

Social Investment

In 2007, we signed binding heads of agreements with the Libyan National Oil Company to convert our old Concessions into Exploration and Production Sharing Agreements (EPSA). The EPSAs will run for 30 years and enable Petro-Canada and the NOC to jointly design and redevelop more than 20 major fields and continue exploration in the Sirte Basin.

As part of the Libya investment package, the Company has a commitment to spend \$100 million US over five years on sustainable development projects in the country. Effectively, we carved \$100 million US out of the \$1 billion US signature bonus, payable to the NOC in respect of the EPSA transaction, to be managed by Petro-Canada and invested in projects that meet the sustainable development criteria of the NOC.

Managing this project is a significant undertaking for Petro-Canada. Our motivation for this commitment is clear; one of our Principles for Responsible Investment and Operations is that we endeavour to integrate our activities with, and participate in local communities, as a good corporate citizen. We do this because we believe that companies have the capacity to positively influence development outcomes. Our EPSAs in Libya will run for 30 years, making it in our best interest to support the national development goals of the country. As a guest in their country, we rely on transparent legal systems, access to infrastructure services, social stability, healthy and skilled employees, local suppliers and contractors who are able to meet our project criteria and positive relationships with stakeholders and the community.

The best outcome will be social investment projects that can be sustainably delivered by Petro-Canada, in a way that maximizes the contribution to our business, our host society and our shareholders.

Understanding the intersect between our operations and the development goals of the host community was a necessary first step. To initiate the design of our strategy, we elected to pilot a process developed by the World Business Council for Sustainable Development (WBCSD), in conjunction with leading global companies, including Petro-Canada. Their Measuring Impact Framework provided us with a structured and holistic approach towards measuring the direct and indirect impacts of some of our key business activities on the country,

assessing how these business activities link to the national development priorities identified by the Libyan government and identifying strategy options that leverage the key linkages to increase positive impacts.

The key observations emerging from the impact analysis show that Petro-Canada is expected to have the strongest impacts on the small and medium enterprise (SME) sector via procurement of services and goods, and environmental sustainability via waste and water management. Equally, the analysis showed that our operation in Libya will depend significantly on appropriate institutional capacity and a strong SME sector in order to achieve an ambitious well-drilling program in the short to medium term. In the longer term, the quality of education in Libya will also play a strong role in determining the number of suitably skilled workers in the labour force available for use by Petro-Canada directly or through our supply chain.

A number of interviews, as well as background research and information, built a detailed picture of the current economic, political, environmental and social conditions in Libya. This was particularly valuable to help identify key governmental development priorities at national level.

While we are still in the very preliminary stage of strategy design, the framework has clarified the areas of focus for discussion with our key stakeholders, the NOC. Equally importantly, the framework has helped identify those areas of investment that cannot be effectively sustained by Petro-Canada. We also expect that the framework will help us to define the performance indicators and stewardship measures that will guide joint NOC and Petro-Canada decisions over the next five years.

Managing this program is not without risks that need to be carefully managed, but we are excited about the opportunity to show our commitment to this host community.