In Canada, 2 oil giants agree to merge

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Suncor Energy has agreed to acquire Petro-Canada in an all-stock deal worth about $15 billion, the companies announced Monday morning.

The merger will combine two of the largest operators in Canada's oils sands which have high production costs and which have become a target of environmental groups.

Under the plan, Petro-Canada shareholders will receive 1.28 common shares of the expanded company for each share of Petro-Canada, while Suncor shareholders will receive new shares on a one-for-one basis. Petro-Canada shareholders will hold 40 percent of the enlarged company and Suncor shareholders will hold 60 percent.

In a statement, the companies said the merger was expected to save about $300 million a year. Like everyone in the energy business, both companies have seen prices and demand drop for their oil.

The end of Petro-Canada as an independent company would eliminate the last vestige of a ambitious, and highly controversial program, started by former Prime Minister Pierre Elliot Trudeau during the 1970s to assert Canadian control over the country's energy resources.

The $15 billion price would represent about a 25 percent premium for Petro-Canada, which was controlled by the federal government until 1995. Domestically, the company operates conventional and oil sands production sites, refineries and a nationwide chain of service stations. It earned 3.8 billion Canadian dollars last year.

But many of Petro-Canada's investors were dissatisfied with the company's financial performance even before the current collapse of energy prices.

In a securities filing last month, the Ontario Teachers' Pension Plan, which owns about 3.3 percent of the company, said that it has "held discussions with the management and board of Petro-Canada regarding the creation of shareholder value. Those discussions are continuing."

Other investors have called on the company to narrow its focus.

Suncor, the third-largest oil and gas company in Canada, was originally a subsidiary of Sun Oil and still uses its Sunoco trademark at service stations in Canada. But the American company sold its final holdings in 1995.

Suncor, through a variety of companies, began investing in the oil sands after World War ll and became the first company to produce synthetic crude oil from their deposits during the 1960s. While controversial, the oil sands have helped to make Canada the United States' largest supplier of imported crude oil.

Petro-Canada was a portion of Mr. Trudeau's National Energy Program, which remains widely reviled in Alberta, home to the oil sands and the country's energy industry. Among other things, it removed some Canadian production from world market prices. Petro-Canada was also given a number of responsibilities outside of market performance.

The all-stock deal will allow both companies to conserve cash during the current downturn.

New York Times, New York, 23 mar. 2009, World Business, online. Disponível em <www.nytimes.com>. Acesso em: 24 mar. 2009.