

**Sujet: Les sables bitumineux canadiens
valent beaucoup pour les Chinois / Canadian
oil sands worth a lot for Chinese**

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By Edward Welsch
Of DOW JONES NEWSWIRES

OTTAWA (Dow Jones)--The price China agreed to pay for a piece of Canada's oil sands represents a significant premium to earlier valuations and may lead to a reappraisal of Canada's fastest-growing oil resource.

Sinopec, also known as China Petroleum & Chemical Corp. (SNP), on Monday said it would pay \$4.65 billion for ConocoPhillips's (COP) 9.03% interest in Syncrude Canada Ltd. Syncrude is Canada's largest oil-sands venture and accounted for about 10% of the country's crude output last year.

Alberta's oil sands, which produce a tar-like form of crude oil that is high in sulfur and expensive to process, have long been a magnet for major international oil companies due to the size and growth potential of the resource, and because of Canada's stable and welcoming regulatory stance. Emerging-market investors from Asia are more recent newcomers, and they will determine whether the high price set by Sinopec can be sustained.

Sinopec's offer "confirmed our suspicions that there was stiff competition for the asset from foreign entities, particularly the Chinese," Genuity Capital analyst Philip Skolnick said.

Before the deal was announced, analysts estimated the Syncrude stake would fetch up to \$4 billion. Canadian Oil Sands Trust Ltd. (COSWF, COS.UN.T), Syncrude's largest shareholder and based in Calgary, was seen as the likely buyer.

TD Securities Inc. analyst Jeff Meunier said Sinopec's offer values Syncrude at \$5.23 per barrel of proved, probable and contingent resources--a common way of valuing the worth of an oil property based on the amount of potential resource--compared with the market's value of \$4.46 per barrel.

Based on the price Sinopec is willing to pay, Canadian Oil Sands Trust, which holds a 36.7% stake in Syncrude, is worth more than C\$37 a share, compared with C\$30.70 before the deal was disclosed. The trust's shares rose 5% following the announcement. On Tuesday, they recently traded 2.3% lower at C\$31.47, reflecting the reality that the price China is willing to pay is well above the equity market value.

"The market looks at it as, 'It's the Chinese, they have a lower cost of capital, they can naturally pay up beyond what most anyone can or is willing to pay'," Skolnick said. The market value for Canadian Oil Sands didn't rise to the C\$37 level because it isn't likely that the Canadian government would allow a foreign company to acquire such a large piece of a strategically important resource, even for a higher price, he said.

But Skolnick said smaller deals for oil-sands assets that are unlikely to be blocked by Canadian regulators will likely see higher price tags due to competition from foreign state-owned companies such as Sinopec. "Does it raise the bar from a takeover perspective? Definitely," he said.

There is no consensus on how much more China and other large emerging economies such as India are willing to spend for Canada's energy assets, and how much of it will go to the oil sands, which carry higher operating costs and environmental risks than many other types of investments. India's Reliance Industries Ltd. (500325.BY) last month offered \$2 billion for a stake in Canadian oil-sands owner Value Creation Inc., but instead invested in the U.S. shale-gas industry after BP PLC (BP, BP.LN) made a competing bid.

Still, Sinopec's Syncrude purchase and Reliance's interest in Value Creation shows that the participation of China and India could drive up the price of oil sands mergers and acquisitions in the future.

-By Edward Welsch, Dow Jones Newswires; 613-237-0669;
edward.welsch@dowjones.com

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