

SUNCOR ENERGY INC
Form 40-F
March 01, 2012

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

(Check One)

- Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934
or
 Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For fiscal year ended: December 31, 2011
Commission File Number: No. 1-12384

SUNCOR ENERGY INC.

(Exact name of registrant as specified in its charter)

Canada
(Province or other
jurisdiction of incorporation
or organization)

**1311,1321,2911,
4613,5171,5172**
(Primary standard industrial
classification code number,
if applicable)
**150 - 6th Avenue S.W.
Box 2844
Calgary, Alberta, Canada T2P 3E3
(403) 296-8000**

98-0343201
(I.R.S. employer
identification number, if
applicable)

(Address and telephone number of registrant's principal executive office)

**CT Corporation System
111 Eighth Avenue
New York, New York, U.S.A. 10011
(212) 894-8940**

(Name, address and telephone number of agent for service in the United States)

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class: Name of each exchange on which registered:

Common shares New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

For annual reports, indicate by check mark the information filed with this form:

Annual Information Form Annual Audited Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Common Shares As of December 31, 2011 there were 1,558,636,368 Common Shares issued and outstanding

Preferred Shares, Series A None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements in the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

ANNUAL INFORMATION FORM



ANNUAL INFORMATION FORM DATED MARCH 1, 2012

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ADVISORIES

In this Annual Information Form (AIF), references to "we", "our", "us", "Suncor" or "the company" mean Suncor Energy Inc., its subsidiaries, partnerships and joint venture investments, unless the context otherwise requires. On August 1, 2009, Suncor completed its merger with Petro-Canada, referred to in this document as the "merger". References to the "Board of Directors" or the "Board" mean the Board of Directors of Suncor Energy Inc., unless the context otherwise requires.

All financial information is reported in Canadian dollars, unless otherwise noted. Production volumes are presented on a working-interest basis, before royalties, unless otherwise noted. Certain amounts in prior years may have been reclassified to conform to the current year's presentation.

References to our 2011 audited Consolidated Financial Statements mean Suncor's audited Consolidated Financial Statements prepared in accordance with Canadian generally accepted accounting principles (GAAP), the notes and the auditors' report, as at and for each year in the two-year period ended December 31, 2011. References to our MD&A mean Suncor's Management's Discussion and Analysis, dated February 23, 2012.

Unless otherwise noted, all financial information has been prepared in accordance with Canadian GAAP, which is within the framework of International Financial Reporting Standards (IFRS).

This AIF contains forward-looking information based on Suncor's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, including those discussed in this document in the Risk Factors section, many of which are beyond the company's control. Users of this information are cautioned that actual results may differ materially. Refer to the Advisory Forward-Looking Information section of this AIF for information on other risk factors and the material assumptions underlying our forward-looking information.

Information contained in or otherwise accessible through Suncor's website www.suncor.com does not form a part of this AIF, and is not incorporated into the AIF by reference.

GLOSSARY OF TERMS AND ABBREVIATIONS

Common Industry Terms

Products

Hydrocarbons are solids, liquids or gas made up of compounds of carbon and hydrogen, in varying proportions.

Crude oil is a mixture of pentanes (lighter hydrocarbons) and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbons, but does not include liquids obtained in the processing of natural gas.

Bitumen or heavy crude oil is a naturally occurring viscous mixture, consisting mainly of pentanes and heavier hydrocarbons, which may not be recoverable at a commercial rate in its naturally occurring viscous state through a well without using enhanced recovery methods. After it is extracted, bitumen or heavy crude oil may be upgraded into crude oil and other petroleum products.

Conventional crude oil is crude oil produced through wells by standard industry recovery methods.

Oil sands are naturally occurring deposits of sand or sandstone, or other sedimentary rocks that contain bitumen.

Synthetic crude oil (SCO) is a mixture of hydrocarbons derived by upgrading bitumen from oil sands. SCO may contain sulphur or other non-hydrocarbon compounds and has many similarities to crude oil. SCO with lower sulphur content is referred to as **sweet synthetic crude oil**, while SCO with higher sulphur content is referred to as **sour synthetic crude oil**.

West Texas Intermediate is a type of crude oil used as a benchmark in oil pricing, and is the underlying commodity of futures contracts on the New York Mercantile Exchange (NYMEX).

Natural gas is a mixture of lighter hydrocarbons, which at atmospheric conditions of temperature and pressure is in a gaseous state.

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Conventional natural gas is natural gas produced from all geological strata, including associated, non-associated and solution gas, but excluding coal bed methane and shale gas.

Non-associated gas is an accumulation of natural gas in a reservoir where there is no crude oil. **Associated gas** is the gas cap overlying a crude oil accumulation in a reservoir.

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Solution gas is natural gas dissolved in crude oil in a reservoir.

Natural gas liquids (NGLs) are hydrocarbon components that can be recovered from natural gas as liquids, including, but not limited to, ethane, propane, butanes, pentanes, plus condensate and small quantities of non-hydrocarbons.

Oil and gas exploration and development processes

Development costs are costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves.

Exploration costs are costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves.

Field is a defined geographical area consisting of one or more pools containing hydrocarbons.

Glory hole is an excavation into the sea floor designed to protect wellhead equipment from icebergs, and which typically contains multiple wellheads.

Reservoir is a porous and permeable subsurface rock formation that contains a separate accumulation of petroleum that is confined by impermeable rock or water barriers and is characterized by a single pressure system.

Wells:

Development wells are drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

Dry wells are exploratory or development wells found to be incapable of producing either oil or gas in sufficient quantities to justify the completion as an oil or gas well.

Exploratory wells are drilled in a territory without existing proved reserves, with the intention to discover commercial reservoirs or deposits of crude oil and/or natural gas. Exploratory wells include **appraisal wells**, which are drilled to measure the commercial potential (i.e. size and quality) of a hydrocarbon discovery. Before development, an offshore discovery is likely to need several appraisal wells.

Service wells are drilled or completed for the purpose of supporting production in an existing field, such as wells drilled for observation or wells drilled for the injection of gas or water.

Stratigraphic wells are drilling efforts, geologically directed, to obtain information pertaining to a specific geologic condition, such as **core hole drilling** on oil sands leases, and are usually drilled without the intention of being completed for production.

Production processes

Capacity is the annual average output that may be achieved from a processing facility, such as an upgrader, refinery or natural gas processing plant, under ideal operating conditions and in accordance with current design specifications.

Downstream refers to the refining of crude oil or synthetic crude oil and the selling and distribution of refined products in retail and wholesale channels.

Feedstock generally refers either to i) the bitumen required in the production of synthetic crude oil for the company's oil sands operations; or ii) crude oil and/or other components required in the production of refined products for the company's downstream operations.

In situ or "in place" refers to methods of extracting bitumen or heavy crude oil from deep deposits of oil sands by means other than surface mining.

Overburden is the material overlying oil sands that must be removed before mining, which consists of muskeg, glacial deposits and sand.

Production Sharing Contracts (PSC) are a common type of contract signed between a government and a resource extraction company that states how much of the resource produced each party will receive and which parties are responsible for the development and operation of the resource. An **Exploration and Production Sharing Agreement (EPSA)** is a form of Production Sharing Contract, which also states which parties are responsible for exploration activities.

Steam-assisted gravity drainage (SAGD) is an enhanced oil recovery technology for producing heavy crude oil and bitumen. It is an advanced form of steam stimulation in which a pair of horizontal wells are drilled into the oil reservoir, one a

few metres above the other. Low pressure steam is continuously injected into the upper wellbore to heat the oil and reduce its viscosity, causing the heated oil to drain into the lower wellbore, from which it is pumped out.

Steam-to-oil ratio (SOR) is a metric used to quantify the efficiency of an in situ oil recovery process, which measures the cubic metres of steam required to produce one cubic metre of oil. The lower the ratio, the higher the efficiency of the use of steam.

Utilization is the average use of capacity, and includes the impact of planned and unplanned facility outages and maintenance. More specifically, **refinery utilization** is the amount of crude oil and natural gas plant liquids run through crude distillation units, expressed as a percentage of the capacity of these units.

Upgrading is the two-stage process by which bitumen or heavy crude oil is converted into synthetic crude oil.

Primary upgrading, also referred to as coking or thermal cracking, heats the bitumen in coke drums to remove excess carbon. The superheated hydrocarbon vapours are sent to fractionators where they condense into naphtha, kerosene and gas oil. Carbon residue, or coke, is removed from the coke drums on short intervals and later sold as a byproduct.

Secondary upgrading, a purification process also referred to as hydrotreating, adds hydrogen to, and reduces the sulphur of, primary upgrading output to create sweet synthetic crude oil and diesel.

Upstream refers to the exploration, development and production of conventional crude oil, bitumen or natural gas.

Reserves and resources

Please refer to the Definitions for Reserves Data Tables section of the Statement of Reserves Data and Other Oil and Gas Information in this AIF.

Common Abbreviations

The following is a list of abbreviations that may be used in this AIF:

Measurement		Places and Currencies	
bbbl(s)	barrel(s)	U.S.	United States
bbls/d	barrels per day	U.K.	United Kingdom
mbbls/d	thousands of barrels per day	B.C.	British Columbia
mmbbls	millions of barrels		
		\$ or Cdn\$	Canadian dollars
boe	barrels of oil equivalent	US\$	United States dollars
boe/d	barrels of oil equivalent per day	£	Pounds sterling
mboe	thousands of barrels of oil equivalent	€	Euros
mboe/d	thousands of barrels of oil equivalent per day		
mmboe	millions of barrels of oil equivalent		
		<u>Products, Markets and Processes</u>	
mcf	thousands of cubic feet of natural gas	WTI	West Texas Intermediate
mcf/d	thousands of cubic feet of natural gas per day	WCS	Western Canadian Select
mcf	thousands of cubic feet of natural gas equivalent	NGL(s)	natural gas liquid(s)
mmcf	millions of cubic feet of natural gas	LPG	liquefied petroleum gas
mmcf/d	millions of cubic feet of natural gas per day	SCO	synthetic crude oil
mmcf	millions of cubic feet of natural gas equivalent	NYMEX	New York Mercantile Exchange
mmcf/d	millions of cubic feet of natural gas equivalent per day		
bcf	billions of cubic feet of natural gas		
		TSX	Toronto Stock Exchange
GJ	gigajoule	NYSE	New York Stock Exchange
mmbtu	millions of British thermal units		
		SAGD	steam-assisted gravity drainage
m ³	cubic metres	PSC	production sharing contract
m ³ /d	cubic metres per day		

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km kilometres

EPSA

exploration and production sharing agreement

MW megawatts

Suncor converts certain crude oil and NGL volumes to mmcf or mmcf/d on the basis of one bbl to six mcf, and certain natural gas volumes to boe, mboe, mmboe or mboe/d on the same basis. Any figure presented in mcf, mmcf, mmcf/d, boe, boe/d, mboe, mmboe or mboe/d may be misleading, particularly if used in isolation. A conversion ratio of one bbl of crude oil or NGL to six mcf of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent value equivalency at the wellhead.

Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

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Conversion Table ⁽¹⁾⁽²⁾

1 m³ liquids = 6.29 barrels
 1 m³ natural gas = 35.49 cubic feet
 1 m³ overburden = 1.31 cubic yards

1 tonne = 0.984 tons (long)
 1 tonne = 1.102 tons (short)
 1 kilometre = 0.62 miles
 1 hectare = 2.5 acres

- (1) Conversion using the above factors on rounded numbers appearing in this AIF may produce small differences from reported amounts.
- (2) Some information in this AIF is set forth in metric units and some in imperial units.

CORPORATE STRUCTURE

Name and Incorporation

Suncor Energy Inc. (formerly Suncor Inc.) was originally formed by the amalgamation under the *Canada Business Corporations Act* on August 22, 1979, of Sun Oil Company Limited, incorporated in 1923, and Great Canadian Oil Sands Limited, incorporated in 1953. On January 1, 1989, we further amalgamated with a wholly owned subsidiary under the *Canada Business Corporations Act*. We amended our articles in 1995 to move our registered office from Toronto, Ontario, to Calgary, Alberta, and again in April 1997 to adopt our current name, "Suncor Energy Inc.". In April 1997, May 2000, May 2002, and May 2008, we amended our articles to divide the issued and outstanding shares on a two-for-one basis.

Pursuant to an arrangement (the Arrangement), which was completed effective August 1, 2009, Suncor amalgamated with Petro-Canada to form a single corporation continuing under the name "Suncor Energy Inc.". The Arrangement was effected pursuant to section 192 of the *Canada Business Corporations Act* through an arrangement agreement dated March 22, 2009 and accompanying plan of arrangement, as amended. Under the terms of the Arrangement, Petro-Canada shareholders received 1.28 common shares of the continuing Suncor entity for each Petro-Canada common share held and Suncor shareholders received one common share of the continuing Suncor entity for each common share held.

Our registered and head office is located at 150 - 6th Avenue, S.W., Calgary, Alberta, T2P 3E3.

Intercorporate Relationships

Material subsidiaries, each of which was owned 100%, directly or indirectly, by the company as at December 31, 2011 are as follows:

Name	Jurisdiction where organized	Description
Canadian operations		
Suncor Energy Oil Sands Limited Partnership	Canada	This partnership holds most of the company's oil sands assets.
Suncor Energy Ventures Partnership	Canada	This partnership was created in 2011 and holds the company's interest in the Syncrude joint venture.
Suncor Energy Products Partnership	Canada	This partnership holds substantially all of the company's Canadian refining and marketing assets.
Suncor Energy Oil & Gas Partnership	Canada	This partnership holds certain upstream Canadian oil and gas assets.
Suncor Energy Joslyn Partnership	Canada	This partnership holds our working interest in the Joslyn joint venture.
Suncor Energy Products Inc.	Canada	A subsidiary of Suncor Energy Inc. that holds interests in the company's energy marketing and renewable energy businesses, and which is a partner of Suncor Energy Products Partnership.

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Name	Jurisdiction where organized	Description
Suncor Energy Marketing Inc.	Canada	A subsidiary of Suncor Energy Products Inc. through which the products produced by our upstream North American businesses are marketed. Through this subsidiary, we also administer Suncor's energy trading activities, market certain third-party products, procure crude oil feedstocks and natural gas for our downstream business, and procure and market NGLs and LPG for our downstream business.

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Name	Jurisdiction where organized	Description
U.S. operations		
Petro-Canada U.S. Holdings Ltd.	U.S.	A subsidiary of Suncor Energy Inc. that holds the majority of our U.S. interests.
Suncor Energy (U.S.A.) Inc.	U.S.	A subsidiary of Suncor Energy Inc. through which our U.S. refining and marketing operations are conducted.
International operations		
3908968 Canada Inc.	Canada	A subsidiary of Suncor Energy Inc. that holds certain of our international interests.
Suncor Energy UK Holdings Ltd.	U.K.	A subsidiary of 3908968 Canada Inc. that holds certain of our U.K. interests. Formerly Petro-Canada U.K. Holdings Limited.
Suncor Energy UK Limited	U.K.	A subsidiary of Suncor Energy UK Holdings Ltd. through which certain of our operations are conducted in the U.K. Formerly Petro-Canada U.K. Limited.
Petro-Canada Cooperative Holding U.A.	The Netherlands	A subsidiary of 3908968 Canada Inc. that holds certain of our international interests.
Petro-Canada (International) Holdings B.V.	The Netherlands	A subsidiary of Petro-Canada Cooperative Holding UA that holds certain of our international interests.
Petro-Canada Palmyra B.V.	The Netherlands	A subsidiary of Petro-Canada (International) Holdings BV that holds the majority of our interests in Syria.
Petro-Canada Germany GmbH ⁽¹⁾	Germany	A subsidiary of Petro-Canada (International) Holdings BV that holds the majority of our interests in Libya.
Petro-Canada Oil (North Africa) GmbH ⁽²⁾	Germany	A subsidiary of Petro-Canada Germany GmbH through which the majority of our Libya operations are conducted.

(1) Subsequent to December 31, 2011, Petro-Canada Germany GmbH changed its name to Suncor Energy Germany GmbH.

(2) Subsequent to December 31, 2011, Petro-Canada Oil (North Africa) GmbH changed its name to Suncor Energy Oil (North Africa) GmbH.

Individually, the company's remaining subsidiaries accounted for (i) less than 10% of the company's consolidated assets as at December 31, 2011, and (ii) less than 10% of the company's consolidated sales and operating revenues for the fiscal year ended December 31, 2011. In aggregate, the remaining subsidiaries accounted for less than 20% of each of (i) and (ii) described above.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Suncor is an integrated energy company, with corporate headquarters in Calgary, Alberta, Canada. We are strategically focused on developing one of the world's largest petroleum resource basins – Canada's Athabasca oil sands. In addition, we explore for, acquire, develop, produce and market crude oil and natural gas in Canada and internationally, and we transport and refine crude oil, and market petroleum and petrochemical products primarily in Canada. Periodically, we market third-party petroleum products. We also carry on energy trading activities focused principally on the marketing and trading of crude oil, natural gas, refined products and byproducts.

Suncor has classified its operations into the following segments:

OIL SANDS

Suncor's Oil Sands segment, with assets located in northeast Alberta, recovers bitumen from mining and in situ operations and upgrades the majority of this production into refinery feedstock, diesel fuel and byproducts. The Oil Sands segment includes:

Oil Sands operations refers to Suncor's wholly owned and operated mining, extraction, upgrading and in situ assets in the Athabasca oil sands region. Oil Sands activities consist of:

Oil Sands Base operations include the Millennium and Steepbank (including the North Steepbank Extension) mining and extraction operations, two integrated upgrading facilities known as Upgrader 1 and Upgrader 2, and the associated infrastructure for these assets – including utilities, energy and reclamation facilities, such as Tailings Reduction Operations (TRO_{TM}) assets.

In Situ operations include oil sands bitumen production from Firebag and MacKay River and supporting infrastructure, such as central processing facilities and cogeneration units. The majority of In Situ production is upgraded by Oil Sands Base; however, the company's marketing plan includes sales of bitumen when marketing conditions are favourable or as operating conditions at Oil Sands Base require.

Oil Sands Ventures includes the company's interests in significant growth projects, including two where Suncor is the operator – the Fort Hills mining (40.8%) and the Voyageur upgrader (51%) projects, and one where Total E&P Canada Ltd. (Total E&P) is the operator – the Joslyn mining project (36.75%). Oil Sands Ventures also includes the company's 12% interest in the Syncrude oil sands mining and upgrading joint venture.

EXPLORATION AND PRODUCTION

In January 2011, Suncor combined its International and Offshore and Natural Gas segments into the Exploration and Production segment, which consists of offshore operations off the east coast of Canada and in the North Sea, and onshore operations in North America, Libya and Syria.

East Coast Canada operations include Suncor's 37.675% working interest in Terra Nova, for which Suncor is the operator. Suncor also holds a 20% interest in the Hibernia base project and a 19.5% interest in the Hibernia Southern Extension Unit (HSEU), a 27.5% interest in the White Rose base project and a 26.125% interest in the White Rose Extensions, and a 22.729% interest in Hebron, all of which are operated by other companies.

International operations include Suncor's 29.89% working interest in Buzzard and a 26.69% interest in the Golden Eagle Area Development (Golden Eagle) – both of which are operated by another company – in the U.K. portion of the North Sea. Suncor also holds interests in several North Sea licences offshore the U.K. and Norway. Suncor owns, pursuant to a Production Sharing Contract, an interest in the Ebla gas development in the Ash Shaer and Cherrife areas in Syria. Suncor also owns, pursuant to Exploration and Production Sharing Agreements, working interests in the exploration and development of oilfields in the Sirte Basin in Libya.

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Due to recent unrest in both countries, the company has declared force majeure under its contractual obligations in Libya and Syria. Operations in Libya are in the process of restarting, while operations in Syria have been suspended indefinitely.

North America Onshore operations include Suncor's interests in a number of assets in Western Canada, which primarily produce natural gas.

REFINING AND MARKETING

Suncor's Refining and Marketing segment consists of two primary operations:

Refining and Product Supply operations refine crude oil into a broad range of petroleum and petrochemical products. Eastern North America operations include refineries located in Montreal, Quebec and Sarnia, Ontario, and a lubricants

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business located in Mississauga, Ontario that manufactures, blends and markets products worldwide. Western North America operations include refineries located in Edmonton, Alberta and Commerce City, Colorado. Other assets include interests in a petrochemical plant, pipelines and product terminals in Canada and the U.S.

Downstream **Marketing** operations sell refined petroleum products and lubricants to retail, commercial and industrial customers through a combination of company-owned, branded-dealer and other retail stations in Canada and Colorado, a nationwide commercial road transport network in Canada, and a bulk sales channel in Canada.

CORPORATE, ENERGY TRADING AND ELIMINATIONS

The grouping **Corporate, Energy Trading and Eliminations** includes the company's investments in renewable energy projects, results related to energy supply and trading activities, and other activities not directly attributable to any other operating segment.

Renewable Energy interests include six operating wind power projects and the St. Clair ethanol plant in Ontario.

Energy Trading activities primarily involve the marketing and trading of crude oil, natural gas, refined petroleum products and byproducts and the use of midstream infrastructure and financial derivatives to optimize related trading strategies.

Corporate includes stewardship of Suncor's debt and borrowing costs, expenses not allocated to the company's businesses, and the company's captive insurance activities that self-insure a portion of the company's asset base.

Intersegment revenues and expenses are removed from consolidated results in **Group Eliminations**. Intersegment activity includes the sale of feedstock by the Oil Sands and Exploration and Production segments to the Refining and Marketing segment, the sale of fuels and lubricants by the Refining and Marketing segment to the Oil Sands segment, the sale of ethanol by the Renewable Energy business to the Refining and Marketing segment, and the provision of insurance for a portion of the company's operations by the Corporate captive insurance entity.

Three-Year History

2009

Economic downturn leads to "safe mode" for key growth projects. In the first quarter of 2009, Suncor placed a number of oil sands projects into safe mode as a result of the downturn in the global economy. Safe mode is the deferral of projects and maintenance of equipment and facilities in a safe manner in order to expedite remobilization when appropriate. The placement and maintenance of projects in safe mode resulted in significant operating expenses in 2009 and 2010, and the ensuing changes to project scheduling resulted in increased capital expenditures when projects were eventually remobilized. As a result of the merger and an improvement in the economy, in 2010, Firebag Stage 3, Firebag Stage 4 and the Millennium Naphtha Unit (MNU) projects were all taken out of safe mode. The Voyageur upgrader project began remobilizing in 2011.

Merger with Petro-Canada. On August 1, 2009, Suncor merged with Petro-Canada, adding approximately 375 mboe/d of upstream production at that time, which included the MacKay River in situ bitumen project, a 12% ownership interest in the Syncrude joint venture, interests in all of the major producing fields offshore Newfoundland and Labrador, interests in several offshore fields in the U.K. and the Netherlands portions of the North Sea, including Buzzard, interests in foreign operations pursuant to PSCs in Syria and Libya, and significant natural gas assets in Western Canada and the U.S. Rockies. Growth assets acquired included the Fort Hills oil sands mining project, other extensive oil sands acreage considered prospective for in situ development of bitumen resources, and interests in other North Sea fields that would eventually become known as Golden Eagle. Downstream assets acquired included the Edmonton and Montreal refineries, a lubricants plant, and the Petro-Canada_{TM} branded network of retail service stations and wholesale cardlock sites. In addition, responsibilities for crude marketing and procurement activities related to Petro-Canada assets were assumed by Suncor's existing Energy Trading business.

Steepbank extraction plant completed. To reduce the distance to the mine face, a new bitumen extraction plant on the east side of the Athabasca River was completed, resulting in improved reliability and bitumen recovery.

Fires at Suncor's upgrading facilities. In December 2009, there was a fire at the company's Upgrader 2 facilities, which were repaired and returned to normal operations in February 2010. In February 2010, there was a fire at our Upgrader 1 facilities, which were repaired and returned to full operations by April 2010.

2010

Disposition of non-core assets. Subsequent to the merger, the company undertook a strategic initiative to sell non-core assets. Throughout 2010, the company completed or entered into agreements for the disposition of non-core assets representing approximately 60 mboe/d of production. This included assets in the U.S. Rockies, the Netherlands portion of the

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North Sea, Trinidad and Tobago, the Scott, Telford and Guillemot areas in the U.K. portion of the North Sea, and numerous natural gas packages in Western Canada. Some of these disposals closed in 2011. Additional disposals of non-core North America Onshore assets representing approximately 5.9 mboe/d of 2010 production occurred in 2011.

Reclamation of tailings pond. Suncor became the first oil sands company to complete surface reclamation of a tailings pond. The 220-hectare site was the company's first storage pond for oil sands tailings when commercial production began in 1967. Suncor renamed the area Wapisiw Lookout.

Tailings Reduction Operations (TRO_{TM}). Suncor received approval from Alberta regulators to convert from the Consolidated Tailings (CT) management process to TRO_{TM}, a process in which mature fine tailings are dried, rather than mixed with sand and other materials to form CT. Suncor expects that TRO_{TM} will allow the company to significantly reduce the area required for tailings management, increase the speed at which it is able to reclaim its tailings ponds and meet the requirements of the Tailings Directive approved by Alberta's Energy Resources Conservation Board (ERCB) in 2009.

Production commences in Syria. Suncor achieved commercial production of natural gas from the Ebla project in April. First oil was later achieved from Ebla in December.

First oil from the White Rose Extensions. In the second quarter, first oil was achieved from the North Amethyst portion of the White Rose Extensions.

Terra Nova redetermination. In December, the joint venture owners of the Terra Nova oilfield finalized the redetermination of working interests required under the Terra Nova Development and Operating Agreement following field payout on February 1, 2005. Suncor's working interest increased to 37.675% from 33.990%.

Transformation of downstream Marketing operations. Suncor rebranded 158 Sunoco_{TM} retail sites to consolidate its post-merger Canadian downstream marketing operations under the Petro-Canada_{TM} brand. Suncor divested 104 retail sites in Ontario to comply with Canadian Competition Bureau requirements relating to the merger.

Suncor announced plans to grow production to one million barrels of oil equivalent per day. In December, Suncor announced that it had entered into agreements with Total E&P. Concurrent with this announcement, Suncor introduced its long-term growth strategy to increase production to over one million boe/d by 2020. Key components of the plan included arrangements with Total E&P for the restart of construction of the Voyager upgrader, and the joint development of the Fort Hills and Joslyn mining projects with the respective joint venture owners of these projects. Other key components of the ten-year growth strategy included continued development of the company's Firebag and MacKay River in situ projects, and investments in, and ongoing production from, international and offshore operations.

2011

Exploration and Production segment created. In January, Suncor announced organizational changes that included the International and Offshore and Natural Gas business divisions merging into a single organization primarily focused on conventional production, which includes both onshore and offshore operations.

Ethanol plant expansion completed. In January, Suncor completed the expansion of its ethanol plant in Ontario that doubled production capacity to 400 million litres per year, making it Canada's largest biofuels production facility.

Operations in Libya temporarily suspended. In response to political unrest and sanctions in Libya in the first quarter, the joint venture operator shut in production, while Suncor suspended all exploration activities and declared force majeure under its EPSAs. The uncertainty about the company's future in Libya caused by these events at that time resulted in the company recording an impairment charge against the company's assets. Sanctions in Libya were eventually lifted upon the transition to a new government,

and the joint venture operator was able to restart production from all major producing fields by early January 2012.

Transactions with Total E&P close. After receiving the necessary regulatory approvals, Suncor and Total E&P completed their previously announced transactions. In exchange for net proceeds of \$1.820 billion (after closing adjustments) and a 36.75% interest in the Joslyn project, Suncor sold to Total E&P a 49% interest in the Voyageur upgrader and a 19.2% interest in the Fort Hills project.

Largest turnaround in Suncor history. During the second quarter, the company completed safely and on time a turnaround at its Upgrader 2 facilities.

New wind farms commissioned. In May, the eight-turbine, 20-MW Kent Breeze wind power project in southwest Ontario commenced operations. In November, Suncor completed construction of, and initiated full production from, the 55-turbine, 88-MW Wintering Hills project in southern Alberta.

First oil at Firebag Stage 3. In July, Suncor achieved first oil from the first of three well pads at the Firebag Stage 3 expansion. With the ramp up of production from the Stage 3 expansion and the addition of infill wells at Firebag, Suncor's In Situ production surpassed 100,000 bbls/d of bitumen for the first time in the fourth quarter.

Development of Golden Eagle approved. In the third quarter, the field development plan for Golden Eagle was approved. The company anticipates first production late in 2014 or early 2015.

North Steepbank Extension. In December, the company started mining ore from the North Steepbank Extension (NSE) at its Oil Sands Base operations. The opening of this new mine extension enables Suncor to access additional oil sands ore, decrease overall haul distances and decrease mine congestion.

Operations in Syria suspended. In December, sanctions were introduced that resulted in Suncor declaring force majeure under its contractual obligations and suspending its operations in Syria. Consequently, the company has ceased recording all production and revenue associated with its Syrian assets.

Systems integration project completed. During the year, the company integrated Exploration and Production and Refining and Marketing assets acquired in the merger onto a common information systems platform. Oil Sands and Corporate assets were integrated during 2010.

2012

Chief Executive Officer Rick George to retire. Suncor's long-standing chief executive officer (CEO) announced his plan to retire after more than 20 years leading the company. Steve Williams, Suncor's chief operating officer (COO), was appointed president and a member of the company's Board of Directors, and will assume the role of CEO upon Mr. George's retirement in May 2012.

NARRATIVE DESCRIPTION OF SUNCOR'S BUSINESSES

Oil Sands

For a discussion of environmental and other regulatory conditions, and competitive conditions and seasonal impacts affecting our Oil Sands segment, refer to the Industry Conditions and Risk Factors sections of this AIF.

Oil Sands Base Operations

Our integrated Oil Sands Base operations, located near Fort McMurray, Alberta, involve numerous activities:

Mining and Extraction

After overburden is removed, open-pit mining operations use shovels to excavate the oil sands bitumen ore, which is trucked to sizers and breaker units that reduce the size of the ore, then create a slurry of hot water, rock, sand and bitumen. The slurry is delivered via a hydrotransport pipeline to extraction plants. The raw bitumen is separated from the slurry using a hot water process that creates a bitumen froth. Naphtha is added to the bitumen froth to form a diluted bitumen, which is subsequently sent to a centrifuge plant that removes most of the remaining impurities and minerals.

Upgrading

After the diluted bitumen is transferred to upgrading facilities, the naphtha is removed and recycled to be used again as diluent. Bitumen is upgraded through a coking and distillation process. The upgraded product, referred to as sour SCO, is either sold directly to customers or upgraded further into sweet SCO by removing sulphur and nitrogen using a hydrotreating process. In addition to sweet and sour SCO, upgrading processes also produce diesel, naphtha, kerosene and gas oil.

Utilities

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Process water is used in extraction processes and then recycled. Steam and electricity are generated through facilities on site. Steam required for operations is generated by a cogeneration unit or coke-fired boilers. Electricity is generated by turbine generators, some of which are part of the cogeneration unit. Excess energy produced is sold back to the power grid; however, during peak periods, Suncor purchases additional electricity from the grid.

Maintenance

In the normal course of our operations, we regularly conduct planned maintenance events at our facilities. Large planned maintenance events, which require units to be taken offline to be completed, are often referred to as turnarounds. Turnaround maintenance provides opportunities for both preventive maintenance and capital replacement, which are expected to improve reliability and operational efficiency. Planned maintenance events generally occur on routine cycles, determined by historical operating performance, recommended usage factors or regulatory requirements. A turnaround typically involves shutting down the unit, inspecting it for wear or other damage, repairing or replacing components, and then restarting the unit.

Reclamation

Mining processes disturb areas of land that must be reclaimed. Land reclamation activities involve monitoring soil salvage and replacement, wetlands research, fish, waterfowl and other wildlife protection, and re-vegetation.

The extraction process produces tailings that are a mixture of water, clay, sand and residual bitumen. Suncor has developed a new tailings management approach, known as TRO_{TM}, which involves converting tailings more rapidly into a solid landscape suitable for reclamation. In this process, mature fine tailings are mixed with a polymer flocculent and then deposited in thin layers on shallow slopes. The resulting product is a dry material that is capable of being reclaimed in place or moved to another location for final reclamation. The new process is expected to eliminate the need for new tailings ponds at existing mining operations, improve tailings management going forward and, in the years ahead, reduce the number of tailings ponds presently in operation.

Oil Sands Base Assets

Mining and Extraction

Suncor pioneered the commercial development of the Athabasca oil sands beginning in 1962. The original mining area is essentially depleted, and, for several years, bitumen has been mined almost exclusively from the Millennium area, which began production in 2001. During 2011, the company mined approximately 160 million tonnes from Millennium, and started mining ore from the NSE.

Suncor currently operates two extraction plants, the second of which was brought into service during 2009. The original extracti