COALITION OF | CANADIAN ENERGY TRUSTS

Speaker Presentation
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LADIES AND GENTLEMEN, WELCOME AND THANK YOU ALL FOR COMING TODAY.

ON OCTOBER 31ST, THE MINISTER OF FINANCE ANNOUNCED A PROPOSED CHANGE TO THE TAXATION OF CANADIAN TRUSTS THE ANNOUNCEMENT HAD A SERIOUS NEGATIVE IMPACT ON THE INVESTMENTS OF HARD-WORKING CANADIANS. IT SURPRISED AND ANGERED MANY OF THE CEOS IN THIS ROOM TODAY.

WE TAKE OUR RESPONSIBILITY TO OUR UNITHOLDERS VERY SERIOUSLY. WE REALIZE MANY OF THEM DEPEND ON THE DISTRIBUTIONS THEY RECEIVE FROM OUR TRUSTS TO MEET THEIR DAILY NEEDS. WE DO NOT LIKE TO SEE THAT INCOME DESTROYED.

BUT WE ARE CANADIAN ENTREPRENEURS AND WE MOVE QUICKLY FROM OUTRAGE TO ACTION. WE ARE HERE TODAY BECAUSE WE WANT – FIRST AND FOREMOST - TO MEET OUR RESPONSIBILITIES TO OUR UNITHOLDERS AND WE ARE FOCUSED ON FINDING A SOLUTION TO THE PROBLEMS CREATED BY THIS ANNOUNCEMENT.

BUT, BEFORE I ADDRESS THIS FURTHER, ALLOW ME TO INTRODUCE OUR TEAM AND ORGANIZATION.

I AM GORD KERR, PRESIDENT & CEO OF ENERPLUS RESOURCES FUND. TODAY, I AM SPEAKING TO YOU AS A MEMBER OF THE COALITION OF CANADIAN ENERGY TRUSTS. JOINING ME ON STAGE ARE JOHN DIELWART, PRESIDENT & CEO, ARC ENERGY TRUST AND SUE RIDDELL ROSE, PRESIDENT & CEO, PARAMOUNT ENERGY TRUST. TOGETHER WITH MARCEL COUTU, PRESIDENT & CEO OF CANADIAN OIL SANDS TRUST AND BILL ANDREW, PRESIDENT & CEO OF PENN WEST ENERGY TRUST, WE ARE THE EXECUTIVE COMMITTEE OF THIS NEW COALITION.

ALSO JOINING US IN THE AUDIENCE ARE PRESIDENTS AND CEOS FROM MANY OF CANADA'S ENERGY TRUSTS.

OUR COALITION HAS BEEN FORMED TO ADDRESS THE UNIQUE ISSUES RELATED TO ENERGY TRUSTS AND THEIR IMPORTANT CONTRIBUTION TO THE CANADIAN ECONOMY. MANY OF OUR MEMBERS ALSO BELONG TO THE CANADIAN ASSOCIATION OF INCOME FUNDS (CAIF) AND WE ARE CLOSELY WORKING WITH THIS ORGANIZATION SO AS TO COLLECTIVELY ADVANCE THE PERSPECTIVES OF INCOME FUNDS IN CANADA.

TODAY OUR COALITION REPRESENTS OVER 40 ENERGY TRUSTS – AND IT'S GROWING. THE COALITION ALSO INCLUDES INFRASTRUCTURE TRUSTS SUCH AS PIPELINES ALONG WITH THE INDUSTRY SERVICE TRUSTS.

WE COLLECTIVELY ACCOUNT FOR 20% OF THE PRODUCTION IN CANADA OR THE EQUIVALENT OF ONE MILLION BARRELS OF OIL PER DAY – AND MANY OF THE SERVICES AND THE INFRASTRUCTURE REQUIRED TO PRODUCE THIS OIL AND GAS AND GET IT TO MARKET.

MILLIONS OF CANADIANS HAVE INVESTED IN THE ENERGY TRUSTS OF THIS NATION. WE EMPLOY THOUSANDS OF PEOPLE IN THE CONDUCT OF OUR BUSINESSES.

THE ENERGY TRUST STRUCTURE IS WELL ESTABLISHED AND HAS CONTRIBUTED TO CANADA'S WELL BEING FOR MORE THAN 20 YEARS.

WE ARE HERE TODAY BECAUSE WE ARE CONCERNED. OUR UNITHOLDERS ARE ORDINARY CANADIANS. THESE PEOPLE ARE THE ONES WHO WERE DEALT A $35 BILLION BLOW TO THEIR NET WORTH IN JUST TWO DAYS AFTER THE GOVERNMENT ANNOUNCED CHANGES TO THE TAX RULES IMPACTING TRUSTS.

ON NOVEMBER 1ST THOUSANDS OF CANADIANS HOLDING INVESTMENTS IN TRUSTS SAW THEIR INVESTMENTS UNDER ATTACK. THESE PEOPLE STOOD HELPLESS AS THEIR PERSONAL FINANCIAL SITUATION WAS ERODED.

MANY CANADIANS MAY STILL NOT REALIZE THAT THEY HAVE LOST THEIR HARD EARNED MONEY. ONE INVESTOR IN TRUSTS, FOR EXAMPLE, IS THE CANADA PENSION PLAN ALONG WITH MANY MUTUAL FUNDS AND GROUP PENSION PLANS.

IT IS ON BEHALF OF THESE CANADIANS THAT WE ARE HERE TO ASK THE GOVERNMENT TO SLOW DOWN AND TAKE TIME TO CONSULT WITH US AND TO IMPLEMENT ITS DECISION IN A WAY THAT DOES NOT DAMAGE CANADIANS AND THE CANADIAN ECONOMY.

MUCH HAS BEEN SAID ABOUT INCOME FUNDS. WHAT MAY NOT HAVE BEEN CLEARLY SAID ABOUT ENERGY TRUSTS IS THAT THEY ARE ESSENTIAL CONTRIBUTRORS TO CANADA'S ECONOMY AND TO CANADA'S ROLE AS A GLOBAL ENERGY PROVIDER. IN OTHER WORDS, WE PLAY A UNIQUE AND INTEGRAL ROLE IN MAXIMIZING PRODUCTION AND PROVIDING ESSENTIAL CAPTIAL TO CANADA'S STRATEGICALLY IMPORTANT ENERGY INDUSTRY.

LET ME TOUCH ON JUST A FEW KEY POINTS ABOUT THE ROLE OF ENERGY TRUSTS.

- IN THE PAST 5 YEARS, MORE THAN $10 BILLION OF CAPITAL HAS BEEN INVESTED INTO THE DEVELOPMENT OF OIL AND GAS IN CANADA BY THESE TRUSTS. IN ADDITION, MAJOR INVESTMENTS HAVE BEEN MADE IN NEW TECHNOLOGIES AND ENGINEERING PROCESSES
- AS I HAVE SAID, WE PRODUCE 20 PERCENT OF CANADA'S OIL AND NATURAL GAS - MUCH OF WHICH IS HARVESTED FROM MATURE RESERVOIRS THAT MANY LARGE CONVENTIONAL COMPANIES HAVE DEEMED NOT WORTH PURSUING.
- CANADIAN OWNERSHIP IN THE ENERGY SECTOR HAS BEEN INCREASED THROUGH THE $9 BILLION OF FOREIGN-CONTROLLED ASSETS AQUIRED SINCE 2001 BY ENERGY TRUSTS.
- TRUSTS PROVIDE DISTRIBUTIONS TO UNITHOLDERS FROM ALL WALKS OF LIFE IN - AND ACROSS - CANADA. IN 2005 ALONE, ENERGY TRUSTS PROVIDED OVER $5 BILLION IN DISTRIBUTIONS TO THEIR OWNERS.

UNFORTUNATELY, THE PROPOSED TAX CHANGES BY GOVERNMENT IMPACT ENERGY TRUSTS SIGNIFICANTLY. WE RUN THE RISK OF A REDUCED UNITHOLDER BASE. THE PROPOSED CHANGES INCREASE OUR COST OF CAPITAL WHICH, IN TURN, MAKES US LESS COMPETITIVE ON THE WORLD STAGE.

WE BELIEVE WE ARE A CRITICAL COMPONENT OF A COMPETITIVE, GROWING ECONOMY. BEYOND THE ECONOMIC IMPACTS WE HAVE THROUGH EMPLOYMENT, CONTRACTOR ENGAGEMENT, CAPITAL INVESTMENTS AND THE RESULTANT TAX BASES TO EVERY LEVEL OF GOVERNMENT, WE ARE AN IMPORTANT CONTRIBUTOR TO CANADA'S ENERGY LEADERSHIP IN THE WORLD – SOMETHING THE PRIME MINISTER HAS STATED TO BE AN IMPORTANT GOAL.

WE RECOGNIZE THAT THE GOVERNMENT HAS THE RIGHT TO MAKE CHANGES TO CANADA'S TAX LAWS. A TAX POLICY OF SUCH SIGNIFICANCE, HOWEVER, DESERVES A CONSULTATION PROCESS. AND THAT IS WHAT WE ARE SEEKING.

A ONE DIMENSIONAL SOLUTION, SUCH AS THE ONE ON THE TABLE, IS NOT SATISFACTORY. STOPPING THE CONVERSIONS IS ONE THING; ELIMINATING THE TRUST STRUCTURE IS ANOTHER.

WE BELIEVE THAT RETROACTIVELY CHANGING THE RULES IS SIMPLY NOT GOOD PUBLIC POLICY. IT WILL DAMAGE CANADA'S INTERNATIONAL REPUTATION AND REDUCE OUR ABILITY TO ATTRACT CAPITAL FROM ABROAD.

MILLIONS OF UNITHOLDERS HAVE FOLLOWED THE RULES AND ACTED IN GOOD FAITH IN MAKING THEIR INVESTMENT DECISIONS. THEY SHOULD NOT BE PUNISHED WITH 20% INVESTMENT LOSSES.

SO WHAT DO WE WANT TO ACHIEVE? SIMPLY PUT, WE WOULD LIKE TO SLOW DOWN THE PROCESS AND HAVE MEANINGFUL, CONSTRUCTIVE CONSULTATION WITH GOVERNMENT.

IT IS OUR HOPE THAT THROUGH OUR MEETINGS, THE GOVERNMENT WILL GAIN A CLEARER UNDERSTANDING OF OUR ISSUES AND THAT TOGETHER WE CAN FIND SOLUTIONS THAT WILL SEE CANADA'S ENERGY TRUSTS CONTINUE TO CONTRIBUTE TO THE PROSPERITY OF THIS NATION.

AND NOW, WE WILL OPEN THE FLOOR TO QUESTIONS.