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CHECK AGAINST DELIVERY

Thanks Rob for the kind introduction and for inviting me to speak at this year's Ivey conference. It's an honour to address the next generation of Canadian business leaders. And I'm delighted to have the opportunity to talk about a topic that is so close to my heart – driving sustainability in Canada's energy sector.

As I look out at you this evening, I have to admit, I'm somewhat envious. While I don't necessarily miss the long hours, attending Ivey as a mid-career Executive MBA student was a wonderful experience that had a profound influence on my career. As I told your colleagues in last year's MBA class, it was here at Ivey that I was first introduced to the Going Green ideas of Harvard's Dr. Michael Porter, who I'm sure many of you have heard of through your strategy courses.

Cenovus was fortunate enough to sponsor a conference in Calgary a few weeks ago featuring Professor Porter as a keynote speaker. He had some fascinating things to say about how Canada's energy industry can do a better job of creating shared value by directly linking business results with social and environmental benefits. Those ideas will be a centerpiece of my remarks this evening.

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Sustainability is one of the greatest challenges facing the global resource sector. I would argue it's also one of our greatest opportunities, especially in the energy sector. With the help of bright minds like yours, I'm confident we can become the envy of other nations for an oil and gas industry that is driven by constant innovation. And by innovation, I don't just mean ground-breaking new technology. That's important. But we also need to achieve step changes in the way we think about business models.

At Cenovus, we refer to ourselves as a "next-generation" oil sands company. A place where "the status quo is unacceptable." If you're not familiar with us, we have conventional oil and natural gas assets in Alberta and Saskatchewan, a 50 percent stake in two U.S. refineries, and a substantial portfolio of oil sands opportunities. We plan to be producing in the oil sands for decades to come - in the next-generation fashion.

I'm sure most of you have seen images from the oil sands of large open-pit mines, giant trucks and tailings ponds. That's not what we do. In fact, today, more than half of all production from the oil sands comes from projects that don't use mining techniques.

I'm going to show you some photos from our two oil sands projects, because they really are different than what most people imagine when they think about the oil sands.

This is our Foster Creek project in northern Alberta. The oil sands reservoirs here and at our Christina Lake project are deep underground – about 400 metres, on average. That's too deep to mine, so we drill

into them, using state-of-the-art technology. And we inject steam to melt the thick oil underground so we can pump it to the surface.

Two or three decades ago, no one thought this was possible. Today, we're doing it and getting better at it every day. Eventually, 80 percent of Canada's oil sands resource will be recovered using these kinds of non-mining technologies[1].

Over the next decade, we expect to more than quadruple our oil sands production.

Achieving this growth is going to take a lot more than solid project execution. Increasingly, industry – and especially the oil and gas industry – has to earn the right to grow each and every day. We've heard it referred to as "social license." Some call it "doing the right thing." At Cenovus, we call it "smart business." The more aligned our goals are with those of our stakeholders, the greater our chance of success.

For example, investments to improve environmental performance have traditionally been thought of as a drain on the bottom line. But in our business, they can actually improve operating efficiency and help cut costs, while also meeting the needs of stakeholders for us to reduce our impacts.

I mentioned that we use steam to melt the oil in our reservoirs. To make steam, we burn natural gas, which is expensive and it produces greenhouse gas emissions. By reducing the amount of steam we need to produce a barrel of oil, we can cut our gas bill and our emissions at the same time. That's a win-win situation.

We already have one of the lowest steam-use ratios in the industry, but through innovation and technology, we think we can get even better. That's why we have over 100 technology development projects on the go at any given time, many focused on reducing emissions.

Another great example is our Weyburn operation in Saskatchewan, where we've been injecting carbon dioxide into a mature oilfield. Under the right conditions, the CO_2 acts like a solvent, helping us recover residual oil trapped in microscopic pores in the rock.

This improves our overall recovery and it keeps CO_2 out of the atmosphere. Since 2000, we've safely stored more than 22 million tonnes of CO_2 at Weyburn. That's the equivalent of taking more than 4 million cars off the road for an entire year.

That's the concept of shared value I was talking about earlier. And it's a concept that applies equally to the communities where we operate and where many of our employees live. We want those communities to be better off as a result of us being there.

We invest in those communities to support three main objectives: learning, sustainable communities and health and well-being. We want to create capacity in those communities for people to get the skills they need so they can have careers with Cenovus - and we can have a reliable workforce.

We try to contract as much as possible with local suppliers so that revenue from our business goes back into local communities. The communities closest to our oil sands operations are Aboriginal communities,

[1] Canadian Association of Petroleum Producers Oil Sands Today: Quick Facts

and we want to make sure that we develop long-term relationships with those communities, based on mutual respect and trust.

Without those relationships, it will be difficult for us to achieve success over the long run.

To date, we've been fortunate enough to sign decades-long community agreements with five First Nations or Metis communities in the areas where we operate. These agreements set out a framework for how we'll work with each throughout the life of our projects. And they provide funding for education, infrastructure, business development and more. We're working to sign even more of these agreements in the future.

We also continue to do business with the growing number of successful Aboriginal companies in those communities. Last year alone, we spent almost $400 million with First Nations contractors. That's about 12 percent of our total capital spending. That's a significant number.

So these are just a few of the things that we're trying to do as a company to ensure that we're contributing to society overall – not because we have to, but because it's the right thing to do AND because it makes good business sense.

Times have changed. Stakeholders in the oil and gas sector are no longer passive bystanders. They're taking an active interest in everything we do – and rightly so – to make sure that we're doing it responsibly, sustainably and so that everyone shares in the benefits. That's a good thing. It means, however, we have to think about our stakeholders in a different way than we used to.

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The same holds true for all industry. And whether we produce oil, or metals, or we manufacture widgets, we have to start thinking about ourselves and how we interact with our peers in a different way. In the oil sands, we're showing some great leadership in this regard.

Oil sands companies are, and have always been, fierce competitors. We jealously guard our competitive advantages including intellectual property. But when it comes to tackling environmental challenges – and there are some significant ones – we're breaking down those competitive barriers and starting to collaborate in a way that is unprecedented in almost any industry.

Two years ago this month, 12 CEOs from Canada's largest oil sands producers, came together to form Canada's Oil Sands Innovation Alliance, or COSIA. The vision from the outset was to accelerate the pace of improvement in environmental performance through innovation and collaborative action.

COSIA actually laid the groundwork for Michael Porter's recent visit to Calgary. He was very intrigued with the unprecedented nature of COSIA, calling it an excellent example of the type of leading practice he describes in his "Creating Shared Value" articles.

Though it may sound like a no-brainer, it's been an incredibly complex undertaking. And it's already starting to yield results. I've had the pleasure of chairing the alliance and give big kudos to all the companies for the progress we've made. Over the past 24 months, COSIA members – there are 13 of us now – have created globally precedent-setting legal agreements paving the way for this collaboration to take place.

To date, our members have managed to share some 560 environmental technologies that took over $900 million to develop. And we're moving forward on impactful projects worth almost half a billion dollars. Collectively, we're innovating like never before.

And we've set ourselves a number of powerful aspirational goals. For instance, when it comes to greenhouse gases, COSIA members have said we'll strive to produce oil with lower emissions than other sources of oil. At Cenovus, we're already producing oil that has about the same lifecycle greenhouse gas emissions as the average barrel consumed in North America. So this is not a pipe dream.

And we're working collaboratively to accelerate environmental progress with respect to land management, water use and, for the mining projects, tailings ponds.

No question, these are tough challenges and some will take years to accomplish. But with the tremendous folks we have across the sector and beyond working on these, I believe we can make a difference.

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There's another way in which the oil and gas industry is changing, and will soon start to change more rapidly. Canada's domestic oil production is, for the most part, landlocked. By that, I mean that almost all of the oil and gas we produce for export goes to the United States. That's the way it's been for decades. But as our industry reinvents itself for the 21st century, we inevitably have to start thinking, and competing, globally.

No industry wants just one customer for its product. That arrangement is already forcing Canadian producers to sell oil in the U.S. for far less than we could get on the world market, to the detriment of the entire Canadian economy.

That means we have to start finding new markets now, in places like China, India and Europe. To access those markets, we'll need new transportation options, including new pipelines. And we've already seen how difficult it's become to get one new pipeline approved going into the United States.

Getting new lines to the east and west coasts, where the oil can be consumed by local refineries and loaded onto tankers destined for overseas markets, will have its own challenges. To overcome those challenges, we will have to maintain world class standards, not only for efficiency, but for social and environmental performance.

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I'd like to touch on one final area where the energy industry has had to radically change its way of thinking. Historically, oil and gas companies have not been great communicators. We didn't have to communicate much. We simply produced a product the world needed and the rest seemed to take care of itself. That world is gone.

Over the last few years, the energy industry has come to realize that silence is not an option. Our critics – who are awesome communicators – have been dominating the conversation and spreading damaging misinformation about what we do. So oil producers have begun to stand up for themselves.

Some people say “we don’t need oil” and that it will soon be replaced by wind, solar or other forms of “alternative” and “clean” energy. As an energy producer, our job is to remind them that world demand for energy is still growing. The U.S. Energy Information Agency forecasts a 56 percent increase in global energy demand over the next three decades[2].

To meet that, we’ll need all forms of energy, including oil. Nothing matches its versatility and affordability – especially for transportation. Today, over 90 percent of the world’s vehicles run on oil-based fuels[3] and it will continue to be the dominant transport fuel for a long time to come[4].

We also want people to know that we’re proud to work for an oil company, because the work we do makes their lives better. Oil runs the machines that make everyday products like smart phones, clothing and furniture. And it’s a building block for materials that go into those products.

Most importantly, oil allows us to go to work, travel abroad, and trade our goods and services around the world.

In the oil sands, our critics like to say that we produce “dirty oil.” When people hear sensational claims like that, we’re asking them to start thinking more critically. The fact is, oil from the oil sands is being produced responsibly, under some of the strictest operating standards in the world.

And when it comes to greenhouse gases, the oil sands account for about 1/700th of the world’s total emissions – that’s a fraction of one percent[5]. That doesn’t mean we’re satisfied. We’re working every day to get better. We’d like to have zero emissions if we could – as an aspirational goal.

It’s also a fact that the oil sands are a big deal for Canada. With the third largest oil reserves in the world[6], they generate thousands of good jobs and billions of dollars in annual GDP and taxes for the entire country.

We’ve carefully researched and compiled this information because we want to start a conversation about oil and the role that it plays in our lives.

There’s a great video and more information about all of this on our new microsite More2theStory, and plenty of room for you to leave a comment. I hope you’ll check it out and get engaged in the discussion.

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In closing, let me say that sustainability is crucial to the future of all industry, and to the oil and gas sector in particular. At Cenovus, we take it very seriously. We’ve worked hard to create a culture that values all aspects of corporate responsibility and integrates social and environmental considerations into everything that we do.

But we know we still have a lot to learn. And I hope that someday, some of you will be able to join us in the oil and gas industry, perhaps even at Cenovus, to help us overcome the challenges that still remain.

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[2] U.S. Energy Information Administration International Energy Outlook 2013 (July 2013)
[3] International Energy Agency. Data taken from: World Energy Outlook 2012 © OECD/IEA, 2012, table. 11.4 p. 346
[4] American Petroleum Institute Energizing America: Facts for Addressing Energy Policy. p. 33 (September 2013). The API’s source was the U.S. Energy Information Administration’s Annual Energy Outlook 2013, Tables A1, A2 and A17.
[5] Canadian Association of Petroleum Producers: Environment Canada 2013 / United Nations Statistics Division
[6] Canadian Association of Petroleum Producers Oil Sands Today: Quick Facts

Thank you and I look forward to your questions.