Dec 2010)**: 42% Positive, 27% Neutral, 31% Negative
- **Wave 3 (Jul 2011)**: 47% Positive, 31% Neutral, 22% Negative
In overall terms, do you think the development of the oil sands resource in Northern Alberta is a very positive, positive, negative or very negative thing for Canada or do you not feel you know enough to say?

<table>
<thead>
<tr>
<th></th>
<th>Positive</th>
<th>Neutral</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>47%</td>
<td>31%</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Recall any ads</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No recall (793)</td>
<td>39%</td>
<td>40%</td>
<td>21%</td>
</tr>
<tr>
<td>1 ad (231)</td>
<td>50%</td>
<td>22%</td>
<td>27%</td>
</tr>
<tr>
<td>2+ ads (340)</td>
<td>66%</td>
<td>13%</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Recall wave 3 ads</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No recall (881)</td>
<td>40%</td>
<td>38%</td>
<td>22%</td>
</tr>
<tr>
<td>1 ad (245)</td>
<td>51%</td>
<td>22%</td>
<td>28%</td>
</tr>
<tr>
<td>2+ ads (238)</td>
<td>73%</td>
<td>9%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Recall wave 1 &amp; 2 ads</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No recall (1,053)</td>
<td>43%</td>
<td>35%</td>
<td>22%</td>
</tr>
<tr>
<td>1 ad (257)</td>
<td>58%</td>
<td>17%</td>
<td>25%</td>
</tr>
<tr>
<td>2+ ads (61)</td>
<td>83%</td>
<td>5%</td>
<td>11%</td>
</tr>
</tbody>
</table>
Based on what you have been hearing or seeing recently, are your impressions of oil sands development becoming more positive, more neutral, or more negative?

- Baseline (Mar 2010): 14% More positive, 46% More neutral, 40% More negative
- Wave 1 (Jul 2010): 17% More positive, 41% More neutral, 42% More negative
- Wave 2 (Dec 2010): 19% More positive, 45% More neutral, 36% More negative
- Wave 3 (Jul 2011): 29% More positive, 47% More neutral, 24% More negative
Thinking about the companies that are involved in developing and producing energy from the oil sands, would you say that your impressions of these companies is very positive, positive, neutral, negative or very negative?

- **Baseline (Mar 2010)**
  - Very positive: 4%
  - Positive: 18%
  - Neutral: 46%
  - Negative: 25%
  - Very negative: 8%

- **Wave 1 (Jul 2010)**
  - Very positive: 3%
  - Positive: 18%
  - Neutral: 44%
  - Negative: 25%
  - Very negative: 9%

- **Wave 2 (Dec 2010)**
  - Very positive: 3%
  - Positive: 20%
  - Neutral: 46%
  - Negative: 24%
  - Very negative: 7%

- **Wave 3 (Jul 2011)**
  - Very positive: 5%
  - Positive: 26%
  - Neutral: 47%
  - Negative: 17%
  - Very negative: 5%
PERFORMANCE OF OIL SANDS COMPANIES

Do you feel that the companies who are developing the oil sands are doing a very good job, a good job, an acceptable job, a poor job, or a very poor job in each of the following respects?

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Helping create economic benefits for Canada</td>
<td>86%</td>
<td>87%</td>
<td>86%</td>
<td>90%</td>
</tr>
<tr>
<td>Being honest in the things they say</td>
<td>53%</td>
<td>51%</td>
<td>56%</td>
<td>65%</td>
</tr>
<tr>
<td>Being open about how they are conducting their work</td>
<td>53%</td>
<td>53%</td>
<td>55%</td>
<td>66%</td>
</tr>
<tr>
<td>Working to lessen the environmental impacts of oil sands</td>
<td>48%</td>
<td>54%</td>
<td>56%</td>
<td>69%</td>
</tr>
<tr>
<td>Being responsive to the concerns of others</td>
<td>53%</td>
<td>55%</td>
<td>57%</td>
<td>67%</td>
</tr>
</tbody>
</table>
Which is the best goal when it comes to the oil sands?

- To focus on maximizing the full economic benefits of the oil sand resource
- To develop the oil sands with an effort to limit the environmental impacts
- To stop the development of the oil sands altogether

Baseline (Mar 2010): 10% focus, 74% develop, 15% stop.
Wave 1 (Jul 2010): 10% focus, 74% develop, 17% stop.
Wave 2 (Dec 2010): 11% focus, 75% develop, 13% stop.
Wave 3 (Jul 2011): 13% focus, 77% develop, 10% stop.
Did you have a very favourable, favourable, unfavourable, very unfavourable reaction to the campaign?

Wave 1 (Jul 2010)
- Very favourable: 11%
- Favourable: 56%
- Unfavourable: 26%
- Very unfavourable: 8%

Wave 2 (Dec 2010)
- Very favourable: 16%
- Favourable: 58%
- Unfavourable: 21%
- Very unfavourable: 6%

Wave 3 (Jul 2011)
- Very favourable: 15%
- Favourable: 61%
- Unfavourable: 19%
- Very unfavourable: 5%
As a result of the information contained in the advertising, are you more or less likely to believe....?

People working in the oil sands are trying to find ways to lessen environmental impacts
- More likely: 71%
- No more or less likely: 22%
- Less likely: 7%

Oil sands companies are aware of public concerns and taking steps to be more open/accountable
- More likely: 64%
- No more or less likely: 27%
- Less likely: 9%

Current practices in the oil sands developments are more environmentally responsible than I thought
- More likely: 56%
- No more or less likely: 34%
- Less likely: 10%

Oil sands can be developed in a way that is satisfactory from an environmental standpoint
- More likely: 54%
- No more or less likely: 34%
- Less likely: 12%
Thinking about other people you know and may discuss the oil sands with, would you say that they tend to have mostly positive impressions, mostly negative impressions or a fairly even mix of positive and negative?

- **Baseline (Mar 2010)**: Mostly positive 12%, Fairly even mix of positive and negative 41%, Mostly negative 47%
- **Wave 1 (Jul 2010)**: Mostly positive 18%, Fairly even mix of positive and negative 40%, Mostly negative 41%
- **Wave 2 (Dec 2010)**: Mostly positive 17%, Fairly even mix of positive and negative 50%, Mostly negative 33%
- **Wave 3 (Jul 2011)**: Mostly positive 22%, Fairly even mix of positive and negative 52%, Mostly negative 26%
Thinking about what you may have heard or seen in the news media about the oil sands, would you say that it is mostly positive, mostly negative or a fairly even mix of positive and negative?

<table>
<thead>
<tr>
<th></th>
<th>Mostly positive</th>
<th>Fairly even mix of positive and negative</th>
<th>Mostly negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline (Mar 2010)</td>
<td>8%</td>
<td>51%</td>
<td>41%</td>
</tr>
<tr>
<td>Wave 1 (Jul 2010)</td>
<td>15%</td>
<td>47%</td>
<td>38%</td>
</tr>
<tr>
<td>Wave 2 (Dec 2010)</td>
<td>16%</td>
<td>46%</td>
<td>38%</td>
</tr>
<tr>
<td>Wave 3 (Jul 2011)</td>
<td>24%</td>
<td>51%</td>
<td>25%</td>
</tr>
</tbody>
</table>
US - KEY RESEARCH FINDINGS

- **CANADA IS LITTLE KNOWN, BUT HIGHLY VALUED AS SOURCE OF OIL**
- **CONCERNS ABOUT OIL SANDS ARE LIMITED**
- **STRUCTURE OF ENERGY PREFERENCES:**
  - **OFF OIL IS BEST, SELF-SUFFICIENCY NEXT BEST, THEN CANADA**
  - **ALL OTHERS PALE, ESPECIALLY MIDDLE EAST**
- **AMERICANS WANT TO BELIEVE IN THE POTENTIAL OF THIS SOURCE**
  - **THAT ENVIRONMENTAL IMPACTS CAN BE MANAGED**
  - **THAT THEY CAN AVOID SHIPPING MONEY TO UNFREINDLY NATIONS**
- **EVEN MORE SUPPORTIVE WHEN THEY KNOW ECONOMIC SPIN-OFFS**
Thinking about the oil that America uses, please look at the list below and indicate what percentage you believe comes from each source:

<table>
<thead>
<tr>
<th>Source</th>
<th>50%-100%</th>
<th>25%-49%</th>
<th>1%-24%</th>
<th>0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East including Saudi Arabia, Iraq and Iran</td>
<td>56%</td>
<td>28%</td>
<td>14%</td>
<td>1%</td>
</tr>
<tr>
<td>US</td>
<td>7%</td>
<td>31%</td>
<td>61%</td>
<td>2%</td>
</tr>
<tr>
<td>Mexico, Venezuela, Central America</td>
<td>18%</td>
<td>71%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>12%</td>
<td>69%</td>
<td>18%</td>
<td></td>
</tr>
</tbody>
</table>
IDEAL IMPORTED SOURCES IN 20 YEARS

- **Canada**
  - 50%-100%: 32%
  - 25%-49%: 29%
  - 1%-24%: 25%
  - 0%: 14%

- **Mexico, Venezuela, Central America**
  - 50%-100%: 9%
  - 25%-49%: 35%
  - 1%-24%: 33%
  - 0%: 23%

- **Middle East including Saudi Arabia, Iraq and Iran**
  - 50%-100%: 12%
  - 25%-49%: 16%
  - 1%-24%: 29%
  - 0%: 43%
SUPPLIER RELIABILITY

- **Canada**: 55% Very reliable, 38% Somewhat reliable, 6% Not very reliable, 1% Not at all reliable.
- **Mexico, Venezuela, Central America**: 7% Very reliable, 59% Somewhat reliable, 27% Not very reliable, 7% Not at all reliable.
- **Middle East including Saudi Arabia, Iraq and Iran**: 4% Very reliable, 26% Somewhat reliable, 44% Not very reliable, 26% Not at all reliable.
Thinking about the environmental consequences of developing the oil sands resources, do they worry you a great deal, a fair bit, not very much, or not really at all?

- A great deal: 9%
- A fair bit: 32%
- Not very much: 41%
- Not really at all: 18%

National
One of America's preferred sources
No different from other sources
America should avoid

National
64%
22%
14%

0% 20% 40% 60% 80% 100%
POSSIBLE TO LIMIT ENVIRONMENTAL IMPACTS ENOUGH?

- Possible to develop oil sands and limit impacts: 84%
- Not possible: 16%
BEST GOAL WITH RESPECT TO THE OIL SANDS

- Maximize energy we can get from oil sands
- Oil sands developed with a greater effort to limit environmental impacts
- Stop development of oil sands

National

<table>
<thead>
<tr>
<th>Maximize energy we can get from oil sands</th>
<th>Oil sands developed with a greater effort to limit environmental impacts</th>
<th>Stop development of oil sands</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>66%</td>
<td>14%</td>
</tr>
</tbody>
</table>
There is a proposal to create a new pipeline called Keystone XL to transport oil from the oil sands to refineries in America. Have you seen, heard or read a great deal, a fair bit, only a little, or nothing at all about this proposed pipeline?

A great deal | A fair bit | Only a little | Nothing at all
--- | --- | --- | ---
9% | 20% | 24% | 46%

2011

0% 20% 40% 60% 80% 100%
In general, would you like to see this pipeline go ahead, or would you prefer to see this pipeline be stopped?

- 78% Go ahead
- 22% Be stopped
Environmental groups have been highly critical of the oil sands are encouraging leaders in American business and government to stop using energy from the oil sands. Have you heard a great deal, a fair bit, not too much, or nothing at all about these protests?

**AWARENESS OF ENGO CRITICISM**

<table>
<thead>
<tr>
<th>Year</th>
<th>A great deal</th>
<th>A fair bit</th>
<th>Not too much</th>
<th>Nothing at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>3%</td>
<td>13%</td>
<td>37%</td>
<td>47%</td>
</tr>
<tr>
<td>2011</td>
<td>8%</td>
<td>24%</td>
<td>30%</td>
<td>38%</td>
</tr>
</tbody>
</table>
In general, would you imagine that the environmental groups are mostly providing factual information, or mostly exaggerating the problems with the oil sands?

- 2010: 42% mostly providing factual information, 58% mostly exaggerating the problems
- 2011: 43% mostly providing factual information, 57% mostly exaggerating the problems
Some people say that America should rely more on Canada's oil sands in the future, because doing so will result in jobs for Americans building and maintaining the pipelines and in refining the oil that is imported.

Others say these jobs are not all that numerous and America should avoid oil sands energy because of the environmental impacts it creates.
FOSSIL FUELS CONTINUE TO LOSE APPEAL

CHALLENGES EXIST, BUT CAN BE MANAGED

- ENGAGEMENT, MESSAGE OF ATTENTIVENESS/EFFORT

U.S. RISK HAS LESS TO DO WITH CONSUMER OPINION

- BUT CUSTOMERS WARY OF REPUTATION RISKS
- POLITICANS USING OIL SANDS AS WEDGE ISSUE

STRATEGIC KEYS TO MANAGING THESE PRESSURES:

1. MANAGE PROFILE, PROVIDE SAFE DIALOG, POSITIVE SOLUTIONS
2. DEMONSTRATE ATTENTIVENESS, EFFORT TO MITIGATE, NEW IDEAS
3. REINFORCE THAT ALL SOURCES HAVE UNIQUE BENEFITS, IMPACTS
4. HIGHLIGHT UNIQUE ECONOMIC AND GEO-POLITICAL ADVANTAGES
Performance + Communication = Reputation