

## Extractive Sector Transparency Measures Act:

# SUBMISSION OVERVIEW

### Introduction

This document provides the definitions and context for the submissions to the Government of Canada made by Devon Canada Corporation (“Devon Canada”) as required under *Canada’s Extractive Sector Transparency Measures Act* (the “Act”). The Act requires all extractive entities active in Canada that meet the thresholds set out in Section 8 of the Act in (each a “Reporting Entity”) to publicly disclose on an annual basis specific payments, that meet or exceed the thresholds in the Act, made by such Reporting Entity to entities, in Canada and abroad, that are considered “Payees” under the Act. As Devon Canada is considered a Reporting Entity, the following provides an overview of the information provided to the Minister of Natural Resources Canada in accordance with Section 9 and 11 of the Act.

### Relevant Information

The Minister requires, as prescribed in the Act and the Technical Reporting Specifications issued by the Minister in regards to the Act and found online at [www.nrcan.gc.ca/mining-materials/estma/18192](http://www.nrcan.gc.ca/mining-materials/estma/18192) (the “Reporting Specifications”), that a Reporting Entity report payments via two different categories: by “Payee” and by “Project”.

### Payee

A Payee is either: (a) any government in Canada or in a foreign state; (b) a body that is established by two or more governments; or (c) any trust, board, commission, corporation or body or authority that is established to exercise or perform a power, duty or function of government for a government. In Canada, Devon Canada considers this to be the Federal Government, the relevant Provincial Governments, the relevant Municipal Governments, and the relevant Aboriginal Governments in the jurisdictions where we develop our energy resources.

### Project

A Project is defined in the Reporting Specifications as operational activities which are governed by a single contract, licence, lease, concession or similar legal agreement, and form the basis for payment liabilities with a government. Additionally, if multiple such agreements are substantially interconnected, together they shall be considered one Project. Based on this guidance, Devon Canada is reporting four separate Projects: Bonnyville, Jackfish, Pike and Canada Corporate Other. For clarity, as Pike is a 50/50 joint venture with BP Canada Energy Group ULC (“BP”) and as Devon Canada Corporation is the operator of this joint venture, Devon Canada is responsible for reporting all payments (including BP’s 50% share) to Payees in connection with this joint venture.

### Devon Canada Projects

#### Bonnyville

The reporting of this Project will include the payments made to Payees as a result of Devon Canada’s Cold Heavy Oil Production in Sand (CHOPS) operations found in the Bonnyville and Lloydminster areas of Alberta.

#### Jackfish

The reporting of this Project will include the payments made to Payees in regards to Devon Canada’s ongoing and developing Steam Assisted Gravity Drainage (SAGD) Jackfish operations in the southern Athabasca oil sands region.

#### Pike

The reporting of this Project will include the payments made to Payees in regards to the joint venture between Devon Canada and BP for the development and operation of the Pike SAGD project in the southern Athabasca oil sands region.

#### Canada Corporate Other

The reporting of this Project will include the payments made to Payees by Devon Canada that are not project specific. For instance, business tax or corporate tax payments paid would fall into this Project, as would all payments in regards to Devon Canada’s ongoing research, development, and other related experimental work and processes pertaining to exploration and production operations in Alberta.

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### Payment

A payment means any payment— whether monetary or in kind – that meets or exceeds the thresholds in the *Act*, which is made to a Payee in relation to the commercial development of oil, gas or minerals, and which can generally be classified as being included in any of the following seven categories:

- Taxes, other than consumption taxes and personal income taxes;
- Royalties
- Fees, including rental fees, entry fees and regulatory charges as well as fees or other consideration for licences, permits, or concessions;
- Production entitlements;
- Bonuses, including signature, discovery and production bonuses;
- Dividends other than dividends paid as ordinary shareholders; and
- Infrastructure improvement payments.

#### Taxes

A tax generally means any type of government charge that is enforceable by law, imposed under statutory authority, levied by a public body and intended for a public purpose. The tax category is intended to capture income, profit and production tax payments in relation to the commercial development of oil, gas or minerals.

#### Royalties

These are payments for the rights to extract oil and gas resources, typically at a set percentage of revenue less any deductions that may be taken. These include both Oil Sands Royalty payments as well as royalty payments made on conventional production.

#### Fees

The term “fee” is left very broad in the *Act* to capture any other payments made for the commercial development of oil, gas or minerals. Usually these are sums paid as consideration for acquiring a licence, permit or approval for gaining access to an area where extractive activities are performed.

#### Production Entitlements

This refers to a Payee’s share of oil, gas or mineral production under a production sharing agreement or similar contractual or legislated arrangement. In certain cases, production entitlements are paid on an in-kind basis.

#### Bonuses

This is a broad category but usually refers to signing, discovery, production and any other type of bonus paid to a Payee in relation to the commercial development of oil, gas or minerals.

#### Dividends

These are dividend payments other than dividends paid to a government as an ordinary shareholder of an entity unless paid in lieu of production entitlements or royalties.

#### Infrastructure Improvements

These are payments made to fulfill obligations, contractual or otherwise, which relate to the construction of infrastructure not substantially dedicated for the use of extractive activities. For instance, if a company is obligated to build a road on behalf of a municipality which services a local school, that would be considered an infrastructure improvement payment.