

MARCH 2026

INVESTOR BRIEF:
CENOVUS/PWC
ELECTION OF AUDIT COMMITTEE
CHAIR AND VOTE FOR REAPPOINTMENT
OF INDEPENDENT AUDITOR

RE: Material decommissioning liabilities-related matters
missing from 2025 financial statements & auditor's report

INVESTORS *for*
PARIS COMPLIANCE

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ABOUT INVESTORS FOR PARIS COMPLIANCE

Investors for Paris Compliance (I4PC) is a shareholder advocacy organization that works to hold Canadian publicly-listed companies accountable to their net zero commitments. More information can be found [here](#).

VOTING INFORMATION

Meeting date: **May 6, 2026**

Voting information: [here](#)

NOTE: This is NOT a solicitation of your proxy; it simply provides contextual information from public sources regarding the proposal. Please do not send us your proxy card—we are not able to vote your proxies nor does this communication contemplate such an event. We recommend shareholders follow voting instructions provided in management's proxy mailing.



Despite clear guidance in applicable accounting standards, stronger practices adopted by some industry peers, and ongoing investor engagement on the issue, Cenovus continues to disclose insufficient information to credibly assess its decommissioning liabilities. The ongoing absence of transparency about key assumptions (i.e. asset lives), the material risk of an accelerating energy transition, the use of a favourable discount rate, as well as uncertainty related to the regulator's decommissioning liability oversight, means **Cenovus' decommissioning liabilities could be multiple times higher than currently reported**. Decommissioning liabilities already represent 15% of shareholder equity at Cenovus.

As a result, **we intend to vote against the re-election of the Chair of the Audit Committee**, Jane E. Kinney. Because of the ongoing absence of related auditor scrutiny on these matters we also intend to **withhold support for the reappointment of Cenovus' external auditor**, PriceWaterhouseCoopers (PwC).

SUMMARY

Cenovus Energy is one of Canada's largest oil sands producers, operating in one of the world's most environmentally disruptive forms of oil extraction. As a result, its decommissioning obligations — also known as asset retirement obligations (AROs) — constitute a significant balance sheet liability which is extremely sensitive to key accounting assumptions. This investor brief outlines material gaps in the company's accounting of these liabilities and its auditor's oversight thereof, with major implications for shareholder equity.

Cenovus' 2025 financials and auditor's report do not demonstrate progress against decommissioning liability accounting and auditing gaps identified in [our November 2025 report](#). Our assessment found that Cenovus' financial disclosures may be materially understating the scale and risk profile of its reported decommissioning obligations as a result of the following:

- No disclosure of the timeframe over which its decommissioning liabilities are projected; a primary assumption shaping how these liabilities appear on its balance sheet.
- Contrary to emerging accounting guidance and the practice of some of its peers, the company applies a relatively high discount rate, materially reducing the present value of reported obligations. Although the company applies a sensitivity analysis of a 1% change to the discount rate, it is not sufficient to align with best practices. A 2% decrease would be more consistent with peers.
- The company's failure to demonstrate how decommissioning liabilities could significantly increase in an accelerating energy transition scenario.

- Failure to disclose the key uncertainty of a potentially systemic under-reporting of decommissioning costs – the Alberta Energy Regulator's leaked 2018 estimate of total costs is much higher than current industry estimates.

Moreover, the independent auditor does not raise these gaps as critical audit matters in its report.

We brought these concerns directly to the Chair of the Audit Committee — cc'ing the auditor, Price waterhouseCoopers (PwC) — in a [January 2026 open letter](#).

[Carbon Tracker's November 2025 assessment](#) of Cenovus' 2024 climate risk accounting and auditing, on behalf of Climate Engagement Canada (CEC), echoed these findings and identified several more. The company almost completely failed the CEC climate risk accounting and auditing assessment, only receiving partial marks for two out of seven criteria. PwC completely failed the auditor assessment.

The energy transition remains a real and growing risk for Canada's upstream oil and gas companies. Military conflict between the US, Israel, and Iran has spiked oil prices and increased market volatility, reinforcing incentives for governments and firms to diversify toward energy sources, such as renewables, that are less exposed to geopolitical supply shocks. Furthermore, the majority of the Canadian oil and gas sector's production is currently destined for the US and Asia, where transportation has traditionally been a major source of demand.¹ In China, EVs now represent half of new vehicle sales,² and China's EV companies are ramping up exports. In Australia and many Asian markets, EVs are already priced-competitive with or cheaper than internal combustion vehicles at the point of sale,³ with lower running costs. As such the energy transition does not depend on future policy – it is here now.

Applicable international accounting and auditing standards require transparent disclosure of critical accounting estimates and assumptions. This involves clear articulation of how the risk of early settlement, stemming from the energy transition, impacts oil and gas company decommissioning liabilities.⁴

- 1 Statistics Canada, [The Trans Mountain pipeline is delivering](#) (August 2025).
- 2 Institute for Energy Research, [EV Sales Grew 20% Globally in 2025](#) (January 2026).
- 3 IEA, [Global EV Outlook 2025](#).
- 4 **Most applicable accounting standard:** International Financial Reporting Standards, [International Accounting Standard 37 – Provisions, Contingent Liabilities and Contingent Assets](#); See also the IFRS guidance on the application of this provision in ["Effects of climate-related matters on financial statements"](#) (June 2023) at 2-3. **Most applicable auditing standard:** PCAOB, [AS 2501 Auditing Accounting Estimates, Including Fair Value Measurements](#).

I. CENOVUS' ACCOUNTING OF ITS DECOMMISSIONING LIABILITIES

For 2025, Cenovus reports its decommissioning liabilities as \$4.87 billion and shareholder equity of \$31.62 billion.⁵ However, gaps in its decommissioning liabilities reporting, the use of a favorable discount rate, and absence of meaningful quantitative sensitivity analyses mean that shareholders can't test its credibility. How decommissioning liabilities appear on the balance sheet is extremely sensitive to these accounting assumptions.

A. DISCLOSURE OF RELEVANT ASSUMPTIONS

Investors are not told how many years these liabilities are being spread over. Cenovus claims to report its financials in accordance with the International Financial Reporting Standards (IFRS), but this standard clearly requires disclosure of material assumptions related to decommissioning liability accounting, namely assumed asset lives.⁶ Almost all of Cenovus' Canadian peers disclose more information around the timing of their liability payments in their 2025 financial reporting. This lack of disclosure is a decline in disclosure quality from last year, when Cenovus at least provided insight into expected payments over the next five years.

B. EXPLICIT QUANTITATIVE CONSIDERATION OF THE ENERGY TRANSITION

Investors require disclosure regarding how these decommissioning liabilities are costed in a realistic timeline that takes into account the impacts of the energy transition. This means shorter asset lives than historically assumed by the sector.

Many of Cenovus' Canadian peers that do disclose assumed asset lives continue to assume historic 50+ year asset lives (see Table 2 of [our November 2025 report](#)). Alberta's Auditor General reported in [December 2025](#) that the provincial authority responsible for collecting decommissioning funds continues to be at risk because it relies on the sector's self-reported asset values — based on assumed asset life and commodity price — which are chronically overstated. The Auditor General originally flagged this in 2015.

This has been a concern of institutional investors for years. For example, in 2022 a shareholder proposal was filed at Exxon requesting an audited report assessing how different energy transition assumptions would affect the costs, estimates, and valuations underlying its financial statements, including those related to AROs.⁷ It received 51% support from Exxon shareholders, and was backed by proxy advisors ISS (Institutional Shareholder Services) and Glass Lewis.⁸

We see better practice from European oil and gas majors. For example, Shell's 2024 Annual report provides a detailed note to its financials about the impact of the energy transition on its financials, including relating to its assessment of asset useful lives and decommissioning liabilities.⁹

5 Cenovus, [Consolidated Financial Statements](#) (for year end December 31, 2025) at 9.

6 IFRS, [International Accounting Standard 37 – Provisions, Contingent Liabilities and Contingent Assets](#); See also the IFRS guidance on the application of this provision in "[Effects of climate-related matters on financial statements](#) (June 2023) at 2-3.

7 LGIM and Catholic Responsible Investments, [Notice of Exempt Solicitation, re: ExxonMobil Corporation Shareholders](#) (May 31, 2023).

8 Ibid.

9 Shell, [Annual Report and Accounts 2024](#), at 258.

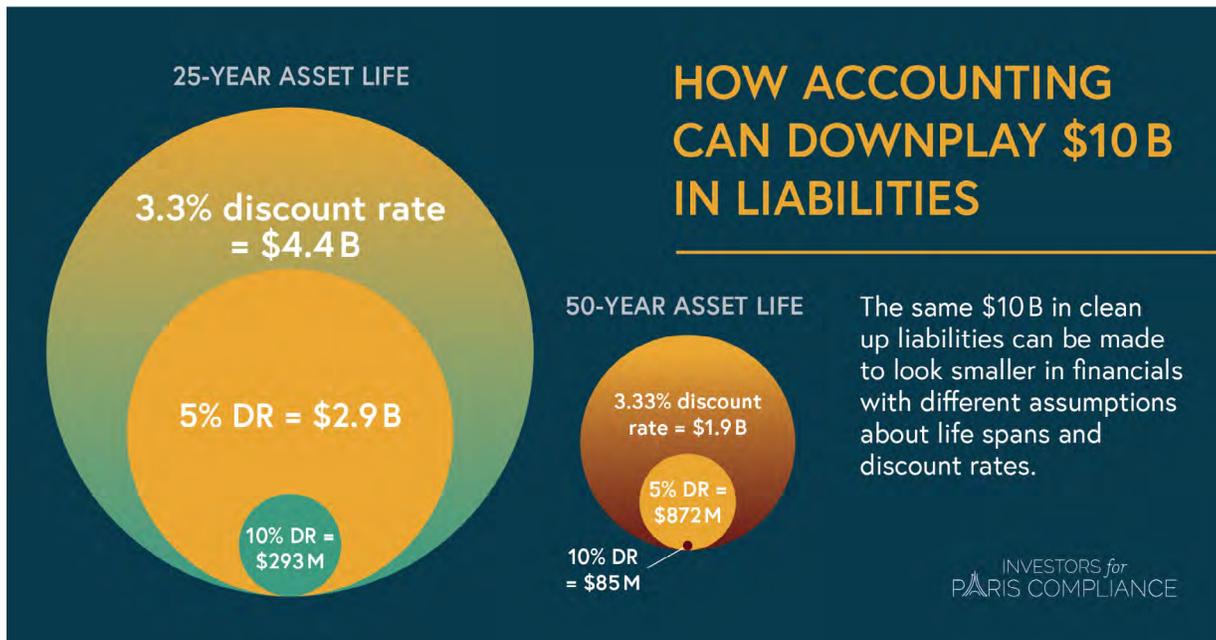
C. RISK-FREE DISCOUNT RATES

The 5.5% discount rate Cenovus uses to calculate the present value of its decommissioning liabilities is credit-adjusted, and therefore higher than many of its peers which apply risk-free discount rates aligned with 10-year Canadian bonds (3.85% in 2025; 3.3% in 2024, see Table 2 of our [November 2025 report](#)).

Inconsistent discount rate use in the sector means balance sheet liabilities are impossible to compare, and risk significantly deflating liabilities. As a result, the International Accounting Standards Board is consulting on requiring a non-credit-adjusted discount rate.¹⁰

Although Cenovus provides a quantitative stress test for its discount rate, it only assesses a 1% change in either direction. This does not bring Cenovus in line with peers applying the same sensitivity analysis to a lower discount rate.

Taken together, a **lower discount rate and shorter asset lives could affect decommissioning liabilities by several-fold** (see diagram below). For context, that could make Cenovus' reported present value of its decommissioning liabilities (\$4.87 billion) higher than its long-term debt (\$11.03 billion), and significantly affect shareholder equity (\$31.62 billion).¹¹



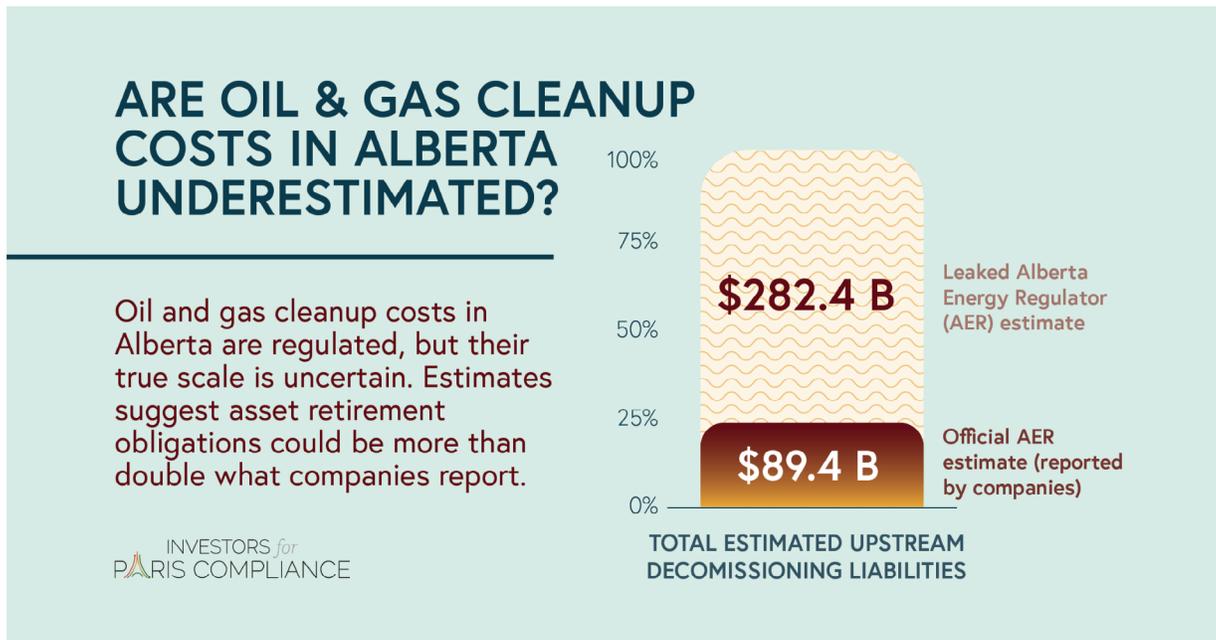
Note: This infographic illustrates how \$10 billion in decommissioning liabilities can appear on a company's balance sheet depending on discount rate and asset life assumptions applied (see Table 3 of our [November 2025 report](#)).

- This has been under review by the IASB since 2023 (See: IFRS Staff Paper (July 2023) '[Provisions—Targeted Improvements, Discount rates](#)'); Current IAS 37 guidance is being revised to explicitly state that discount rates for provisions should exclude the effect of non-performance risk (See: [Provisions—Targeted Improvements, Topic Exposure Draft feedback—Discount rates](#) (July 2025)).
- Cenovus, [Consolidated Financial Statements](#) (for year end December 31, 2025) at 9.

D. OVERALL DECOMMISSIONING LIABILITY UNCERTAINTY IN ALBERTA

In Alberta, oil and gas decommissioning liabilities are regulated by the Alberta Energy Regulator (AER), in partnership with industry. According to its own numbers, the AER's current estimate of total industry liabilities is potentially understated by multiples. The AER's current estimate forms the basis of Cenovus' accounting.

In 2018 an internal estimate by the AER was leaked to the media,¹² which stated that total industry liabilities for oil and gas operations in Alberta were approximately \$260 billion – including \$100 billion for conventional oil and gas wells and facilities, \$130 billion for oil sands mines, and \$30 billion for pipelines.¹³ In 2025 dollars, this total amounts to \$320 billion.¹⁴ For just the upstream oil and gas sector – excluding pipelines – it is \$282.4 billion in 2025 dollars. This is an estimate of total costs if paid out today, so is not a discounted or inflated amount. The leaked estimate indicates upstream oil and gas sector decommissioning liabilities could be two to three times higher than current reports.



- 12 Global News, [Cleaning up Alberta's oilpatch could cost \\$260 billion, internal documents warn](#) (November, 2018).
- 13 Alberta Energy Regulator, [Liability Challenges Presentation](#) (2018).
- 14 \$260 billion was inflated to 2025 dollars using the [Bank of Canada's Inflation Calculator](#).

In late 2025, the AER collected payment from an oilsands operator for the first time in ten years.¹⁵ Syncrude (Suncor and Imperial are majority owners¹⁶) was required to post \$869 million in security for its Mildred Lake-Aurora North mines due to depletion of reserves.¹⁷ It is estimated that the AER will collect \$10.7 billion for this site over the coming years.¹⁸ Neither Suncor nor Imperial's annual financial reporting discloses to investors that rising payments are expected for Syncrude.¹⁹ This is a clear example of inadequate disclosure and uncertainty in Alberta's ARO landscape.

Finally, as noted above, Alberta's Auditor General has been flagging major issues with the Regulator's mine security program since 2015.²⁰

As a result, there is a reasonable likelihood that the source of official decommissioning liabilities should be identified as a key accounting uncertainty by the company and the auditor.

II. PWC'S AUDIT OF CENOVUS' DECOMMISSIONING LIABILITIES

PwC is Cenovus' independent auditor of 17 years. It has not identified decommissioning liabilities accounting as a critical audit matter, despite the sensitivity of the liability calculation to key assumptions and clear estimation uncertainties.

The only critical audit matters which PwC identifies are provable reserves and the valuation of MEG, which Cenovus acquired in 2025. Although the assessment of provable reserves is a key factor that goes into assessing the asset lives used for calculating the present value of decommissioning liabilities, it does not explicitly account for the energy transition. This is notwithstanding the fact that the applicable auditing standard — the Public Company Accounting and Oversight Board (PCAOB)²¹ — requires the auditor to:

- Evaluate the reasonableness of significant accounting estimates
- Test data and assumptions
- Consider contrary evidence
- Assess potential management bias
- Evaluate adequacy of related disclosures

For decommissioning liabilities, this would require scrutiny of:

- Timing assumptions
- Cost estimates
- Discount rates
- Consistency with external economic and regulatory conditions

15 Yewchuk, D. [The 2025 Mine Financial Security Program Update: Security Collected for Aging Syncrude Mine Offers a First Estimate of Mine Closure Costs](#). ABLawg. (2025).

16 Suncor reports it has a 58.74% operated working interest in Syncrude's two producing oil sands mines, Mildred Lake and Aurora North. Imperial Oil reports that it holds a 25% participating interest in Syncrude. See: Suncor, [Annual Report \(2024\)](#) at 21; Imperial Oil, [2024 annual financial statements and management discussion and analysis \(2024\)](#) at 13.

17 Yewchuk, D. [The 2025 Mine Financial Security Program Update: Security Collected for Aging Syncrude Mine Offers a First Estimate of Mine Closure Costs](#). ABLawg. (2025).

18 Ibid.

19 See: Suncor, [Annual Report \(2025\)](#); Imperial Oil, [10-K – Annual report \(2025\)](#).

20 Alberta Auditor General, [Mine Financial Security Program \(December 2025\)](#).

21 PCAOB, [AS 2501 Auditing Accounting Estimates](#).

At the corporate level, PwC has published guidance explaining that auditors need to assess whether climate-related impacts could materially affect financial estimates.²² Given these key assumptions and uncertainties, sensitivity analysis by the auditor of the decommissioning liabilities is warranted.

Other auditors provide scrutiny for oil and gas company accounting of decommissioning liability in other jurisdictions. For example, [Deloitte's audit of BP for FY2021](#) (at 148), also operating under PCAOB, explicitly challenged management's decommissioning assumptions by performing a sensitivity analysis to test whether climate-related transition assumptions could materially affect estimates.

In audit reports under ISA (which operate in a comparable risk-based way to PCAOB), Deloitte tested the reasonableness of Enquest's stated decommissioning liabilities in its 2023 audit.²³ It assessed the validity of cost reduction factors that Enquest applies to its total decommissioning liabilities, by referencing available third-party data and benchmarking to peer and market rates; and considering potentially contradictory evidence from actual decommissioning spend, changes in market rates, and industry publications. EY's assessment of Shell's [2024 financial statement](#) (at 228-229) described climate-related judgment risks affecting provisions and other assumptions considered by auditors, including asset useful lives and risk of stranded assets.

CONCLUSION

Despite clear direction from accounting standards, better practices among peers, and increasing investor scrutiny, Cenovus continues to measure and disclose its decommissioning liabilities in a manner that risks materially understating them — potentially by multiples. Responsibility for this ongoing practice ultimately lands with the Chair of Cenovus' Audit Committee, Jane E. Kinney. Its independent auditor of 17 years, PricewaterhouseCoopers, also fails to adequately test this critical area of financial reporting. As a result, **we will be voting against the re-election of Jane Kinney and withholding our support for PwC's reappointment.** Cenovus' other investors may want to consider these issues in exercising their votes.

22 See for example, PwC 'Weather the Storm of Reporting' (2022).

23 Independent auditor's report to the members of EnQuest PLC (2023).