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including our Annual Report can be viewed  
at [www.encana.com](http://www.encana.com)

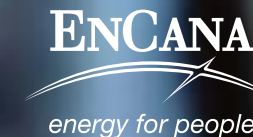
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This report is printed on Mohawk Options FSC Certified Paper – Forest Stewardship Council certified paper containing 100 percent post-consumer waste fibres and is manufactured using non-polluting, wind-generated electricity. By using this environmentally friendly paper, EnCana saved the following resources:

Trees	Water	Energy	Solid waste	Greenhouse gases
94,56 fully grown	40,167 gallons	66,980 thousand BTUs	4,444 pounds	8,751 pounds

Calculated based on data research provided by Environmental Defense.



# energy for people

## Energy for people®

As a leading North American energy company headquartered in Calgary, Alberta, we strive to be a trusted contributor in the communities where we work and live. We continuously work to ensure our business is conducted in an ethical and socially responsible manner – a manner in which safe work practices and our approach to the environment are priorities.

We produce approximately 4.4 billion cubic feet of gas equivalent per day. More than 80 percent is natural gas – the cleanest burning of all fossil fuels. We are also a technical and cost leader in the in-situ recovery of oilsands through steam-assisted gravity drainage (SAGD) – production that is integrated with our two refineries in the United States.

Natural gas and oil resource plays\* are our strategic focus. With 14 key resource plays across Canada and the U.S., we are able to invest for the long term and apply continuous improvements to all areas of our business:

- leveraging technical innovations
- acting on the feedback we get from our stakeholders
- improving energy efficiencies in our day-to-day operations and processes

That strategic focus, combined with the ingenuity, technical leadership and enthusiasm of our 7,250 employees and contractors across Canada and the U.S., enables us to deliver on our mission of providing energy for people across North America. Additional details about EnCana and our operations can be found at [www.encana.com](http://www.encana.com).

Financial and operating highlights <sup>(1)</sup>	2007
Total production, net of royalties (MMcfe/d)	4,371
Gas (MMcfe/d)	3,566
Oil and natural gas liquids (bbls/d)	134,154
Total net acreage (thousands of acres)	29,019
North America	25,013
International	4,006
Revenues, net of royalties (\$ millions)	21,446
Cash flow (\$ millions) <sup>(2)</sup>	8,453
Common shares outstanding (millions)	750.2
Market capitalization (\$ millions) <sup>(3)</sup>	50,984

<sup>(1)</sup> Unless otherwise noted, dollar figures are in U.S. currency.

<sup>(2)</sup> Cash Flow advisory – see 2007 Annual Report.

<sup>(3)</sup> Based on shares outstanding and New York Stock Exchange (NYSE) closing share price at December 31, 2007.

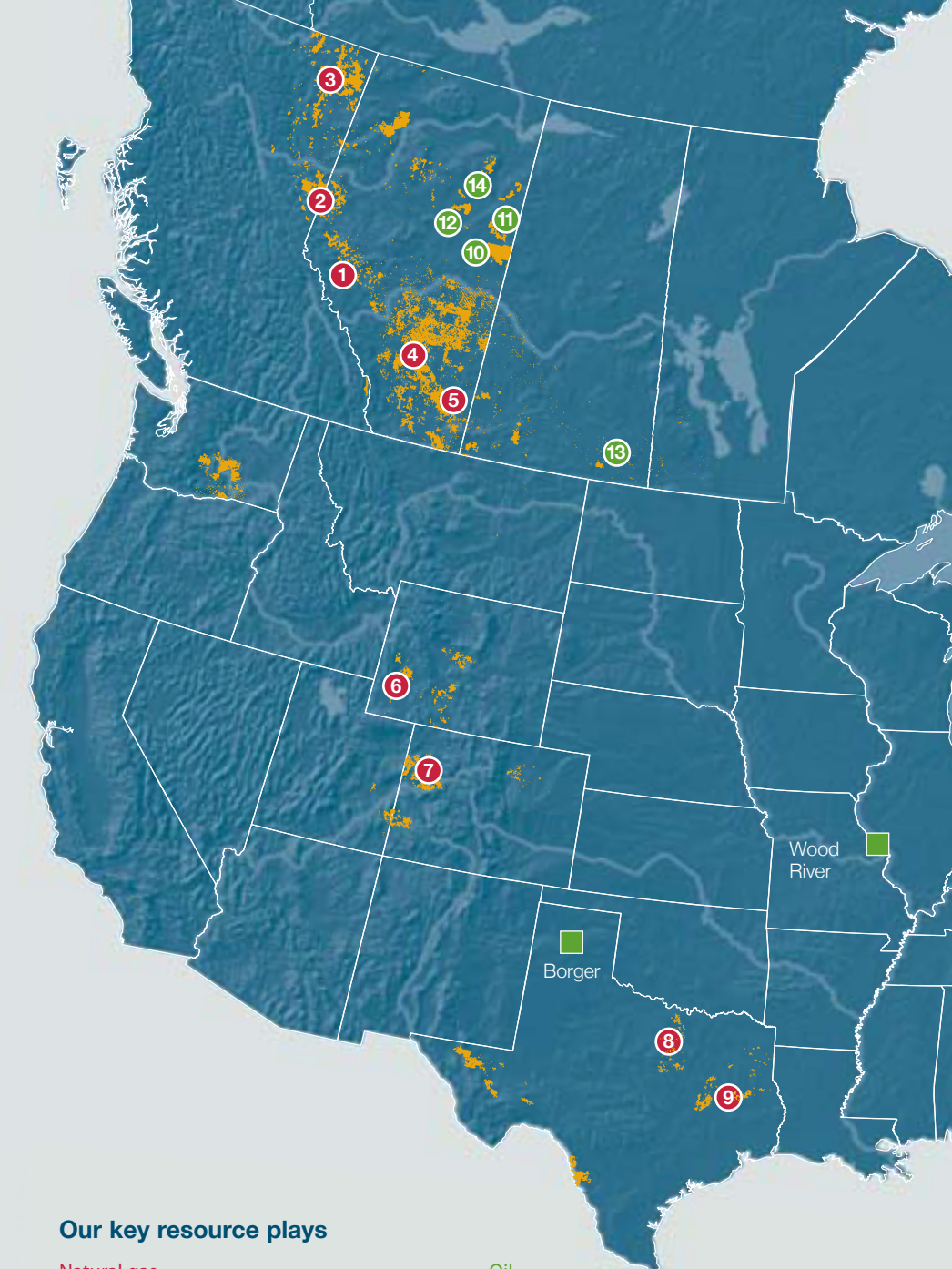
\* **Resource plays:** large continuous accumulations of hydrocarbons capable of delivering steady, reliable production growth for decades.

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Find on the web

Certain information in this document may constitute forward-looking information. Please refer to the forward-looking statements on page 38. A glossary of key technical terms is included at the back of the report.



### Our key resource plays

#### Natural gas

- 1 Bighorn
- 2 Cutbank Ridge
- 3 Greater Sierra
- 4 CBM
- 5 Shallow Gas

- 6 Jonah
- 7 Piceance
- 8 Fort Worth
- 9 East Texas

#### Oil

- 10 Foster Creek
- 11 Christina Lake
- 12 Pelican Lake
- 13 Weyburn
- 14 Borealis

- Refineries\*
- EnCana land

\* In this report, EnCana does not include data from non-operated assets, such as our 50 percent ownership of two refineries in the U.S. (ConocoPhillips owns the other 50 percent and is operator of the facilities.)



## Our energy challenge: acting on the big issues

As a leading North American energy company, EnCana takes a responsible approach to producing the oil and natural gas products essential to our everyday lives. Part of that approach is to be aware of the challenges we face. By listening to our stakeholders and the public we can develop solutions that address their concerns as we produce a steady, reliable supply of oil and gas. A number of our challenges and our measures to address these are emphasized both here and elsewhere in this report.

### Sustainability

With a mission of providing long-term energy for people, we take sustainability seriously, especially since our business impacts the natural environment, the communities where we operate, large numbers of direct and indirect workers, and our shareholders. As such, we have a strategy in place to ensure sustainability is part of our business approach. Sustainability issues are addressed by a multi-disciplinary committee charged with developing measures for how these issues are addressed in our daily operations.

In addition to programs like our energy efficiency initiative (see page 16), we also encourage the development of technological solutions that address energy use and efficiency and that improve our air emissions, water use, and workplace safety.

In August a contractor was fatally injured while overseeing downhole coil tubing operation during a well abandonment, and a second contractor lost his life in December while positioning a pipeline.

In addition to adhering to mandated safety standards, we take steps to enhance our safety training, to audit behaviour and performance, to build awareness and to seek improvement in our safety performance measure. More on our safety effort in 2007 can be found on page 27.

### Renewable energy

Both fossil fuels and renewable energy are critical to North America's energy strategy. EnCana's core business is fossil fuels – providing the energy people need today in the most responsible way we can, using technology to extract as much of the resource as possible. While we don't develop renewable energy, we are committed to investing in clean energy technology solutions. That is why we created an Environmental Innovation Fund. The fund is designed to sponsor, develop and implement projects that reduce our industry's environmental footprint, demonstrate innovation, and support EnCana's policies and practices regarding environmental stewardship.

### Safety

The safety and security of the public, our employees, contractors and the communities where we operate are critically important. EnCana has an ever-increasing safety culture – one that reinforces that safety is everyone's responsibility. Despite our best efforts to achieve a zero incident rate, we had two work related fatalities in 2007.

Examples of these solutions include our approach to climate change mitigation (page 14) and our carbon sequestration project in Weyburn, Saskatchewan described on page 17.

We take steps to address these matters in all stages of our resource development through our strategic planning processes as outlined in our performance section starting on page 11.



EnCana is proud to produce the oil and gas used by communities across North America. Throughout the report, you will see photographs of our operations and everyday items (such as the paints being used in the photo at left) that are made using oil and natural gas derivatives.

For example, in 2007 the fund supported the Nova Scotia Tidal Power Test Facility. The facility will be used to test and validate several kinds of tidal power electricity-generation technologies. What is learned at this facility can be applied in Nova Scotia and at other tidal power projects, such as the Pearson College Tidal Power Project at Race Rocks in British Columbia, another project sponsored by our Environmental Innovation Fund.

Since its formation in 2004, the Environmental Innovation Fund has invested more than C\$23 million toward projects focused on air emissions, renewable energy, energy efficiency and water conservation.

### Water conservation

There is growing public concern about the oil and gas industry's use and consumption of water and the potential impacts on water quality. Although oil and gas production involves lower volumes of water as compared to other industries, we are striving to decrease our water use. While almost all the water we use to produce oil and gas is non-consumptive, such as in-stream, recycled or discharged water, we are committed to finding ways to reduce our consumption. Our Corporate Responsibility Policy, as well as our regulatory obligations, ensures that we responsibly manage our water use.

EnCana is currently developing a water data reporting strategy. Based on environmental performance indicators, the strategy will apply more rigour to metrics involving water use and production, allowing us to better manage our water, and report publicly on our water use and management.

While water use regulations in Canada and the U.S. guide our actions, we often go beyond what is mandated by government regarding our water management practices. For example, we instituted practices to test water wells within a 600-metre radius prior to drilling before it was mandated by the Alberta regulator. Similarly, voluntary baseline sampling of domestic water wells is occurring in many areas of the U.S. at a radius of up to 800 metres from drilling locations.

We have also developed a water treatment and distribution system to support our well operations in the Mamm Creek Field in the Piceance Basin in Colorado. This hydrocarbon removal and water treatment system enables us to recycle approximately 95 percent of the water we produce from drilling related activities.

Further examples of our water management can be found on page 21 of this report.

### Development in environmentally sensitive areas

For more than 30 years EnCana has operated in the Suffield area of southeastern Alberta, where we and other companies have developed gas resources alongside the ranchers who use the land to graze cattle, and in cooperation with the military which use the land for training.


We have always recognized the unique biodiversity that distinguishes the 458-square-kilometre area within Suffield and supported its declaration as a National Wildlife Area in 2003. There are currently 1,145 shallow gas wells in the protected area, and EnCana employs minimal disturbance techniques that mitigate the impact of our activities.



EnCana is seeking regulatory approval to continue developing this resource to meet future North American demand for natural gas.

As part of a proposal to further develop the area, EnCana was asked to undergo a rigorous environmental assessment under the Canadian Environmental Assessment Act (CEAA). In doing so, EnCana retained expert, independent consultants knowledgeable about the native prairie ecosystem, who determined that our proposed development will have an insignificant impact on the wildlife and vegetation of the region.

Confident that our activities will not harm the habitat, our next step in this project is to address stakeholder and regulator concerns at the joint federal/provincial hearing pursuant to CEAA, scheduled for October 2008.

Significant information and background on how we are managing our environmental impacts at Suffield, as well as our Environmental Impact Statement and the development project description, can be found at [www.encana.com](http://www.encana.com). 

## Contact information

### Acknowledgements

Our success is a credit to the efforts and contributions of staff and external stakeholders. We thank you for your contributions as we continue to improve our corporate responsibility performance and reporting activities. We welcome and value your feedback on this report and our corporate responsibility activities. If you have any questions, comments or concerns, please contact us:

### By email

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### Online

Visit the Corporate Responsibility Reporting section of [www.encana.com](http://www.encana.com) and fill out our online feedback tool.

### Affiliations and participation



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## The next step in EnCana's evolution

**“With the creation of these two companies, each management team will focus more directly on the critical success factors in its respective businesses. They will be better equipped to direct their strategies and operations towards building value by tailoring practices and execution to fit the unique nature of their assets.”**

**Randy Eresman**

EnCana's President & Chief Executive Officer

On May 11, 2008 EnCana announced that its Board of Directors had unanimously approved a proposal to split EnCana into two highly sustainable, independent entities, each with an ability to pursue and achieve greater success by employing operational strategies best suited to its unique assets and business plans, and strategies to address issues specific to each business.

- Randy Eresman, President & CEO of EnCana, is the designated President & CEO of the company with the working name of GasCo – a pure-play natural gas company, aimed at growing existing high-potential natural gas resource plays in Canada and the United States. It will represent about two-thirds of EnCana's current production and proved reserves.
- Brian Ferguson, Executive Vice-President & Chief Financial Officer of EnCana, is the designated President & CEO of the company with the working name of IntegratedOilCo (IOCo) – which will focus on the sustainable development of EnCana's Canadian oilsands assets and refinery interests in the United

States, underpinned by well-established natural gas and oil production base in Alberta and Saskatchewan. IOCo assets, which combine EnCana's Integrated Oil and Canadian Plains divisions, represent about one-third of EnCana's current production and proved reserves.

### Statement of intent

As we pursue this corporate reorganization, we intend to continue with the principles and leading practices that have been the hallmark of our approach to the responsible development of our oil and gas resources. The evolution of EnCana's corporate responsibility performance is reflected in several significant milestones that have been

achieved in the last six years, from the development of our Corporate Constitution and our Corporate Responsibility Policy to using global reporting standards to prepare this report. These achievements have been recognized by others as demonstrated by our inclusion on the World Dow Jones Sustainability Index, the Michael Jantzi Social Index and our Globe 2008 award for Environmental Excellence.

Once the reorganization is complete (expected in early 2009), both companies will have in place the principles and structures needed to achieve the high standards of performance and environmental stewardship that shareholders and stakeholders have come to expect of EnCana.



The management teams of both companies are committed to the continuation of these principles and structures. Both companies will strive to maintain the same corporate responsibility principles that EnCana has proudly instituted over the years. They will operate in a principled and ethical manner, pursue energy efficiency in all operations, strive to be employers of choice and actively participate in helping to build the communities where they operate.

EnCana is initiating this process of splitting into two companies from a position of unprecedented strength. In the past few years, EnCana has transformed into a leading producer of North American unconventional natural gas and integrated in-situ oil – a company with a unique, low-risk, sustainable growth profile, as exemplified in our 2005 and 2006 Corporate Responsibility reports, and in this our 2007 report. This report has been prepared using data and examples from our 2007 operations.



**“I am excited to be part of this new integrated energy company. From the moment of its creation, we expect this company will be an industry leader in sustainable growth**

– reliably pursuing economic, environmental and socially responsive behaviour. We will be committed to ensuring each expansion of our oilsands portfolio will have a structured, well thought out plan. A plan that achieves not only growth, but enhances our ability to have a smaller environmental footprint and allows us to pursue new, better and more efficient ways to extract the resources. IOCo will be a company that its 2,000 employees can be proud of.” **Brian Ferguson**

**“GasCo will continue to build upon the innovation and intellectual enthusiasm that our people have demonstrated.**

It will establish our strong foothold in North American unconventional natural gas – built largely over the past five years. GasCo will be a company that acts in a conscientious, reliable manner to produce natural gas, the cleanest burning of fossil fuels, for people's homes and workplaces.” **Randy Eresman**

## CEO's message



EnCana's mission is 'energy for people'. We choose to achieve this mission in a manner that is accountable and responsible.

I see EnCana as a powerful vehicle for responsible energy development – a company that encourages creativity, champions innovation, and challenges the status quo as we carry out our mission. I believe this distinct approach is what helps us earn the trust of our stakeholders.

This 2007 Corporate Responsibility Report features corporate performance data on key social, economic and environmental indicators as well as examples of our corporate responsibility commitments in action.

Sustainability has always been part of EnCana's operating strategy. On the next page you'll see how sustainable development practices are at the very

core of our resource play strategy. In fact, last fall we formed a cross-disciplinary Sustainability Framework Committee to develop a standardized approach for incorporating sustainability commitments into our operations and for measuring our performance against metrics, scorecards and long-term goals.

Some of that work will reflect how we are performing as a company against environment, health and safety targets. While 2007 continued our strong focus on sustaining and improving safe work practices, I am saddened that we experienced fatalities in 2007 and early in 2008. These tragedies, which happened both during operations and after hours, take an incredible toll on families, and the impacts are also widely felt by colleagues at EnCana, communities and within the industry as a whole. That is why it is critical for us to maintain vigilance in keeping safety a priority – both on and off the job.

We have also included a case study of our in-situ oil business on page 29. As these operations are poised for significant growth in the next several years, we felt it was important to provide more specific information about the technologies we use in our in-situ projects, the challenges we face in extracting this vital resource, and what actions we are taking to develop the resource responsibly.

This report also includes information on our energy conservation efforts. Our energy efficiency initiative was launched in 2007 under the direction of our Vice-President responsible for energy, technology

and research. As you will read, the effort has truly taken root in our company's culture, as employees and contractors are encouraged to develop ways to reduce the energy we use in our operations, communities and individually.

The challenges for this industry and for EnCana in 2007 were many. Yet, as carbon emissions legislation continues to evolve, and regulations incorporate more specific criteria regarding communities, the natural environment and operating standards, I am certain that we will not lose sight of our fundamental mission to provide energy for people – responsibly.

We have always developed our operating strategies with a long-term view and a sustainable approach to resource development. By funding new technologies through our Environmental Innovation Fund, improving our performance through energy efficiency and participating in policy discussions that define how to meet global energy needs responsibly, I know we are on the right path.

A handwritten signature in black ink, appearing to read 'Randy Eresman'.

**Randy Eresman**

President & Chief Executive Officer

June 2008



## Sustainability: the foundation of our resource play strategy

By its very nature, EnCana believes the resource play model is a sustainable approach to developing energy resources. Sustainability to EnCana means aligning social, economic and environmental considerations with our long-term goals.

Our resource play model enables us to responsibly develop our oil and natural gas resources in a sustainable manner through:

- a long-term presence in communities to build investment in relationships
- meaningful collaboration on stakeholder concerns
- continually improving our activities through knowledge gained over time about an area's geology and environment
- utilizing our large land holdings to co-ordinate our approach toward minimizing impacts

We use technology to extract oil and gas from areas where traditional methods will not work. This use of technology not only increases the amount of oil or gas extracted, but also extends the life of the play. The application of new technologies can improve operational efficiencies, making it more economical to extract the resources, reducing our physical footprint, and lessening our overall environmental impact.

Throughout the report are some examples of the technologies we have employed to develop resources that were previously considered to be technically and economically unattainable – reinforcing the sustainable nature of our resource play model.




The Globe Foundation recently recognized EnCana with the Corporate Award for Environmental Excellence. The award is presented annually to a Canadian company with a proven record of environmental stewardship that has materially contributed to economic competitiveness through a commitment to environmental excellence that is integrated with a corporate-wide approach to sustainability.

### Recognition for our efforts

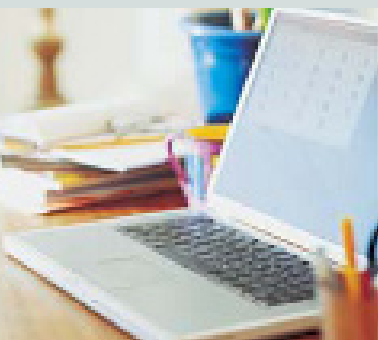
EnCana has received numerous awards and recognition for our operations. We are listed on the Dow Jones Sustainability World Index and were recently awarded a Silver Class distinction award in the 'Oil & Gas Producers' category in the Sustainability Yearbook 2008. Produced by Sustainable Asset Management (SAM) Group, the yearbook is considered the world's most comprehensive publication for sustainability trends such as climate change, new energy technologies and the global shortage of natural resources.



A complete list of awards can be found at [www.encana.com](http://www.encana.com). 

We have many internal and external checks and balances that determine and monitor how we govern our company, manage operations and mitigate risk in ways that meet the expectations of our shareholders and other stakeholders. This section describes the broad integrated approaches we have in place to create economic, environmental and social value. In the next several pages, you will see our corporate governance practices; management systems and structures that ensure accountability; risk management; efficient, disciplined business practices; and continuous improvement.

# energy for responsible management



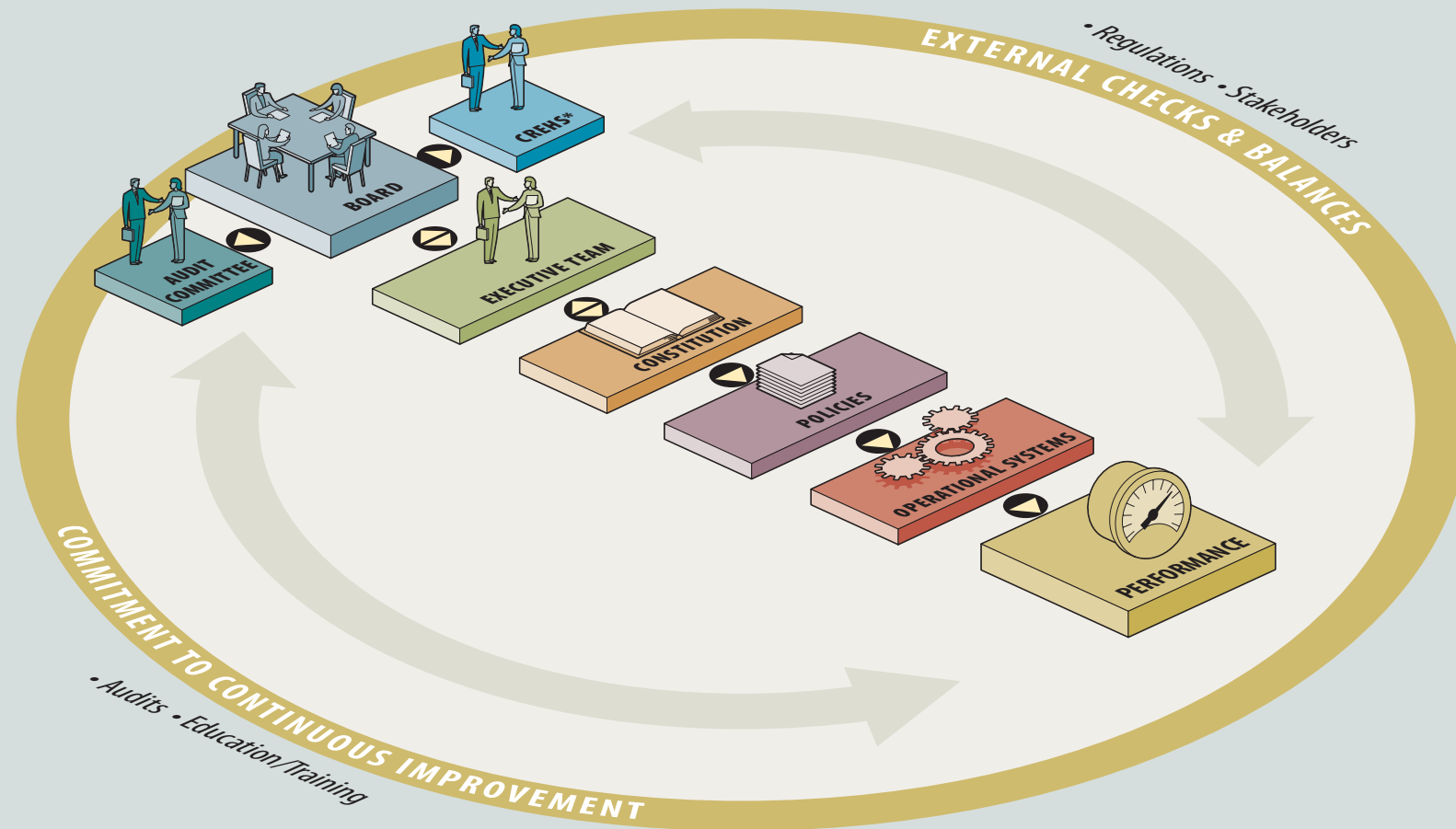
Energy used by appliances and electronics as standby power can account for as much as 15 percent of a household's energy bill.

- 7 Governance
- 8 Stakeholder engagement and community investment
  - 9 Aboriginal engagement
  - 10 Community investment



## The path to continuous improvement

Our governance is a combination of regulations, stakeholder expectations and our own policies and practices that collectively provide checks and balances to ensure we operate responsibly.



\* Corporate Responsibility/Environment Health & Safety Committee.



## Governance: a best practice approach

### Quick Fact

We conduct internal audits as one of the ways we continuously improve. In 2007, we conducted eight comprehensive EH&S audits and 60 financial audits including 17 internal audits, 24 vendor audits, four governance audits, and 10 proactive fraud assignments.


EnCana's Corporate Constitution outlines the values and principles underlying the manner in which we conduct all facets of our business. Along with the Corporate Responsibility Policy, the Constitution reflects our commitment to conducting our business ethically, legally, and in a manner that is fiscally, environmentally, and socially responsible, while delivering sustainable value and strong financial performance.

EnCana complies with best practice corporate governance guidelines published by the Canadian securities regulatory authorities, the provisions of the U.S. Sarbanes-Oxley Act (2002) (SOX), and the rules adopted by the U.S. Securities and Exchange Commission pursuant to SOX. We also comply with applicable New York and Toronto Stock Exchange requirements.

Our Corporate Responsibility, Environment, Health & Safety (CREH&S) Committee of the Board of Directors is responsible for reviewing, reporting and making recommendations to the Board on the company's policies, standards and practices with respect to corporate responsibility.

EnCana's approach to corporate governance includes comprehensive operational systems for monitoring, managing and reporting accurately on our business activities. One example is our Environment, Health and Safety Management System, which includes regular internal audits and training objectives. We also have systems and leadership accountabilities in place to ensure that staff acknowledge and understand our policies. These approaches, along with compliance with industry regulations in all our operating areas, help maintain the highest levels of company conduct. For more information on our policies and practices, visit [www.encana.com](http://www.encana.com). 

### External regulations: a part of our governance equation

EnCana's Deep Panuke offshore natural gas project is subject to more than 40 sets of acts and regulations. In addition to those, the project was evaluated under the Canadian Environmental Assessment Act and received approval from the regulator to construct and operate the proposed offshore facility and pipeline necessary for the project. More on Deep Panuke can be found at [www.encana.com](http://www.encana.com). 



## Stakeholder engagement and community investment: a critical commitment

Whether we have already established a long-term presence in a community, or are applying for a project and provided an opportunity to demonstrate how we will engage and work with our community stakeholders, we recognize the critical importance of building and maintaining productive relationships with communities.

### Stakeholder engagement

Our stakeholders include shareholders, landowners, employees, communities, private sector partners and competitors, local agencies, regional and national government agencies, regulators, media, multi-lateral organizations and civil society organizations such as environmental non-government organizations (ENGOS) and community-based organizations.

Our Stakeholder Engagement Guide provides direction to employees and contractors on our stakeholder engagement practices and accountabilities. The guide is designed to ensure our approach to stakeholder engagement satisfies the expectations of stakeholders and complies with emerging North American and international drivers, norms and standards, stakeholder expectations, regulations and policies, and sustainable development principles.

### Stakeholder commitments in action

In 2007 EnCana continued its efforts to fully understand issues facing our stakeholders in Canada and the U.S. by conducting surveys in regions not covered in our 2006 Stakeholder Engagement Survey. Results of this research, collected from over 8,000 respondents since January 2006 are being used to develop and improve efforts to collaborate with our stakeholders. Initiatives launched in 2007 are featured throughout this section.

Land agents are often the first EnCana representative that landowners or community members meet with when we are planning activity. As the face of EnCana, land agents – both employees and external brokers – help set the stage for how we are perceived in a community.

Land agents need to have sound knowledge of regulatory requirements, our company, our values and our activities in a given area as well as an ability to listen and respond to the needs of individuals.

In 2007 we introduced a Land Agent Integrity document and training program that clearly outlines expectations of land agents, including external brokers. The training they now receive increases their knowledge and ability to act in accordance with EnCana's values in our land teams across the company, and reinforces EnCana's expectations that they will:

- communicate openly and honestly throughout the life cycle of a project
- have facts and information regarding a project, including general information required by regulatory bodies
- fully listen, understand, assess and address the issues and concerns of stakeholders in relation to the proposed project(s)
- work together with landowners and others in the area to determine preferred locations for well sites, access roads and/or pipelines to minimize interference with current land use
- ensure that those with whom we negotiate are treated equitably
- deliver on promises and uphold commitments
- encourage questions about our operations, and refer stakeholder questions or concerns outside of their expertise to designated EnCana employees



### Quick Fact

EnCana has spent an average of \$116 million per year in each of the past three years on goods and services provided by Aboriginal businesses.

### Focus on Aboriginal engagement

The goal of our Aboriginal relations practices is to build strong, mutually-beneficial relationships with Aboriginal community members by:

- supporting training and advanced education
- minimizing environmental and social concerns and impacts
- creating opportunities in business and economic development

### Creating economic opportunities

EnCana has an inclusive and long-term vision for Aboriginal involvement in our activities. That vision includes working with Aboriginal Peoples to develop programs that involve their communities in economic participation; finding sustainable opportunities that create long-term employment; and the development of capital-oriented opportunities. An example of our vision in action is how we helped develop the industry's first drilling rig collaborations between drilling companies and Aboriginal communities.

Starting in 2006 EnCana provided an investment of C\$250,000 to support a rig technician training program developed by Métis Nation British Columbia (MNBC). The program helps provide experience and industry certification to potential employees interested in being rig technicians while at the same time addresses potential labour shortages our industry may face in the near future. By the end of 2007, MNBC had trained 61 people, of whom 85 percent are working full time.

### Fostering cultural sensitivity

EnCana's Aboriginal Relations team has developed several tools designed to increase awareness, both internally and externally, of EnCana's approach and initiatives involved in our work with Canadian Aboriginal communities.

Early in 2007, an internal guideline for EnCana employees was created to provide staff with a consistent process for communication and engagement with Aboriginal communities. Later in the year, EnCana took this internal training process to the next level by launching online Aboriginal awareness training – the first formal program of its kind in Canada.

We are committed to progressive Aboriginal relations and strive to ensure our staff is aware of Aboriginal interests and cultural uniqueness through training and education.

### Partnering in Alberta

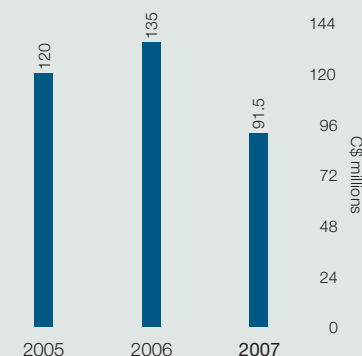
EnCana has partnered with Aseniwuche Development Corporation to fabricate the stairs and platforms for our newly-constructed well sites and facilities in the Grande Cache area of west central Alberta. In 2007, we purchased more than C\$400,000 worth of goods and services from the Aseniwuche Development Corporation, which is the business entity of the Aseniwuche Winewak Nation of Canada.

### EnCana's 2007 achievements and initiatives in the area of Aboriginal relations

- received the Best Practice Award of distinction from the Alberta Chamber of Commerce for our Aboriginal Relations practices
- sponsored the National Aboriginal Achievement Awards
- provided one of EnCana's employees to the Assembly of First Nations for a six-month secondment
- became the lead sponsor in National Aboriginal Day in Calgary
- delivered a presentation about Aboriginal partnerships at the 2007 GeoConference

### Procurement from Aboriginal Suppliers

The decrease in spending depicted in this graph is due to significantly reduced seismic programs, completion of rig contracts and reduced construction activity.



\* Includes western and northern Canada data only.



### Our community investment program

EnCana strives to be a good neighbour by working with communities to understand and support their needs. By taking a strategic approach to community investment, we can make the most impact with our dollars in a manner that meets the needs of as many of EnCana's stakeholders as possible.

We are aligned with Imagine Canada's standard for corporate giving by contributing a minimum of one percent of the company's Canadian pre-tax profits to the communities where we work and live.

We focus on the following key areas to create a healthy community for the long term:

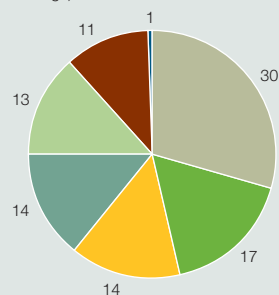
**Community enhancement:** We invest in programs and events that preserve rural heritage and lifestyle while contributing to community culture and sustainability. The story on page 28 of our partnership with Alberta 4-H is an example of this area of focus.

**Environment:** We partner with a variety of organizations that care for and help protect the environment. In 2007, EnCana pledged C\$1 million to support wetland conservation and reclamation projects through Ducks Unlimited Canada.

**Family and community wellness:** To promote wellness, we work with community organizations that contribute to the prevention of illness and injury, and enhance health care, social and emergency services. For example, as a member of the Pipeline Association for Public Awareness in Colorado, EnCana helps enhance the communications abilities of emergency responders by providing laptop computers to volunteer emergency response agencies.

### Community Investment in 2007

(percentage)



**In total, EnCana invested \$29.8 million in 2007, an increase of about \$9 million from 2006.**

- Administration
- Community enhancement
- Employee programs
- Environment
- Family and community wellness
- Science, trades and technology
- Sports and recreation

\* Administration costs are 0.17% of total spend.

**Science, trades and technology:** We support the development of a sustainable, skilled workforce by promoting an interest in science, trades and technology. In October, EnCana participated in the grand opening for the Oil and Gas Centre of Training Excellence in Fort St. John, British Columbia. EnCana donated C\$3 million to the facility, which is helping the province train the workforce necessary to develop its oil and gas resources.

**Sport and recreation:** Participation in sport and recreation contributes to the physical and social well-being of communities. EnCana supports community organizations that provide opportunities for active living, such as the C\$500,000 donation we made to help the town of Bassano, Alberta and surrounding communities build a modern recreation facility and pool.

**Employee programs:** EnCana employees are encouraged and supported in making a difference in their communities through the giving of their time and monetary donations (see sidebar story).

### Employee program gave C\$3.5 million in 2007

We encourage employees to make a difference in their communities through our annual giving campaign, EnCana Cares, which includes our annual employee giving campaign, matching gifts and the employee volunteer program. Introduced in 2008, the volunteer program allows employees to apply for monetary donations to the organizations where they volunteer their time. The program was developed based on employees' input during a survey conducted in 2006.

Through the 2007 employee giving campaign EnCana and its employees contributed over C\$3.5 million to over 1,100 charities in Canada and the U.S.

EnCana continues to match its employees' donations up to C\$25,000 per employee per year.

This next section outlines our performance in the areas of economic, environmental and social practices, and showcases examples throughout the company where we apply processes, technologies and practices to improve results.

# energy for performance



As North America's largest natural gas producer, EnCana supplies about six percent of the natural gas used in North America every day.

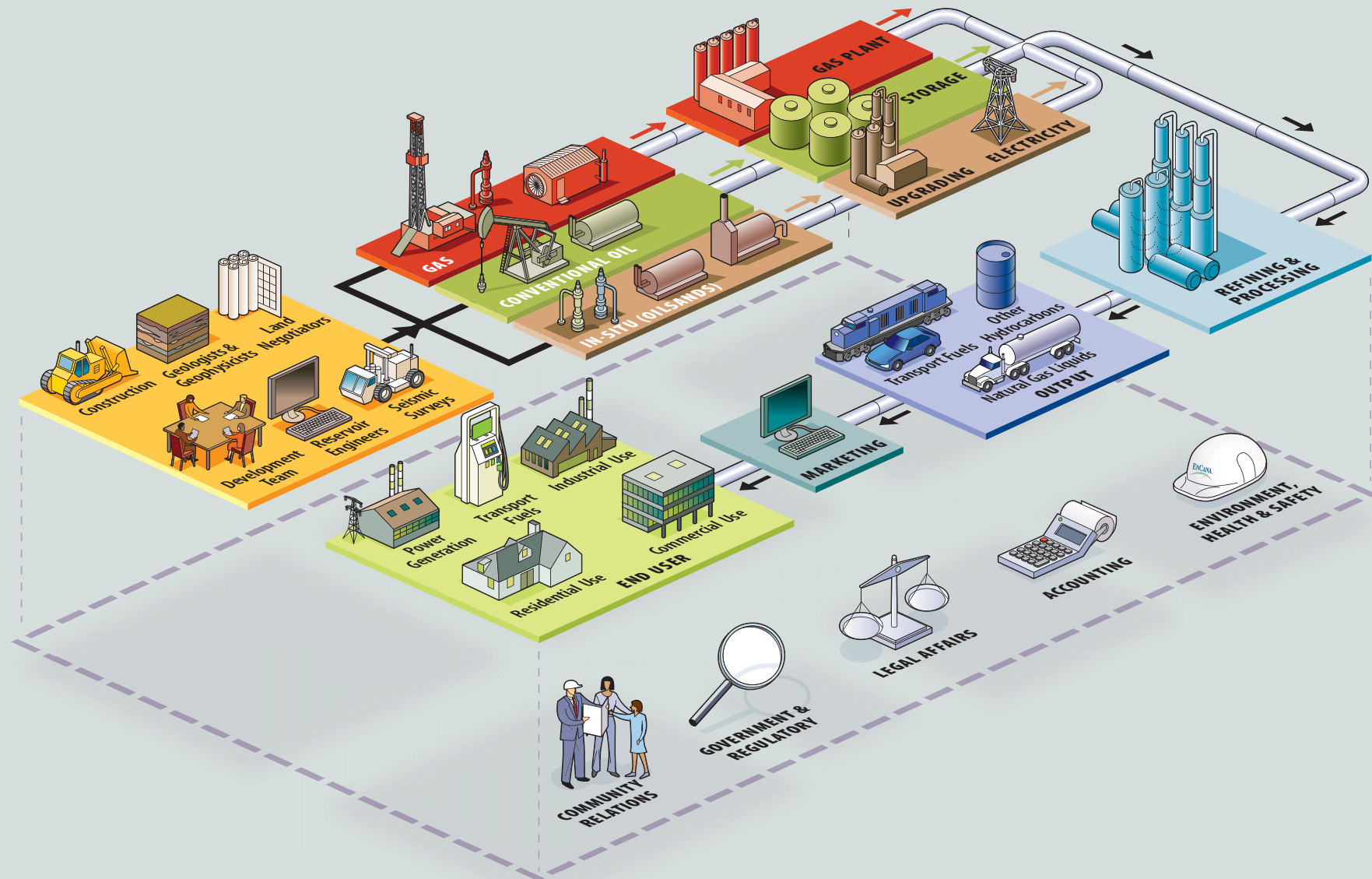


performance

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## From planning to end use: getting oil and natural gas to you

At every stage of oil and gas production, environmental consideration, community consultation and regulatory obligations play an integral role in delivering energy products to the end user.





## Economic performance: value for all stakeholders

### Quick Fact

A 2007 Barnett Shale economic impact study found that natural gas development has the potential to contribute more than \$5 billion and 55,000 jobs annually to this region of northeast Texas.

EnCana has a responsibility to deliver strong financial performance, which adds to long-term value for shareholders and enhances sustainability. Meeting our financial goals enables us to provide economic value to the communities where we operate.

Positive financial performance also allows us to invest in new technologies, which can reduce operating costs, conserve energy resources, and lower environmental impacts. In developing our economic plans, we consider significant issues that may have an impact on our business. One of the most substantial issues affecting our industry is climate change. As the examples on the following pages show, climate change provides both challenges and opportunities.

Financial (\$ millions)	2007	2006	2005
Revenues, net of royalties <sup>(1)</sup>	21,446	16,399	14,573
Cash Flow <sup>(2)</sup>	8,453	7,161	7,426
Operating Expenses <sup>(3)</sup>	2,278	1,655	1,438
Capital Expenditures (continuing operations) <sup>(3) (4)</sup>	8,737	6,600	6,925
Dividends on Common Shares	603	304	238
Interest, Net	428	396	524
Change (increase/decrease) in Retained Earnings	1,738	1,863	1,546
Significant financial assistance received from government <sup>(5)</sup>	—	—	—

### Taxes and Royalties

Current Taxes <sup>(6)</sup>	1,845	1,291	1,657
Total Royalties <sup>(7)</sup>	1,464	1,477	1,636

- (1) 2005 revenue numbers have been restated to move diluent costs from Revenue into Transportation and Selling. The result is an increase in both Revenue and Transportation for a net result of zero.  
 (2) As defined in the Cash Flow advisory of our 2007 Annual Report.  
 (3) Includes purchases of goods and services.  
 (4) Excludes proceeds from divestitures.  
 (5) Nothing of material value received from government. Material value equals \$100 million.  
 (6) Accrued income taxes and accrued production and mineral taxes. Excludes discontinued operations.  
 (7) Cash payments to governments for access to a public resource, not including land acquisition.

More details about our financial performance can be found in our 2007 Annual Report at [www.encana.com](http://www.encana.com). 



## Approach to climate change

Achieving significant reductions in greenhouse gas emissions will take a tremendous amount of work. Government, researchers, corporations and citizens will all have to make significant changes in order to create a measurable impact. EnCana supports the need to put a price on carbon, which will send a message to all consumers, industry and the public that there are implications for greenhouse gas emissions associated with the choices we make. Regulations that establish this price across the economy would oblige everyone who contributes to the issue to be part of the solution.

We have established a strategy for assessing the cost of carbon, and believe that we are well positioned for a carbon constrained future. EnCana's proactive approach to managing the opportunities and risks associated with climate change can be summarized in three ways:

- manage existing costs
- respond to price signals
- plan for future carbon constraints

### We manage existing costs

EnCana currently faces a real cost associated with greenhouse gas emissions in some of the jurisdictions where we operate.

In Alberta, the cost of carbon is regulated at \$15 per tonne (CO<sub>2</sub> equivalent) on facilities over 100,000 tonnes per year of CO<sub>2</sub> equivalent. We have four facilities subject to these regulations. For our 2007 compliance, we made contributions to Alberta's Climate Change and Emissions Management Fund for three of these facilities. At a fourth facility, located in our in-situ operations, we anticipate that we are in a position to bank emissions credits from the 2007 compliance period to use toward future obligations.

In British Columbia, a carbon tax will put the price of carbon at \$10 per tonne in 2008, increasing to \$30 per tonne by 2012. At this stage, this price level would not significantly impact EnCana's project economics and, therefore, investment plans in British Columbia remain unchanged.

Three factors help to support and drive our focus on cost reduction:

- effective emissions tracking
- attention to fuel consumption
- a focus on steam-oil ratio for in-situ operations

### We will respond to price signals

Although the future price of carbon is unknown across many of our operating jurisdictions, we are currently evaluating opportunities in reduced carbon emissions projects such as the ones listed below.

- **Emission reductions/removals:** EnCana is positioning itself to realize the associated carbon value of its reduction projects. The value of offsetting carbon has the potential to improve the economics of these projects. An example of this is our Energy Efficiency Initiative described in the following pages.
- **Carbon capture and storage:** We believe our experience at our Weyburn enhanced oil recovery project in Saskatchewan provides us with a significant competitive advantage, and the value for stored carbon plays a role in our plans for expansion. Weyburn is the world's largest CO<sub>2</sub> sequestration project. So far, more than 10 million tonnes of CO<sub>2</sub> have been injected deep underground. About 30 million tonnes of CO<sub>2</sub> will be stored over the life of the project – the equivalent of taking 6.7 million cars off the road for a year.

### Quick Fact

**In Alberta, the cost of carbon is regulated at \$15 per tonne (CO<sub>2</sub> equivalent) on facilities emitting more than 100,000 tonnes per year of CO<sub>2</sub> equivalent.**

### We plan for future constraints on carbon

EnCana recognizes that there is a cost associated with carbon emissions and has factored that cost into our business planning.

EnCana continues to work with governments, academics and industry leaders to develop and respond to emerging greenhouse gas regulations. By continuing to stay engaged in the debate on the most appropriate means to regulate these emissions, we gain knowledge that allows us to explore different strategies for managing our emissions and costs. These scenarios inform:

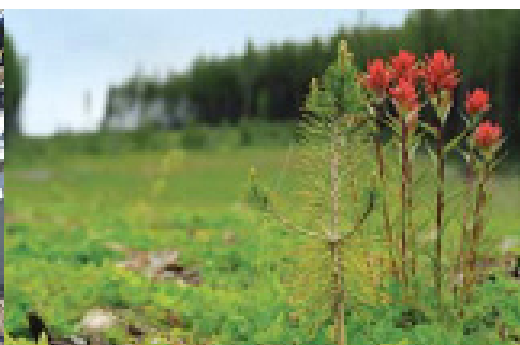
- **Long-range planning:** Our planning includes consideration of the implications of carbon at various price levels, modelled against our internal forecasts to determine the impact of the issue at various stages of our operations. In the 2007 strategy session of the EnCana Board of Directors, the Board reviewed the impact of various carbon constrained scenarios on its key resource play strategy with price ranges from \$15 to \$50 per tonne of emissions, applied to a range of emissions coverage levels. Applying a range of carbon prices at the resource play level provides guidance to the capital allocation process.

- **Regulatory analysis:** We conduct analyses on the implications of regulatory trends. Evaluation of those trends helps us to determine the strategic implications for the company.
- **Carbon cost projections:** EnCana continues to update the cost of carbon projections in response to a number of variables that could impact this cost, including:
  - emerging and existing regulations
  - relevant offset markets
  - internal abatement costs
  - international benchmarks
  - expert opinion

We recognize shareholder interest in these matters and will continue to evolve our disclosure on emissions in our Annual Information Form, Management's Discussion and Analysis, Corporate Responsibility Report, and through other avenues available to us.

### Carbon Disclosure Project recognition

EnCana has been recognized through the Disclosure Leadership Index of the Carbon Disclosure Project 2007 – Canada 200 (one of only 10 industrial companies receiving the honour). Carbon Disclosure Project leadership recognition is given to those companies in Canada that recognize and implement the principles of effective disclosure with respect to greenhouse gases.





## Energy efficiency

In early 2007, EnCana turned its sustainability focus in the direction of energy efficiency. To start, we created a new Vice-President level position responsible for Energy, Technology and Research with a mandate to increase the efficiency of every EnCana operation and process. Since the launch of this energy efficiency initiative, more than \$10 million worth of energy efficiency projects have been identified. These projects are expected to save over 650,000 tonnes of CO<sub>2</sub>/year which is equivalent to the per capita emissions of 26,000 people in North America. Due to overwhelming enthusiasm and support for this initiative, the 2008 budget has increased to \$50 million.

Ensuring our employees and contractors are knowledgeable about energy efficiency is a key part of ensuring energy efficiency becomes an integral way of doing business at EnCana.

In 2007, EnCana launched Project Camplight to encourage the changing of incandescent light bulbs to compact fluorescent light bulbs (CFLs) at our camp locations, particularly in locations where power is provided via diesel-fuelled generators. When finished, Project Camplight is expected to change 2,000 100-watt bulbs in our field camps, well sites and compressor station offices to CFLs.

We are also encouraging energy efficiency in the communities where we operate. EnCana is a sponsor of Project Porchlight, a campaign of One Change, a non-profit grassroots organization that encourages



An operator uses the infrared camera to detect gas leaks too small to be seen by the human eye or sensed by traditional gas detection instrumentation. Piloted by the company in 2007, this technology will allow us to better maintain regulatory and environmental compliance, support our corporate responsibility emissions reporting, and increase operational efficiency.

people to take simple actions to reduce energy use, such as switching incandescent light bulbs for energy-efficient CFLs. We provided C\$1 million to help Project Porchlight volunteers deliver 500,000 CFL bulbs to communities where we work and live, beginning in Alberta. The intent is to get everyone thinking about energy efficiency and to help encourage individual steps toward sustainability.

We partnered with Alberta's Climate Change Central in 2007 to provide our employees with the tools and incentives to help them make energy-conscious consumer choices, and with ideas on how to use energy more responsibly in their homes.

Doing our part as individuals to create a culture of efficiency will reinforce the impact that small changes and an environmental perspective can have at work, in our community, and at home.

### Quick Fact

Compact fluorescent light bulbs use only one-fourth the energy and last up to 10 times longer than comparable incandescent bulbs. EnCana's Project Camplight has the potential to reduce our diesel fuel consumption by 1.2 million litres, eliminating 3,600 tonnes of greenhouse gas emissions.

## Energy Use and Intensity

The higher energy use in 2007 noted below reflects new facilities on stream and an increase in production. Because of increased production at our in-situ operations, higher than expected flaring at our Weyburn facility, and more compression energy required for older producing fields, we also show an increase in energy intensity for 2007.

	2007	2006	2005
Direct and indirect energy use (terajoules) <sup>(1) (2)</sup>	92,281	81,646	74,691
Energy intensity (gigajoules/m <sup>3</sup> OE) <sup>(1)</sup>	2.55	2.35	2.20

(1) Canada only.

(2) Includes fuel gas and electricity used for production operations, not electricity in office buildings. 2005 and 2006 have been recalculated due to factor adjustments and production accounting updates.

## Quick Fact

EnCana has, over the past seven years, captured 10 million tonnes of CO<sub>2</sub> that would have been vented to the atmosphere. This is the equivalent of taking over two million cars off the road for one year or eliminating the typical annual average greenhouse gas emissions generated by 400,000 people — 25 tonnes/person.

## Innovative solutions

Innovative use of research and technology helps us increase our energy efficiency and pioneer new ways of reducing emissions intensity. Three examples are outlined below.

- **Carbon capture and storage:** EnCana is a leader in the area of carbon capture and storage. By implementing enhanced oil recovery technologies at our crude oil project in Weyburn, Saskatchewan, we are able to recover this resource while also injecting CO<sub>2</sub> underground, which otherwise would be released into the air. EnCana has partnered with the International

Energy Agency and others to conduct research on CO<sub>2</sub> sequestration at our Weyburn facility. In 2004, the first phase of the project concluded that storage of CO<sub>2</sub> in an oilfield is viable and safe over the long term. The study has shown that 99 percent of the CO<sub>2</sub> sequestered will remain for 5,000 years. The final phase of the project is focused on developing practical protocols to guide further CO<sub>2</sub> geological projects.

- **Environmental Innovation Fund:** EnCana's Environmental Innovation Fund has helped finance the development and demonstration

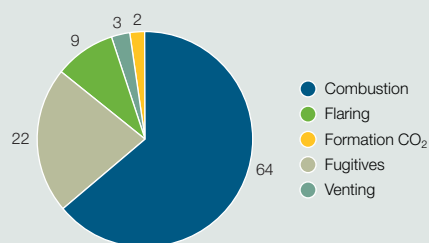
of new technologies that may reduce the environmental impact of energy consumption. More than \$23 million has been committed toward 15 projects in the areas of air emissions, renewable energy, energy efficiency and water conservation.

- **Electric submersible pumps:** Specifically designed for use in SAGD in-situ oilsands operations, electric submersible pumps minimize our water and energy use. These efficiency gains result in lower costs and reduced greenhouse gas emissions. (See story page 31.)

## Emission Sources\*

The largest volume of emissions comes from combustion of natural gas used to run the equipment needed to produce our resources.

(percentage)

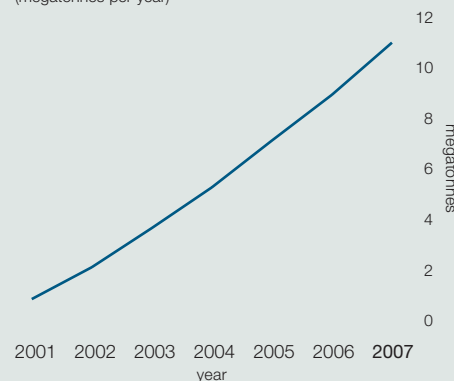


\* Canada only.

## Total Cumulative Volume CO<sub>2</sub> Sequestered\*

At roughly 2.0 megatonnes per year, the following diagram shows the rapid increase in the cumulative volume of CO<sub>2</sub> sequestered at our Weyburn project.

(megatonnes per year)

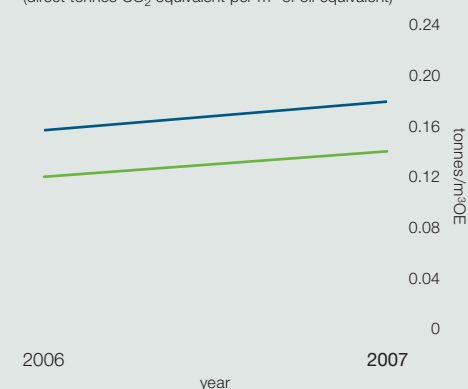


\* For GHG accounting purposes it has yet to be determined how much of this CO<sub>2</sub> will be attributed to EnCana.

## Impact of CO<sub>2</sub> Sequestration on GHG Emissions Intensity

The comparison below shows the significance of CO<sub>2</sub> sequestration technology and its potential to address GHG emissions and emissions intensity.

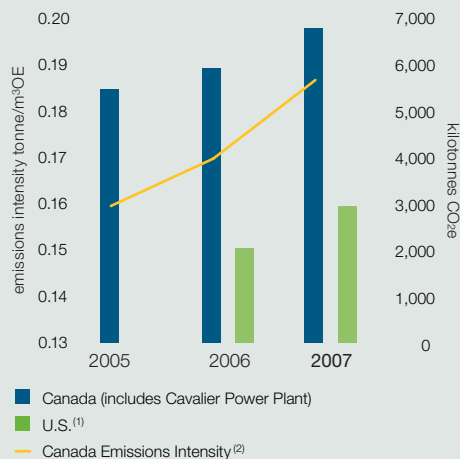
(direct tonnes CO<sub>2</sub> equivalent per m<sup>3</sup> of oil equivalent)



\* These figures were calculated by deducting the total amount of CO<sub>2</sub> sequestered at Weyburn from EnCana's total direct CO<sub>2</sub> equivalent emissions, divided by sales production.

## Direct Greenhouse Gas and Emissions Intensity

(kilotonnes CO<sub>2</sub> equivalent)



(1) Canadian and U.S. emission methodologies both follow American Petroleum Institute (API) standards though are not directly comparable because data capture processes vary according to jurisdictional requirements. As such the data have not been aggregated. In 2007 the U.S. division estimated direct GHG emissions for smaller equipment using certain operating assumptions approved by U.S. regulatory agencies for the calculation of other air emissions. These assumptions are conservative when used in the calculation of direct GHG emissions. The reporting will continue to evolve as systems and the various U.S. regulatory emission requirements continue to evolve, accordingly the emission values are not directly comparable across reporting years.

(2) Includes emissions from combustion, flaring, reported venting, fugitive equipment leaks, and formation CO<sub>2</sub> venting as per current Stats Canada/HENV reporting per unit of product disposition. Canadian increase due to increased flaring at Weyburn and fuel use at Foster Creek and a number of new, expanded or more utilized facilities.

### Going beyond clean air regulations

In 2007 Colorado introduced a new state regulation to reduce volatile organic compounds (VOCs) from condensate storage tanks by 75 percent. We anticipated this change after an initial ruling in 2002 and took a proactive stance to control emissions from new wells in the DJ Basin. The DJ Basin operations are now controlling condensate storage tank emissions by 95 percent.

We use combustor units to incinerate the VOCs into CO<sub>2</sub> and water. We also implemented an innovative way to capture VOC emissions from glycol dehydration units in the DJ Basin and mix them with raw field gas to create a marketable product. To control VOC and nitrogen oxide emissions, catalytic converters were installed on compressor engines.

Although the legislation only applies at certain times of the year, we are able to go beyond compliance and maintain these low levels during our operations year-round.

EnCana has spent approximately \$2.5 million to date to reduce our VOC emissions in Colorado.

### Natural gas STAR success

In our 2006 Corporate Responsibility Report, we highlighted our participation in the U.S. Environmental Protection Agency's voluntary Natural Gas STAR program on methane reduction. In 2007, the Agency awarded EnCana its Production Partner of the Year Award and named Scott Mason, one of our Air Quality Specialists in our Denver office, Implementation Manager of the Year.

This honour reflects our continuing commitment to measure, report, and reduce methane emissions throughout our U.S. operations.

Our USA Division continues to roll out other initiatives to control or reduce methane venting including:

- Use of infrared to identify leaking equipment
- Replacement of high emitting pneumatic devices with lower emitting alternatives
- Use of solar electric power for pilot light and liquid pumps



## Environmental performance: a collective responsibility

The process of getting oil and gas resources out of the ground and to their final destination is a complex one. There is a great deal of planning and activity that goes into exploring for and developing these resources. EnCana staff work with and involve stakeholders at every stage – from planning to eventual reclamation. This section provides a brief overview of upstream activities, the primary environmental impacts at each stage and examples of how EnCana collectively works to mitigate these impacts.

### Stage 1: Planning and development

The industry continues to develop new reserves to meet current and future needs of consumers. Over the years, the oil and gas industry has accumulated a comprehensive understanding and database of geologic formations. EnCana uses this knowledge, along with conventional and low-impact seismic surveys, to determine where we are going to drill. Seismic exploration involves mapping the sub surface geology using energy waves.

In addition to hand cutting of trails, trees must be cleared (cutlines), to conduct seismic surveys in forested areas. The cutlines contribute to land disturbance, reduce vegetation and can affect wildlife migration patterns. Through careful planning we can employ minimal disturbance practices that mitigate the impact of our activities. Examples of this include baseline mapping, and wildlife and wetland surveys.

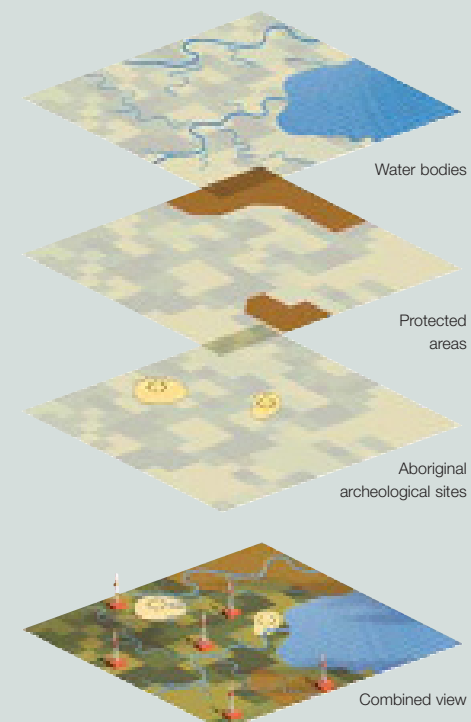
#### Baseline mapping

Baseline mapping is a strategic pre-planning tool that allows us to visualize and identify relationships between information about the environment and terrain associated with a particular location, such as:

- terrain, topography, geohazards
- listed wildlife and vegetation species
- wildlife habitat potential and suitability
- fisheries and hydrography
- protected areas, Aboriginal, archeological and historic sites

Baseline mapping is a practice EnCana uses in sensitive environments, where there is a recognized biodiversity risk.

#### Baseline Mapping Example



The layers in a baseline map help us visualize and identify relationships between environmental and social data in considering the location of operational facilities.

#### Wildlife and wetland surveys

We rerouted a road near one of our potential well sites in Alberta to protect the habitat of the Northern Leopard frogs – an endangered species under the Alberta Wildlife Act. The existence of the species was discovered during one of our routine wildlife and wetland surveys.

We conduct wildlife and wetland surveys during our pre-development work. We use the same careful approach for vegetation.



## Stage 2: Operations

Once wells are drilled, the potential reserves can be estimated and contribute to a development plan for the resource play. There will be different operations and facilities required depending on the size of the play and whether it involves gas or oil.

Natural gas usually flows to the surface under its own pressure or with stimulation, so gas wells are equipped with chokes and valves to control this flow through the wellhead. Oil production requires additional energy to lift the oil to the surface, so additional facilities are also needed. Once recovered, most gas and oil production requires some processing to remove undesirable components before the commodity goes to market.

The operational stage has the greatest impact on the environment. Some impacts are clear and easy to spot, while others are relatively uncommon or more subtle and have been the subject of expert research for many years. Oil and gas operations can cause:

- air emissions
- soil erosion, and contamination from spills (see bar graph)
- potential water contamination
- wildlife habitat disturbance
- waste (see table)
- traffic, noise and dust involved with new roads and infrastructure

The following examples illustrate different approaches to mitigating environmental impacts in our operations.

### Wastes <sup>(1)</sup>

	2007	2006
Hazardous (tonnes)		
Canada <sup>(a)</sup> <sup>(b)</sup>	160,000	131,100
U.S. <sup>(c)</sup>	0	—
Non-Hazardous (tonnes)		
Canada <sup>(a)</sup> <sup>(b)</sup>	1,022,700	1,484,000
U.S. <sup>(c)</sup>	30,300	—

(1) Excludes drilling wastes disposed/treated on-site and near-site and produced water.

(a) Classifications of hazardous/non-hazardous materials vary by jurisdiction. Includes Energy Resources and Conservation Board (ERCB) D-58 regulated waste streams in Alberta and Hazardous (manifested) wastes in British Columbia. Excludes Saskatchewan Wastes. Drilling Boiler Blowdown volumes are only provided for Integrated Oil Division.

(b) 2006 data has been restated due to a calculation error.

(c) Certain oil and gas exploration and production wastes are exempted from regulation as hazardous waste under Subtitle C of the U.S. EPA Resource Conservation and Recovery Act. Excludes waste generated and removed through maintenance and drilling activities provided by third parties.

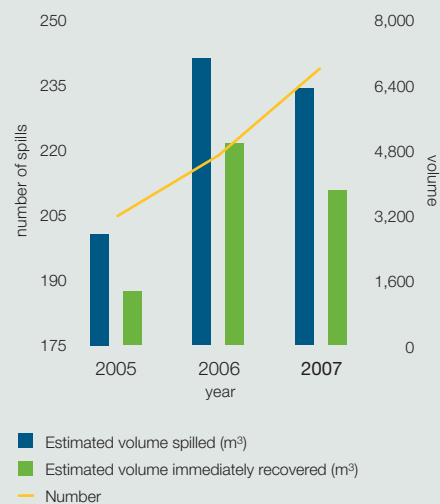
### Converting rigs from diesel to natural gas

In our Jonah field in Wyoming, an environmental impact statement identified drilling rig emissions as one of the main sources of nitrogen oxides. As a result, the Jonah team evaluated diesel engines, fuel additives, exhaust treatment technologies, select catalytic reductions and natural gas engines. Natural gas engines proved the hands-down winner over traditional diesel engines based on both emissions reduction and cost savings. Natural gas engines also work well for Jonah because of the proximity of the rigs to a natural gas supply.

We've reduced nitrogen oxide (NOx) emissions by 85 to 90 percent in our Jonah field with this new technology while saving hundreds of thousands of dollars in fuel costs. In 2005 we deployed the first natural gas rig in Jonah. Jonah now has nine natural gas rigs in its fleet. Estimates are that our yearly fuel savings will be about \$1 million per rig, while also cutting emissions.

### Reportable Spills\*

Although the total number of spills has increased for 2007, the overall volume has decreased.



\* Those that are required to be reported according to jurisdictional regulations.

### Quick Fact

The amount of water used to manufacture a car is the equivalent of that used to produce about 400 barrels of oil.

### Simultaneous operations

Simultaneous operations is a technique that uses fit-for-purpose drilling rigs to directionally drill up to 32 wells from a single surface location, allowing several different operations to be carried out at the same time. For example, while one well is being drilled, another well can be completed or stimulated to increase the flow of gas. Fit-for-purpose rigs are automated with hydraulic pipe handling systems and essentially walk from one well to another with drill pipe in the derrick. The larger 1,600 horsepower pumps on the rigs improve hydraulic drilling efficiencies and reduce the amount of drilling time. The rig engines also emit fewer emissions than conventional rigs.

This technique reduces the time it takes to drill and complete wells, making it both economically and environmentally attractive. By consolidating operations and services, we require less equipment and pipelines. We also reduce the number of rig moves, eliminating the associated traffic and dust.

### Responsible water use

EnCana recognizes the importance of water to the individuals, communities and regions where we work. Water is also necessary to EnCana's operations and plays a vital part in many of the processes necessary to produce oil and gas, such as freezing winter access roads, creating steam for in-situ production, well control during drilling and completion operations such as fracturing and pipeline pressure testing.

Water requirements for our operations and the challenges posed by our many different types of activity require tailored approaches to water resource management, aligning efficient use with

### Air Emissions

Our NO<sub>x</sub> emissions have increased slightly in 2007, primarily due to more compression requirements. Total gas vented has decreased, but the flare volume and SO<sub>2</sub> emissions are higher due to a significant increase in flaring at our Weyburn facility. A new recycle compressor has been installed which will reduce flaring and the associated SO<sub>2</sub> emissions.

	2007	2006	2005
Nitrogen oxides (NO <sub>x</sub> ) emissions (tonnes) <sup>(1)</sup>	40,055	39,286	39,379
Canada	35,055	34,359	39,379
U.S.	5,000	4,927	–
Sulphur dioxide (SO <sub>2</sub> ) (tonnes) <sup>(2)</sup>	11,866	6,836	7,015
Total gas flared (10 <sup>3</sup> m <sup>3</sup> /yr) <sup>(3)</sup>			
Canada	283,183	112,476	109,689
U.S.	22,000	–	–
Total gas vented (10 <sup>3</sup> m <sup>3</sup> /yr) <sup>(3)</sup>			
Canada	14,824	17,615	16,818
U.S.	93,200	–	–
Solution gas conservation rate (percentage) <sup>(4)</sup>	97.9	97.8	97.5

(1) Estimated values based on fuel usage, type of equipment firing the fuel, and American Petroleum Institute NO<sub>x</sub> emission factors.

(2) The U.S. has no sulphur dioxide emissions.

(3) 2005 and 2006 data has been recalculated due to factor adjustments and production accounting updates.

(4) Alberta only.

business value. We continually seek to reduce our use of freshwater. We also seek to recycle and reuse water wherever possible.

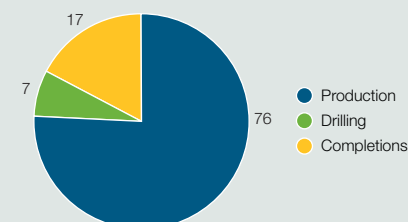
### Conserving water in our operations

Every year we stimulate or fracture thousands of wells. Depending on the well, fracturing can require anywhere from 20 to 200 cubic metres of freshwater for mixing with fracturing fluids and sand. A completions team in our East Texas operations has been able to achieve a 33 percent reduction in the water used in some of our fracturing procedures by modifying the type of fluids used in these treatments. This technique and others have the potential to reduce our water use even further and continued testing is ongoing.

### Approximate Water Usage by Activity

The majority of EnCana's water use is for production (i.e. steam generation for our SAGD operations and Water for Enhanced Oil Recovery).

(percentage)



### Stage 3: Reclamation

Once a well is no longer capable of producing at an economic level, a crew abandons the wellbore and pipelines underground and removes all surface equipment. Remediation and reclamation involve removing gravel, cleaning up any chemicals, oil or salt water in the soil, replacing soil removed during construction and re-planting with native species. It takes approximately five years to fully reclaim a typical well site.

Federal, provincial and state environmental regulations ensure companies remain responsible for the clean up of their sites until the government authorities issue a reclamation certificate. Legally, the land must be returned to a condition of equivalent capability.

Most surface disturbances can eventually be mitigated completely by land reclamation. The examples following are three ways we reclaim an operating area.

#### In-situ reclamation

We have initiated pilot projects to evaluate and determine the most effective way of reforesting our well sites and access roads in our in-situ oilsands operations. A natural regeneration process helps us ensure that indigenous plant species remain in the area, which is ecologically preferable. We supplement this long-term process with tree planting. To date, we have planted 150,000 coniferous and deciduous trees on the Cold Lake Air Weapons Range in northern Alberta.



Over 70 percent of original wetlands in some parts of Canada have disappeared. In the U.S. more than 80,000 acres of wetland habitat are lost annually. (Source: Ducks Unlimited)

#### Creating new wetlands

EnCana is creating new wetland habitat for birds and wildlife at two former wellsites located in a remote area northeast of Fort Nelson, British Columbia. This reclamation project is the first of its kind in the province and came about because of unique circumstances. A site investigation determined that soil at the site was contaminated with salt and hydrocarbons. Normally, upon completion of the site remediation program, the excavation is backfilled with clean material.

The area was prone to heavy runoff in spring and the excavation was going to be filled with water in a short period of time, so the team came up with the idea of creating a wetland instead. The first step

was the completion of a feasibility study, presented to the Oil and Gas Commission and British Columbia Ministry of Environment. The assessment found that the new wetland would be self-sustaining, while providing a new habitat for local and migratory wildlife species.

Once the contaminated soil was removed, the next steps were to contour the area further to create natural-looking wetlands and, finally, to plant vegetation, both aquatic and shrub varieties. The team completed these activities with the support of the local Fort Nelson First Nations. This unique wetland project also saved EnCana about C\$800,000 on the cost of a typical reclamation.

### Stewardship of soil reclamation

EnCana's commitment to maintaining or exceeding best practices in environmental stewardship of historically contaminated sites is demonstrated in our successful remediation of the Pavillion gas field near Riverton, Wyoming.

Unlined pits used from the 1960s until the early 1980s had resulted in hydrocarbon-impacted soil. After we ceased commercial production in the area, we developed a plan for the assessment and remediation. The remediation plan was further refined based on consultation with the surface landowners.

Soil is transported to the nearby EnCana Pavillion land farm for treatment. The facility uses innovative technology in the form of rotating centrifugal force to separate the hydrocarbon from the soil. The soil can then be used as clean fill material for the site, while the hydrocarbons are collected and trucked for sale.

Wyoming's arid climate creates challenges for re-vegetation in the Wind River area. Through experimentation with various seed mixtures, applications and watering techniques, we have been able to speed up the re-vegetation process.



To ensure that our reclamation and remediation efforts succeed, our plans are developed using information that accounts for native plant species, soil quality, wildlife and the general nature of the area in question.

### Abandonment and Reclamation (number of wells)

During 2007 a large number of formerly producing, service, observation, or exploration wells were abandoned and are now in the process of being reclaimed. Typically it takes approximately five years before a well site is fully reclaimed.

	2007	2006*	2005*
Total abandoned wells awaiting reclamation	940	293	300
Total abandoned wells, active reclamation complete, awaiting reclamation certificate <sup>(1)</sup>	622	168	536
Well site reclamation certification <sup>(2)</sup>	268	46	57
Total wells undergoing active reclamation	1,619	941	—
Total reclaimed land (hectares)	907	—	—

\* 2005-2006 data is Canada only.

(1) 2006 is restated as it had included the sum of total wells undergoing active reclamation and total abandoned wells, active reclamation complete, awaiting reclamation certificate.

(2) Does not include access road certificates, or any British Columbia or Saskatchewan certificates.





## Social performance: the sustainable value creation of our people

Social considerations are included in EnCana's approach to operations, the environment and how we govern ourselves. The following pages present specific performance as it relates to the sustainable value created by our human resources practices, our commitments to safety initiatives and relationships EnCana has forged with community-based initiatives.

### Our approach to human resources

EnCana's strategy is to be the employer of choice. Our human resources programs and practices are designed to accomplish that by providing a competitive advantage at every stage of an employee's career. From recruitment to retirement, this full-cycle approach helps us sustain a highly skilled workforce.

### Recruiting and developing the best

Our human resources programs and practices focus on attracting, retaining and engaging the very best people with the right skills to help us deliver on our operational strategy and business plans. We operate

in a highly competitive labour market due to a strong oil and gas sector and strong North American economy overall. Part of our workforce planning strategy is to plan ahead for the next generation of talent through recruiting and funding partnerships with universities and colleges.

Our new grad development program provides opportunities for technical and business development training, networking and knowledge sharing opportunities. After successful work terms with EnCana, top-performing students are considered for positions once they graduate from post-secondary programs.

	2007	2006	2005
Employee payroll and benefits (\$ millions) <sup>(1)</sup>	<b>1,183</b>	824	809
Voluntary employee turnover (percentage)	<b>5.1</b>	6.7	6.6
Canada	<b>4.5</b>	6.2	5.9
U.S.	<b>7.0</b>	8.5	12.7
Other <sup>(2)</sup>	<b>9.1</b>	11.7	1.3

(1) Payroll includes salaries, allowances and bonuses for Canada, U.S. and expatriate employees. Benefits include, for example, medical, dental, scholarships and pensions for Canada, U.S. and expatriate employees.

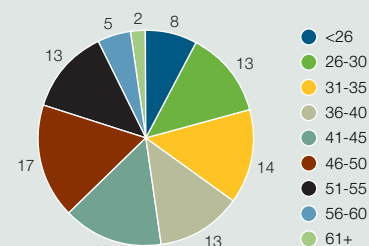
(2) Other includes Barbados, Brazil, Chad, Ecuador, France, the Middle East, and Romania.



### Employee Breakdown by Age (2007)

This chart illustrates the relatively even distribution of ages amongst our employees.

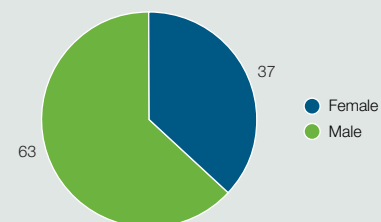
(percentage)



### Employee Breakdown by Gender (2007)

With a work force that is 37 percent female employees, EnCana's rate is considerably higher than the industry rate of 25 percent. (Source: Statistics Canada)

(percentage)



## Quick Fact

**In our 2007 Pulse Check survey, 91 percent of employees ranked EnCana as one of the best places to work.**

### Survey finds employees engaged, valued on the job

We conduct a comprehensive employee Pulse Check survey every year to provide employees the opportunity to give feedback on areas such as leadership, communication, culture, values, safety and employee satisfaction. The results help us to understand our organizational health and ensure employees have the services and support they need to do their jobs.

The results of the 2007 survey showed some of our best results ever. Overall, 91 percent of the 3,890 survey participants ranked EnCana as one of the best companies to work for, up four percent from 2006. Survey results are tracked against 500 North American high-performing

companies, including energy companies. In 2007, EnCana ranked in the upper 90th percentile in almost all areas.

Areas identified by employees as needing additional focus included impacts from organizational change, consistent employee development, and performance management.

### EnCana career management and leadership development

Employees are accountable for their development initiatives on the High Performance Contract they establish with their supervisor. Employees and supervisors also use a career planning discussion guide to help them in their regular communications on career development.

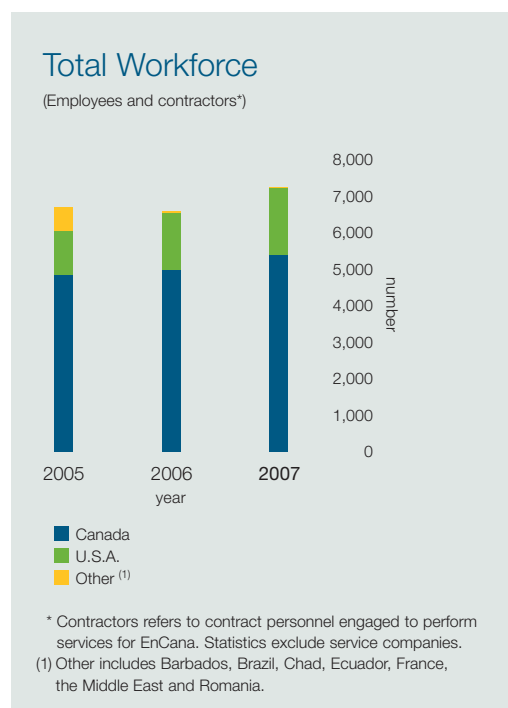
Recognizing that our continued success depends on good leadership, we have programs to help further the fundamental skills of employees with supervisory responsibilities. Additionally, a suite of development workshops provides support to leaders at every level. For example, there is a customized Leadership Excellence Program, developed with the Banff Centre, that focuses on leadership self-awareness, leading high-performance teams, communication, leading change strategically and achieving results through accountability.

Through our High-Performance Assessments and third party feedback process, we ensure the focus remains on our commitment to meet performance goals, while providing for continuous improvement and learning. The process allows individuals to receive valuable feedback from their peers and those who report to them, as well as their direct supervisor.

### Saying thanks

Recognizing employees for their contributions, helps foster a culture of recognition, which builds high-performing individuals and teams. Our Pulse Check survey showed that we could be better at recognizing performance in non-monetary ways.

As a way to address that feedback, we rolled out the Kudos program, which provides leaders with tips and tools to thank employees in simple ways and generally express appreciation to individuals for their contributions to the success of their teams and the company.



### Life experience counts at EnCana

EnCana's commitment to work-life balance is another strong recruitment and retention factor in our competitive labour market. In 2006, we introduced first and third Fridays off each month for office staff. In 2007, we led the industry by revising the vacation eligibility of our employees. The more life experience an employee brings to EnCana, the greater their vacation eligibility.

The revised practice is another way of ensuring EnCana provides a high-performance environment with challenging and rewarding work opportunities along with generous time off for employees to recharge and enjoy personal activities.

We received positive feedback from employees regarding their work life balance and our voluntary attrition rate has dropped about 24 percent since the introduction of our first and third Fridays off and the revised vacation practice.

### Employee health and wellness resources

We provide employees with a number of resources on health matters. They include:

- an online Health Risk Appraisal, which covers topics such as nutrition, smoking and exercise, and provides employees with a personalized feedback report and tools for setting their own health goals
- a comprehensive health assessment focused on identifying risks and early signs of disease while providing in-depth guidance and recommendations for short- and long-term health needs and lifestyle goals
- a website that provides the latest information on various health issues such as stress management and mental health, good nutrition and fitness information
- our Employee & Family Assistance Program, which provides confidential counselling to employees and their dependants for a broad range of issues, including emotional and mental health, family, work-life balance, and life events

### Preparing for retirement

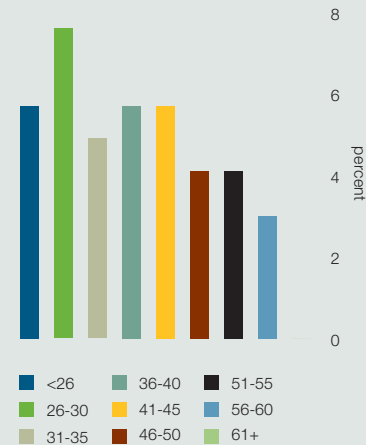
Employees are provided with financial planning services and educational tools to assist them in planning for their retirement. Near the end of their careers, employees will see more vacation time as a result of our new Vacation Practice, which assists with the retention of experienced employees while helping them transition into a new phase of life.

### Quick Fact

Currently one in six Albertans is directly or indirectly employed in the energy sector.

### Attrition by Age Group

Our attrition rate is very balanced among all age groups. (percentage\*)



\* Annualized voluntary turnover does not include retirements.



## Quick Fact

**Motor vehicle accidents are the single leading cause of death in the oil and gas industry.**

## Safety

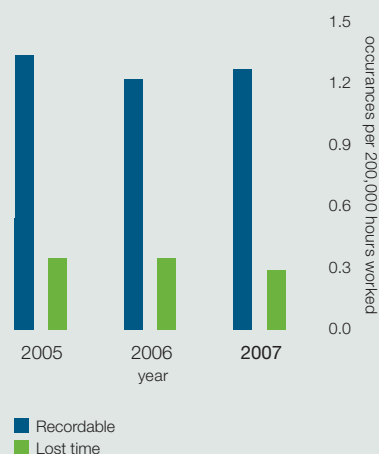
Safety is one of the most important core values of our business. EnCana has an ever-improving safety culture – one that reinforces the notion that safety is everyone's responsibility. In 2007, we focused on raising awareness about safe driving and contractor safety.

### Safe driving a focus for 2007

Staff and service provider motor vehicle incidents have increased at EnCana approximately 20 percent over the last two years, including three driving-related fatalities in recent years.

## Injury Frequencies

This graph represents combined employees and contractors incidents and hours.  
(Per 200,000 hours worked)



Recordable injuries include permanent total disabilities, lost work day cases, restricted work cases, medical treatment cases and fatalities. Lost time injuries include permanent total disabilities and lost work day cases. Data includes service companies. Contractor portion of exposure hours is calculated from capital expenditures.

Because driving is such a significant factor in the safety of our staff,\* we launched a safe driving campaign in 2007. As part of the campaign, we created a DVD to encourage staff to drive safely. Every staff member received a copy of the video, and driving tips were posted on the company's intranet, on subjects such as cell phone use, fatigue and speeding. Other activities included a safety poster contest for the children of our employees, and one of our business units held a family safety barbecue that about 700 community members and staff attended. To further reinforce safe driving habits, we introduced a company-wide Driver Distraction Practice in early 2008. The practice prohibits staff from using communication devices such as cell phones when driving either a company vehicle, or personal or rental vehicles while on company business.

### Ensuring employees are fit for safety-sensitive positions

As part of our commitment to occupational health, employees in field positions must undergo a comprehensive Periodic Health Assessment (PHAs) every two years as outlined in our Fit-for-Work Practice.

We completed 466 PHAs in 2007. PHA results for employees are provided in confidence to our Health & Wellness group, where follow-ups take place.

\* Staff is defined to include employees and contractors.

## Working with contractors

Continuous improvement in contractor safety performance is a priority for EnCana. Our selection of contractors and vendors is based on many factors, including EH&S performance. Contractor management tools used at EnCana include spot checks, online contractor registry systems, orientation materials (including policy commitments and training) and practices required by relevant regulatory jurisdictions.

## Fatal vehicle accident

Driving is the most significant safety hazard our employees and contractors face. This fact hit home in July of 2007 when a non-work related motor vehicle accident occurred involving four of EnCana's field operations staff in northern Alberta. Tragically, two EnCana contractors were killed in the accident.

In order for our safety performance to improve over time, EnCana strives for continuous improvement in our safety practices.



## Community-based commitments

EnCana's community-based commitments contribute to our operational success. The following examples showcase some of our activities supporting youth programs and education.

### Partnering with tomorrow's leaders

EnCana shares the values that 4-H promotes: strong commitment to the community, dedication to environmental protection and the development of vibrant leadership among our youth. Our long-time involvement with 4-H gives us the opportunity to be more closely connected with many of the communities where EnCana operates.

In 2006, EnCana committed C\$360,000 over three years to Alberta 4-H. This sponsorship contributes to the following initiatives:

- personal development programs such as the Leadership Conference and mentorship programs
- the EnCana Community Builder Fund used to organize community charitable events and project workshops

- C\$105,000 in bursaries for students with 4-H experience who are enrolled in Land Science at Olds College
- initiatives to raise awareness of 4-H and recruit new members

### Supporting education

The oil and gas industry's demand for highly skilled technical and tradespeople is experiencing unprecedented growth. We have always been a supporter of educational and technical training institutions, and this support has become a key area of focus for our community investment program. We support several new training ventures tailored to develop skills and promote employment opportunities in communities where EnCana operates.

#### Supporting land agent training at Olds College:

EnCana supports the new land agent program chair and scholarships for Land Science students. A key component of this program is developing skills for land agents, who are responsible for securing surface access to land prior to any oil and gas operations, and serve as a vital link in the development of Alberta's oil and gas industry.

**Barnett Shale Expo:** In Texas, EnCana was a founding sponsor and helped create the first ever Barnett Shale Expo – an education-focused event concerning the economic impact of natural gas production. More than 5,000 residents from Fort Worth and surrounding communities participated in the Expo, which included breakout sessions on issues, technology demonstrations, career information and an interactive exhibit hall with more than 120 participating companies.

**U.S. scholarship program:** EnCana offers one high school scholarship to a graduating senior in each school district where we operate every year. In 2007, EnCana offered scholarships to 27 school districts in the U.S. The scholarship, a gift of up to \$10,000 per recipient is granted to a qualifying student pursuing post-secondary education in industry-related studies such as engineering, geology or geophysics.

### Quick Fact

**4-H stands for Head, Heart, Hands, and Health and is one of the largest youth programs in Alberta, with more than 7,500 members and 2,600 volunteer leaders, representing 70 percent of the communities in the province.**





## Creating energy for people from in-situ oilsands

By 2015, production from in-situ operations at Foster Creek and Christina Lake is expected to increase to 200,000 barrels per day.\* Given this projected growth we thought it was important to provide information about the economic, environmental and social challenges and opportunities we face, and how we are taking action to develop the resources responsibly.

\* This number represents EnCana's share of operations where we have a 50 percent partnership with ConocoPhillips.

In this report EnCana does not include performance data from non-operated assets such as our 50 percent ownership of two refineries in the U.S. (ConocoPhillips owns the other 50 percent and is operator of the refineries.)

## A proven in-situ leader using SAGD technology

“Our goal is to grow our integrated oil business safely, economically and responsibly. We strive to conduct our operations in a manner that minimizes our environmental footprint while being a functional part of a healthy community.” **John Brannan** Executive Vice-President and President, Integrated Oil Division

We are one of the largest holders of in-situ oilsands lands in North America, and have a proven track record of innovatively developing in-situ bitumen projects.


In general, bitumen is a thick crude that cannot be economically produced by conventional methods. And since in-situ bitumen resources are not located near the surface, we use steam assisted gravity drainage (SAGD) technology to recover the bitumen by drilling. With more than 10 year's experience operating SAGD projects, we have established a distinct presence as a technology leader. We have three operating projects that use SAGD technology:

- **Foster Creek:** Located on the Canadian Forces Base Cold Lake Air Weapons Range in northeastern Alberta, Foster Creek's production capacity was 60,000 barrels per day (bbl/d) in 2007. Our expected daily oil production is expected to reach around 120,000 bbl/d by mid 2009.
- **Christina Lake:** Our Christina Lake facilities are located about 120 kilometres south of Fort McMurray in the northeastern region of Alberta. This facility started up in 2002 and is just beginning to reach commercial scale. Christina Lake has the potential to be EnCana's

largest in-situ oilsands project in Alberta, with a growth target of about 250,000 bbl/d over the next decade.

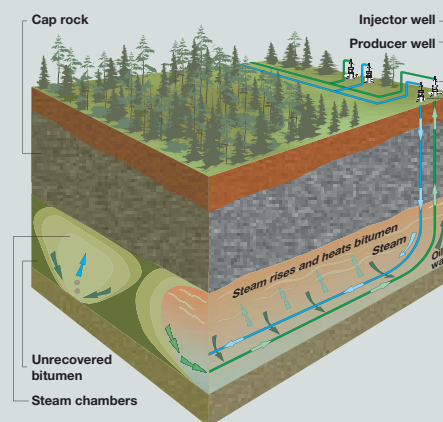
- **Senlac:** Our heavy oil operation near Senlac, Saskatchewan is a mature property with modest oil production. The site is primarily used to conduct research on SAGD technology.

### Capturing the full value

Our business venture with ConocoPhillips, established in January of 2007, links our upstream in-situ oilsands developments with downstream refining, allowing us to capture the full value chain of the bitumen resource. We own a 50 percent interest in the Wood River and Borger refineries in Illinois and Texas respectively. ConocoPhillips owns a 50 percent equity interest in the Foster Creek and Christina Lake SAGD projects in northeast Alberta. EnCana operates the upstream facilities and ConocoPhillips operates the downstream facilities. This business venture builds a clear, sustainable, profitable development path for our large oilsands resources. More information is available on [www.encana.com](http://www.encana.com). 

## Steam-assisted gravity drainage

### A thermal recovery process using paired horizontal wells



In-situ recovery is used to extract bitumen deposits buried deep below the surface – more than 75 metres in depth. Our operations use steam to heat the in-situ bitumen so it can be pumped to the surface, as described below:

- two horizontal wells are drilled one above the other, about five metres (17 feet) apart
- high-temperature steam is then continuously injected into the upper well
- as the steam moves into the sand, the bitumen is heated allowing it to soften
- the heated oil flows more freely, and gravity drains it into the lower (producer) well where it is pumped to the surface

### Quick Fact

Bitumen in oilsands deposits close to the surface is developed using mining techniques. Since EnCana's bitumen resources are all in deeper reservoirs, we are able to take advantage of in-situ SAGD. EnCana's in-situ SAGD occupies about one-eighth the land footprint of oilsands mining.

## Economic

### Quick Fact

An EnCana thermal well in Senlac, Saskatchewan has the industry record for longest run time on an electric submersible pump. The pump has operated in the wellbore for approximately three years and four months.

We use innovative technology to optimize our operational efficiencies. As an added benefit, our technology also reduces our environmental impacts, as illustrated by the following two examples.

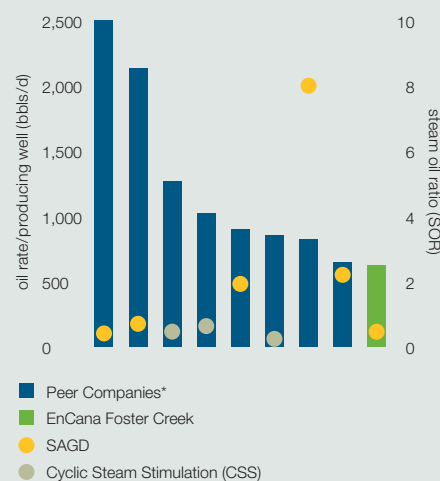
#### Reducing our steam-oil ratio

Using less steam for our SAGD operations means we use less water for every barrel of oil produced. Thus, we use less energy to make steam and we lower our associated greenhouse gas emissions. Electric submersible pumps (ESPs), which we introduced into our SAGD operations in 2003, have a unique design that enables us to reduce downhole

well pressure and use less steam to produce a barrel of oil, lowering our operating and capital costs. The use of ESPs has helped us achieve a steam-oil ratio of nearly 2.5 barrels of steam for every barrel of oil recovered, making us a leader in this fundamental measure of SAGD efficiency and performance (see graph), and the leading user of this technology.

We also reduce the size of well pads by removing the pumpjack at the surface. Each plant also has fewer boilers, smaller water treatment and cleanup facilities, shrinking our footprint even further.

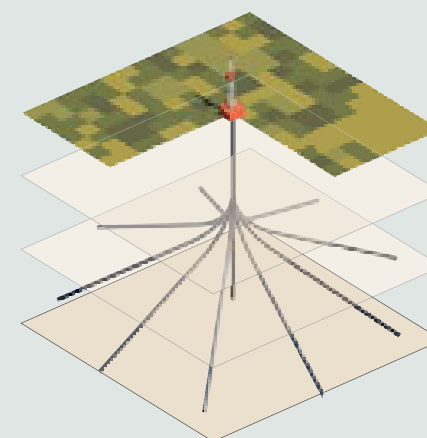
**EnCana is an industry leader with a steam-oil ratio of 2.5 barrels of steam for every barrel of oil recovered**



\* Peer companies include ConocoPhillips, CNRL, Husky, Petro-Canada, JACOS, IMO, Shell and Suncor. The blue bars show peer companies SORs.

Source: EUB Public Domain Data, Feb. 2007-Jan. 2008

#### Stratigraphic Technology



Stratigraphic technology allows several wells from one surface location.

We also reduce waste by approximately 40 percent by recycling drilling fluid onsite. The pilot program was also a success on the people side. For employees in the field, it meant steady work with less downtime, which creates a safer and more efficient work environment.

Stratigraphic wells also proved to be good for business. By accessing more reserves with just one well site location, we eliminated the need to move the drilling rig and equipment from location to location. These moves can only occur during the short winter drilling season because, once spring thaw occurs, marsh-like muskeg makes movement of heavy equipment impossible. As a result, we were able to extend the drilling season from the typical 75 days to 200 days in 2007.

Stratigraphic technology allows several wellbores to be drilled from one surface location. These wellbores are drilled at an angle, so they access reservoirs several hundred metres away from one wellhead (see diagram). The pilot well accessed 10 different bottom hole locations from one wellhead location at the surface.

The environmental benefit is clear: fewer surface locations means less construction and movement of equipment and a smaller footprint on the surface.

Environment

As in all our operations, the teams working on our SAGD projects are passionate about reducing the impacts our activities have on the environment. Technology is being used to help us continue to reduce our water use, decrease waste and lessen the amount of emissions from our in-situ oilsands operations.

Reducing and re-using water

Because water plays a vital role in our SAGD processes, water management is a critical aspect of our operations. Through research we are actively working to improve methods and technologies to reduce our fresh water use and to re-use water where possible.

For example, EnCana’s use of ESPs minimizes the amount of water we use in our in-situ operations. Using this technology helps us achieve one of the lowest steam-oil ratios in the industry. (See story page 31.)

Our Foster Creek facility exemplifies how technology can reduce our fresh water use. Operations at Foster Creek use significantly less fresh water than typical oilsands mining operations and are leading the in-situ industry.

Foster Creek SAGD	0.15 barrels of freshwater to produce one barrel of bitumen
Typical oilsands mining operation	2-4 barrels of freshwater to produce one barrel of oil

Our challenge is to apply our learnings from Foster Creek to our other in-situ facilities. At our Christina Lake facility, our fresh water use currently compares to a typical mining operation. We are applying the expertise we have developed at Foster Creek to Christina Lake processes and anticipate similar reductions in our fresh water use.

Water Use

The following table illustrates water use at EnCana’s SAGD facilities (1):

	2007
Total water withdrawal by source (m³)	4,760,233
Percentage water recycled and reused (2) (3)	74

(1) Includes EnCana’s Foster Creek, Foster Creek co-generation, Christina Lake, and Senlac oilsands facilities.  
(2) Foster Creek only.  
(3) ERCB defined recycle rate at Foster Creek is about 90 percent.

Water classifications

In Alberta, fresh water is classified as water containing less than 4,000 total dissolved solid parts per million (mg/L). Although the water we use is classified as fresh water, it does not meet water guidelines for human/ animal consumption or agriculture.

- Drinking water: 500 mg/L
- Agriculture (e.g. irrigation): under 700 mg/L
- Livestock and poultry: 1,000 - 3,000mg/L

Sources: Health Canada, Environment Canada and Agriculture & Agri-Food Canada



According to the Canadian Association of Petroleum Producers, the goal to reduce fresh water use in oil and gas operations is being met by increasing the use of saline, produced water and waste water whenever possible. To illustrate the industry is moving towards this goal, saline groundwater use in Alberta for enhanced oil recovery and in-situ projects almost doubled from 2001 to 2005.



### Quick Fact

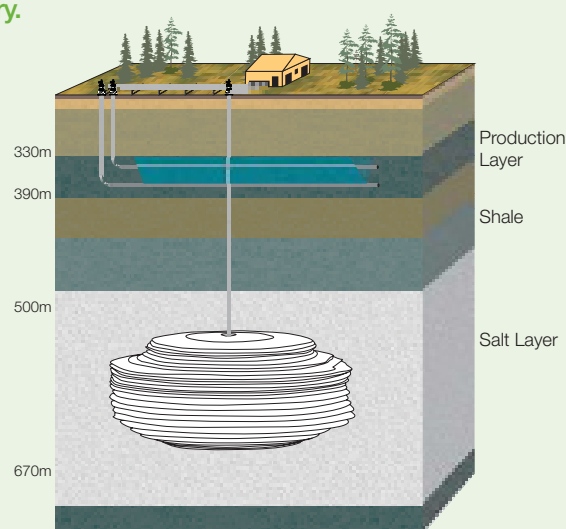
A typical oilsands mining project has a lower GHG intensity than in-situ oil projects. However, EnCana's in-situ oil projects at Christina Lake and Foster Creek have one of the lowest GHG emissions intensities of thermal in-situ projects in the industry.

### Shrinking our surface footprint

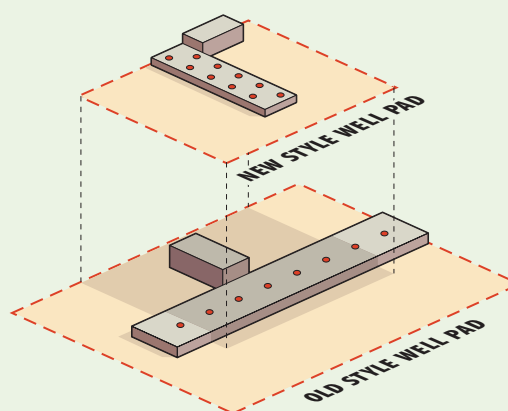
EnCana reduced the surface footprint at Foster Creek by using an underground storage cavern for products such as oil, gas and diluent. The cavern is located in an impenetrable salt formation below the in-situ production layer. The cavern replaced an above ground storage facility and has reduced the amount of surface disturbance necessary for product storage.

Other ways we are reducing our surface footprint include reducing well pad size (see illustration) and using a large-diameter (32-inch) pipeline to deliver steam to our operations in Foster Creek. This reduces the requirement to construct additional steam plants and their associated surface land requirements.

### Storage Cavern at Foster Creek



### 38 percent reduction well pad footprint



### Reducing waste one well at a time

Oil teams at our Foster Creek facility developed an award-winning method for separating water from hydrocarbons in drilling fluid waste. The water is reused in the drilling process and the drill cuttings are used in local roadway paving and drilling pad construction.

For information on our reclamation practices see page 22.

### GHG and Air Emissions

The following table shows air emissions at EnCana's SAGD facilities <sup>(1)</sup>. Increased greenhouse gas and NOx emissions reflect increased steam injection and production at Foster Creek. Decreased SO<sub>2</sub> emissions resulted from installing sulphur recovery facilities at Foster Creek.

	2007	2006	2005
Direct GHG emissions (ktonnes CO <sub>2</sub> e)	1,331	1,094	918
Nitrogen oxides (NOx) emissions (oilsands only) (tonnes)	660	424	397
Sulphur dioxide (SO <sub>2</sub> ) (tonnes)	461	802	847
Total gas flared (10 <sup>3</sup> m <sup>3</sup> /yr)	2,234	4,299	2,132
Total gas vented (10 <sup>3</sup> m <sup>3</sup> /yr)	0	0	0

(1) Includes EnCana's Foster Creek, Foster Creek Co-generation, Christina Lake, and Senlac Oilsands Facilities factor adjustments and production accounting updates.

### Lowering emissions with new approaches

By using unique applications of technologies in our operations, we consume less energy for every barrel of oil produced, which results in lower GHG emissions.

**Cogeneration:** The submersible pumps for our wells are powered by electricity, which is generated at a natural gas cogeneration plant in Foster Creek. The co-gen also produces heat which is used to provide a portion of the steam needed for SAGD at this facility. Any excess electricity we generate is sold to the Alberta power grid.

**Solvent Assisted Process:** We are also piloting a new Solvent Assisted Process (SAP) at Christina Lake that involves injecting a mixture of steam and solvent that further helps to liquefy the bitumen. The mixture is separated at the surface and the majority of the solvent is reused. Through SAP, we aim to further reduce our steam-oil ratio, saving more energy by using less water and further lowering air emissions.

## Social

Social considerations regarding our in-situ oilsands operations are especially important to EnCana because of the relative isolation of some of the communities where we operate. By forging strong relationships in these areas, we help sustain the economic health of these communities; build and sustain a workforce that can support the development of the region's natural resources; and enhance social programs and activities. The examples below demonstrate our desire to be the company of choice in the communities in which we operate.

### Training people to work in the environmental field

EnCana is helping to build capacity in local Aboriginal communities through a training program offered to Aboriginal students at Fort McMurray's Keyano College in northern Alberta. The training program was developed in response to an environmental error resulting in below regulated requirements of chlorine levels at our Christina Lake facility. The training program is the first of its kind and is helping create a local, skilled workforce trained in the environmental fields the industry needs.

Since EnCana's initial C\$200,000 donation to the program in January 2006, seven students have graduated and most are now working in their field. Along with ConocoPhillips, we committed an additional C\$1 million to the program in November 2007, ensuring at least three more graduating classes.

### Investing in community programs

Since 2004, EnCana has teamed up with Olympians, such as gold medal winner Hayley Wickenheiser, to showcase the Battle of The Border women's hockey tournament.

This yearly event gives rural communities the opportunity to witness Olympic-calibre hockey games, while raising funds that stay in their communities. The events also include opportunities to interact with the athletes through school visits, special luncheons, autograph sessions and contests.

In 2007, the games were played in Athabasca, Cold Lake and Bashaw, Alberta as well as Unity, Saskatchewan. All funds raised were matched by EnCana, totalling C\$87,600 to support local minor hockey associations and family-based organizations.

### Quick Fact

During the first three years of the Battle of the Border tournament, more than C\$257,000 was raised to benefit local organizations in the Alberta, British Columbia and Saskatchewan communities where the games were held.



Employees of Pimee Well Servicing Ltd.

### Supporting Aboriginal business

A successful working relationship with Pimee Well Servicing Ltd., an Aboriginal-owned oilfield service company in northeastern Alberta, is an example of how EnCana's in-situ operations are supporting the economic health of the region and Aboriginal businesses.

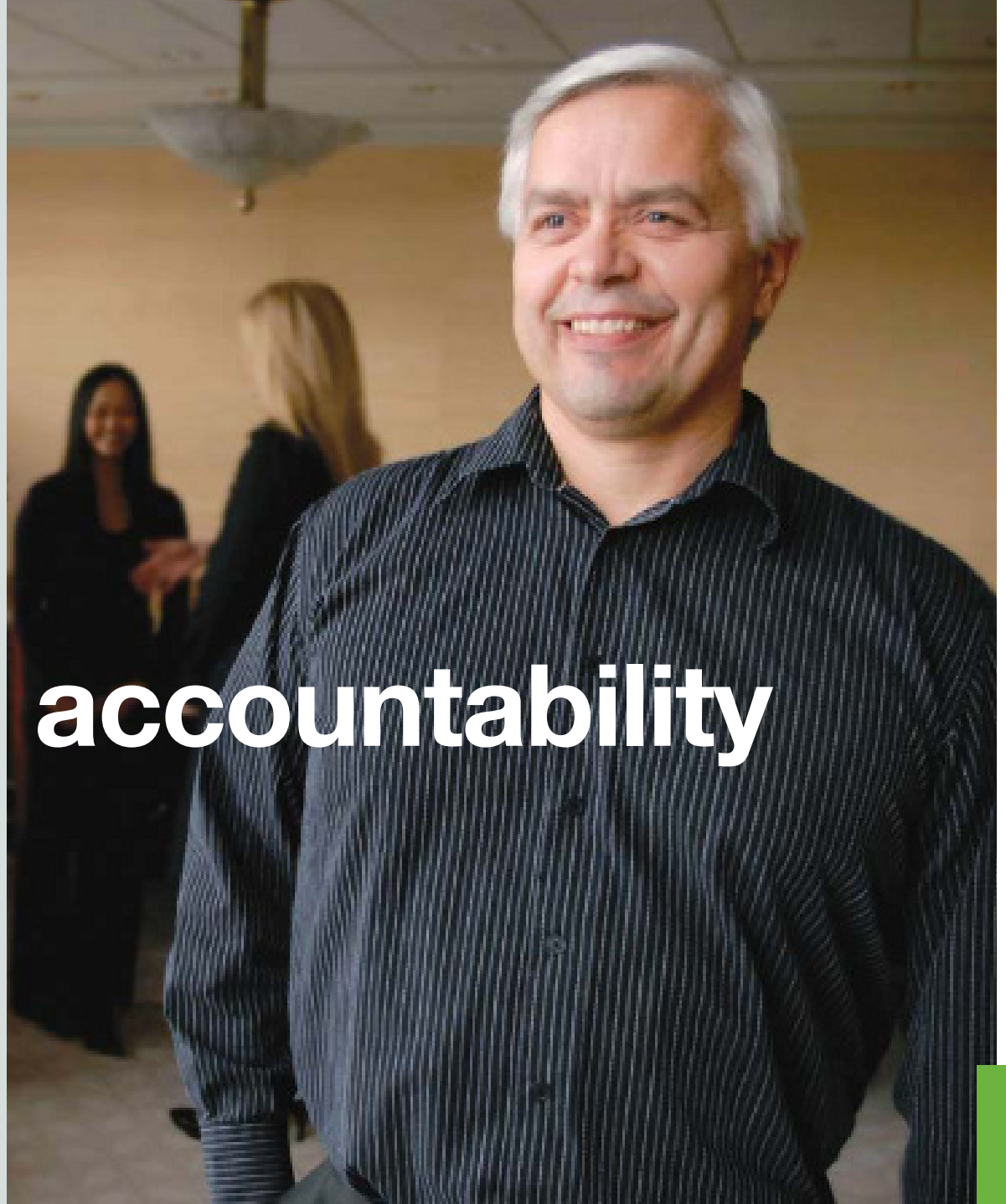
About one-third of EnCana's wells in the area are serviced by Pimee, which employs about 50 people, more than 90 percent of whom are Aboriginal Peoples. We have been working with Pimee crews for the last three years.

EnCana uses the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, and specialists from PricewaterhouseCoopers (PwC) to develop this report and review the quality of our performance data. In the following section you can read more on these processes, as well as review any other supporting or reference material you may need to better interpret this report.

# energy for accountability



Oil and natural gas derivatives are used to make plastics, steel and asphalt. Without them we wouldn't have cars, computers, countless household items such as pots and pans, or the hundreds of other items we use daily.



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# Global Reporting Initiative (GRI) Index

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	Indirect energy consumption reduction initiatives and results	EN7	CR	16-17
	Total water withdrawal by source	EN8	CR	21, 32
	Water sources significantly affected by withdrawal of water	EN9	CR	32
	Percentage and total volume of water recycled and reused	EN10	CR	32
	Significant impacts on biodiversity	EN12	CR	20

The complete table of indicators EnCana reports against is to be found on the web at [www.encana.com](http://www.encana.com).

Category	Description	GRI Indicator	Location	Page
<b>Environmental Performance (continued)</b>	Habitats protected or restored	EN13	CR	22-23
	Management of impacts on biodiversity	EN14	CR	19-23
	GHG emissions by weight	EN16	CR	17-18
	GHG emissions reductions initiatives and results	EN18	CR	17-18
	NOx, SOx, and other significant air emissions	EN20	CR	21
	Total water discharge by quality and destination	EN21	CR	32
	Total weight of waste by type and disposal method	EN22	CR	20
	Total number and volume of significant spills	EN23	CR	20
<b>Social Performance: Labour Practices and Decent Work</b>				
	Total workforce	LA1	CR	25
	Employee turnover by age group, gender, and region	LA2	CR	24, 26
	Benefits exclusive to full-time employees	LA3	CR	24, 26
	Injury and lost days rates and fatalities	LA7	CR	27
	Programs supporting continued employability of employees and assist them in managing career endings	LA11	CR	26
	Performance and career development reviews	LA12	CR	25
<b>Social Performance: Human Rights</b>				
	see below – web reporting only			
<b>Social Performance: Society</b>				
	Public policy positions and participation in public policy development and lobbying	SO5	CR	13-15
<b>Social Performance: Product Responsibility</b>				
	see below – web reporting only			
<b>Report Parameters</b>	Reporting period (e.g., fiscal/calendar year)	3.1	CR	37
	Date of most recent previous report (if any)	3.2	CR	37
	Reporting cycle (annual, biennial, etc.)	3.3	CR	37
	Contact point for questions regarding the report or its contents	3.4	CR	IBC
	Approach to reporting	3.5	CR	37
	Boundary of the report (e.g., countries, divisions, etc.)	3.6	CR	37
	Limitations on the scope or boundary of the report	3.7	CR	37, Footnotes
	Basis for reporting on joint ventures, subsidiaries, etc. affecting comparability and consistency	3.8	CR	37
	Data measurement techniques and bases of calculations	3.9	CR	37, Footnotes
	Explanation and reasons of any re-statements of information provided in earlier reports	3.10	CR	37, Footnotes
	Significant changes from previous reporting periods	3.11	CR	37
	Table identifying location of the Standard Disclosures	3.12	CR	36
	Policy and current practice with regard to seeking external assurance for the report (scope of assurance)	3.13	CR	39

AIF Annual Information Form  
IC Information Circular

CR Corporate Responsibility Report  
IBC Inside back cover

IFC Inside front cover  
WEB EnCana website



The following indicators are exclusively covered on the web:

**Governance:** 4.2, 4.3, 4.4, 4.6, 4.8, 4.9, 4.11, 4.12, 4.13

**Economic performance:** EC4

**Environmental performance:** EN27, EN28, EN29

**Society:** SO1, SO2, SO3, SO4, SO7, SO8

**Product Resp:** PR3, PR6, PR9

**Labour Practices:** LA4, LA5, LA8, LA9, LA13

**Human Rights:** HR3, HR4, HR9

## Our approach to reporting

### Quick Fact

In North and Central America, less than 10 percent of sustainability reports were externally assured in 2007.

EnCana is guided by internal and external factors when determining what information is important for this report. As standards and expectations for non-financial reporting evolve, we will modify our Corporate Responsibility Report accordingly.


### Reporting considerations

**1. Stakeholder input:** EnCana regularly conducts stakeholder surveys and the feedback we receive influences our Corporate Responsibility practices and reporting. Ongoing community and stakeholder consultation efforts, shareholder and analyst meetings, employee surveys and report feedback efforts help us ensure that we are paying attention to those issues of importance to our stakeholders.

**2. The Global Reporting Initiative:** This is a multi-stakeholder governed institution collaborating to provide the global standards in sustainability reporting. We use the latest G3 guidelines as a framework of what to report and how to measure our performance.

**3. Industry standards:** The Canadian Association of Petroleum Producers (CAPP) developed a reporting framework as part of its stewardship initiative. EnCana is a Platinum Level reporter under this initiative.

### Reporting period, boundaries and conventions

The performance and financial data in this report covers the three years prior to January 1, 2008,<sup>(1)</sup> unless otherwise noted. The corporate data provided includes all of EnCana's operating divisions, quantitatively and/or qualitatively. This is EnCana's third Corporate Responsibility Report. Since our first report we have increased the number of performance indicators we report on. A complete list of the indicators used for this year's report can be found on [www.encana.com](http://www.encana.com). 

All financial data are reported in U.S. dollars and excludes discontinued operations. Operational data detailing production and reserves are reported on after royalties, unless otherwise noted. Please refer to our 2007 Annual Report for detailed information on our financial performance.

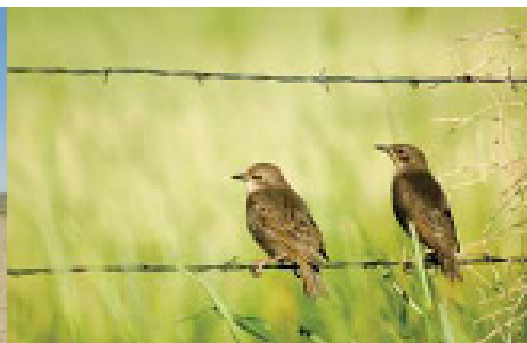
Data measurement techniques and bases for calculations, if not obvious, are included with the data. Data is EnCana-wide unless otherwise noted.

### Target audience

Our audience for this report includes staff, potential employees, Aboriginal Peoples, shareholders, community members, regulators, governments, environmental groups, advocacy organizations and business partners/suppliers.

### Non-operated assets

In this report EnCana does not include data from non-operated assets, such as our 50 percent ownership of two refineries in the U.S. (Conoco-Phillips owns the other 50 percent and is operator of the facilities.)





## Forward-looking statements

In the interest of providing EnCana Corporation (“EnCana” or the “Company”) shareholders and potential investors with information regarding the Company and its subsidiaries and the proposed transaction described on page 1 here of, including management’s assessment of the Company’s future plans and operations, certain statements and graphs contained in this report contain “forward-looking statements” (collectively referred to herein as “forward-looking statements”) within the meaning of the United States Private Securities Litigation Reform Act of 1995 or “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking statements are typically identified by words such as “anticipate”, “believe”, “expect”, “plan”, “intend”, “forecast”, “target”, “project” or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this report include, but are not limited to, statements and graphs with respect to: future economic performance; the anticipated success of the proposed transaction described on page 1 and expected future attributes of each company (GasCo and IOCo) following such transaction, the anticipated benefit of the transaction; estimates associated with the Weyburn project; the anticipated success of the Company’s Energy Efficiency initiatives; the estimated reduction in CO<sub>2</sub>, natural gas savings and project efficiency for 2008 and beyond; the anticipated success of using electric submersible pumps in increasing energy efficiency; the estimated yearly fuel savings and emissions reduction in using natural gas rigs; the estimated upstream production of the Company’s Integrated Oil Division for 2008 through 2015; the anticipated success of using stratigraphic technology in extending the Company’s winter drilling season; the anticipated success of the Company’s programs and initiatives in reducing GHG and other emissions; the anticipated technological developments and the success thereof (including solvent-assisted SAGD); and the various future-oriented conclusions derived from the projections and forecasts incorporated in this report.

You are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Company believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report include, but are not limited to: volatility of and assumptions regarding crude oil and natural gas prices, assumptions based upon the Company’s current guidance, fluctuations in currency and interest rates, product supply and demand, market competition, risks inherent in the Company’s North American and foreign oil and gas and midstream operations, risks inherent in the Company’s marketing operations, including credit risks, imprecision of reserves estimates and estimates of recoverable quantities of oil, bitumen, natural gas and liquids from resource plays and other sources not currently classified as proved reserves, the ability of the Company and ConocoPhillips to successfully manage and operate the North American integrated heavy oil business and the ability of the parties to obtain necessary regulatory approvals, refining and marketing margins, potential disruption or unexpected technical difficulties in developing new products and manufacturing processes, potential failure of new products to achieve acceptance in the market, unexpected cost increases or technical difficulties in constructing or modifying manufacturing or refining facilities, unexpected difficulties in manufacturing, transporting or refining synthetic crude oil, risks associated with technology and the application thereof to the business of GasCo and IOCo, the Company’s ability to replace and expand oil and gas reserves, the Company’s ability to either generate sufficient cash flow from

operations to meet its current and future obligations or obtain external sources of debt and equity capital, general economic and business conditions, the Company’s ability to enter into or renew leases, the timing and costs of well and pipeline construction, the Company’s ability to make capital investments and the amounts of capital investments, imprecision in estimating the timing, costs and levels of production and drilling, the results of exploration and development drilling, imprecision in estimates of future production capacity, the Company’s ability to secure adequate product transportation, uncertainty in the amounts and timing of royalty payments, imprecision in estimates of product sales, changes in royalty, tax, environmental and other laws or regulations or the interpretations of such laws or regulations, political and economic conditions in the countries in which the Company operates, the risk of war, hostilities, civil insurrection and instability affecting countries in which the Company operates and terrorist threats, risks associated with existing and potential future lawsuits and regulatory actions brought against the Company, and such other risks and uncertainties described from time to time in the Company’s reports and filings with the Canadian securities authorities and the United States Securities and Exchange Commission. Accordingly, the Company cautions that events or circumstances could cause actual results to differ materially from those predicted. Statements relating to “reserves” or “resources” or “resource potential” are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves and resource potential described exist in the quantities predicted or estimated, and can be profitably produced in the future. You are cautioned that the foregoing list of important factors is not exhaustive. You are further cautioned not to place undue reliance on forward-looking statements contained in this report, which are made as of the date hereof, and, except as required by law, the Company undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

## Independent Reviewer's report

### To: Management and the Board of Directors of EnCana Corporation

We have reviewed selected quantitative performance information presented in EnCana's Corporate Responsibility Report (the Report) for the year ended December 31, 2007. EnCana management is responsible for collection and presentation of the information within the Report. Our responsibility is to indicate whether anything has come to our attention to suggest that the information requires material adjustment or is not presented fairly in accordance with the relevant criteria.

### Scope

We reviewed the 2007 performance information for the performance indicators and company divisions as set out in the table below:

Performance Indicator	Canada	U.S.A.	Corporate
Direct greenhouse gas emissions (CO <sub>2</sub> equivalents)	✓	✓	
Energy use	✓		
NOx and SOx emissions	✓	✓	
Water withdrawal (Integrated Oilsands Division only)	✓		
Wastes	✓	✓	
Reportable spills	✓	✓	
Procurement from Aboriginal suppliers	✓		
Injury frequencies (employees and contractors)	✓		
Integrity investigations			✓
Total workforce (employees and contractors)			✓
Employee breakdown by age and gender			✓
Voluntary employee turnover rate & attrition by age group			✓
Employee payroll and benefits			✓

We did not review the narrative sections of the Report except insofar as they incorporated the selected quantitative information. This Report contains financial performance information extracted from EnCana's 2007 consolidated financial statements. Our opinion on the consolidated financial statements is set out in the Annual Report to Shareholders dated February 21, 2008.

### Methodology

Our review was completed in accordance with the International Standard on Assurance Engagements (ISAE) 3000, developed by the International Federation of Accountants. As such, we planned and performed our work in order to obtain limited, rather than absolute, assurance with respect to the selected quantitative information that we reviewed. Our review criteria were based

on relevant regulations, the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2006), EnCana management definitions, and generally accepted industry standards. Our procedures included analytical testing of the performance data, review of relevant documents and records, interviews with relevant personnel, and other procedures as necessary in the circumstances. Our review was carried out by a team comprising individuals with backgrounds and experience in environment, health and safety, social, and financial assurance. We believe our work provides a reasonable basis for our conclusion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the selected quantitative information listed in the table and set out in the Report requires material adjustment or is not fairly stated in accordance with the relevant criteria.



**PricewaterhouseCoopers LLP**

Calgary, Alberta, Canada

June 5, 2008

## Glossary of terms

**battery** facility where oil, gas and water are separated and impurities removed; the purified products are piped for further processing or distribution.

**bitumen** a thick, sticky form of crude oil.

**boiler** used to generate steam for steam-assisted gravity drainage.

**borrow pit** an area where material (soil, gravel, sand) has been dug for use at another location in construction. Borrow pits may become filled with ground water or are sometimes used for waste disposal.

**brackish water** water that has more salinity than freshwater, but not as much as seawater.

**catalytic converter** a device used to reduce the toxicity of emissions from internal combustion engines. The task of the catalytic converter is to promote chemical reactions for the conversion of pollutants from combustion to water, carbon dioxide and nitrogen.

**catalytic reduction** an emissions-reduction technology which injects nitrogen-containing compounds into exhaust with a catalyst, thus converting NOx emissions into nitrogen and water.

**dehydrator** removes water, so dry natural gas can be piped.

**diluent** a thinning agent added to fluids like thick crude oil in order to decrease viscosity and improve its ability to flow from one particular point to the other.

**fracturing** also known as “fracing” – a form of stimulation which helps increase production in oil and gas wells. Fluid is pumped into the well at pressures high enough to fracture the oil/gas bearing formation. The fracture provides an easier path for fluids or gas in the formation to move towards the wellbore.

**fresh water** bodies of water containing low concentrations of dissolved salts and other total dissolved solids. Fresh water is an important renewable resource, necessary for the survival of most terrestrial organisms, and is required by humans for drinking and agriculture, among many other uses.

**injection wells** used for a variety of purposes, including injecting water or natural gas to maintain reservoir pressure, or injecting produced water into a geologic formation deep beneath the earth’s surface to dispose of it.

**make-up water** new water needed to replace the volume of oil and gas produced in conventional enhanced oil recovery projects. Also replaces volumes of produced water that are lost in the treatment and steam generation processes for in-situ projects.

**non-potable water** water that is not fit for drinking typically containing greater than 500 parts per million (ppm) of total dissolved solids.

**produced water** mainly salty water, which comes from the process of lifting oil and gas from water-bearing formations — typically ancient sea or lake beds. As oil and gas is lifted to the surface, this water is also brought up.

**proppants** sized particles mixed with fracing fluid to hold fractures open after a hydraulic fracturing treatment.

**saline water** containing greater than 4,000 mg/L of dissolved solids.

**stimulation** techniques used to increase (stimulate) oil or gas reservoir production, such as acidizing, fracturing or various cleaning techniques. Also known as well stimulation.

**surface water** fresh water in our lakes and rivers.

## Measurement abbreviations

**bbls** barrels

**BOE** barrel of oil equivalent

**CO<sub>2</sub>e** carbon dioxide equivalent

**ktonnes** kilotonnes

**Mcf** thousand cubic feet

**MMcf** million cubic feet

**MMcfe** million cubic feet equivalent

**m<sup>3</sup>** cubic metres

**m<sup>3</sup>OE** cubic metres of oil equivalent

**10<sup>3</sup>m<sup>3</sup>** thousand cubic metres

**NGLs** natural gas liquids