

Extractive Sector Transparency Measures Act - Annual Report



Reporting Entity Name PETROCHINA CANADA LTD.

Reporting Year **From** 1/1/2021 **To:** 12/31/2021 **Date submitted** 5/25/2022

Reporting Entity ESTMA Identification Number E348742

Original Submission
 Amended Report

Other Subsidiaries Included
 (optional field)

For Consolidated Reports - Subsidiary Reporting Entities Included in Report:
 PETROCHINA DUVERNAY GAS PARTNERSHIP (E332715)
 PETROCHINA GROUNDBIRCH GAS PARTNERSHIP (E400651)
 PETROCHINA MACKAY OILSANDS PARTNERSHIP (E727639)

Not Substituted

Attestation by Reporting Entity

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Full Name of Director or Officer of Reporting Entity Jie Fan **Date** 5/25/2022

Position Title VP, Finance

INTRODUCTION

PetroChina Canada Ltd. and its subsidiaries PetroChina Mackay Oilsands Partnership, PetroChina Duvernay Gas Partnership and PetroChina Groundbirch Gas Partnership (collectively the “Company” or “PCC”) has prepared the following consolidated report (“the Report”) of payments made to government entities for the year ended December 31, 2021 as required by the Extractive Sector Transparency Measures Act S.C. 2014, c.39, s.376 (“ESTMA” or “the Act”).

BASIS OF PREPARATION

The report is presented in Canadian Dollars and has been prepared in accordance with the requirements of the Act and the Natural Resources Canada (“NRCan”) Technical Reporting Specifications.

The following is a summary of significant policies and judgments that the Company has made for the purpose of preparing the report.

Cash and in-kind payments

Payments are reported on a cash basis and have been reported in the period in which the payment was made. In-kind payments are converted to an equivalent cash value based on cost or, if cost is not determinable, the in-kind payment is reported at the fair market value. The valuation method for each payment has been disclosed in the notes section of the Report.

Payments to the “same payee” that meet or exceed \$100,000 Cdn in one category of payment are disclosed. Payments are rounded to the nearest \$10,000 Cdn.

Payee

For the purposes of the Act, a payee is:

- a. Any government in Canada or in a foreign state;
- b. A body that is established by two or more governments; or
- c. Any trust, board, commission, corporation or body or other authority that is established to exercise or perform, or that exercises or performs, a power, duty or function of a government for a government referred to in paragraph (a) above or a body referred to in paragraph (b) above.

Payees include governments at any level, including national, regional, state, provincial, local, or municipal levels. Payees may include non-governmental entities if the benefit bestowed would have otherwise been provided by the government. Payees also include any government-owned or government-controlled entities that exercise or perform a power, duty or function of government.

Aboriginal and indigenous groups and organizations may also be regarded as a payee under the Act. The Act defers the requirement to report on payments made to Aboriginal governments in Canada, with reporting on these payments commencing on June 1, 2017.

The individual department, agency or other body of the payee that received the payment has been disclosed in the notes section of the Report.

Reportable Payments

A reportable payment for ESTMA purposes is one that:

- a. Is made to the same payee;

- b. Is made in relation to the commercial development of oil, gas or minerals; and
- c. Totals, as a single or multiple payments, \$100,000 Cdn or more in the year in one of the following prescribed seven payment categories.

Taxes

This category includes taxes paid by the Company on its income, profits or production in relation to the commercial development of oil and gas resources. Taxes reported include site property taxes, business taxes. Consumption taxes, personal income taxes and taxes withheld by others on behalf of the Company are excluded as per the Act.

Royalties

Royalties are payments for the rights to extract oil and gas resources, typically at a set percentage of revenue. Both cash royalties and royalties paid in-kind are reported in this category.

Fees

This category may include mineral and surface leases, regulatory charges such as Liability Management Rating (LMR) assessments as well as fees or other consideration for licenses, permits or concessions, and certain provincial resource surcharges such as BC Oil and Gas Commission Levy. The fee category is broad and includes payments to payees that in substance is a fee. Amounts paid in ordinary course commercial transactions in exchange for services provided by a payee are excluded.

Production entitlements

A payee's share of oil, gas or mineral production under a production sharing agreement or similar contractual or legislated arrangement is reported under this category. For the year ended December 31, 2021, there were no reportable production entitlement payments to a payee.

Bonuses

Signing, discovery, production and any other type of bonuses paid to a payee in relation to the commercial development of oil and gas resources are reported under this category. For the year ended December 31, 2021, there were no reportable bonuses payments to a payee.

Dividends

Dividends are dividend payments, other than dividends paid to a payee as an ordinary shareholder of the Company on shares that were acquired by the payee on the same terms as were available at the time of acquisition to other shareholders that are not in lieu of any other reportable payment. For the year ended December 31, 2021, there were no reportable dividend payments to a payee.

Infrastructure improvement payments

This payment category consists of payments for the construction of infrastructure that do not relate primarily to the operational purposes of the Company. For the year ended December 31, 2021, there were no reportable infrastructure improvement payments to a payee.

Significant Estimates and Judgements

The preparation of the Report in accordance with the Act requires the use of judgements, estimates and assumptions.

Payments by Project Level

Payments have been reported at the project level as required by the Act. A “project” means the operational activities are governed by a single contract, license, lease, concession or similar legal agreement that forms the basis for a payment liability with a payee. If multiple such agreements are substantially interconnected, they would be considered a single project.

“Substantially interconnected” means forming a set of operationally and geographically integrated contracts, licenses, leases or concessions or related agreements with substantially similar terms that are signed with a government and give rise to payment liabilities.

The Company has determined that the operational activities governed by surface or mineral lease contracts related to key operational areas are substantially interconnected and has reported payments related to each such area as a single project. The Company has considered geographical location and common infrastructure as two key indicators for making this determination.

Commercial Development

The Act defines ‘commercial development of oil, gas or minerals’ as:

- a) The exploration or extraction of oil, gas or minerals;
- b) The acquisition or holding of a permit, license, lease or any other authorization to carry out any of the activities referred to in paragraph (a); or
- c) Any other prescribed activities in relation to oil, gas or minerals.

Payments made by the Company to payees relating to the commercial development of oil, gas or minerals (“commercial development”) are disclosed in this Report. The Company’s initial processing activities which are integrated with its extraction operations are included in commercial development. The Report excludes payments that are not related to the Company’s commercial development activities. Midstream activities and projects beyond the initial processing activities are not included.

Refunds and credits

Amounts paid to payees have been reported at the amount paid by the Company, including instances where an applicable credit reduces the amount payable, to reflect the net cash payment to the payee. Cash refunds received from payees have not been reported where they have not been applied as a credit to amounts owing.

Attribution of payments

Where a payment was made for the Company by another entity, such payment has been deemed to have been made by the Company and has been included in this Report. This may include payments not directly made to a payee, or was not received directly by the payee. Whether a payment is made for the Company may be difficult to determine and depends on the facts and circumstances including legal and contractual requirements in various jurisdictions.

Payments made in situations of joint control

The Company reports all cash payments that it pays directly to a payee, and includes all amounts paid as an operator as part of an unincorporated joint arrangement (i.e. a working interest). This is the case even where the Company as the operator has been proportionally and directly reimbursed by its non-operating partners.

Where a joint arrangement is structured through a legal entity, where the Company determines that it does not control that legal entity or the underlying assets and liabilities within the legal entity, payments made by the jointly controlled legal entity are not reported.

Corporate Social Responsibility Payments

The ESTMA Report includes CSR payments that contractually obligates the Company to make to a payee, or to another party under the direction of a payee, as a result of the Company's commercial development. Additionally, the Company has reported voluntary CSR payments which have been made to a payee, or to another party under the direction of a payee, and relates directly to the Company's commercial development. The Company's CSR payments have been included in bonuses.

Payments to state-owned enterprises

Payments made to state-owned enterprises will be included in the report if they are not under ordinary course commercial transactions, where the state-owned enterprise is exercising or performing a power, duty, or function of government. All payments made by PCC to state-owned enterprises in 2021 were under ordinary course commercial transactions, therefore, did not constitute reportable payments.