

June 29, 2001

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland
Securities Registrar, Government of the Northwest Territories
Registrar of Securities, Government of the Yukon
Securities Registry, Government of the Nunavut Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario
M5H 3S8

Claude St. Pierre, Secrétaire
Commission des valeurs mobilières du Québec
800 Victoria Square
Stock Exchange Tower
P.O. Box 246, 22nd Floor
Montreal, Québec
H4Z 1G3

Dear Sirs:

Petro-Canada welcomes the opportunity to comment on the Canadian Securities Administrator's Discussion Paper 52-401. Our response is in the form of answers to your specific questions.

Q.1

Should we relax the current requirements for reporting issuers participating in Canada's capital markets to provide financial information prepared in accordance with Canadian generally accepted accounting principles? By reference to your own experience, please explain why Canadian GAAP as a consistent benchmark does or does not have continuing relevance to Canadian investors in the current environment.

Canadian GAAP should be viewed as a specific GAAP that will disappear due to the intention of the Canadian Institute of Chartered Accountants to eliminate as many differences between Canadian and United States GAAP as possible. We believe that allowing Canadian companies to use U.S. GAAP achieves this goal in a more expeditious manner.

Q.2

Should any relaxation in current requirements address (a) foreign issuers; or (b) Canadian issuers; or (c) both foreign and Canadian issuers? Please explain the basis for your views, including addressing the basis for any distinction you believe should be made between the requirements for foreign issuers and those for Canadian issuers. If you believe a requirement for foreign issuers to reconcile their financial statements to Canadian GAAP should be retained, please comment on whether that requirement should apply to continuous disclosure as well as offering documents and information circulars

The relaxation of current requirements should allow for a level playing field for all registrants. Both foreign and Canadian issuers would report in Canada using U.S. GAAP.

We have not responded to Q. 3 as it applies to foreign issuers.

Q.4

If you believe Canadian companies should no longer be required to prepare financial statements in accordance with Canadian GAAP, what alternatives do you believe should be available and why are they an appropriate basis for a Canadian company to participate in Canadian capital markets? Please comment on the impact of the concessions you propose on the comparability of financial information available about Canadian companies in the Canadian capital markets. Is it important that Canadian investors have access to financial information prepared on a comparable basis? If not, why not?

The only alternative that we believe is acceptable is the use of U.S. GAAP as many Canadian companies are competing directly with American companies in the marketplace or the capital markets or both. The issue of comparability is one of importance which could be addressed in one of two ways. Canada could adopt U.S reporting standards as its GAAP or secondly a U.S. to Canadian GAAP reconciliation would be required for Canadian companies preparing their information under U.S. GAAP. We believe the first alternative is preferable due to the reduction of confusion resulting from the reporting of only onset of numbers and for the reasons cited under Q.1.

Q.5

On the basis of your own knowledge and experience, what is your assessment of the ability of Canadian issuers, auditors and users to prepare, audit and make use of financial statements prepared on bases other than Canadian GAAP?

The understanding of U.S GAAP within public accounting firms and many Canadian corporations is high as many corporations are U.S. registrants and as such require the requisite U.S. accounting expertise. For non-U.S. registrants there would be a learning curve but we believe that given a sufficient transitional period this would not be a major problem. The users of financial statements would be seeing a common "measuring stick" for all Canadian and U.S. companies which would make their analysis more straightforward. In relation to this it is worth noting that the actual number of Canadian/U.S. GAAP differences has decreased dramatically.

Q.6

If you believe alternatives to Canadian GAAP should be permitted, what specific steps should the CSA, the accounting profession or others take to facilitate implementation in a way that overcomes the issues identified in section 5 of the paper and ensures Canadians are provided with high quality, relevant, reliable and understandable financial information? Please comment on: (i) the steps you believe the CSA should take to ensure their ability to provide appropriate regulatory oversight over the financial statements provided to participants in Canada's capital

markets; and (ii) changes to incorporating statutes that would be required to facilitate the financial reporting environment you envisage.

The CSA would need to ensure that the Chief Accountants' offices of the Canadian regulatory commissions have sufficient training and expertise to monitor reporting under U.S. GAAP. From a statutory perspective the Canadian Business Corporations Act would have to be amended to mandate GAAP as being that described by the FASB and the SEC.

Q.7

If you believe the accounting standards of certain foreign countries, e.g., US GAAP, should be acceptable for use by Canadian companies while other foreign GAAP should not, what is your basis for this distinction?

The use of U.S. GAAP, as opposed to the use of other foreign GAAP, should be acceptable as many Canadian companies are already registrants in the U. S. whereas very few would be registrants on other countries. Additionally the U.S. financial markets are the world's largest and most sophisticated. The related standard setting process is known to be thorough and subject to appropriate due process.

Q.8

If you believe US GAAP should be permitted as an alternative basis for preparation of a Canadian company's financial statements, should that alternative be available to all Canadian companies or to only a limited group such as those that are SEC registrants and are therefore required to provide either US GAAP financial statements or a reconciliation to US GAAP? Similarly, if you believe Canadian companies should be permitted to use other bases of accounting such as IAS or UK GAAP, should those alternatives be available to all or to a limited group only? If you believe the alternatives should be available to a limited group only, what criteria should be applied to determine eligibility?

As noted previously we believe that U.S. GAAP should become the required standard for all Canadian companies.

Q.9

Regardless of which bases of accounting you consider acceptable as alternatives to Canadian GAAP, should a Canadian company using one of those alternatives be required to present a reconciliation to Canadian GAAP in some or all cases? If so, in what form should the reconciliation be presented, e.g., a full quantified reconciliation or something less, such as a reconciliation of only specified financial statement items or a qualitative discussion of differences?

If U.S. GAAP is the standard this questions becomes irrelevant.

Q.10

If the CSA permits alternatives to Canadian GAAP, what transitional issues would need to be addressed to facilitate implementation of the change? For example, in the first period in which a Canadian company presents financial statements prepared in accordance with a basis of accounting other than Canadian GAAP should comparative information for all prior years presented be required on a consistent basis?

The transitional rules should require a reasonable period of time prior to implementation (two years?). Full restatement should be required in order that comparative periods are presented on the same basis.

Q.11

Do the core standards provide a sufficiently comprehensive accounting framework to provide a basis to address the fundamental accounting issues encountered in a broad range of industries and a variety of transactions without the need to look to other accounting regimes? Please explain the basis for your view and, if you believe there are additional topics that need to be addressed in order to create a comprehensive set of standards, identify those topics.

The core standards under U.S. GAAP clearly are the most thorough in the world and include a comprehensive conceptual framework. The ongoing FASB standard setting process addresses additional topics as they become relevant.

Q.12

For specialized industry issues that are not yet addressed in IAS, should we require companies to follow relevant Canadian standards in the financial statements provided to Canadian investors? Alternatively, should we permit use of home country standards with reconciliation to relevant Canadian standards or should we not impose any special requirements? Which approach would produce the most meaningful financial statements for Canadian investors? Is the approach of having the host country specify treatment for topics not addressed by the core standards a workable approach? Is there a better approach?

Under the U.S. GAAP the oil and gas standards for successful efforts accounting would not change for Canadian companies as, to the best of our knowledge, all Canadian users of successful efforts follow FAS 19. Canadian full cost companies would have to adjust some of their accounting in order to comply with SEC rules on this subject. We are not in a position to comment upon specialized issues in other industries.

Q.13

Are IAS of sufficiently high quality to be used without reconciliation to Canadian GAAP in cross-border filings in Canada? Why or why not? Please provide us with your experience in using, auditing or analysing the application of such standards.

We do not have experience with following IAS standards but do not see the advantage of doing so at the moment. As noted in the Executive Summary international convergence will take some years. When this point is reached they could become the global standard for all companies.

Q.14

What do you view as the important differences between Canadian GAAP and IAS? We are particularly interested in investors' and analysts' experience with IAS. Will any of these differences affect the usefulness of a foreign issuer's financial information reporting package? If so, which ones?

See our answer to question 13.

Q.15

Based on your experience, are there specific aspects of any IAS that you believe result in better or poorer financial reporting (recognition, measurement or disclosure) than financial reporting prepared using Canadian GAAP? If so, what are the specific aspects and reasons for your conclusion?

See our answer to question 13.

Q.16

How does the level of guidance provided in IAS compare with Canadian standards and is it sufficient to result in consistent application? Do IAS provide sufficient guidance to promote consistent, comparable and transparent reporting of similar transactions by different enterprises? Why or why not?

See our answer to question 13.

Q.17

Are there mechanisms or structures in place within public accounting firms and the business community that will promote consistent interpretations of IAS where those standards do not provide explicit implementation guidance? Please provide specific examples.

See our answer to question 13.

Yours truly

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