

Federal Share Of Syncrude's Return: 1979 – 2006 Vs Share on A 'Go Forward' Basis

The Federal share of Syncrude's return during the period 1979 – 2006 has been estimated to be 12%. On a go-forward basis this return is estimated at 16%. The reason why the historical share is 4% lower than the projected 'go-forward' share (despite the fact that the federal income tax rate has dropped from 28% to 21%) is that in the past Syncrude received **both** the Federal Resource Allowance (until it was completely phased out in 2007) and royalty deductibility, for Federal income tax purposes. The Syncrude Remission Order that allowed Crown royalty to be deducted for Federal income tax purposes expired on December 31st 2003.

From 1979 to 1996, Syncrude paid a 50% royalty on its deemed net profit (defined as: revenues less operating costs less amortization of capital less deemed interest on unamortized capital). From 1997 to 2001 Syncrude had Transition royalty terms with royalty rates varying from 49% to 43%. Since 2002 Syncrude has been paying royalties based on the generic royalty terms (> of 25% of net revenues or 1% of gross revenues) adopted by the National Oil Sands Task Force in 1996.