EQUITY RESEARCH

Capital Markets

May 1, 2025

Global Energy Best Ideas List

Our view: In April, the RBC Global Energy Best Ideas List was down 10.7% compared to the iShares S&P Global Energy Sector ETF (IXC) which was down 11.8% and a hybrid benchmark (75% IXC, 25% JXI – iShares Global Utilities ETF) that was down 8.0% on a sequential basis. Since its inception in February 2013, the RBC Global Energy Best Ideas List is up 153.4% compared to the S&P Global Energy Sector ETF up 29.4%.

Total Return Comparison	April	YTD	Inception
iShares S&P Global Energy (IXC)	-11.8%	-2.8%	29.4%
Hybrid Benchmark (75% IXC, 25% JXI)	-8.0%	0.7%	52.7%
RBC Global Energy Best Ideas	-10.7%	-9.2%	153.4%

April List Changes:

Additions: N/A
Removals: N/A

RBC GLOBAL ENERGY BEST IDEAS LIST

	Ticker	Rating[1]	Analyst	Mkt Cap (mn)	Date Added	Add Price	Current Price	Price Target
Integrated Energy								
Shell	SHEL-LON	OP	Borkhataria	£145,941	7/3/24	2,834p	2,441p	3,800p
Suncor Energy	SU-CA	OP	Pardy	C$60,236	3/1/23	C$45.86	C$48.69	C$65.00
Exploration & Production								
California Resources	CRC-US	OP	Hanold	$3,128	9/2/24	$52.47	$34.51	$60.00
Chord Energy Corporation	CHRD-US	OP	Hanold	$5,368	5/1/24	$176.98	$90.23	$145.00
ConocoPhillips	COP-US	OP	Hanold	$112,662	5/1/24	$125.62	$89.12	$120.00
ARC Resources	ARX-CA	OP	Harvey	C$14,947	5/1/21	C$7.73	C$25.51	C$32.00
PrairieSky Royalty	PSK-CA	OP	Harvey	C$5,466	12/5/24	C$29.56	C$23.21	C$35.00
Canadian Natural Resources	CNQ-CA	OP	Pardy	C$83,046	4/1/22	C$38.71	C$39.56	C$63.00
Woodside Energy	WDS-AU	OP	Ramsay	A$39,380	7/3/24	A$28.21	A$20.74	A$31.00
Oilfield Services								
Enerflex Ltd.	EFXT-US	OP	Mackey	$811	2/1/24	$5.16	$6.55	$12.00
SLB	SLB-US	OP	Mackey	$45,225	1/4/22	$29.95	$33.25	$48.00
Subsea 7	SUBC-NO	OP	McCulloch	NOK 46,887	5/1/24	NOK 180	NOK 157	NOK 225
Midstream								
AltaGas Ltd.	ALA-CA	OP	Choy	C$12,157	8/1/23	C$26.03	C$40.80	C$40.00
Pembina Pipeline Corporation	PPL-CA	OP	Choy	C$30,597	9/1/22	C$46.38	C$52.70	C$65.00
Energy Transfer LP	ET-US	OP	Scotto	$56,752	2/1/22	$9.57	$16.54	$22.00
Utilities, Refiners, Infrastructure & Renewables								
Northland Power	NPI-CA	OP	Ng	C$4,889	12/7/23	C$22.82	C$18.73	C$28.00
Superior Plus	SPB-CA	OP	Ng	C$1,606	12/7/22	C$9.82	C$6.92	C$11.00

Priced as of market close, April 30, 2025 ET.
1-OP = Outperform.
Performance returns do not take into account relevant costs, including commissions and interest charges or other applicable expenses that may be associated with transactions in this Equity Best Ideas list. Past performance is not, and should not be viewed as, an indicator of future performance.
Source: RBC Capital Markets estimates, FactSet

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Priced as of prior trading day's market close, EST (unless otherwise noted). All values in USD unless otherwise noted
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For Required Non-U.S. Analyst and Conflicts Disclosures, see page 13

This Month's Additions and Removals from the Global Energy Best Ideas List

Exhibit 1 - This Month's Additions

There are no additions to the RBC Global Energy Best Ideas List.

Exhibit 2 - This Month's Removals

There are no removals to the RBC Global Energy Best Ideas List.

Investment Highlights

Below, we provide a summary of our analysts' views on each *Best Idea*.

AltaGas Ltd. (ALA)

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Rating: Outperform
Price target: CAD 40.00

- **Stronger price valuation should emerge as AltaGas progresses through its derisking initiatives…** These initiatives reflect: (1) a focus by the company to strengthen the base cash flows (i.e., increased contracting); (2) its pursuit of contracted and/or regulated growth on an equity self-financed basis; and (3) a plan to reduce leverage to 4.0x debt/EBITDA (or 4.65x when including 50% of hybrid and preferred capital) and possibly even lower. In the near-term, we highlight the company recently achieving a material de-risking milestone by reaching the 60% Global Exports platform tolling target (with any incremental tolling from here onwards being done at AltaGas' discretion).
- **… and growth projects.** AltaGas possesses a combination of medium-sized growth opportunities (e.g., REEF joint venture, expansion of the Pipestone plant), low capital intensity expansions and optimizations at the existing assets, and opportunities to increase returns at the regulated utilities, all of which should help support an attractive growth profile.
- **Increasingly visible path to reaching its 4.0x debt/EBITDA target with the potential to go lower.** AltaGas continues to consider its 10% stake in the Mountain Valley Pipeline (MVP) to be non-core, with price discovery currently underway in an asset monetization process. Pending the valuation of any transaction, this asset monetization offers the company the quickest way towards meeting the company's 4.0x debt/EBITDA target (versus 4.4x in Q4/24). Longer term, we believe the market will positively receive steps the company may take to meaningfully lower debt/EBITDA below 4.0x and build balance sheet room, including to take advantage of future opportunities as they arise.

ARC Resources (ARX)

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Price target: CAD 32.00

- **FCF generation - ample.** With a strong balance sheet and large M&A on hold (for now), the focus remains on Attachie development and RoC initiatives. ARC targets return of capital of 100% of its FCF via base dividend tied to earnings growth and share buybacks. Production growth is not a specific target but rather an outcome of the most efficient way to execute projects (Sunrise, Attachie) paired with the Basin's capacity to absorb new product and is unlikely to exceed 5%. See our recent quarterly note here.
- **Key Mover in the Montney.** ARC's production base of circa 370,000 boe/d makes it what we view as a Montney Champion with top decile supply costs and deep project inventory. This benchmarks ARC as one of the largest Montney producers, third largest outright gas producer and sixth largest E&P by volume amid the WCSB producer landscape, with an operated facilities network of ~1.5 bcf/d – second only to CNQ and TOU. See our notes here, here, here, here, here, and here.
- **Attachie Project – Onstream (~30 mboe/d).** ARC's Attachie Phase 1 project has recently come onstream with 30,000 boe/d of production online, the $740 million project is expected to deliver nearly 40,000 boe/d (60% liquids) which will ramp up thru Q2/25. The $740 million price tag includes the drilling of 39 initial wells, an electrified 90 mmcf/d gas plant, 25,000 bbl/d of liquids handling plus associated infrastructure. The next phase of development for Attachie is Phase 2 (+40,000 boe/d), which we expect to be sanctioned in H1/25 at a potential price tag of $800 million (50/50 split on infra and drilling). See our notes here, here and here.
- **LNG - The key to long-term value creation.** ARC's existing 2P reserve book contains sufficient resource to sustain an entire 2-train LNG project (1.8 bcf/d) for 10+ years, and when adding future drilling could increase to 40-50 years. Accordingly, the company should be viewed as a key supplier, or alternatively as a strategic asset for operators looking for vertical integration. The owners of LNG Canada now collectively hold enough product to support Phase 1 of

the development (~1.8 bcf/d), but any expansion (Phase 2, +1.8 bcf/d) would need to be augmented. ARX signed a non-binding Heads of Agreement (for associated LNG offtake) with the proposed Cedar LNG Project for a 20-year LNG supply agreement to send 200 mmcf/d of natural gas, which is expected to start in H2/2028. To compliment the agreement, ARX will sell it's Cedar LNG offtake at international pricing, through a takeaway arrangement with ExxonMobil LNG Asia Pacific. ARX announced a 15-year LNG supply agreement with Cheniere Energy in the US Gulf Coast supplying 140,000 mmbtu/d of natural gas based on Dutch Title Transfer Facility (TTF) pricing starting in 2029. See our notes here, here, here, here and here.

- **Attractive valuation.** On current strip, ARX trades above its North American Large Cap E&P peers on EV/DACF. We argue that ARX should trade at a premium given what we view as the highest quality Montney portfolio and inventory depth, combined with robust FCF generation ($1.7/$2.0 billion in 2025/26E on current strip) and commitment to return capital to shareholders.

California Resources (CRC)

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Rating: Outperform
Price Target: USD 60.00

- **We expect CRC shares to outperform the peer group over the next 12 months.** CRC has a combination of a high-quality, low-decline conventional asset base, an evolving carbon management business (CMB), and an experienced management team. Its assets are located entirely in California and is the largest producer in the state.
- **Upcoming potential catalysts.** CRC received California's first ever Class-VI permit that allows CO2 sequestration. This should kick off several initiatives, most importantly the recent FID on CRC's first CCS project that would deliver first CO2 injection by YE25. It could also progress discussions and potential agreements related to CRC's carbon-free data center opportunity. We think this initiative could hold significant value for CRC shareholders in addition to potentially broadening its investor base.
- **Focus shift to CCS value via data center demand.** The company has a leg in two worlds (1) a legacy oil & gas business and (2) a carbon management business with a path to provide a carbon free and behind the meter power solution for California data centers. Currently, there is a valuation disconnect driven by concerns over being an oil & gas producer in California, receiving needed Class VI permits for CCS, and uncertainty of valuing CCS projects. We defined our view of the potential in a note here.

Canadian Natural Resources (CNQ)

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Price target: CAD 63.00

- **Globally distinguished**. Canadian Natural Resources' management committee structure and shareholder alignment are unique factors which distinguish the company globally. CNQ's long-life, low-decline portfolio—anchored by low sustaining capital—affords the company with free cash flow generation throughout the cycle.
- **Strong alignment.** CNQ has no CEO. Instead, the company is stewarded by a management committee. This group meets weekly, and oversees all matters ranging from marketing, finance, sustainability, operations and technology amongst others.
- **Chevron & Shell Deals**. Canadian Natural Resources announced a US$6.5 billion (circa $8.8 billion) cash acquisition of Chevron's assets in western Canada—including a 20% wi in the Athabasca Oil Sands Project (AOSP) and 70% operated interest in the Duvernay Shale—is a strategically sound and accretive deal in our books. It also fits CNQ's now familiar playbook of consolidating attractive energy assets in Canada as the majors and others seek to exit. Please see Chevron Deal—Threading the Needle for more. CNQ also announced an asset swap for its 10% working interest in the Scotford Upgrader and Quest Carbon Capture and Storage project for Shell Canada Limited's remaining 10% working interest in the AOSP mines on January 29, 2025. Please see Shell AOSP Asset Swap—A Solid Piece of Business for more details.
- **Updated Shareholder Returns.** Commensurate with the announcement of the Chevron acquisition, CNQ updated its shareholder returns policy. This included raising its common

share dividend 7% to an annualized rate of $2.25 per share. The company also revised its net debt target to $12 billion, up from $10 billion, given the increase in its free cash flow generative power post the deal. CNQ's updated shareholder returns framework (effective upon closing of the transaction) is as follows; 60% of free cash flow (adjusted funds flow less all capital and dividends) allocated to shareholder returns and 40% to the balance sheet until net debt reaches $15 billion; 75% of free cash flow allocated to shareholder returns and 25% to the balance sheet when net debt is between $12 billion and $15 billion; and 100% of free cash flow allocated to shareholder returns when net debt is at or below $12 billion. Importantly, CNQ was largely able to preserve shareholder returns on an absolute basis post-deal, despite the temporarily lower free cash flow payout.

Chord Energy Corporation (CHRD)

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Price target: USD 145.00

- We believe CHRD shares should outperform the peer group over the next 12 months.
- We forecast a peer-leading 10+% FCF yield that has sustainability given its 10+ years of economic inventory. The announced ERF merger provides better visibility for that runway. With minimal debt, CHRD has a robust shareholder return that currently supports its minimum 75% return.
- CHRD's focus on longer-lateral development across its entire acreage has the potential to deliver additional upside economics and value.

ConocoPhillips (COP)

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Price target: USD 120.00

- We believe COP shares should outperform the peer group over the next 12 months.
- The depth, quality, and diversity of the company's global inventory is unmatched to its E&P peers.
- The company's strong balance sheet provides a strategic advantage to increase shareholder value through commodity price cycles.
- COP has low break-even point where it can fund its production maintenance capital and dividend at below $40/bbl WTI prices. This defensive posture positions the company favorably should commodity prices take a downturn.

Enerflex Ltd. (EFXT)

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Rating: Outperform
Price target: USD 12.00

- **Keys to valuation re-rating on track.** We believe the stock is positioned for valuation accretion, and the pathway includes: 1) Strong execution on its Engineered systems backlog and continued bookings; 2) Increased cash generation through growth and margin optimization of its Energy Infrastructure business; 3) Continued execution on its financial leverage targets, facilitating further increases to shareholder returns.
- **Strong free cash flow metrics.** Enerflex has shown positive FCF inflection in 2024 driven by strong execution and capital discipline. In FY25, we expect the company to continue its strong momentum and generate $138MM of FCF, with capex of $120MM. Our FCF estimate maps to a 17% FCF yield, versus our coverage group average of 14%.
- **Lower leverage and increased shareholder returns.** Now that Enerflex is operating within the lower end of its financial leverage target range of 1.5x-2.0x (1.5x currently), and has improved its FCF profile, the company is positioned to further broaden its capital allocation. Enerflex recently approved an NCIB for up to 5% of the company's public float, and increased its dividend by 50%, with the company highlighting that buybacks would be an effective use of its cash resources as the current market value does not fully reflect the company's underlying value.
- **Discounted valuation still provides return opportunity.** Enerflex is trading below its long-term average on 2025E EV/EBITDA. In time, we think Enerflex should also receive credit for the increasingly infrastructure-based nature of its business.

- See our latest EFX note here.

Energy Transfer LP (ET)

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Price target: USD 22.00

- **Poised to benefit from data center/power generation growth.** ET has received requests to connect to 45 power plants across 11 states that in total would consume up to 6Bcf/d of natural gas. In addition, ET has received requests to connect to more than 40 potential data centers in 10 states that in total could consume up to 10Bcf/d of natural gas, with some projects behind the meter. A number of the data centers are proposing to locate within miles of ET pipelines, especially in the Dallas Fort Worth area, which provides opportunity for pipeline and storage expansions. We believe these potential projects could provide ET with a long runway of accretive growth opportunities.
- **Expansive and integrated asset footprint.** ET's expansive asset footprint can benefit from crude oil, natural gas and natural gas liquids production growth across various basins, including the Permian Basin. Importantly, ET's asset base can provide integrated wellhead to water services and can allow ET to benefit from commodity price dislocations across the value chain. ET continues to focus on high-return growth projects that expand its asset base as well as acquisitions that enhance and further integrate its assets.
- **A leading Permian Basin footprint well positioned to grow.** ET has ~3.4Bcf/d of processing capacity in the Permian Basin with additional capacity coming online over the next few years. In addition, ET can provide producers with integrated services with its crude oil and natural gas gathering and processing, transportation, NGL fractionation and crude oil and NGL export capabilities. We expect ET to continue to grow in the Permian Basin as GORs increase and associated natural gas production grows. We believe its expansive asset footprint in the Permian Basin can provide ET with attractive and highly accretive incremental organic and inorganic (acquisition) growth opportunities.
- **Compelling value proposition.** We view ET as the most compelling value proposition across our coverage universe. ET has an expansive asset footprint that can benefit from commodity price dislocations as well as crude oil, natural gas, and NGL production growth. We believe ET is well positioned to generate meaningful cash flow growth (we estimate FCF yield of ~9% in 2026, up from 8% in 2025), which when combined with its stronger balance sheet (~4x Debt/EBITDA) should enable ET to return more cash to unitholders mostly through distribution increases (targets annual distribution growth of 3-5%). That said, ET trades a ~2-3x discount to its large cap peers on EV/EBITDA and >1x discount to its large cap MLP peers.

Northland Power (NPI)

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Rating: Outperform
Price target: CAD 28.00

- **Growth locked in through 2027.** We believe the company is in an advantaged position relative to peers with three fully funded projects that should generate ~C$600 million of EBITDA and ~C$200 million of FCF (CAFD) on completion (2025-27), which is equivalent to roughly 40% and 65% of the management's 2025 EBITDA and FCF guidance, respectively. With financial close achieved on all three projects, the developments are fully funded, significantly de-risked, with fixed interest rates, hedged currency exposure, and the vast majority of construction costs are fixed. Pursuing incremental growth opportunities would be entirely discretionary.
- **Contracted or regulated portfolio provides good cash flow visibility.** The company has an attractive portfolio of contracted or regulated renewable and gas-fired power generation facilities, and a regulated utility in Colombia. In 2024, offshore wind contributed 57% of Northland Power's EBITDA, and this will increase as the projects under construction (Poland and Taiwan) are completed (2026/27).
- **More value will be recognized as construction milestones are achieved.** We estimate that the value of the company's operating assets and projects under construction should have a value of at least $23/share. We believe the market is placing no value on the company's development pipeline and significantly discounting the value of the equity invested in the projects under

construction. We expect the market to gradually recognize more value for the projects as the company achieves construction milestones.
- **Sentiment could eventually improve with a permanent CEO and CFO.** We believe that appointing Christine Healy as the President and CEO and Jeff Hart as the permanent CFO could eventually improve sentiment around the shares as it provides some visibility for the company and to drive the company's long-term strategy.

Pembina Pipeline Corporation (PPL)

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Rating: Outperform
Price target: CAD 65.00

- **Positioned to benefit from higher WCSB production.** Whether it be uncontracted capacity or within its contract structures that blend minimum take-or-pay levels with fee-for-service upside as volumes grow, we expect Pembina to benefit from growing gas and liquids volumes in the Western Canada Sedimentary Basin (WCSB). Further, growing volumes could result in contract extensions and/or incremental new contracts that support Pembina's base business and/or underpin new expansion projects.
- **Free cash flow generation after all capex and dividend payments provides a range of capital allocation opportunities.** In 2022 and 2023, the company generated excess cash flow after dividends (including delivering annual dividend growth) and all capex. In 2022, the company prioritized share buybacks and, in 2023, Pembina focused on increasing balance sheet flexibility by reducing leverage. As we look into 2025, we project an ability to further deliver dividend growth following the increase in 2024, while at a minimum covering the equity component of capex with internally generated cash flow, and maintain enough balance sheet flexibility to fund larger projects (e.g., Cedar) within its financial guardrails.
- **Solid base of business with a commodity kicker.** Pembina's guardrails target over 80% of EBITDA coming from fee-based revenues, primarily underpinned by take-or-pay or cost-of-service contracts, which underpin the dividend. As upside optionality, Pembina's Marketing division can benefit from leveraging its asset base to take advantage of various commodity spreads.

PrairieSky Royalty (PSK)

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Price target: CAD 35.00

- **Largest royalty owner in WCSB - Diversified.** PrairieSky's 2025E/26E production profile is 63%/63% liquids-weighted with royalty revenue driven by liquids at 92%/86%. PrairieSky is the largest royalty landowner in the WCSB (18.0 million acres; 9.7/8.3 million acres Fee/GORR lands) and is supported by some of the top operators. The company has significant lands in all key plays throughout the WCSB. We expect 2025/26E corporate production to increase by 4%/8% with the Mannville Heavy, Clearwater, Viking and Duvernay plays leading the pack in activity. The royalty business model is also insulated from industry cost inflation, providing margin stability. See our most recent quarterly note here.
- **Multi-lateral tailwind – Ample inventory for growth.** PrairieSky has the largest Clearwater royalty acreage position with over 1.3 million acres namely with its key operating partner, Spur Petroleum. PSK's current Clearwater royalty volumes map towards ~2,100 bbl/d with play activity effectively doubling over the prior three years (see more here). PSK has also seen the implementation of modern drilling techniques into established fields, most notably in the Mannville Heavy Oil stack, which accounts for 13% of the company's FPV (future potential value) and 1,220 future locations. The company owns over 1.1 million acres of royalty land within the play, namely with its key counterparties (Canadian Natural Resources Ltd., Caltex Trilogy, and others) where total royalty volumes are in the range of 3,000 bbl/d. Activity levels in the stack and low supply costs suggest to us that PSK is well positioned to benefit, where we forecast 15-20% YoY growth within the play assuming crude prices remain at current levels (see more here). Multi-lateral prospects now constitute roughly one-third of drilling activity and 15–20% of corporate royalty volumes, suggesting that overall share of volumes will increase.
- **FCF allocation - On track for a net cash balance in Q4/26 and sustainable base dividend.** We

forecast PrairieSky to achieve a net cash balance by Q4/26 (on current strip), and the company has an NCIB in place which we model to be used opportunistically from Q3/26 onwards in tandem with its annual base dividend of $1.04/sh. We estimate a 65%/64% effective payout ratio in 2025E/26E where our forecasts suggest roughly $206 million in post-dividend FCF across 2025E/26E on our RBC deck.

Shell (SHEL)

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Rating: Outperform
Price target: GBp 3,800

- **Operational turnaround.** While 4Q24 results were on the softer side, it followed five quarters in a row of earnings coming in above market expectations with the drive from the new management on improving operational performance appearing to be coming through across a number of divisions. We think this should support cash generation over the coming years, supported by its oil leverage and #1 presence in a growing LNG market.
- **Resilient distributions.** We think Shell's balance sheet (current <5% gearing) should allow for buybacks to continue at the current pace, even in a lower price scenario through 2025. Sustained buybacks in the face of falling share prices mean share count reductions could be more rapid than anticipated, which in turn could drive higher DPS growth over time.
- **More ratable earnings.** One of the aspects of the investment case that we've been highlighting has been around volatility, and our calculations suggest that earnings and cash flow volatility is lower than US peers despite the trading business seemingly adding to it. This seems to be underappreciated by the market with a difference between perception and financials.

SLB (SLB)

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Rating: Outperform
Price target: USD 48.00

- **Leading size, scale, geographic reach.** SLB's size, scale, geographic diversification, and exposure to new energy sources leave it favorably positioned under prevailing industry trends, in our view. We believe SLB is well-positioned to benefit from the next leg of growth in International markets. International short and longer cycle investment is increasing, led by Latin America, the Middle East, and key offshore basins.
- **Digital evolution to drive financial results.** Growing contribution from the Digital and Integration business line should drive margin accretion over time, and SLB has defined growth targets as outlined here. Integrated digital platform adoption also improves revenue stability and provides competitive advantage as the E&P industry increasingly embraces efficiencies. Over time, we believe the reduced capital intensity should drive improvement in the company's financial metrics. The recent sale of its Canadian APS project should provide more visibility on the digital growth, within the D&I segment.
- **Inorganic growth adds future upside.** We see the $8.2bn acquisition of CHX as a strategic fit with SLB's portfolio by adding more production chemicals capabilities, which enhances its exposure to future growth markets and strengthens its position as a leader in the production space.
- **Potential for long-term valuation accretion.** We believe SLB's exposure to a large addressable New Energy market should drive accretion to its valuation multiples over time. Key target markets include: carbon capture, hydrogen, geothermal, critical minerals, and energy storage.
- See our latest SLB note here.

Subsea 7 (SUBC.OL)

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Rating: Outperform
Price target: NOK225

- **Leading offshore fleet and record backlog**. Subsea 7 has an $11.3bn backlog, with $5.3 billion for execution in 2025, underpinning ~75% of our revenue expectation. This will be completed by the company's fleet of 41 vessels, the youngest fleet in a very tight offshore installation market.
- **Potential for guidance increase.** Subsea 7's FY25 guidance has been in place for ~18 months, despite high offshore oil and gas industry activity and group book-to-bill in this period of >1.2x. The Renewables division adjusted EBITDA margin guidance has been increased to 14-16% in

2025, from ~10%; however, Subsea and Conventional guidance is unchanged. We think there is potential for FY25 guidance increases, particularly after the lower-utilisation 1Q period (due to Northern Hemisphere weather).

- **Sector leading shareholder returns.** Subsea 7 has commitment to return at least $1bn to shareholders in 2024-2027, or ~$840m excluding FY24E payments. This represents 17.5% of the company's current market cap. Not only is this the largest returns commitment across our companies, but with FY25e equity FCF of ~$685m (inc lease payments), we think there is upside to these returns.

Suncor Energy Inc. (SU)

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Rating: Outperform
Price target: CAD 65.00

- **New Leadership Making an Impact.** President & CEO Rich Kruger wasted no time making his presence felt within the company and market following his appointment in April 2023. What's clear to us is that the emphasis on high-performance and accountability has been well-received throughout the organization. A continual focus on the identification and elimination of constraints or limiting factors company-wide that can be modified or changed to increase capacity and/or improve utilization rates appears at the root of Suncor's strong operating performance in 2024.
- **Shareholder Returns.** Suncor announced the early achievement of its $8.0 billion net debt target alongside its third-quarter results, which unlocked the allocation of at/near 100% of excess funds flow towards share repurchases on an annual basis, up from 75% previously. Additionally, the company boosted its annualized base dividend by 5% to $2.28 per share.
- **Business Update.** Suncor's 2024 Business Update (2024-26) emphasized the power of its integrated model and big opportunity to capture low hanging fruit across its portfolio. The company pointed towards an incremental 100,000+ bbl/d of production and a US$10 reduction in Suncor's WTI corporate breakeven (to cover operating costs, base dividends and sustaining capital) to about US$43 over the 2023-26 timeframe. Suncor also highlighted an incremental $3.3 billion of free funds flow (in a stable US$75 WTI world) by 2026 relative to a normalized 2023 and updated its shareholder returns framework. Alongside its fourth-quarter results, the company noted it has achieved $2.3 billion of its $3.3 billion mid-cycle targeted cash flow uplift—and US$7 (to US$46) of a targeted US$10 per barrel reduction in its WTI break-even cost.
- **Long-Term Bitumen Supply Options.** Suncor possesses an abundance of bitumen supply opportunities to address Base Mine depletion sometime in the next decade, including integration initiatives, as outlined in our Update with Peter Zebedee. The rate at which Millennium/North Steepbank mines run will be optimized well into the next decade as other barrels are added to the mix.

Superior Plus (SPB)

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Rating: Outperform
Price target: CAD 11.00

- **Attractive propane distribution business with over US$70 million of incremental EBITDA upside.** Superior Plus is the largest propane distribution company in Canada (35% market share) and fourth largest in the U.S. (4% market share). The business generates predictable cash flows (subject to weather), and management has pivoted its business to grow organically from the previous roll-up strategy. Management is in the process of implementing a number of "Superior Delivers" initiatives to generate over US$70 million of incremental EBITDA from i) driving lower costs-to-serve, ii) enhancing the value proposition for customers, and iii) increasing customer density, creating a virtuous cycle of customer service.
- **Moderating growth at Certarus, but the share price implies little to no value for the business.** After making significant investments into Certarus in 2023/24, management is taking a more capital disciplined approach and also moderating EBITDA growth to ~5% (+US$25 million over 3 years). We believe that SPB's share price is implying little to no value for Certarus, which generated US$148 million of EBITDA in 2024 (30% of the company's EBITDA). Certarus is

the largest company (30%+ market share) that distributes compressed natural gas via trucks. Sentiment weakened further in 2024 after the division experienced margin pressures, which have stabilized. Superior Plus acquired Certarus in May 2023 for C$1.1 billion, and invested over ~C$200 million into capex since then. We believe the current share price is an opportunity to acquire SPB shares at a deep discount.

- **Balanced capital allocation strategy.** Over the next three years, management plans to allocate 50% of capital split evenly between share buybacks and debt reduction, with the remaining capital allocated to capex (40%) and dividends (10%). We favourably view the company's ability to repurchase ~C$400 million of stock, while reducing leverage to below 3x Debt/EBITDA over the 2025-27 period (from 4x in 2024).

Woodside Energy (WDS)

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Rating: Outperform
Price target: AUD 31.00

- **A stable long-life and low-cost production profile** from a core Australian LNG portfolio with high margin international deep-water oil in the GOM and Senegal. US acquisitions have also boosted Woodside's LNG growth optionality and its low carbon New Energy portfolio.
- **New project developments** include Sangomar, Beaumont New Ammonia, Scarborough / Pluto LNG T-2, Trion oil, and Louisiana LNG.
- **Sangomar (WDS 82% and Operator)** Phase 1 offshore Senegal West Africa came onstream in June 2024 and is continuing to produce at nameplate of ~100,000 bopd (gross). We see multi-phase upside from potential development of the upper S400 sands, which has already delivered better than expected reservoir and a reserve increase.
- **Beaumont New Ammonia Phase 1 (WDS 100% and operator)** on the US Gulf Coast is targeting conventional ammonia from 2H 2025 supported by Linde's supply of nitrogen and hydrogen. Phase 2 is pre FID and targeting lower carbon ammonia sales to Europe and Asia from 2026, once ExxonMobil's CCS project is operational.
- **Scarborough (WDS 75% and operator)** is on track to grow Australian LNG production from 2H 2026. Long term cash flows from the Scarborough gas field expands Pluto LNG (new Pluto LNG T-2 development) and extends the life of the Woodside operated North West Shelf LNG project.
- **Trion (WDS 60% and operator)** is a phased Mexico GOM development with first oil in 2028. Trion has an initial target production rate of 120,000 bopd (gross). We see upside from an increased oil field recovery factor, development of the unevaluated northern field area, and potential tie backs of other nearby Pemex oil discoveries.
- **Louisiana LNG (WDS 100% of HoldCo and operator)** has achieved FID for a three train 16.5 mmtpa foundation project development expected onstream by 2029. Stonepeak to acquire 40% of the project infrastructure (InfraCo) from Woodside in exchange for contributing US $5.7bn to project capex in 2025 and 2026. BP has signed feedgas supply and Uniper LNG offtake agreements. We expect Woodside to sell down further project equity, preferably to a high quality LNG buyer with new offtake agreements. Louisiana LNG has US regulatory approvals in place for up to 27.6 mmtpa of LNG exports.
- **Capital allocation framework** supported by a dividend payout ratio based on 50% - 80% of underlying NPAT, with payments in recent years consistently at the top end of this range. Woodside's gearing (ND/ND+E) was 13% at 30 June and within its target range of 10-20%. Major acquisitions undertaken have potential to exceed target gearing, but this is forecast to reduce relatively quickly from strong CF generation.

Portfolio tracking

The RBC Capital Markets Global Energy Best Ideas List highlights our Research Analysts' highest conviction names across the global energy sector at the time of their addition into the list. Our objective is to highlight individual stocks that are expected to outperform the iShares Global Energy ETF (IXC) and a hybrid benchmark with a weighting towards the iShares Global Utilities ETF (JXI).

A long-only portfolio, the RBC Capital Markets Global Energy Best Ideas List is set up as follows:

- There is no limit to the number of names included in the RBC Capital Markets Global Energy Best Ideas List.
- Individual holdings are deemed to be weighted equally, with weights reset every month or any time that there is a change to the list.
- Names added to the list will remain on the list for at least one full month, i.e., there will be no mid-month additions/deletions. If we discontinue research coverage of a company included on the RBC Global Energy Best Ideas List, the stock will be removed from the list as of the next monthly publication.
- The RBC Global Energy Best Ideas has a mandatory stop loss mechanism as follows: a stock will be removed from the list if it is down 20% in the current year or down 20% since being added to the list.
- We will use the most recent closing price prior to the list being published, unless noted otherwise, as the price used for performance calculations. Therefore, any additions to or deletions from the list are recorded as have being made at their most recent closing price.
- Dividends will be added to returns from stock price movements on the day that stocks go ex. dividend.
- We will provide a monthly update on the constituent names of the list as well as past performance on or around the start of each month.
- We will include only stocks on which we have research coverage.
- We do not make provisions for taxes and/or trading commissions when adding or removing stocks from the portfolio.

Note: Total return data for the list as well as relevant indices are from Bloomberg and FactSet.

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HOLD [Sector Perform]	**563**	**37.91**	**146**	**25.93**
SELL [Underperform]	**44**	**2.96**	**5**	**11.36**

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