

Strathcona Resources Announces up to \$2 Billion Carbon Capture Partnership with Canada Growth Fund

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CALGARY, July 10, 2024 - [Strathcona Resources Ltd.](#) ("Strathcona" or the "Company") (TSX: SCR) today announced a partnership with Canada Growth Fund ("CGF"), a \$15 billion arm's-length public investment vehicle, for the development of carbon capture and sequestration (CCS) infrastructure on Strathcona's steam-assisted gravity drainage (SAGD) oil sands facilities in Saskatchewan and Alberta.

Under the terms of the arrangement, CGF will invest up to \$1 billion toward CCS infrastructure on Strathcona's assets, with an initial commitment of \$500 million. Strathcona will construct, operate and own the CCS infrastructure, with 50% of the infrastructure costs funded by CGF and 50% by Strathcona. Substantially all of Strathcona's share of capital costs is expected to be抵扣ed through the federal CCS investment tax credit and other grants.

Strathcona will retain full ownership of the CCS infrastructure and associated carbon credits and will repay CGF's investment in time out of the actual cash flows generated by the CCS infrastructure, based on actual captured volumes and costs. The repayment of CGF's investment will not be subject to any fixed payments or minimum volume commitments and will be based on the actual performance of each CCS project. As part of the arrangement, Strathcona has agreed to an area dedication of captured volumes from its SAGD facilities and will guarantee a fixed price of carbon to the partnership which will serve as a hedge against Strathcona's annual carbon tax obligations. Each CCS project's fixed price per tonne will be set at the time of final investment decision (FID).

The arrangement between Strathcona and CGF has been made possible in part due to the unique characteristics of Strathcona's oil sands properties. All of Strathcona's oil sands facilities in the Lloydminster and Cold Lake regions lie directly atop suitable storage reservoirs, allowing for local injection. This differs from the majority of Canada's oil sands facilities in the Athabasca region of Northern Alberta, which must be captured and transported to a suitable injection site before sequestration. In 2024, the Government of Saskatchewan granted Strathcona subsurface CO₂ sequestration rights, making Strathcona the first and only oil sands producer in Canada with approval to capture and store CO₂.

Strathcona currently produces approximately 90,000 bbls / d of heavy oil and bitumen from its SAGD assets, with associated CO₂ emissions of approximately three million tonnes of CO₂ per annum. The up to \$2 billion of combined capital to be deployed by the partnership is expected to capture up to two million tonnes of CO₂ per annum, based on preliminary capital cost expectations.

For Strathcona, the economic rationale for investing in CCS is to mitigate its current and future carbon tax obligations. Current taxes form a significant part of Strathcona's current operating costs, totaling approximately \$65 million per annum under the current carbon tax regime, a figure which may increase over time based on current legislation. Expected future carbon taxes are also reflected in Strathcona's independently evaluated reserves, where they reduced the net present value of its proved reserves by approximately \$1.9 billion on a PV-10 basis, or \$8.78 / share, at year end 2023 (\$2 billion and \$9.31 / share on a PV-10 basis for proved plus probable reserves).

Strathcona expects to be able to eliminate a substantial majority of this future carbon tax liability through the development of CCS and the unique structure of its arrangement with CGF is expected to allow Strathcona to achieve these reductions without a meaningful upfront capital outlay post-investment tax credits. For further information regarding Strathcona's year end 2023 proved reserves, please see Strathcona's Annual Information Form for the year ended December 31, 2023 available [www.sedar.com](#) and its letter to shareholders available [here](#).

Over the past three years, Strathcona has made significant progress towards bringing its first CCS project to FID. The signing of a definitive agreement today with CGF will allow Strathcona to begin its final stage front end engineering design (FEED) work and target a targeted FID date for its first commercial project in mid-2025. Strathcona expects its first CCS project to be in Saskatchewan. Approval to capture and store CO₂ in Saskatchewan has already been received. Strathcona is in active dialogue with the Saskatchewan government regarding a similar approval for dedicated carbon sequestration pore space beneath its Cold Lake assets.

Strathcona will provide further details in coming quarters as the initial project progresses.

About Strathcona

Strathcona is one of North America's fastest growing oil and gas producers with operations focused on thermal oil, enhanced oil recovery and liquids-rich natural gas. Strathcona is built on an innovative approach to growth through the consolidation and development of long-life oil and gas assets. Strathcona's common shares (symbol SCR) are listed on the Toronto Stock Exchange (TSX).

For more information about Strathcona, visit www.strathconaresources.com.

Forward Looking Information

This press release contains certain forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws, which are based on Strathcona's current expectations, estimates, projections, assumptions and beliefs. The use of any of the words "believe", "estimate", "anticipate", "expect", "plan", "project", "outlook", "target", "project", "plan", "may", "could", "will", "shall", "should", "intend", "potential" and similar expressions are intended to identify forward-looking information. These statements are not guarantees of future performance, and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

In particular, but without limiting the generality of the foregoing, this press release contains forward-looking information relating to the following: the arrangement between Strathcona and CGF; the construction, operation and funding of the CCS facilities; the expected investment in the CCS facilities and Strathcona's repayment thereof; Strathcona's ownership of the CCS Infrastructure and associated carbon credits; Strathcona entering into an area dedication of the CO2 volumes from its SAGD facilities; Strathcona's guarantee of a fixed price of carbon under the arrangement and the expected impact thereof on Strathcona's tax obligations; the expected CO2 capture of the CCS facilities; and targeted FID date and location for Strathcona's first commercial project.

All forward-looking information reflects Strathcona's beliefs and assumptions based on information available at the time such applicable forward-looking information is disclosed and in light of the Company's current expectations with respect to such information. Such expectations include, but are not limited to, the following: expectations regarding current and future carbon tax regime and regulations; ability to obtain federal CCS investment tax credits and other grants to fund Strathcona's portion of the investment under the arrangement; expectations regarding Strathcona's operations and financial performance; expectations regarding Strathcona's production volumes, and its capital program; availability of third party services; prevailing and future royalty regimes and tax laws; future well production rates and reserves; volumes; fluctuations in energy prices based on worldwide demand and geopolitical events; the impact of inflation; the reliability and reliability of Strathcona's assets; decommissioning obligations; Strathcona's ability to generate sufficient cash flows, repay debt, comply with its financial covenants; and the governmental, regulatory and legal environment. Management believes that the assumptions and expectations reflected in the forward-looking information contained herein are reasonable based on the information available on the date such information is provided and the process used to prepare the information. However, management cannot assure readers that these expectations will prove to be correct.

The forward-looking information included in this press release is not a guarantee of future performance and involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information, including, without limitation: the risk that the arrangement with CGF may not provide the anticipated benefits to Strathcona; the risk that CGF may not meet its funding obligations under the terms of the arrangement; the risk that the CCS facilities may not reduce emissions attributable to Strathcona's operations; the risk that the CCS investment tax credit and other grants may not be available or available on the terms expected; changes in general economic, market and business conditions; industry conditions; actions by governmental or regulatory authorities including increasing taxes, a moratorium on new projects, revoking permits and changes in investment or other regulations; changes in tax laws and incentive programs; changes in tax and credit regimes; competition; the lack of availability of qualified personnel or management; credit risk; changes in environmental regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; ability to comply with current and future environmental or other laws; stock market volatility and market valuation risk; ability to obtain required approvals of regulatory authorities; ability to access sufficient capital from internal and external sources; other factors discussed under the "Risk Factors" section in Strathcona's Management's Discussion & Analysis and Annual Information Form, each for the year ended December 31, 2023, and from time to time in Strathcona's public disclosure documents, which are available at www.sedarplus.ca.

The foregoing risks should not be construed as exhaustive. The forward-looking information contained in this press release is provided only as of the date of this press release and Strathcona does not assume any obligation to publicly update or revise such forward-looking information to reflect new events or circumstances, except as may be required pursuant to applicable law. The forward-looking information contained herein is expressly qualified by this cautionary statement.

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