SUNCOR ENERGY INC
Form 40-F
March 04, 2013

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

(Check One)

o Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934

or

ý Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For fiscal year ended: December 31, 2012
Commission File Number: No. 1-12384

SUNCOR ENERGY INC.

(Exact name of registrant as specified in its charter)

Canada	**1311,1321,2911, 4613,5171,5172**	**98-0343201**
(Province or other jurisdiction of incorporation or organization)	(Primary standard industrial classification code number, if applicable)	(I.R.S. employer identification number, if applicable)

150 - 6th Avenue S.W.
Box 2844
Calgary, Alberta, Canada T2P 3E3
(403) 296-8000

(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)

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:

ý Annual Information Form ý 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, 2012 there were 1,523,056,848 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 preceeding 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 ý No o

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 o No o

INCORPORATION BY REFERENCE

The Registrant's Annual Information Form dated March 1, 2013, included in this annual report on Form 40-F, and Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2012, included as Exhibit 99-1 and Exhibit 99-2, respectively, to this annual report on Form 40-F, are incorporated by reference into and as an exhibit to, as applicable, each of the Registrant's Registration Statements under the Securities Act of 1933: Form S-8 (File No. 333-87604), Form S-8 (File No. 333-112234), Form S-8 (File No. 333-118648), Form S-8 (File No. 333-124415), Form S-8 (File No. 333-149532), Form S-8 (File No. 333-161021), Form S-8 (File No. 333-161029) and Form F-9 (File No. 333-181421).

ANNUAL INFORMATION FORM

SUNCOR ENERGY INC.

Annual Information Form
Dated March 1, 2013

ANNUAL INFORMATION FORM DATED MARCH 1, 2013

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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 arrangements, unless the context otherwise requires. References to the "Board of Directors" or the "Board" mean the Board of Directors of Suncor Energy Inc., unless the context otherwise indicates.

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 2012 audited Consolidated Financial Statements mean Suncor's audited Consolidated Financial Statements prepared in accordance with Canadian generally accepted accounting principles (GAAP), which is within the framework of International Financial Reporting Standards (IFRS), the notes and the auditors' report, as at and for each year in the two-year period ended December 31, 2012. References to our MD&A mean Suncor's Management's Discussion and Analysis, dated February 26, 2013.

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 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.
>
> **Brent** is a blend of light, sweet crudes sourced from the North Sea used as a global price benchmark for internationally traded crude oil.
>
> **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**.

Western Canadian Select (WCS) is a heavy blended crude oil comprised primarily of conventional heavy oil or bitumen blended with diluent that is traded out of Hardisty, Alberta.

West Texas Intermediate (WTI) 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.

Conventional natural gas is natural gas produced from all geological strata, including associated, non-associated and solution gas, but excluding production from **unconventional natural gas** formations, such as 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.

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 holes 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.

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, usually drilled without the intention of being completed for production, which are geologically directed to obtain information pertaining to a specific geologic condition, such as **core hole drilling** on oil sands leases, or to measure the commercial potential (i.e. size and quality) of a discovery, such as **appraisal wells** for offshore discoveries.

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 SCO for the company's oil sands operations, or ii) crude oil and/or other components required in the production of refined petroleum product 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 PSC, 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 in the reservoir 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 water (converted to steam) required to produce one cubic metre of oil. A lower ratio indicates more efficient 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 SCO.

> **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 and nitrogen of, primary upgrading output to create sweet SCO 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	
bbl(s)	barrel(s)
bbls/d	barrels per day
mbbls/d	thousands of barrels per day
mmbbls	millions of barrels
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
mboe	thousands of barrels of oil equivalent
mboe/d	thousands of barrels of oil equivalent per day
mmboe	millions of barrels of oil equivalent
mcf	thousands of cubic feet of natural gas
mcf/d	thousands of cubic feet of natural gas per day
mcfe	thousands of cubic feet of natural gas equivalent
mmcf	millions of cubic feet of natural gas
mmcf/d	millions of cubic feet of natural gas per day
mmcfe	millions of cubic feet of natural gas equivalent
mmcfe/d	millions of cubic feet of natural gas equivalent per day
bcf	billions of cubic feet of natural gas

Places and Currencies	
U.S.	United States
U.K.	United Kingdom
B.C.	British Columbia
$ or Cdn$	Canadian dollars
US$	United States dollars
£	Pounds sterling
€	Euros

Products, Markets and Processes

WTI	West Texas Intermediate
WCS	Western Canadian Select
NGL(s)	natural gas liquid(s)
LPG	liquefied petroleum gas
SCO	synthetic crude oil

GJ	gigajoules
mmbtu	millions of British thermal units
m^3	cubic metres
m^3/d	cubic metres per day
km	kilometres
MW	megawatts

NYMEX	New York Mercantile Exchange
TSX	Toronto Stock Exchange
NYSE	New York Stock Exchange
SAGD	steam-assisted gravity drainage
PSC	Production Sharing Contract
EPSA	Exploration and Production Sharing Agreement

Suncor converts certain crude oil and NGL volumes to mcfe or mmcfe on the basis of one bbl to six mcf, and certain natural gas volumes to boe, mboe, or mmboe on the same basis. Any figure presented in mcfe, mmcfe, boe, mboe, or mmboe 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.

Conversion Table [(1)(2)]

1 m^3 liquids = 6.29 barrels	1 kilometre = 0.62 miles
1 m^3 natural gas = 35.49 cubic feet	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.", referred to in this document as the "merger". 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 - 6 th 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, 2012 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 holds the company's interest in the Syncrude joint arrangement.
Suncor Energy Oil and Gas Partnership	Canada	This partnership holds an interest in Suncor Energy Resources Partnership and Suncor Energy Ventures Partnership.
Suncor Energy Resources Partnership	Canada	This partnership holds certain upstream Canadian oil and gas assets.
Suncor Energy Joslyn Partnership	Canada	This partnership holds the company's working interest in the Joslyn joint arrangement.
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.
Suncor Energy Products Partnership	Canada	This partnership holds substantially all of the company's Canadian refining and marketing assets.
Suncor Energy Marketing Inc.	Canada	A subsidiary of Suncor Energy Products Inc. through which production from our upstream North American businesses is marketed. Through this subsidiary, we also administer Suncor's energy trading activities, market certain third-party products, procure crude oil feedstock and natural gas for our downstream business, and procure and market NGLs and LPG for our Canadian downstream business.
U.S. operations		
Suncor Energy (U.S.A.) Holdings Inc.	U.S.	A subsidiary of Suncor Energy Inc. that holds the majority of U.S. interests.
Suncor Energy (U.S.A.) Marketing Inc.	U.S.	A subsidiary of Suncor Energy (U.S.A.) Holdings Inc. that procures and markets third-party crude oil, in addition to procuring crude oil feedstock for the company's U.S. refining operations.
Suncor Energy (U.S.A.) Inc.	U.S.	A subsidiary of Suncor Energy (U.S.A.) Holdings Inc. that holds 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.

Name	Jurisdiction where organized	Description
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.
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 U.A. that holds certain of our international interests.
Petro-Canada Palmyra B.V.	The Netherlands	A subsidiary of Petro-Canada (International) Holdings B.V. that holds the majority of our interests in Syria.
Suncor Energy Germany GmbH	Germany	A subsidiary of Petro-Canada (International) Holdings B.V. that holds the majority of our interests in Libya.
Suncor Energy Oil (North Africa) GmbH	Germany	A subsidiary of Suncor Energy Germany GmbH through which the majority of our Libya operations are conducted.

The company's remaining subsidiaries each accounted for (i) less than 10% of the company's consolidated assets as at December 31, 2012, and (ii) less than 10% of the company's consolidated revenues for the fiscal year ended December 31, 2012. 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 headquartered 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 conduct energy trading activities focused principally on the marketing and trading of crude oil, natural gas and byproducts.

Suncor has classified its operations into the following segments:

OIL SANDS

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

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

Oil Sands Base operations include the Millennium and North Steepbank mining and extraction operations, 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 Suncor's tailings management (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. In Situ production is either upgraded by Oil Sands Base or blended with diluent and marketed directly to customers.

Oil Sands Ventures assets include the company's interests in significant growth projects, including its 36.75% interest in the Joslyn North mining project, and two projects where Suncor is the operator, including its 40.8% interest in the Fort Hills mining project and its 51.0% interest in the Voyageur upgrader project. Oil Sands Ventures also includes the company's 12.0% interest in the Syncrude oil sands mining and upgrading operation.

EXPLORATION AND PRODUCTION

Suncor's Exploration and Production segment 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, which Suncor operates. Suncor also holds a 20.0% 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 its 26.69% interest in the Golden Eagle Area Development (Golden Eagle), both in the U.K. sector of the North Sea and both of which are not operated by Suncor. Suncor also holds interests in several exploration licences offshore the U.K. and Norway. Suncor owns, pursuant to EPSAs, working interests in the exploration and development of oilfields in the Sirte Basin in Libya. Suncor also owns, pursuant to a PSC, an interest in the Ebla gas development in the Ash Shaer and Cherrife areas in Syria. Due to unrest in Syria, the company has declared force majeure under its contractual obligations, and Suncor's operations in Syria have been suspended indefinitely.

North America Onshore operations include Suncor's interests in a number of natural gas and conventional crude oil assets, primarily in Western Canada.

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, Québec, and Sarnia, Ontario, and a lubricants 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 Refining and Product Supply 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 marketing, supply and trading activities, and other activities not directly attributable to any other operating segment.

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

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

Corporate activities include 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

2010

Disposition of non-core assets. Subsequent to the merger with Petro-Canada in 2009, 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 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.

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.

Production commences in Syria. Suncor achieved commercial production of natural gas from the Ebla gas 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 co-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 33.99%.

Transformation of downstream Marketing operations. Suncor rebranded the majority of its 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 enters into joint arrangements with Total E&P. In December, Suncor announced that it had entered into agreements with Total E&P Canada Ltd. (Total E&P) with respect to the restart of the Voyageur upgrader project, and the joint development of the Fort Hills and Joslyn North mining projects with the respective co-owners of these projects. These transactions closed in 2011 after receiving necessary regulatory approvals. Suncor sold to Total E&P a 49% interest in the Voyageur upgrader project and a 19.2% interest in the Fort Hills asset. In exchange, Suncor received cash proceeds and a 36.75% interest in the Joslyn asset.

2011

Exploration and Production segment created. In January, Suncor announced organizational changes that included the former 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 the largest biofuels production facility in Canada.

Operations in Libya temporarily suspended. In response to political unrest and sanctions in Libya in the first quarter of 2011, the operator of the company's joint operations in Libya shut in production. As a result, Suncor suspended all exploration activities and declared force majeure under its EPSAs. Sanctions in Libya were eventually lifted upon the transition to a new government, and the operator was able to restart production from all major producing fields in the first quarter of 2012.

Largest turnaround in Suncor history. During the second quarter, the company completed the largest turnaround in the company's history at its Upgrader 2 facilities. The turnaround was completed safely and on time.

New wind farms commissioned. In May, Suncor commissioned the eight-turbine, 20-MW Kent Breeze wind power project in southwest Ontario. In November, Suncor commissioned the 55-turbine, 88-MW Wintering Hills wind power project in southern Alberta.

Development of Golden Eagle approved. In the third quarter, the field development plan for Golden Eagle in the U.K. sector of the North Sea 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 area at its Oil Sands Base operations. The opening of this new area enabled 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 ceased recording all production and revenue associated with its Syrian assets. Later, in 2012, the company received proceeds from risk mitigation instruments related to its Syrian assets, which are subject to a provisional repayment should operations in Syria resume.

Systems integration project completed. 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

Steve Williams appointed as Chief Executive Officer. In December 2011, Steve Williams, formerly Suncor's Chief Operating Officer (COO), was appointed president and a member of the company's Board of Directors, and assumed the role of Chief Executive Officer (CEO) in May 2012. Prior to becoming COO, Mr. Williams served as Executive Vice President, Oil Sands for four years where he was responsible for leading Suncor's Oil Sands operations through a significant period of growth. Mr. Williams replaced Suncor's long-standing CEO, Rick George, who retired in May after more than 20 years leading the company.

TRO_{TM} operations underway. Suncor completed its tailings management project. New infrastructure included pipes, pumphouses and fluid transfer barges that (a) pump tailings water from extraction plants to a sand placement area, (b) pump mature fine tailings from the sand placement area to a tailings pond for TRO_{TM} treatment, and (c) pump treated water from tailings ponds back to extraction plants for use in production processes. Through the TRO_{TM} process, mature fine tailings are converted more rapidly into a solid material suitable for reclamation. As a result of this new technology and the company's capital investment to reconfigure its tailing operations, Suncor has cancelled plans for five additional tailings ponds.

Off-station maintenance at East Coast Canada assets. The Floating Production, Storage and Offloading (FPSO) vessels for both Terra Nova and White Rose were disconnected and transported to docking facilities for planned maintenance. The water injection swivel was replaced on the Terra Nova FPSO, while the propulsion system was repaired on the White Rose FPSO. The off-station maintenance program for Terra Nova also allowed the company to replace subsea infrastructure to help mitigate hydrogen sulphide (H_2S) issues.

Growth at Firebag. Production from Firebag increased approximately 75% compared with 2011. In 2012, Firebag Stage 3 central processing facilities commissioned in the previous year reached design capacity approximately one year after first oil was brought on-stream. Stage 4 central processing facilities were commissioned in 2012, with first oil from Stage 4 wells brought on-stream in December. Once Stage 4 central processing facilities reach full capacity, total production from Firebag is expected to be approximately 180,000 bbls/d. There is significant integration between Firebag Stages 1 through 4, allowing operational flexibility to optimize production, maintenance, reliability and costs.

MNU commences operations. The Millennium Naphtha Unit (MNU), which consists of a hydrogen plant and a naphtha hydrotreating unit, began operating at design rates. The company expects that the MNU will increase sweet SCO production capacity by approximately 10%, primarily through the new naphtha hydrotreating unit, and stabilize secondary upgrading processes by providing flexibility with respect to hydrogen production during planned or unplanned maintenance.

Oil Sands logistics infrastructure brought into service. During 2012, the company brought into service the Wood Buffalo pipeline, which connects the company's Athabasca terminal at the base plant in Fort McMurray to other third-party pipeline infrastructure in Cheecham, Alberta, and the first two of four new storage tanks in Hardisty, Alberta, which will connect to the Enbridge mainline pipeline in 2013.

Hebron project receives sanction. On December 31, 2012, the co-owners of the Hebron project located offshore Newfoundland and Labrador sanctioned the development plan that includes a concrete gravity-based structure (GBS) supporting an integrated topsides deck to be used for production, drilling and accommodations. Suncor has a 22.729% interest in the Hebron project. The estimated gross oil production capacity for Hebron is 150,000 bbls/d. Suncor's share of the project cost estimate provided by the project operator is approximately $3.2 billion. First oil is expected in late 2017.

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 in the Wood Buffalo region of northeast Alberta, involve numerous activities:

Mining and Extraction

After overburden is removed, open-pit mining operations use shovels to excavate oil sands bitumen ore, which is trucked to sizers and breaker units that reduce the size of the ore. Next, a slurry of hot water, sand and bitumen is created and 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 in extraction processes. 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 and other byproducts.

Utilities

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 Oil Sands Base cogeneration unit, or provided by cogeneration units at Firebag.

Maintenance

In the normal course of operations, Suncor regularly conducts planned maintenance events at its 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 and Tailings

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

The extraction process produces tailings that are a mixture of water, clay, sand and residual bitumen. Suncor has developed a tailings management approach, known as TRO$_{TM}$, which involves converting mature fine tailings more rapidly into a solid material 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. TRO$_{TM}$ is expected to accelerate and improve the company's tailings management processes, eliminate the need for new tailings ponds at existing mining operations, 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, achieving first production in 1967. The original mining area is essentially depleted, and, for several years, bitumen was mined almost exclusively from the Millennium area, which began production in 2001. The company began mining from the North Steepbank area in 2011. During 2012, the company mined approximately 151 million tonnes of bitumen ore (2011 161 million tonnes). During 2012, Suncor averaged processing 266,200 bbls/d of mined bitumen in its extraction facilities (2011 287,100 bbls/d).

Upgrading

Suncor's upgrading facilities consist of two upgraders Upgrader 1, which has a primary upgrading capacity of approximately 110,000 bbls/d of SCO, and Upgrader 2, whi