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Canadian Oil Sands

Canadian Oil Sands discusses royalty changes

October 26, 2007

Calgary, AB., October 26, 2007 (TSX – COS.UN) — Canadian Oil Sands Trust (“Canadian Oil Sands”) today discusses the impact of Crown royalty changes for oil sands projects announced yesterday by the Alberta government.

Effective 2009, the government is planning to implement a sliding scale royalty rate for oil sands projects ranging from one to nine per cent pre-payout and 25 to 40 per cent post-payout that responds to the price level of West Texas Intermediate (WTI) crude oil. The pre-payout rate will start at one per cent of revenue and increase for every dollar oil is priced above US\$55 per barrel, to a maximum of nine per cent of revenue when oil is priced at US\$120 or higher. The net royalty applied post-payout will start at 25 per cent of net revenue and increase for every dollar oil is priced above US\$55 per barrel up to a maximum of 40 per cent of net revenue when oil reaches US\$120 or higher.

“The significant increase in Crown royalties is a choice made by the Alberta government to respond to voter demands to extract more revenue directly in the form of royalties as opposed to pursuing the fuller potential of the resource through higher industry investment, which generates several times more in value through economic activity, employment and other benefits than do royalties,” said Marcel Coutu, President and Chief Executive Officer of Canadian Oil Sands. “Furthermore, by reducing our industry’s profitability, these changes likely will reduce oil sands activity. Some projects may no longer proceed on the same timetable, if at all, and some of the lower grade oil sands resource, which form part of every project, may never be recovered due to a now higher economic threshold.”

Mr. Coutu added: “It remains to be seen whether this new regime will generate the same strong economic activity and prosperity enjoyed by Alberta under the generic Crown royalty regime over the past 10 years of its tenure. Syncrude and Canadian Oil Sands, with their competitive historic cost base, will persevere with current operations, and will work hard to retain the economic viability and timeline of Syncrude’s expansion plans.”

The Alberta government acknowledges that a legal contract exists between the government and Syncrude, establishing current Crown royalty terms to the end of 2015, and accordingly, the government has established a 90 day period during which to renegotiate the terms. Canadian Oil Sands and other Syncrude owners are willing to discuss any fair and equitable treatment but any transition to the new generic royalty terms must recognize and preserve our legal rights to the embedded value in our contract.

Syncrude also retains the option to 2010, as part of this same Crown Agreement, to convert to a bitumen-based royalty, consistent with the rest of the industry. Prior to the option being elected, a market-based bitumen valuation methodology needed to be established, which now appears to have been addressed under the new royalty framework.

Under the government’s initiative, Alberta and Syncrude’s owners have undertaken to negotiate in good faith, both the conversion to a bitumen-based royalty plus an equitable solution to offset Syncrude’s transition to the higher generic royalty rate prior to 2016.

Said Mr. Coutu: “While we are open to honest and productive discussions with the Alberta government, we must ensure that our legal rights are preserved. We would expect that the Alberta government would honour the contractual commitment it made to the Syncrude owners, which induced the owners to spend over \$8.5 billion of capital in the past five years. Our investment has resulted in significant benefits to the province: providing jobs to over 5,000 people, \$1.2 billion in Crown royalties expected to be paid at the 25 per cent net revenue rate by Syncrude in 2007 alone, and further economic contribution of roughly four times that through capital and operating activities, with expenditures of \$4.2 billion in 2006.”

Located near Fort McMurray, Alberta, Syncrude Canada operates large oil-sands mines and an upgrading facility that produces a light, sweet crude oil on behalf of its joint venture owners, which include Canadian Oil Sands Limited, ConocoPhillips Oil Sands Partnership II, Imperial Oil Resources, Mocal Energy Limited, Murphy Oil Company Ltd., Nexen Oil Sands Partnership, and Petro-Canada Oil and Gas.

Canadian Oil Sands provides a pure investment opportunity in the Syncrude Project through its 36.74 per cent working interest. The Trust is an open-ended investment trust managed by Canadian Oil Sands Limited and has approximately 479.3 million units outstanding, trading on the Toronto Stock Exchange under the symbol COS.UN.

Advisory: In the interest of providing Canadian Oil Sands (the “Trust” or “we”) unitholders and potential investors with information regarding the Trust, including management’s assessment of the Trust’s future plans and operations, certain statements throughout this press release contain “forward-looking statements”. Forward-looking statements in this release include, but are not limited to, statements with respect to: the impact of proposed royalty changes on Syncrude and any potential discussions or actions involving a renegotiation of the existing Crown royalty agreement.

You are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Trust believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this press release include, but are not limited to: government regulatory changes, the uncertainty of any legal actions and results from such legal action, and such other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by the Trust. We would refer you to the risks and assumptions further outlined in the Trust’s annual information form and annual and quarterly financial reports.

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