

COMPANY-WIDE



2,157

employees

280,000

BOE daily production


This section provides a comprehensive overview of the issues and sustainable development areas that are common across our entire business. It is a general discussion of the issues, our positions and the actions we're taking to manage our performance related to these areas of concern.

This section covers:

- *Climate Change*
- *Land Management*
- *Water Management*
- *Regulatory Compliance*

- *Stakeholder Engagement*
- *Community Investment*
- *Public Safety*
- *Employee and Contractor Safety*
- *Our Employees*

CLIMATE CHANGE

In 2007 ConocoPhillips released its position on climate change. The following is a summary and you can read the complete position at <http://www.conocophillips.com/sd/climate> .



CONOCOPHILLIPS' POSITION ON CLIMATE CHANGE

ConocoPhillips recognizes that human activity, including the burning of fossil fuels, is contributing to increased concentrations of greenhouse gases (GHG) in the atmosphere that can lead to adverse changes in global climate. While uncertainties remain over the extent of human contributions and the timing and magnitude of future impacts, we are committed to taking action to expand our business planning processes to address GHG emissions and develop targets for our operations.

ConocoPhillips will show leadership in finding pragmatic and sustainable solutions. In addition to taking actions within our own sphere of influence, we intend to play a constructive role in public policy development. It is our view that mandatory national regulatory frameworks which link to international ones are most likely to achieve meaningful global GHG reductions. We will seek to encourage policy

measures that achieve the following objectives:

- Slow, stop and ultimately reverse the rate of growth in global GHG emissions.
- Establish a value for carbon emissions.
- Encourage the development and deployment of innovative technology.
- Encourage energy efficiency.
- Encourage the deployment of carbon capture and storage.

TYPICAL SOURCES OF GHG FROM OUR OPERATIONS

Most of the GHG emitted by our operations is carbon dioxide (CO₂). This CO₂ has two principal sources:

- As a natural byproduct of combustion. Our operations burn substantial quantities of natural gas as part of producing and processing oil, bitumen and natural gas. CO₂ results from the chemical interaction of natural gas (CH₄) and oxygen (O₂), which generates CO₂ and water vapour.
- As naturally occurring CO₂, which is produced along with natural gas from geological formations and separated at the surface.

2007 TOTAL GREENHOUSE GAS EMISSIONS		
	Absolute (tonnes)	CO ₂ e/MMBOE
Total CO ₂ e emissions	4,038,696 tonnes	31,137
Direct CO ₂ emissions	3,182,265 tonnes	24,534
Indirect CO ₂ emissions	856,431 tonnes	N/A
Methane (CH ₄) emissions	60,552 tonnes	N/A
Nitrous oxide (N ₂ O) emissions	323 tonnes	N/A

Our operations also release some methane (CH₄) into the atmosphere, approximately 70 per cent of which are a result of fugitive emissions source. Methane's global warming potential is 21 times higher than CO₂.

We continue to implement a Fugitive Emissions Management Program. This initiative provides health and safety benefits and will significantly reduce emissions from leaking components, therefore reducing methane emissions.

OUR GREENHOUSE GAS EMISSION PERFORMANCE

Our operations emitted 4.038 kilotonnes of CO₂ equivalent in 2007, equal to 31,137 tonnes/MMBOE. We are working to reduce the GHG emissions intensity of our operations, although it will be challenging to do so.

Natural gas is a clean-burning bridging fuel to a lower-carbon economy. As the Western Canada Sedimentary Basin is gradually

MEETING CONOCOPHILLIPS' SUSTAINABLE DEVELOPMENT COMMITMENTS

Our work on climate change contributes to our ConocoPhillips Sustainable Development Commitment to "Minimize the Environmental Impact" of our operations.





We are exploring even more efficient and up-to-date technologies to decrease the emissions intensity of our Surmont operations.

WHAT IS CARBON CAPTURE AND STORAGE?

Carbon capture and storage may be used to reduce GHG emissions. The process entails separating CO₂ from an emissions stream, such as at an oil refinery or bitumen upgrader, compressing the captured gas and storing it permanently underground, generally by injecting it down a disposal well into a geologically suitable formation such as a depleted oil reservoir. The storage phase is also known as “sequestration” because it keeps the otherwise-emitted gases out of the atmosphere for the long term.

depleted, it will require more energy to produce its remaining natural gas reserves from deeper or tighter formations, often with higher hydrogen sulphide content.

This could result in an increase in greenhouse gas intensity. We are working hard on operational and technology improvements to address this and help us meet new regulations and minimize the cost of compliance.

We are also committed to reducing the emissions intensity of our oil sands operations. Reductions will require substantial technology improvements or even breakthroughs, particularly in the areas of steam production or its alternatives. We are investing heavily to ensure those technological improvements occur and are incorporated in the oil sands projects we operate. While we are working to reduce the emissions intensity of our oil sands production, we are planning to substantially increase the volumes of bitumen we produce over the next several decades. This means our total greenhouse gas emissions from oil sands will increase with production.

OUR GREENHOUSE GAS COMPLIANCE

On July 1, 2007, Alberta became the first Canadian province to regulate greenhouse gas emissions when its provincial government established the Alberta Environment Specified Gas Emitters Regulation. This regulation is aimed at reducing the greenhouse gas intensity of large industrial emitters. Facilities that emit more than 100,000 tonnes of CO₂ equivalent (e) per year have a 12 per cent first-year intensity reduction target applied to the facility's baseline emissions intensity. In



2007 we operated one facility, the Elmworth Gas Plant, that exceeded the emissions threshold. As a result of expansion of the amine plant at the Elmworth Gas Plant, we were unable to reduce CO₂e emissions by 12 per cent below baseline emissions. A corresponding payment of \$15 per tonne of CO₂e for a total of \$216,300 was paid to the government's newly established Climate Change and Emissions Management Fund.

Under the ongoing energy efficiency program, we plan to continue to implement energy efficiency improvements, including the fugitive emissions management program, at the Elmworth Plant to reduce CO₂e emissions and potential compliance payments.

By the end of 2008, Phase I of the Surmont SAGD (Steam-Assisted Gravity Drainage) Plant is also expected to exceed 100,000 tonnes of CO₂e per year. This plant was constructed in 2006 and 2007 with the best available technology. As a result, there are limited energy efficiency improvements that can be made over the next few years. To meet our regulated GHG emissions reduction target over the near term, we will purchase carbon credits in the Alberta-based offset system

or submit payments to the Climate Change and Emissions Management Fund. We are exploring even more efficient and up-to-date technologies to improve the emissions intensity and therefore reduce the need to buy offsets for future phases of Surmont.

The federal government is currently developing intensity based greenhouse gas regulations that are expected to be implemented on January 1, 2010.

OUR CLIMATE CHANGE PLANS

Like our parent company, ConocoPhillips Canada is determined to be a leader in managing our contribution to climate change. Much work lies ahead. In 2008, we will:

- Develop our Climate Change Strategy and Action Plan, which will complement the ConocoPhillips Climate Change Action Plan, but is suited to the Canadian policy context and operating environment.
- Identify opportunities and specify actions in the plan that can be taken in the short (pre-2012), mid (2013 to 2018) and long term (post-2018). The plan will also identify actions we can take to meet or surpass regulated emission limits by using technology to reduce our net emission intensity. This will help decrease our long-term emission reduction costs.

GREENHOUSE GAS EMISSIONS INTENSITY

The amount of GHG emissions released to the atmosphere to generate one unit of oil and gas production. This is a common way of measuring environmental efficiency and allows comparison within industry. Lower intensity means less GHG emissions per unit of output. If an organization increases production its total or absolute GHG emissions might still rise even as its emissions intensity falls. Energy companies typically measure emissions intensity as tonnes of CO₂ equivalent emissions per thousand or million BOE of production.

CARBON DIOXIDE EQUIVALENCY (CO₂e)

A quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO₂ that would have the same global warming potential (GWP), when measured over a specified timescale (generally, 100 years).

GLOBAL WARMING POTENTIAL

A measure of how much a given mass of greenhouse gas is estimated to contribute to global warming.



CARBON CREDITS AND TRADING

Further to our Climate Change position and desire to establish a value for carbon emissions, we have chosen to become one of the few Canadian participants in the Greenhouse Gas Credit Aggregation Pool (GG-CAP) established by Natsource Asset Management Corporation. GG-CAP is purchasing and managing the development of the world's largest pool of GHG emission reductions credits, which can be used to comply with the European Union's emissions-trading scheme and the Kyoto Protocol's requirements. We took this opportunity because ConocoPhillips expects emissions trading will become an increasingly important part of global, continental and/or Canadian federal emissions policy regimes. Developing our understanding of and capacity to participate in carbon markets and regimes is essential to maintaining an economically viable business that complies with laws and regulations.

- Pursue participation in Canadian carbon capture and storage projects. We are engaged in a number of initiatives, including the Integrated CO₂ Network (I CO₂N) consortium and the Alberta Saline Aquifer Project (ASAP). I CO₂N is a consortium of companies dedicated to the advancement of an integrated carbon capture and storage system. ASAP is an industry-sponsored initiative intended to demonstrate safe and reliable long-term, commercial-scale sequestration. We are reviewing other projects and opportunities for involvement and we expect to form other partnerships in the coming years. In addition, we are exploring technology options and design configurations that will integrate carbon capture and storage in our future projects, including the next phases of the Surmont Project.
- Assign additional senior staff to help tackle the climate change challenge.
- Work directly, and through industry associations, with the governments of British Columbia, Alberta, Saskatchewan and Canada to help develop effective climate change policies.

LAND MANAGEMENT

OUR BIODIVERSITY POSITION

The following is a summary of ConocoPhillips' biodiversity position and you can read the complete description at http://www.conocophillips.com/social/values_policies/Biodiversity+Position.htm.

Protecting plant and animal species and ecosystems is an essential component of our health, safety and environmental commitments. We conduct mitigation planning and implement suitable programs to reduce the effects of our activities on the environment and to conserve biodiversity. We address biodiversity conservation during the planning and development of major capital projects by conducting environmental impact assessments, collecting key environmental data and implementing mitigation and monitoring programs to reduce impacts.

MEETING CONOCOPHILLIPS' SUSTAINABLE DEVELOPMENT COMMITMENTS

Our participation in the development of the Draft Land-use Framework contributes to our ConocoPhillips Sustainable Development Commitment to "Minimize the Environmental Impact" of our operations.



OUR APPROACH TO BIODIVERSITY

- Integrating biodiversity conservation principles into our business.
- Developing action plans for projects located in areas of high conservation value.
- Using widely available and effective planning tools to facilitate conservation.
- Considering targeted opportunities for habitat improvement, including rehabilitation.
- Exploring biodiversity offsets where appropriate.
- Linking biodiversity protection with GHG emissions reductions where both goals can be met through integrated planning and action.



We have supported the development of the Alberta Land-use Framework through our participation in the Planning and Decision Making Working Group.

SPECIES AT RISK ACT

Threatened and endangered species are protected by the Government of Canada through the Species at Risk Act. Each province has similar protective measures that manage species within that province. Alberta, for example, has the Wildlife Protection Act. These protective measures are in place to prevent harm to animals, plants and their associated habitat. We conduct our business in compliance with the Species at Risk Act and with the Wildlife Protection Act.

LAND-USE FRAMEWORK

We support the Alberta Land-use Framework as an appropriate process for regional planning and making broad land-use decisions. The Framework provides a blueprint for land-use management and decision-making that addresses Alberta's growth pressures.

We are encouraged by the province's significant investment in regional planning

and we will contribute to the regional planning processes. Once the mechanisms for collecting stakeholder input are finalized, we will participate as appropriate.

We participated extensively in the Planning and Decision Making Working Group, one of four groups assembled by the province in 2007 to provide advice on the Framework. Our participation influenced and helped to shape the recently-released Draft Land-use Framework.



Examples of our suggestions that are reflected in the Draft Land-use Framework are:

- Integrate policies and programs that affect land use across various government departments and ministries.
- Forecast future development to anticipate and manage cumulative effects issues.
- Consider new protected areas. We support the consideration of new protected areas in the context of conservation, as long as this process is government-led, balances environmental values with economic and social values, involves the full range of stakeholders and includes provisions for appropriate compensation of those whose rights may be affected.

REMEDICATION AND RECLAMATION

Wells and facilities that have reached the end of their productive lives are required by regulation to be reclaimed and the land restored to equivalent land-use capability. After a well is abandoned and its associated equipment is decommissioned, the site is assessed to determine if there are impacts to soil and groundwater requiring remediation.

Following remediation, the site enters the reclamation phase which includes re-

contouring the site for drainage, replacing topsoil and seeding the appropriate vegetation mix. For a minimum of three years, the weeds are controlled and the vegetation is monitored to demonstrate that equivalent land capability has been achieved. Once successful, an application is submitted to the provincial regulatory agency. The agency reviews the application and if it agrees equivalent land use has been established, it issues a document certifying the site has been reclaimed.

Beyond being a regulatory requirement, properly reclaiming our abandoned wells is important to local communities. Our experience shows that a proactive and rigorous approach to site closure better manages the risk of future liabilities.

About 50 per cent of the sites we assess involve some level of remediation before reclamation can begin. In 2007 we submitted 219 Reclamation Certificate applications,

which accounted for approximately 17 per cent of the applications received by Alberta Environment. Overall, 7 per cent of the abandoned, un-reclaimed wells in Alberta are licensed to ConocoPhillips. In 2008, we plan to complete assessment and remediation, if required, on 300 sites and submit applications for 200 Reclamation Certificates. We also plan to replant trees in 100 per cent of drilling-related sites in forested regions within five years of site abandonment.

WATER MANAGEMENT

Freshwater is a limited natural resource that has many uses and needs to be shared by the public and industry. Access to and protection of freshwater has emerged as a key issue in the province. In our stakeholder survey, water quality and the quantity used in oil and gas development were consistently identified as among the most important environmental issues and areas of concern.

MEETING CONOCOPHILLIPS' SUSTAINABLE DEVELOPMENT COMMITMENTS

Our efforts to conserve and protect water relate to our ConocoPhillips Sustainable Development Commitment to "Minimize the Environmental Impact" of our operations.



CONOCOPHILLIPS CANADA'S WATER STRATEGY

We are developing practices to conserve and protect freshwater resources and enhance the efficiency of water use at our facilities. Our goal is to be a leader in water management and the protection of water resources.

To achieve this goal we plan to:

- Reduce consumption of freshwater.
- Continuously review our business practices to conserve and protect water resources.
- Complete water-use assessments for all business units.
- Use non-saline water only if there are no other feasible water sources.

- Identify innovative solutions that address current and future water-related issues, such as the beneficial re-use of produced water.

WATER USE

The tables below summarize volumes of non-saline water withdrawn under licence and the volumes of produced water we managed in 2007.

PROTECTION OF SURFACE AND GROUNDWATER QUALITY

We strive to protect groundwater quality and our goal is to have no spills; however, groundwater can be potentially negatively impacted by many of our activities. For example, water quality can be impacted by leaking

VOLUMES OF NON-SALINE WATER WITHDRAWN

	WESTERN CANADA GAS		OIL SANDS	
	Surface Water (m ³)	Non-Saline Groundwater (m ³)	Surface Water (m ³)	Non-Saline Groundwater (m ³)
2007	300,673	119,087	0	413,883

VOLUMES OF PRODUCED WATER MANAGED

	WESTERN CANADA GAS		OIL SANDS	
	Injected for Disposal (m ³)	Injected for Enhanced Oil Recovery (m ³)	Injected for Disposal (m ³)	Injected for Enhanced Oil Recovery (m ³)
2007	3,465,903	8,622,783	279,704	N/A

2007 LEAKS AND SPILLS	
Hydrocarbon spills	76
Volume hydrocarbon spilled (bbls)	2,349
Volume hydrocarbon recovered (bbls)	2,294
Portion of hydrocarbon recovered	97.68%
Volume hydrocarbon spilled/BOE (bbls/Million BOE)	14.27
Produced Water spills > 1 bbl to land	67
Total volume produced water spilled to land (>1 bbl) (bbls)	5,226
Volume of produced water recovered (bbls)	509
Portion of produced water recovered	9.75%
Volume of produced water spilled/BOE (bbls/Million BOE)	31.75
Number of pipeline incidents	14
Number of pipeline leaks	8
Leaks per 1,000 km of pipeline	0.36

underground storage tanks, spills or failures in pipelines. While impacts to groundwater are not frequent, these incidents do occur and are taken very seriously. Incidents are closely managed to limit the risk to, and impact on, the environment and our stakeholders.

The table above summarizes leaks and spills that occurred at our operated facilities and activities in 2007. Less than .02 per cent of our total production is spilled and close to 100 per cent of spilled hydrocarbon is recovered.



Internally, our compliance is managed through our Health, Safety and Environmental Management System, proactive inspections, mentoring and training and through comprehensive internal audits.

Experience has shown us that underground storage tanks have a higher potential for leakage than other storage methods. We are reducing the number of underground storage tanks we install to minimize this risk. When old tanks need to be taken out of service, our operations are encouraged to find alternate storage systems rather than installing replacement underground storage tanks.

REGULATORY COMPLIANCE

The safety and environmental performance of our operations is regulated by numerous federal, provincial and territorial agencies.

Internally, our compliance is managed through our Health, Safety and Environmental Management System, proactive inspections, mentoring and training and through comprehensive internal audits. All cases of non-compliance are reviewed, reported and appropriate corrective action plans, including training and process changes, are implemented to prevent recurrence.

ConocoPhillips Canada has a Regulatory Affairs group, responsible for managing issues and impacts. In 2007 we created an internal Regulatory Monitoring Committee to enhance our existing capabilities. This

committee monitors our compliance performance and communicates new or amended regulatory requirements.

OUR REGULATORY COMPLIANCE PERFORMANCE **Inspection Results**

The Alberta Energy Resources Conservation Board (ERCB), the British Columbia Oil and Gas Commission (OGC) and the Saskatchewan Ministry of Energy and Resources (SER) conduct inspections, without notice, of oil and gas operations. Inspectors tour wellsites, facilities and pipelines, inspecting equipment and operations to ensure they meet regulations.

The provincial agencies' activities include:

- The ERCB assesses each instance of non-compliance as either a low-risk or high-risk deficiency. For low-risk deficiencies, industry generally has 30 days to rectify the non-compliance. For high-risk deficiencies, the non-compliance must be addressed immediately and a written response must be submitted to the ERCB.

MEETING CONOCOPHILLIPS' SUSTAINABLE DEVELOPMENT COMMITMENTS

The inclusion of information and data regarding our regulatory compliance performance contributes to our ConocoPhillips Sustainable Development Commitment to "Be Transparent and Accountable" by measuring and reporting both our financial and non-financial performance.



- The OGC assesses each instance of non-compliance as either a minor, major or serious deficiency. Industry generally has 30 days to address minor deficiencies and two weeks for major deficiencies, while serious deficiencies must be addressed immediately.
- The SER issues compliance letters specifying the required corrective action and associated deadlines.

In 2007 these agencies conducted a combined 628 inspections of our operations (see table below). The high risk/serious items included H₂S leaking from piping at a facility, failing to adequately clean up a spill and bringing a pipeline into service without proper prior authorization.

These deficiencies have all been addressed.

Environmental Fines and Penalties

ConocoPhillips Canada paid \$226,500 in fines and penalties in 2007 as follows:

Inspections by Regulators in Alberta, Saskatchewan and British Columbia		
Satisfactory	386	61%
Low risk/min./maj.	218	35%
High risk/serious	24	4%
Total inspections	628	100%

- In January 2007, we were fined \$6,000 by Alberta Sustainable Resource Development for contravention of conditions of the Public Lands Act, specifically failure to maintain an access control gate into a sensitive wildlife area.
- In March 2007, we were charged with contravening Section 109(2) of the Alberta Environmental Protection and Enhancement Act for the release of H₂S from a pipeline, and were fined \$20,000. In addition, we were ordered to submit \$200,000 to the University of Saskatchewan for research into the effects of H₂S on livestock.
- In September 2007, we were fined \$500 by Alberta Sustainable Resource Development for failure to dispose of woody debris cut down during lease construction of a wellsite during one full growing season, which is a contravention of the Public Lands Act.

In addition, we were issued non-compliance fees totalling \$13,780 for failing to submit 20 pressure and deliverability tests.

These contraventions have been addressed and all fees, fines and penalties paid. Corrective actions for these deficiencies included the implementation of ConocoPhillips Canada-wide and/or site-specific measures to ensure that similar situations do not arise again.



Regulatory agencies conduct inspections without notice of our operations, including pipelines.

We partnered with the Alberta Farm Safety Centre to produce the Alberta Farm Safety Video as part of our commitment to support safety, youth and education.



The Farm Safety Video is a part of the Safety Smarts program, a school-based program taught to rural children in grades 1 to 6. Keeping rural children, their families and their communities safe and healthy is the focus and motivation of this program and video. The DVD teaches elementary school children about the safe handling of livestock, working safely with machinery, safety around water and electricity, chemical and manure safety, proper ATV operation, grain and auger safety, hearing safety and safety around oil and gas facilities. The video features working farms in Alberta and covers the everyday issues and challenges of farm families.

The Safety Smarts program is now available in 17 jurisdictions covering the entire southern half of Alberta, reaching more than 18,000 rural children in 217 schools. The DVD has also been distributed to agricultural societies, 4-H clubs and agricultural businesses within Alberta. In 2008, we will support the production of an additional educational DVD targeting rural youth aged 13 to 18. For more information, visit www.abfarmsafety.com.

STAKEHOLDER ENGAGEMENT

In April 2007 we adopted a Canadian Stakeholder Engagement Policy and Guiding Principles. We strive to be the industry leader in stakeholder engagement and we believe we will reach our goal by consistently adhering to our policy and principles. (See Appendix for Stakeholder Engagement Policy.)

OUR CHALLENGE

We are committed to measuring, auditing and publicly reporting our stakeholder engagement activities and performance. One challenge is understanding whether we are successful at implementing our policies from our stakeholders' perspective. How do people in the communities where we do business feel about our operations and the way we conduct our business? How can we be certain that we understand the key sustainable development issues? We decided to ask.

Stakeholder Survey

We recently completed our first comprehensive Stakeholder Engagement Survey. In the spring of 2008, a third-party firm conducted a random telephone survey of over 1,600

households on our behalf. The survey focused on the communities where we operate or plan to operate. This third party also conducted in-depth face-to-face interviews with more than 220 stakeholders including landowners, contractors, community members, Aboriginal peoples, news media, environmental and other non-governmental and not-for-profit organizations, and government representatives.

Preliminary results of the survey are incorporated throughout this report. Further results are included in the Appendix.

COMMUNITY INVESTMENT

Our community investment includes financial contributions, volunteer hours and services in-kind, all of which promote the wellbeing of communities and our employees.

In 2007, our financial contribution and contribution through equity share in our joint ventures to community investment programs in Canada was \$6.6 million.

We support educational, environmental, safety, youth, social services, cultural and



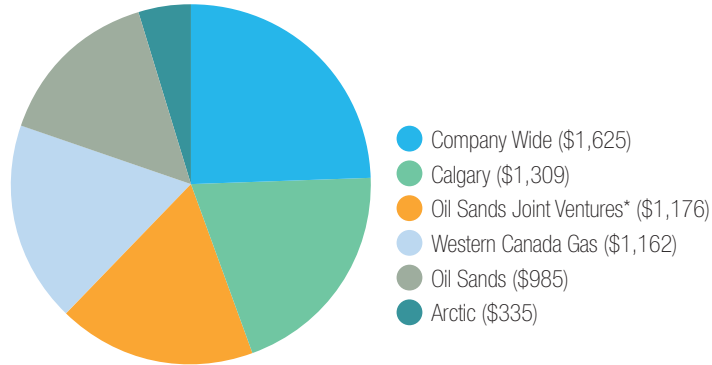
civic initiatives. At least 50 per cent of our annual budget is focused on education, including scholarship programs at several post-secondary institutions. The company also matches donations made by employees to post-secondary institutions.

Our field offices manage investment in their communities. They support a large number of grassroots, local organizations. This local involvement can make a significant difference to the success and continuation of small organizations and programs in many communities.

Through our corporate office in Calgary, we support programs that have an impact not only within the city, but on a provincial and national scale.

In 2007 our employees collectively volunteered thousands of hours to a variety of community projects, including Habitat for Humanity, United Way, Run for the Cure,

2007 COMMUNITY INVESTMENT BY BUSINESS UNIT (thousands of dollars)
Total: 6,592



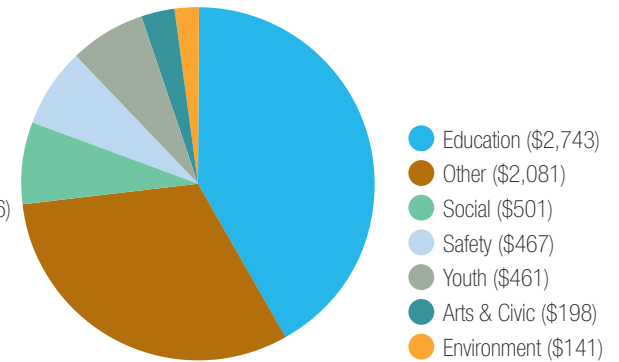
*equity share contributions to Syncrude and FCCL

Calgary Food Bank and the Calgary Drop-In Centre. Through our Volunteer Service Fund, we donate \$500 to individual community organizations in which our employees are actively involved. In 2007 this fund contributed \$77,000 to more than 150 organizations.

PUBLIC SAFETY

Ensuring the health and safety of the public and our employees is our first priority and our foremost corporate value. Our

2007 COMMUNITY INVESTMENT BY FOCUS AREA (thousands of dollars)
Total: 6,592



emergency response and preparedness activities are fundamental components of our efforts in this area.

EMERGENCY PREPAREDNESS AND RESPONSE

In the event of an emergency, we must respond quickly and effectively to any situation that might endanger the health or safety of the public or our employees. We invest significant resources in our emergency response planning, processes and infrastructure.

Our emergency response plans are developed to comply with regulatory guidelines established by the ERCB, OCG and SER. We also ensure these plans are regularly updated.

MEETING CONOCOPHILLIPS' SUSTAINABLE DEVELOPMENT COMMITMENTS

Our community investment, including donations, volunteer time and gifts in-kind, contributes to our ConocoPhillips Sustainable Development Commitment to "Positively Impact Communities."



We have a robust emergency response infrastructure. We use the Incident Command System to provide a consistent and appropriate response to all emergencies. This is a widely-used system and is the standard for many emergency response organizations and agencies in Canada.

Employees throughout our business participate in regular emergency response exercises to test and improve our plans and procedures. All of our operating facilities maintain regular contact with communities and first responder organizations, such as the RCMP and EMS, to keep them up-to-date and coordinated with our emergency plans. When necessary, we use a unified command with certain local authorities for support during an incident.

In 2007 we completed 20 tabletop exercises and six full-scale deployments of our emergency plans. A “tabletop” is an informal exercise used to review resource allocations and roles and responsibilities of personnel and to familiarize new personnel with emergency operations. A full-scale deployment is a major exercise that also includes other emergency response agencies and involves the deployment of all resources required to implement our emergency plan. It is intended to provide a realistic simulation of an emergency response.

PUBLIC SAFETY AND SOUR GAS

We take extra precautions when drilling critical sour gas (H₂S) wells. All sour gas drilling plans are thoroughly reviewed by regulators before an operator is given a licence to drill.

Regulatory agencies conduct an independent assessment of the entire drilling program to ensure it meets strict standards for public and worker safety and protection of the environment. In addition, we take the following steps when drilling critical sour gas wells:

- **Safety specialists hold pre-shift meetings and inspections.**
- **Use only specially trained crews, which are closely supervised throughout drilling operations.**
- **H₂S monitors provide backup warning to our crews in the unlikely event of a gas release.**
- **Use well-control equipment, including an automatic ignition system and extra blowout preventers—special valves installed on the well-head that allow the crew to immediately stop the flow of drilling fluid or seal off the well completely.**
- **Crews carefully monitor down-hole conditions for any unforeseen problems, like an unexpected gas pocket, and adjust their drilling procedures accordingly.**

- **When the drilling rig nears the depth where sour gas may be found, residents in the emergency planning zone are notified and all members of our emergency response team are placed on standby.**

We also take extra measures with sour gas handling facilities. We design, operate and maintain our facilities to protect against leaks. Despite all safeguards, we cannot guarantee a sour gas leak won't happen, and so it is our responsibility to plan for one “just in case.” Each facility has safety shut-down systems, emergency response plans and specialized equipment to help us protect the community, our employees and our contractors from exposure to sour gas resulting from a leak.

Looking forward, we will maintain and continuously improve our asset and operating integrity program throughout our assets. We will continue to improve our operating practices to minimize flaring and reduce the likelihood of off-lease sour gas emissions in all high-risk areas through the use of leading technologies such as: infrared cameras to detect hydrocarbon leaks; supervisory control and data acquisition systems (SCADA), which provide remote shut-in capability; vapour recovery units; acid gas dilution systems; and flare-stack H₂S analyzers to confirm complete combustion.



Incident Management Assist Team

In an emergency, ConocoPhillips can deploy one of its Incident Management Assist Teams (IMAT) to any location in the world to help provide expertise and support as needed. ConocoPhillips has three IMAT teams, strategically located in Europe, Asia and Houston. All IMAT teams can deploy to an incident location within eight to 12 hours. Team members are highly trained and have experience in fire and hazardous materials response, as well as the use of incident command systems.

Field Operations Quick Reference Guide

In 2007 we created an Emergency Response Field Operations Quick Guide for all operations employees and contractors. The guide provides emergency telephone numbers, a list of seven actions that should be followed at the site of an emergency, an incident command organization chart and a list of response roles. The guide was given to all field personnel to carry with them at all times, to ensure they are prepared in the event of an emergency.

CONOCOPHILLIPS CANADA CONDUCTED EXTENSIVE EMERGENCY RESPONSE EXERCISE

In the fall of 2007 we tested our emergency response capabilities by conducting Operation Northern Reach, a large-scale, escalating exercise.

The scenario consisted of a simulated major fire and sour gas release at our Wembley Gas Plant, 25 kilometres west of Grande Prairie, Alberta. The exercise escalated over a two-day period and tested our operations response capability through simulated injuries, fatalities and an evacuation.

Operation Northern Reach mobilized all three levels of our emergency response plan—level one response in Grande Prairie, level two response in our Emergency Operations Centre at our Calgary headquarters and level three response from our highly specialized Americas Incident Management Assist Team. Team members came from across North America, including about 30 experts in the areas of information technology, communications, firefighting and incident command. In total, about 80 ConocoPhillips personnel participated in the exercise.



Operation Northern Reach was an excellent opportunity for us to practise a unified command response with external agencies. Agencies participating in the exercise included the Alberta Energy and Utilities Board (now the ERCB), Alberta Environment, Emergency Management Alberta, Peace County Health Authority, County of Grande Prairie, STARS Air Ambulance and the RCMP.

The exercise was a tremendous example of how industry, emergency personnel and regulators will work together to help protect public safety in the event of an emergency.

MEETING CONOCOPHILLIPS' SUSTAINABLE DEVELOPMENT COMMITMENTS

Our efforts to protect the safety and wellbeing of the public and our workforce contribute to our ConocoPhillips Sustainable Development Commitment to "Operate Safely."



LESSONS LEARNED

TUMBLER RIDGE RESPONSE

In late 2007, we were drilling an exploratory sweet gas well approximately 30 kilometres northeast of Tumbler Ridge, British Columbia, when the drilling team encountered an unexpected pressurized zone. The team was unable to control the well, resulting in an evacuation of all personnel and the implementation of the emergency response plan. Trained emergency response personnel and equipment were mobilized and local authorities were notified. Roadblocks were established to restrict access to the site and mobile air monitoring units were mobilized. Company representatives coordinated with local community organizations, agencies and regulators to ensure they were informed of our actions and future plans throughout the incident. Unfortunately, the resulting fire could not be contained and the rig was lost later that day. The fire remained ignited until crews were able to shut in the well 25 days later.

There were no injuries as a result of this incident. In the days following this incident there was a company-wide safety stand-down on all rigs (regular operations were not affected). A safety stand-down is a designated time when senior managers spend time, generally a few hours at each site, talking about safety issues directly with front-



line workers. Safety stand-downs are a standard practice at ConocoPhillips. They are held throughout the year, including when an incident occurs, to reinforce our safety and operations procedures.

We conducted an assessment to determine how the blowout could be impacting air quality and human health. Initial results indicate there were no impacts other than minor eye irritation.

Once the fire was extinguished, soil samples across the site were collected and analyzed for potential hydrocarbon, salt and metal contamination. Our analysis

revealed two localized areas (both on the lease site) where surface soil was contaminated with hydrocarbons. Upon upgrading the access road, the impacted soil will be remediated and disposed of at a landfill. Since the wellbore onsite has been abandoned, this site will be reclaimed and we will be seeking a certificate of restoration from the British Columbia Oil and Gas Commission.

WHAT WE LEARNED

As per company procedure, a detailed root-cause analysis (RCA) of the incident was conducted. This revealed some key areas of improvement that have been and will be implemented in the future.

1. We have created a formal Operations Hazard Review Process. This is a process initiated at the geological review stage to identify wells with potentially high risk of unusually pressurized zones.
2. We have trained all appropriate staff and management personnel on the Operations Hazard Review Process before the 2008 winter drilling season.
3. All ConocoPhillips Canada well-control policies have been reviewed to ensure the appropriate well-control method and rig setup are chosen for the drilling environment. The industry well-control school curriculum will be reviewed and changes based on our learnings will be communicated to help ensure other companies don't experience the same type of incident.



GPS Software System

A unique aspect of our emergency response system is the use of GPS technology to increase the safety of our responders. The system provides a real-time, visual link between field responders and command centres. For example, it enables the emergency command centres to monitor where field responders are located and coordinate the set-up of roadblocks. The software can also be used to track vehicle movements as residents are notified for evacuation.

EMPLOYEE AND CONTRACTOR SAFETY

Nothing is so urgent or important that we cannot take the time to do it safely. Working safely is a condition of employment—we are each responsible for our own safety plus the safety of those who work alongside us. Through our survey, stakeholders from across our business areas said they believe we demonstrate a strong commitment to maintaining high safety standards and practices.



To help protect the safety of everyone on our worksites, visitors and staff that are new to a site wear green helmets to let operators experienced with the plant or operation know that they should look out for them. This ensures that safety practices and emergency procedures are followed.

Our stand on safety is:

- We will never compromise safety in the execution of our business.
- We believe all incidents are preventable and must be reported.
- We will investigate incidents, communicating and applying what we learn to prevent recurrence.
- We believe safety is a critical part of our performance and cannot be separated from production and costs.
- We embed accountability for safety in all levels of our organization. Our leaders, front-line employees and contractors are all personally responsible for safety performance.



OUR SAFETY PERFORMANCE

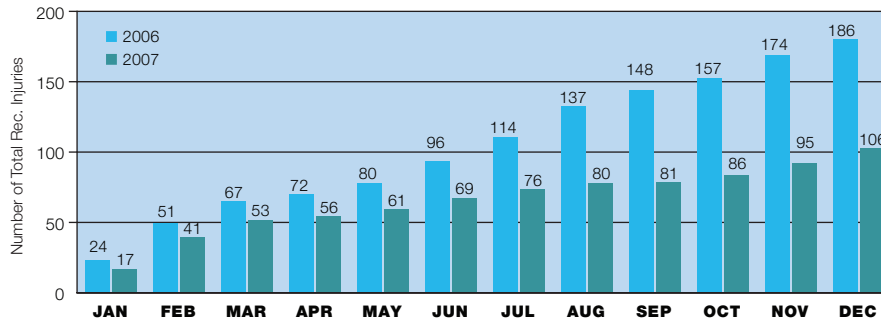
We classify injuries according to the U.S. Occupational Health and Safety Administration (OSHA) classifications because it allows the company to make worldwide comparisons on injury events as we strive to achieve a zero-injury workplace. We also classify and report under Canadian federal, provincial and territorial rules as appropriate.

Our injury count for the last two years shows how our injury numbers have decreased significantly. We have also seen a major reduction in our injury severity rate, to the point where most of our injuries are now minor slips and trips, hand injuries requiring stitches and similar types of minor injuries. Our highest injury-exposure time is in the winter months,

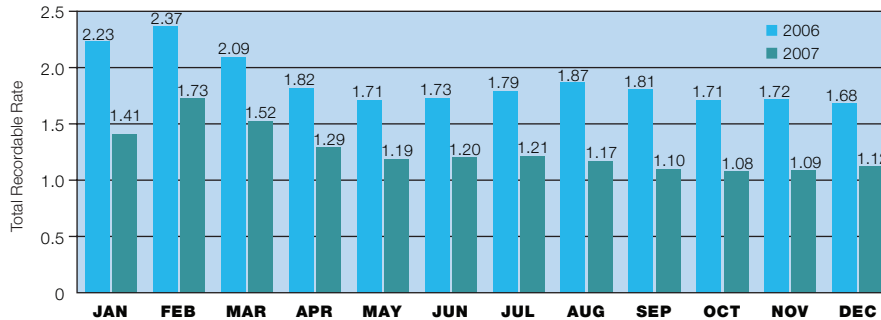
when high activity combined with extreme cold and darkness increases the possibility of injury.

In 2006, a fatality occurred when a contractor was working as part of a crew clearing a pipeline right-of-way on a steep incline. A falling tree struck a dead standing tree, which shattered, and one of the pieces struck the contractor in the head. He died instantly. In 2007 there were no fatalities.

Combined Workforce Injury Count Comparison (2006 & 2007)
Cumulative Year-to-Date



Combined Workforce Total Recordable Rate Comparison (2006 & 2007)
Cumulative Year-to-Date



**A recordable incident is a fatality, any injury that results in lost or restricted modified work or any injury that requires medical treatment.*

Our average total recordable rate decreased in 2007. Total recordable rate is a measure of the number of persons injured for each 100 people in the workplace. The calculated rates shown include employees and contractors. This rate compares well with statistics for our industry (see 2007 Canadian Association of Petroleum Producers Stewardship Report, www.capp.ca). Our goal, however, is to carry out our business without anyone getting hurt. To reach this goal, we are focused on contractor safety—particularly well operations and construction—office safety and vehicle safety.



Root-cause Analysis

We use root-cause analysis to identify the reasons incidents occur. It may be used for any incident, from minor injuries to well blowouts.

Root-cause investigations allow us to:

- Understand and analyze the physical cause of the incident.
- Identify the human decisions that contributed to the event.
- Determine the latent causes—the reasons people made the decisions they made.

We believe future incidents can be prevented by eliminating latent causes, as opposed to merely addressing immediate physical failures. Our goal is to complete root-cause investigations within 30 days of the incident. Investigations include scene visits, interviews, document analysis, detailed reports and corrective action identification. Corrective actions are tracked to conclusion and the lessons learned are shared across the company and, when appropriate, across industry. We typically conduct about 35 investigations in a year.

OUR RESPONSE TO SAFETY CHALLENGES

Developing our Own Unique Safety Culture

We have a unique safety culture that shapes how we work and is demonstrated by our contractors and employees. This culture is developing as our business grows and matures. The acquisition of Burlington Resources doubled the size of our company and brought together different systems and ways of doing things. We have worked diligently since then to ensure we all have the same understanding of what safety means and what our safety performance requirements are.

In 2007 we conducted a company-wide safety survey to gauge the safety culture and awareness of our new organization. More than 1,600 employees participated. The results told us we needed to pursue a unified organization and increase the frequency of communication about safety concerns. Actions we took as a result of the survey include:

- Developing “Our Stand In Canada,” a document that articulates our commitments around safety, environment, stakeholder engagement, risk and compliance.

PROMOTING A POSITIVE WORK ENVIRONMENT

We are committed to providing a workplace free of harassment that values employees and respects their rights. Our Code of Business Ethics and Conduct, and our Equal Employment Opportunity Policy, set consistent global standards for providing equal opportunities and fair treatment in recruiting, compensation, professional development and advancement. All employees have access to our global ethics hotline through which they may anonymously share information, raise questions or lodge complaints regarding any violation of policy. To find out more, visit <http://www.conocophillips.com/social/governance.htm> 

- Merging our safe operating practices into a single system.
- Rolling out a single Health, Safety and Environmental Management System.
- Restructuring the Western Canada Gas organization to clarify decision-making and points of accountability.
- Establishing a team to begin reviewing safety training practices.



Contractor Safety

Contractor safety performance is an industry-wide challenge. The vast majority of injuries in the field are incurred by contract staff as they do most of the hands-on work drilling wells and constructing wells and facilities. Although our contractor total recordable rate has improved by more than 50 per cent since 2002, we will not be satisfied until we eliminate all injuries, occupational illnesses, unsafe practices and incidents of environmental harm from our activities.

CONTRACTOR HSE ASSESSMENT TOOL

In 2007 we began implementing an online tool to assess our contractors' health, safety and environmental policies and procedures to ensure they meet our insurance, workers' compensation and general safety requirements. By year-end we had 1,134 of our 2,300 field contractors in the system. Our goal is to have all of our field contractors using the system by the end of 2008. This will help ensure work is carried out safely and in compliance with regulatory requirements.

Vehicle Safety

In 2007, 91 of our vehicles were damaged in collisions, compared to 83 in 2006.

Two persons were injured as a result of these incidents and 11 of our vehicles sustained significant damage.

Our goal is to reduce our vehicle incident frequency by 50 per cent through the implementation of a monitoring program. We operate about 600 vehicles and in 2008, we will be equipping all of them with GPS monitors to record speed and give drivers audible feedback on their driving behaviour. For example, the system will tell the driver if they are taking a turn too fast or braking too hard.

OUR EMPLOYEES

ConocoPhillips Canada employs more than 2,100 full-time workers. One of our goals is to be an exciting organization where people want to work. To achieve this goal we provide challenging assignments, comprehensive career-development programs, competitive pay and benefits and an environment where people are heard and recognized.

GETTING THERE

TRIPLE ZERO CHALLENGE

In 2004, we implemented a Triple Zero Challenge throughout the company to enhance the safety culture of our organization. The challenge tracks the number of days over which nobody gets hurt, there are no vehicle collisions and there are no reportable spills. Employees have embraced this challenge, and, in 2007 there were significant improvements in our Triple Zero performance.

In 2007 our performance was as follows:

- 106 total recordable injury/illnesses
- 35 recordable employee vehicle incidents
- 79 reportable spills



MANAGING THE LABOUR CHALLENGE

Our biggest human resources challenge is one that is not unique to us—the entire oil and gas industry is experiencing a skilled labour shortage. This is caused by a combination of factors, including retiring baby boomers and Alberta’s booming economy. We face the challenge of succession planning for retiring workers, managing an aging workforce and sourcing new talent to meet our growing needs. We’re taking several steps to create and maintain a positive working environment that will enable us to better attract and retain a talented workforce.

Supporting Employee Dialogue

We encourage employees to provide feedback through a variety of channels, including town hall meetings, intranet forums, a weekly online newsletter and staff appraisals.

Every two years, we conduct a company-wide opinion survey of our employees to gather their views and perspective on the company.

In Canada, our response rate to the 2006 survey was 65 per cent. The most favourable response, with a 93 per cent positive rating, was relationships with co-workers. Employees also provided favourable responses in the areas of employee satisfaction, safety and addressing unsafe work practices, environmental responsibility and ethics.

The results were communicated to all employees. To address unfavourable responses expressed in the survey, we are working to increase access to senior leadership, focusing on employee development and communicating the thinking behind key decisions.

We plan to conduct our next company-wide survey in the fall of 2008, with results expected in early 2009.

Training and Development

Our goal is to be a world-class training organization and we allocate 3 per cent of our

payroll to employee training and development. By the end of 2008, we plan to create a Canada-wide training and development strategy that will address our labour challenges and future skills requirements.

Some of the ways we are training and developing employees are:

- Making Your Mark, a long-term program that allows every employee to create an individual development plan that maps their career at ConocoPhillips.
- Learning Express, a database to provide and track training for employees.
- Internships in which we partner with post-secondary institutions across Canada as a way to build our future workforce needs. In 2007 we employed 121 students through our internship and co-op programs. Students work in various areas including engineering, geosciences, accounting, finance, administration, sustainable development and land.
- The Global Recruitment and Development program, which provides mentoring and development assignments in different business units for new graduates in the fields of engineering, geosciences and finance. In 2006, 31 participants from universities across Alberta worked for ConocoPhillips Canada.

MEETING CONOCOPHILLIPS’ SUSTAINABLE DEVELOPMENT COMMITMENTS

Our work to train and develop employees and promote a positive work environment contributes to our ConocoPhillips Sustainable Development Commitment to “Invest in Our Employees.”



THE ROAD AHEAD

We are working to fully integrate ConocoPhillips' nine sustainable development commitments into our practices and policies through the development of a formal sustainable development process. The commitments shared by all of our Business Units for moving forward on this journey are as follows:

COMPANY-WIDE

ConocoPhillips Sustainable Development Commitments	ConocoPhillips Canada Sustainable Development Commitment
Increase Availability of Ever Cleaner Energy	We will design new wells and facilities to take advantage of alternative energy sources, including solar and wind power where these are available.
Be Transparent and Accountable	We will track commitments to stakeholders and hold ourselves accountable for meeting these commitments.
Operate Safely	We will work towards zero injuries, vehicle collisions and no reportable spills.
Positively Impact Communities	We will require employees to complete a level of Aboriginal cultural awareness training consistent with their level of engagement with Aboriginal communities.
	We will track, monitor and publicly report Aboriginal contracting and employment results in the next sustainable development report.
	We will continue to strive toward designing and operating our business in support of long-term relationships, culture, economics and other societal benefits, the environment, health and safety.
Minimize Environmental Impact	We will develop a ConocoPhillips Canada Climate Change Strategy and Action Plan and implement it to mitigate climate change impacts.
	We will establish and publicly report our greenhouse gas reduction targets in 2009.
	We will improve air emissions reporting and data management quality and set air emissions reduction targets in our areas of operation by 2010.
	We will track and report the impact of our surface land footprint and will set reduction targets.
	As part of the reclamation process we will replant trees on 100 per cent of drilling-related sites in forested regions within five years of site abandonment.

Minimize Environmental Impact	We will work with the government and other stakeholders and agencies to determine and support areas for biological conservation that may also serve as biodiversity or greenhouse gas off-sets.
	We will develop and implement a biodiversity conservation approach that will frame and guide our approach to planning, development and operations to conserve biodiversity.
	We will develop and implement a company-wide water strategy that incorporates the distinct business interests of the Western Canada Gas, Oil Sands and Arctic assets.
Invest in Our Employees	We will improve our career development programs to enable our staff to achieve their career aspirations and enhance our work environment where our staff are recognized, their voices are heard and acted upon and fun is a part of our business success.
Improve Energy and Material Efficiency	We will create a culture of sustainable development that transcends the workplace by identifying opportunities and encouraging actions that we can take in the office and at home to reduce energy, water and waste.
Uphold Highest Ethics	We will work to eliminate ethical violations.
Ensure Long-term Viability	The senior leadership team will fully integrate the nine sustainable development commitments into ConocoPhillips Canada's practices and policies through the development of a formal sustainable development process.



COMPANY-WIDE METRICS

Indicator	Value
Climate Change	
Total absolute carbon dioxide equivalent (CO ₂ e) emissions	4,038,696 tonnes
Total carbon dioxide equivalent (CO ₂ e) emissions intensity	31,137 tonnes/MMBOE
Absolute carbon dioxide (CO ₂) emissions from operations	1,810,621 tonnes
Absolute carbon dioxide (CO ₂) emissions from imported electricity	856,431 tonnes
Absolute methane (CH ₄) emissions	60,552 tonnes
Absolute nitrous oxide (N ₂ O) emissions	323 tonnes
Rights to acquire carbon credits	159,600 tonnes of CDM* CO ₂ e
Remediation and Reclamation	
Abandoned wells awaiting reclamation	3,400
Wellsites currently undergoing reclamation	2,117
Wellsites with reclamation complete	219
Reclamation closure certificates received from government	111
Water Use	
Non-saline groundwater used	532,970 m ³
Non-saline surface water used	300,673 m ³
Saline groundwater used	8,622,783 m ³
Produced water injected for disposal	3,745,607 m ³
Leaks and Spills	
Hydrocarbon spills	76
Volume hydrocarbon spilled	2349.47 bbls
Volume hydrocarbon recovered	2294.86 bbls
Portion of hydrocarbon recovered	97.68%
Volume hydrocarbon spilled/BOE*	14.27 bbls/Million BOE
Produced water spills > 1 bbl to land	67
Total volume produced water spilled to land (>1 bbl)	5226.86 bbls
Volume of produced water recovered	509.49 bbls
Portion of produced water recovered	9.75%

Note: Additional metrics are found in the Appendix.
* See abbreviations section on back cover flap.

Indicator	Value
Volume of produced water spilled/BOE*	31.75 bbls/Million BOE
Number of pipeline incidents	14
Number of pipeline leaks	8
Leaks per 1,000 km of pipeline	0.36
Regulatory Compliance	
Satisfactory inspections (ERCB*, OGC*, SERM*)	61%
Unsatisfactory inspections LOW (ERCB*, OGC*, SERM*)	35%
Unsatisfactory inspections HIGH (ERCB*, OGC*), SERM*)	4%
Proportion of applications to the ERCB* that were non compliant	14%
Fines and penalties assessed against ConocoPhillips Canada by regulatory agencies	\$226,500
Non-compliance fees paid by ConocoPhillips Canada	\$13,780
Number of times ConocoPhillips Canada was placed on the ERCB* heightened level (persistence)	0
Community Investment	
Expenditure on youth programs	\$460,604
Expenditure on social programs	\$500,997
Expenditure on safety programs	\$468,602
Expenditure on environmental programs	\$140,593
Expenditure on education programs	\$2,743,231
Expenditure on civic and arts	\$197,790
Other community investment expenditures	\$2,081,179
Total community investment expenditure	\$6,592,996
Gifts in kind	\$187,000
Communities that received investment from ConocoPhillips Canada	154
Agencies that received investment from ConocoPhillips Canada	713
Employee volunteer time	~18,000 hours



COMPANY-WIDE METRICS

Indicator	Value
Safety	
Recordable injury frequency – employee (total recordable rate*)	0.65 per 200,000 hours
Recordable injury frequency – contractor (total recordable rate*)	1.27 per 200,000 hours
Recordable injury frequency – combined (total recordable rate*)	1.12 per 200,000 hours
Lost-time injury frequency – employee (total recordable rate*)	0.13 per 200,000 hours
Lost-time injury frequency – contractor (total recordable rate*)	0.1 per 200,000 hours
Lost-time injury frequency – combined (total recordable rate*)	0.11 per 200,000 hours
High-impact vehicle incidents (driven by ConocoPhillips Canada employee with damages >\$1000)	35
Vehicle incident rate	2.02 incidents/1,000,000 km
Fatalities	0
Public Safety	
Sour oil and gas wells and facilities	835
Sour gas pipelines	2,944 km
Number of sour oil and gas releases	5
Size of oil and gas sour releases	0.001 m ³ 2 m ³ 6 m ³ 27 m ³ 100 m ³

Indicator	Value
Emergency response exercises – table top responses	20
Emergency response exercises – full-scale deployments	6
Times emergency response plans were required to be enacted	2
People inside emergency response planning zones	14,153
Blowouts/fires	2
Members of the public injured as a result of our operations	0
Our Employees	
ConocoPhillips Canada employees	2,157
ConocoPhillips Canada full-time employees	94.9%
ConocoPhillips Canada part-time employees	5.1%
Women in senior management at ConocoPhillips Canada	7.5%
Proportion of employees working for ConocoPhillips Canada that are women	41.1%
ConocoPhillips Canada employees that received cultural awareness training	107
Workforce that is unionized	0%
Companies in contractor management database	To be included in future reports
Contractors that have been desktop audited	To be included in future reports
Expenditure on employee development/training	To be included in future reports

*Note: Additional metrics are found in the Appendix.
* See definition in the glossary section.*

