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Keynote address by Jim Davidson, Deputy Chairman, GMP FirstEnergy
Energy in the Future - The Astutely Aware Leader

The oil and gas sector in Canada is not sinking, though it often feels as much. This said, we face lost in translation moments regarding how others think about our industry. Today, I am thankful for the opportunity to address our role in energy's changing landscape.

Contrary to popular belief and though we face many challenges, there is good news for our sector; recent projections forecast an increased global demand for oil and gas for years to come. While we remain relevant, the energy business is projected to look vastly different as the world transitions to renewable and green energy. How this will evolve remains unknown, with technological innovation, market access and our political landscape among the driving variables at play.

To anticipate the future, it is prudent to reflect on the past. My career in energy investment banking was well timed. I had the opportunity to support 1000's of companies throughout their lifecycle. Historically, viable companies came to market with high frequency and finance and regulatory requirements were a fraction of today's baseline cost. Companies developed and operated their assets with limited external disruption.

Previously, western Canadian energy company's, success relied on strong engineering and geological leadership while operating under the guidance of their executive and board. They followed a predictable regulatory framework to drive their results.

Although the energy industry is characterized by market fluctuations, cyclical demand and price volatility, these inevitable market cycles help transform the energy space, including prioritizing operational focus for shareholder return.

This over simplification merely frames that in comparison, Energy Company's today operate in an increasingly complex environment. Company risk profiles have shifted.

20 years ago the risk was all below ground. Today, it is all above ground.

Pressures to achieving success will require energy leaders to incorporate astute management skills developed through constant learning. In addition to their technical and financial expertise, leaders will need to deploy their diverse understanding of economic, social, and political issues to effectively manage.

Working with many of Canada's strongest entrepreneurs has provided me a blueprint to their success and common threads of their character. Their results parallel the strength of their management team. Their entrepreneurial spirit is coupled with hard work, discipline and an understanding that the win is in the long game. Many energy executives grew up in regions akin to their operation sites. Raised on prairie values, they built businesses from an ethical foundation of integrity, teamwork and support of ones community. Taking pride in their work, they appreciate with risk comes reward, and that true achievement results from knowing you have done your best for all involved. Historically, successful energy companies were built on a platform to sell or be acquired. Frequently led by serial entrepreneurs, these management teams guiding principles transcend market fluctuations.

Today, the Canadian energy sector faces complexity not seen prior. Our sector will need principled leaders to both guide and inspire through their own actions. Engagement and messaging will be a driving force in the sectors relevance. These risk takers by nature, will be required to balance operational efficiency alongside changing market demands and increased pressure from stakeholders. For the Canadian sector to succeed, it

will have to be led by those whom believe in the value of our industry and portray its positive impact to all Canadians.

Strong communication skills will impact ones ability to influence. As leaders, your well-honed interaction skills will support ease of conversation amongst all interested parties from investors to politicians. You will appreciate engagement from diverse backgrounds and perspectives. By valuing the unique skills of your team's tactical, critical and abstract thinkers, you will only strengthen your organizations overall performance and employee retention.

For example: Visionaries such as Jonathan Wright, CEO of Nuvista recognize the value of team communication; one of his many initiatives includes maintaining a company blog for the last seven years. The blog includes social and political issues providing an avenue for learning and active engagement that in-turn benefits the entire team.

What will drive your success?

Goal attainment will require laser focus and a leap of faith.

You will need to live your values everyday and lead through example.

If you want strong team engagement, be engaged yourself.

Share your vision with the team so they too can embrace and work toward the goal.

Drive strong political awareness by encouraging avenues to foster engagement.

Know when hard work is required but also when a dose of fun is priceless to staff morale. The themed parties, or creation of rock star videos featuring FirstEnergy staff were not only a welcome break but were teambuilding, memorable and tons of fun.

Success must be shared by celebrating individual and team accomplishments. Shortcomings or failure, turn into an opportunity for improvement.

Trust your team. But remember you are the leader.

Your words matter, they influence and impact.

Always, be present, for years my desk was in the trader's pit, the location ensured I was approachable, engaged and with my pulse on the activity. The ongoing interaction with staff heightened mutual understanding of goal achievement. Our entire firm has always been an office free zone, the open area concept supports information exchange and real-time accountability. I've enjoyed walking the floor daily, listening, learning and supporting. Leadership from a distance is a risky venture in today's fast moving marketplace.

Stay Focused

Always be client focused. Appreciate the value of strong client and supplier relationships. This cannot be overstated.

And deliver on your promises.

Be agile while remaining focused on your business model. – From the onset FirstEnergy positioned itself as Canadian energy experts.

When opportunity knocks, however be prepared to embrace the occasion. Forming a partnership with Societe General and opening our London office during the global recession in 2008 broadened our reach. Our recent merger with GMP was transformative, providing access to a wider spectrum of international clients and to emerging sectors including Cannabis and Blockchain.

As leaders we must stay true to our core values, yet listen to others to know when the tides of change are approaching. Tomorrow's workforce will be comprised of multiple generations with diverse backgrounds. Appreciate that they are a conduit to new opportunities and approaches.

Appreciation. Always remember praise and understanding go a long way and foster employee retention.

Be a mentor. Encourage executives to guide others. The opportunity to both learn and teach is within us all, encouraging both, has meaningful outcome.

Engage. Join a business peer group such as YPO or TEC Canada to bring diverse perspective, personal accountability, inspiration and fellowship. Participation strengthens your CEO muscles making you a stronger leader. The result: your entire team wins.

Be true to your word.

The oil and gas industry in Canada is a small big industry.

Your reputation follows you everywhere.

Tomorrow's successful energy leaders will need to embody a delicate balance of resilience and persistence yet have compassion to understand and embrace differing viewpoints. As the face of the organization, your strong listening aptitude will be vital whether for understanding the current regulatory challenges, environmental concerns or facilitating enriched community and indigenous engagement. Likewise, your strong storytelling will be ever more vital to reach your target audience.

While balancing priorities leaders cannot miss a critical aspect of their business success, the effective use of their human capital. This includes thorough vetting during the hiring process. The wrong hire impacts your culture, increases turnover and reduces productivity and profitability.

Imperative to company synergy are effective meetings. They are critical to productivity and company results. Meetings need to be purposeful, focused and result in a subsequent action plan otherwise you are adversely affecting the bottom line and wasting people's time.

A rarely discussed requirement for a leaders long-term success is compartmentalization.

This includes the ability to let go of the day-to-day and move forward after tough decisions. This extends to the need to disconnect and go home and play, for both your health, the health of your family and betterment of the company.

Giving back is meaningful. The opportunity to build community has played a significant role in my career. FirstEnergy's giving strategy was defined even before we chose our company name. From the onset it was embodied in our DNA recognizing our internal culture would be stronger by supporting the external community. It was an opportunity to uniquely differentiate us from our competitors. Operating without a defined marketing budget, we instead donated 2 % of profits to charity and in-turn built goodwill. Even our client-focused parties have been a unique way to blend fun with charity. Since 1993, the almost \$40 million donated to over 600 diverse charitable organizations have supported community and helped to foster awareness of often edgy, emerging and underfunded causes.

While this community focused approach enabled us to differentiate ourselves from competitors, more importantly it instilled a sense of responsibility and caring for others by appreciating the need for a healthy vibrant community. Being first to take this approach became a unique value proposition for the firm. As leaders, ask yourself what is your differentiator?

Emerging from an understated past

We will need to be more visible requiring an active and engaged voice in and beyond the sector. Our politically correct past and reliance on associations such as CAPP and EPAC to convey the energy story was done with best intention, yet they alone could not be the voice of an industry so large and complex. In our reliance, we enabled the voices of special interest to rise above our own.

We missed an opportunity to accurately showcase the benefits oil and gas provides all Canadians.

We mistakenly assumed the world understood our business.

We undervalued our role in the Canadian economy.

We downplayed energy's financial contribution bestowed to all Canadians.

We missed the opportunity to educate others.

We did not foresee or act upon forces working against our industry.

We underestimated how global trends such as climate change or ruling political parties would impact our industry.

We were too silent when we let government tell Canadians a Carbon Tax was a social license for our industry. Social license is not a co-op for consensus, nor an avenue for indecision.

We neglected to properly convey the impact of oil and gas. From jet fuel to the 6000 plus products derived from petroleum, oil and gas connects our world and improves our quality of life.

We let government hold us to a different standard.

We let one side of the story dominate the airways.

We must realize, the last several decades worked to our disadvantage.

We missed the tide and only caught the wave when it was breaking.

Misinformation morphed from fable to fact. We all need to learn from these mistakes.

Today, Canadian energy companies are paying the price for our silence and forging an uphill battle against regulatory restriction, advocacy pressure and political influence to develop our resources regardless of our utilization of industry best practices.

As an industry, we all need to celebrate our contributions to the economy and our ability to play an important role in transitioning to alternative energy sources and solutions in the decades to come.

With the changing face of our industry, we cannot rely on others to accurately share our story.

Everyone in the room must be an advocate.

Together, our voices must become the choir of the Canadian energy story.

How do we advance energy dialogue for those most affected?

For example, one must muse over the decision to have David Suzuki as a keynote speaker at the recent Calgary Teachers Convention. To come to Calgary and talk to the same educators that guide and influence our children with this message – and I quote “*We have no choice. I’m sorry Alberta “The tar sands have to be shut down.*

“No more infrastructure — that means rails, pipeline, shipping.”

When this speech receives a standing ovation, one must wonder what messages are our youth receiving about our industry. How do we encourage the next generation to pursue careers in energy or be proud of their parents working in the sector when teachers whom support such a shutdown are guiding them?

Our children need to be proud of our industries contributions to the Canadian economy. How did we allow others, whether it be educators, media or special interest groups to corrupt or craft the plot of the story with energy producers often cast as the villains as we sat back and watched as if an audience member.

As leaders we must ensure our youth are provided a fair and balanced understanding of energy's contributions and its role as a transition fuel to renewables.

The hypocrisy by some influential figures regarding the energy sector only confuses the matter. To advance our industry in a responsible manner and transition from fossil fuels will take decades.

We cannot let sound bites dominate the message. This fractured news may create online clicks but equally causes confusion and discourse amongst fellow citizens. When the noise from the sound bites is overbearing, apathy is not far behind.

Likewise, the emergence of identity politics in government and in the media, work against the foundation Alberta was built upon. Listening and respect of self and neighbor make for a strong community, not by pegging us against each other.

As leaders how do we get on stage and play a lead role in the outcome?

As we navigate social influence we need to showcase our industry has much to celebrate. Innovation has made the industry safer and more cost efficient. Diverse industries utilize our technologies.

Our environmental stewardship is a model of excellence globally. As Canadians we support and foster our communities through job creation and charitable support.

What will drive tomorrow's energy companies?

Science will evolve with the study and discovery of nature and behavior. Energy companies will embrace discovery by continual adaptation and faster integration of new information.

Technology will help navigate asset utilization and resource recovery.

As leaders, your technical experience will support sound directives on E&P while balancing the external forces that directly impact your business. Technology will transform how we do business and become increasingly integral in our daily lives as evidenced by the Internet and mobile revolution.

Collaboration including open source and crowd-sourcing will help support disruptive technologies including Blockchain. From technical reporting to raising capital, traditional operations will progress resulting in displacement of people and process. Companies taking a balanced approach to adapting bleeding edge technology will be better positioned to uphold their competitive advantage.

Advanced data optimization capabilities will provide leaders with quantified information to support their decision-making including asset retention and capitalization.

The current workforce of fulltime and multi generational employees will evolve to more specialists with technical expertise often in contract roles. Corporate departments will continue to be right sized with big data and artificial intelligence playing a larger role in decision-making.

Political climate will influence where capital flows and the ability to explore and operate in various jurisdictions.

Companies will need to help ensure all levels of government develop policy that will provide a regulatory framework to allow the Canadian industry to survive and thrive.

Business cycles and commodity prices will continue to influence the success of the energy sector. Moving forward, I anticipate cycles will be shorter and more volatile. But technology will allow us to react faster to market change.

Good News Prevails

Growing global demand for oil and gas will continue to ensure small efficient companies operate profitably alongside big industry. Niche companies providing specialized products or service will be of high value and targeted for takeover or consolidation. Energy companies with high value resources unable to fully capitalize on their assets will be attractive to larger energy companies to augment their portfolios.

Evolution of the oil and gas sector will not be easy and will not come without resistance, this said we owe it to ourselves, our industry and our country to ensure Canadians understand the role energy plays in the Canadian economy.

In what school of economics does the following make any sense?

Current estimates by Scotiabank suggest we are giving away \$43 million per day or \$15.6 Billion a year to discounted oil because of lack of access to competitive markets. This loss is not as many may wish by oil staying in the ground rather its on "sale" to the United States. This is a lost opportunity for all Canadians, not limited to producers or government but for every citizen through programs that will not be funded or applied to pay down exploding debt loads. The annual loss amounts to over \$1250 per person in Canada or over \$3300 per Canadian household. Ironically, a figure that exceeds governments estimated annual heating cost per Canadian household. This disconnect by many Canadians including public figures, is completely disheartening.

Recent energy sector legislation will require heightened evaluation for new capital projects. Additional uncertainty for future pipeline proponents and investors will challenge our business direction, and the entrepreneurial spirit of our leaders. In true Alberta fashion, we will adjust and adapt demonstrating how economic benefit can work in conjunction with environmental considerations.

Becoming complacent and complaining will not solve the challenges ahead.

Canada needs energy to support economic growth. Stats Canada revealed direct domestic and foreign investment into Canada energy is down 50 % since 2015. Investor confidence is collapsing.

Global Investors look for certainty of law and predictability of regulations.

Stop and think about that. Did you ever think that investors would question the rule of law in Canada?

To attract investors we need to be in a position of strength. As a sector we need to showcase our strength in innovation, operational efficiencies, environmental stewardship and our sense of community.

Look around; we are more than energy producers, we are a community of friends, colleagues, investors and partners. As a community we have passion and power to effect the changes to help our economy thrive.

Politics

As current and future leaders of the energy industry *you and your firm* must take an active role.

I don't need a show of hands but ask yourself

Did you vote in the last municipal election?

The last provincial election?

Or the last federal election?

Democracy gives us the freedom to choose, to cast our preference and to shape our future through governing parties.

As an industry dominated by opposition from active youth and special interest groups, your participation is vital, *because if not you, then who will stand up for your industry?*

As we have a role to play with government they too have a responsibility to the sector and the citizens it employs.

Our industry is experiencing unprecedented resistance and political intervention.

Governments need to do their part to ensure our sector viability.

Energy leaders will require strength and earned political capital to foster engagement and a cohesive approach amongst all political parties.

Engagement with proactive groups such as Modern Miracle Network will leverage efforts to promote energy industry impact. I encourage you to check out their website.

To advance our industry consideration must be given to Canada's participation in the Paris Climate Accord. With far reaching goals that will not be achieved, sector investment in Canada will decrease while carbon taxes rise. It is unwise to move in the opposite direction of our largest trading partner and competitor who has made the decision to opt out.

Regulatory bodies must clearly define parameters and goal posts cannot be influenced or changed by special interest groups.

Indigenous input will also need clearer parameters and timelines to ensure companies can invest or withdraw their projects.

If energy transition from fossil fuels to alternative sources is longer than first projected, then we need to utilize fossil resources especially natural gas as the transition fuel to help augment the change.

The Canadian energy sector is at a crossroads.

It will have to reinvent itself to remain relevant. We must battle our internal struggle from quietly operating under the radar, to standing up for our resources and subsequent contributions to Canada.

When you look in the mirror, ask what character in the energy sector are you striving to be, the lead or the understudy? Leaders rarely choose the latter.

In closing, though I am retiring From GMP FirstEnergy in October, I look forward to watching how Canadian energy executives react to the unique opportunity to truly make a difference in how they lead, innovate and foster growth. I encourage you to be engaged. We need Canada's energy.

May we transcend as we build bridges.

May we conduct ourselves as peacemakers not dividers.

May you lead through introspection and inspiration.

As Canadians may we choose evidence over ideology.

May we all embrace the challenge ahead, our industry depends on it.