Canadian Energy Assets (2017)

INFORMATION BULLETIN

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The global presence of Canadian energy companies

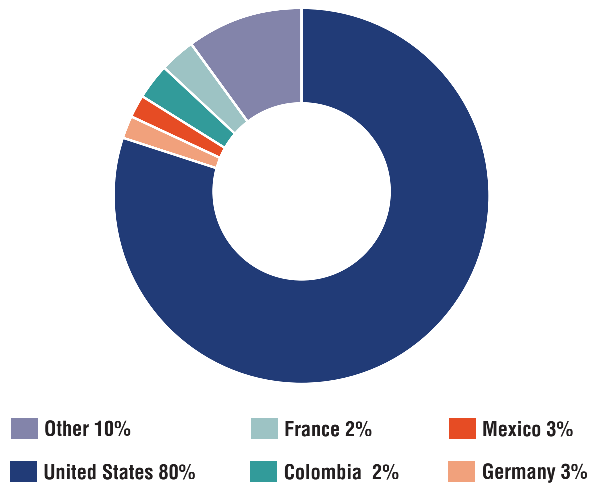
Canadian energy companies significantly contribute to Canada's economy – through the production of valuable commodities, job creation, and government revenue. Canadian energy assets (CEA) consist of long-term assets owned by Canadian-controlled and listed energy companies including energy properties, plant and equipment, and any other energy-related assets domestic or abroad.

In 2017, there were 278 active Canadian energy companies, of which 59 companies had energy assets with a value in excess of $1 billion. The total value of CEA grew in 2017 to $650 billion, an increase of 12% from $579 billion in 2016, driven primarily by investments in Canada, the United States and Mexico. CEA value has declined other regions, with the most significant decrease in Asia and Africa.

Many Canadian energy companies are active internationally, which means they own assets in countries outside of Canada. In 2017, 130 energy companies had interests outside of Canada - in 74 countries. Canadian energy assets abroad (CEAA) totaled $199 billion in 2017, representing 31% of total energy assets. By comparison, CEAA totaled $183 billion in 2016.

The large majority of CEAA value (80%) is located in the United States. The top five countries by CEAA value are the United States ($160 billion), Germany ($6 billion), Mexico ($5 billion), Colombia ($5 billion), and France ($3 billion).

Figure 1: Percentage of CEAA by country, 2017



REGIONAL HIGHLIGHTS

At home in **Canada** (+$55 billion, 14%), the value of energy assets grew significantly due to important investments made by energy companies domestically. Among the largest increases, **Cenovus Energy** (+$18 billion, 125%) acquired oil sands and Deep Basin assets in Alberta and British Columbia. Similarly, **Canadian Natural Resources Limited** (+$16 billion, 29%) purchased interests in the Athabasca Oil Sands Project and the Greater Pelican Lake region. Finally, **Enbridge** (+$14 billion, 44%) increased investment in gas transmission and distribution.

In the **United States** (+$17 billion, 12%), significant growth in energy asset values can be attributed largely to four companies: natural gas distributor **Enbridge Inc.** (+$12 billion, 39%), pipeline companies **TransCanada Corp.** (+$1 billion, 4%) and **Encana Corp.** (+$5 billion, 75%), and utility conglomerate **Algonquin Power & Utilities Corp.** (+$3 billion, 70%). The largest reduction in energy asset values came from utility company **Fortis Inc.** (-$800 million, -3%).

In **Mexico** (+$400 million, 7%), modest percentage growth can be attributed mainly to **TransCanada Corp.** (+$400 million, 9%).

Table 1. Variation from 2016 to 2017

Region	2016 ($billions)	2017 ($billions)	Variation in $ billion	Variation in %
North America (U.S. and Mexico)	147.6	165.2	17.6	11.9%
South and Central America and Caribbean	9.3	9.2	-0.1	-0.8%
Europe	13.5	13.6	0.1	0.5%
Asia	5.5	4.5	-1.0	-18.1%
Africa	4.1	3.3	-0.8	-18.0%
Oceania	3.3	3.2	-0.1	-2.6%
Total Canadian Energy Assets Abroad	183.3	199.1	15.8	8.6%
Canada	395.9	450.9	55.0	13.9%
Total Canadian Energy Assets	**579.2**	**650.0**	**70.8**	**12.2%**

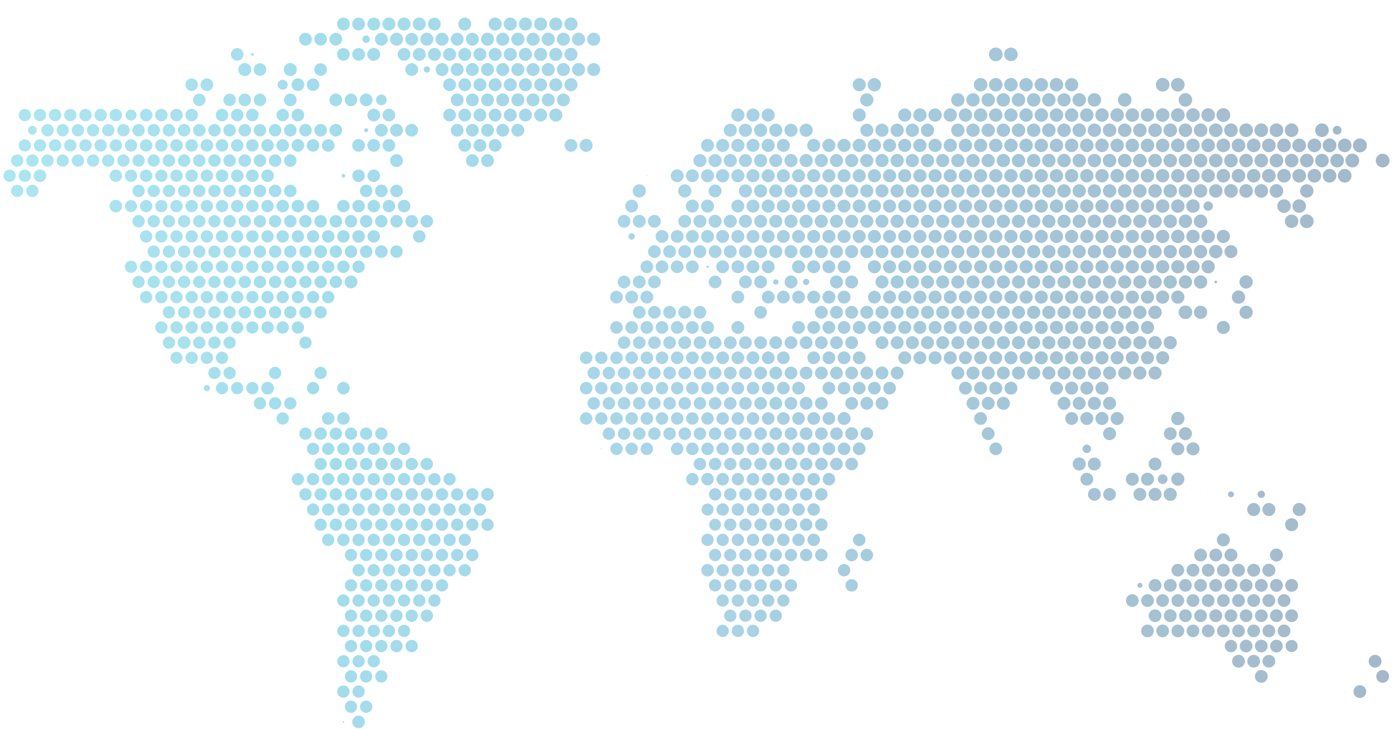
Energy asset values in **South America** (-$90 million, -2%) declined for a third consecutive year. The most significant decline results from the reduction in assets of the natural gas producer **Canacol Energy Ltd.** (-$252 million, -32%), whose primary operations are in **Columbia**. Investments in **Peru** and **Brazil** have decreased for a third consecutive year.

The value of energy assets in **Asia** (-$1 billion, -21%) also fell. **Westernzagros Resources Ltd.**, whose energy assets totaled $465 million in 2016, was taken private in July 2017. The private company is no longer required to disclose its financial statements including information on their energy assets. Moreover, drilling rig contractor **Precision Drilling Corp.** (-$103 million, -18%) has reduced their energy assets in Asia. No Canadian energy companies made significant increases in energy assets in Asia in 2017.

Energy assets in **Europe** remained relatively flat (-$4 million, -0.03%). **Alterra Power Corp.** was acquired by **Innergex Renewable Energy**. Both companies have operations in Europe, which have no net changes in the total European energy asset value. Large growth is mainly attributed to the wind-focused utility **Northland Power Inc.** (+$900 million, 20%) while the largest decrease in asset value came from **Canadian Natural Resources Limited** (-$400 million, -18%).

The value of Canadian energy assets in **Africa** (-$800 million, -20%) fell. **Canadian Natural Resources Limited** (-$300 million, 16%) and **Suncor Energy Inc.** (-$100 million, 16%) led the decline. The decline was partly offset by increase in assets of **Africa Oil Corp.** (+$100 million, 22%).

The value of energy assets in **Oceania** (-$200 million, -5%) was fairly stable. The acquisition of **Savanna Energy Services Corp.** by **Total Energy Services Inc.** did not have significant effect on the total energy asset value since both companies had operations in Australia and assets were transferred.



ANNUAL VARIATIONS

In comparing asset totals across years, it is important to understand the causes of variations. Additions arise mostly from asset exploration, development and construction. Subtractions arise from asset changes in reserve economics, write-offs, impairments, depreciation and asset sales. Exchange rate movements, mergers and acquisitions, and spin-offs also contribute to annual variations.

The methodology used to compile CEA could also contribute to annual variations. Canadian energy assets (CEA) include energy assets held by publically traded companies headquartered in Canada and that are not foreign controlled at the end of each calendar year. Energy assets are non-current, fixed assets that cannot be easily moved or converted into cash and include energy properties, plant and equipment, deferred exploration expenditures, investments in non-Canadian energy companies, goodwill, and other non-current assets related to energy that can be reconciled geographically. Canadian energy companies must have operations in upstream oil and gas (including services), oil and gas pipelines, petroleum and coal products manufacturing, uranium and coal mining, or electricity production. This methodology provides consistency and comparability from one year to another, but many variations could occur due to its nature. For instance, when a company is delisted from the Toronto Stock Exchange (TSX), their asset value is no longer reported even though they may continue to exist as a private energy company.

USE OF CEAA STATISTICS

Some care is required when determining the value of Canadian energy investment in a particular country. CEAA, as tracked by Natural Resources Canada (NRCan), differs from Canadian direct investment abroad (CDIA) figures estimated by Statistics Canada. CDIA is based on foreign direct investment (FDI) as defined by the International Monetary Fund (IMF) in the Balance of Payments and International Investment Position Manual. CEAA are based on financial accounting standards used by Canadian public companies. Table 2 outlines the principal differences between these approaches.

Table 2. Canadian direct investment abroad compared to Canadian energy assets abroad

Canadian direct investment abroad (Statistics Canada)	Canadian energy assets abroad (Natural Resources Canada)
A Canadian company includes all companies incorporated in Canada with foreign affiliates, irrespective of the location of its headquarters and whether it is foreign-controlled.	A Canadian company must have its headquarters in Canada and not be foreign-controlled.
Examines all asset and liability positions of Canadian companies with their foreign affiliates.	Examines only non-current energy asset values as reported in Canadian companies' consolidated balance sheets.
Financing must come from Canadian sources and only investments resulting in a minimum of 10% control of investee are included.	The source of the financing is immaterial.
Data is based on the first destination. For example, Canadian investment destined for Mexico through a U.S. subsidiary is allocated to the U.S.	Data is based on the final destination. The example in the left column would be counted as CEAA in Mexico.
Country level data are not available by industry and no company data are available.	Country and company level data are available.

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