Our Strategy

We have identified climate-related risks and opportunities (including those related to water) in short-term (0-3 years), medium-term (3-6 years) and long-term (6-50 years) horizons. These are described below, with their potential company and financial impact (assessed using processes such as scenario analysis, cost projections and our Emissions Long-Range Planning tool), and our resulting management approach. Our annual CDP Climate Change and Water Security submissions provide additional information, including where in the value chain these risks and opportunities occur: see "Download Reports" at sustainability.vermilionenergy.com.

Issue	Description of Impacts[1]	Potential Financial Impact	Management Approach: Business, Strategy, Financial Planning
Short-term Transition Risks (0-3 Years)			
Policy and Legal: Increased Pricing of GHG Emissions e.g. Carbon Tax	**Impact on Financial Performance: increased direct costs, impacting the Income and Cash Flow Statements** **Short-term:** Carbon taxes are set to increase in several of our jurisdictions, resulting in increasing costs Canada: The Canadian Federal Greenhouse Gas Pollution Pricing Act has set carbon tax rates at $50 per tCO2e in 2022, rising to $170 by 2030. Ireland: EU Emissions Trading Scheme cap and trade system requires users to acquire carbon allowances to account for their emissions; Ireland carbon tax: €41 in 2022, increasing by €7.50/t annually to 2030 Germany: German National Emissions Trading System established in 2021; fixed cost of €30/t in 2022, increasing to €55/t by 2025 with market pricing from 2027 Netherlands: indirect carbon tax established in 2021; cost impact is limited **Dynamic materiality:** Carbon pricing is vulnerable to changes in governments and associated policy. We note a political focus in the EU, Canada, USA and Australia on a COVID-19 economic recovery that is both climate-focused and responsive to social justice issues such as labour practices, and the potential for carbon pricing in the US and Australia based on environmentally focused governments.	**Financially material:** without mitigation, carbon taxes could exceed $11MM/year by 2025 and $16.5MM by 2030 **Sensitivity Analysis / Simulation:** Based on existing carbon tax costs plus forecasting via government-announced or likely carbon pricing, which we input into our Emissions Long Range Planning Tool, the financial impact increases as follows (approximate figures, before mitigation): Canada: $2MM (2022) to $8MM (2025) Ireland EU ETS: $2.8MM (2021), 3.2MM (2025), $4 to 5MM (2030) Ireland Carbon Tax: $0.2MM/year 2021-2030 Germany: $.2MM in 2021	**Mitigate – Financial Planning:** Our exposure is mitigated in Canada by provincial responses to the federal Act, including Alberta's Technology Innovation and Emissions Reduction (TIER) regulation and Saskatchewan's Output-Based Pricing System (OBPS). We voluntarily opted into TIER, for example, which provides tax exemptions contingent on emissions reduction. However, these programs will evolve with the federal approach, with emission reduction requirements becoming more stringent over time. **Mitigate – Strategy:** Continue to reduce the energy and emissions intensity of our operations, supporting our carbon strategy's emission reduction targets (2025 and 2030), and: - Use of our Emissions Long Range Planning Tool to establish the tax reductions available compared to carbon abatement costs, analyze potential acquisitions and divestments, and allocate capital to emissions reduction projects - Develop an initial net zero strategy in 2023 to support our net zero by 2050 target, with business unit and operational input **Accept – Strategy:** In addition, we: - Track evolving taxation requirements - Engage external and in-house experts to support tax strategy development, including accepting the tax expense where carbon abatement costs are uneconomical
Policy and Legal: Enhanced Emissions-Reporting Obligations	**Impact on Financial Performance: increased indirect costs, impacting the Income and Cash Flow Statements** **Impact on Financial Position: non-alignment potentially impacts access to capital and debt markets, equity price, creditworthiness and exposure to divestment risk** Anticipating changes to and maintaining alignment with emissions reporting obligations is related to two distinct risks: 1. **Jurisdictional emissions reporting:** each of our operating regions has their own distinct reporting regime, many of which are changing annually to keep pace with additional expectations in this area 2. **Sustainability reporting standards:** we are managing the emergence of four standards that will impact reporting expectations, including data auditability, by 2025: International Sustainability Standards Board; European Sustainability Reporting Standards; Canadian Securities Administrators Climate-related Disclosure; and the US Securities and Exchange Commission Climate Disclosure	**Operationally material:** Jurisdictional and Securities compliance is non-discretionary **Direct Measurement:** Financial impact is measured in terms of staff time required to monitor and evaluate reporting obligations, and develop company responses to ensure we remain aligned, including quantification of emissions, and the data gathering and processing necessary to support and streamline these efforts. Staff time and data capacity is estimated at $0.5MM annually ($50K per BU and corporate office staff time; $100K data support).	**Mitigate – Strategy:** - In Canada, we implemented emission data gathering software in 2021 - Company-wide, we are improving and automating data gathering and processing capacity in 2022/2023 **Accept – Strategy:** - Monitor jurisdictional emissions reporting obligations on an ongoing basis - Engage stakeholders relating to emissions reporting obligations to better understand expectations - Work with industry associations such as Canadian Association of Petroleum Producers to review emerging standards and provide feedback to standard-setting bodies - Plan company response to ensure alignment

Issue	Description of Impacts[1]	Potential Financial Impact	Management Approach: Business, Strategy, Financial Planning
Policy and Legal: **Mandates on and Regulation of Existing Products and Services: Changes in Climate-related Regulations, including Emissions, Water and the Environment** **Technology:** **Costs to reduce emissions**	**Impact on Financial Performance: increased direct costs to maintain compliance, including CAPEX, impacting the Income and Cash Flow Statements** **Impact on Financial Position: potential to decrease asset value, impacting the balance sheet** Emissions regulations are becoming more stringent in many of our regions, including: - Canada: Canada's 2030 Emissions Reduction Plan; Target to Reduce Methane from the Oil & Gas Sector by 40-45% by 2025 and 75% by 2030 (2012 baseline); Support for Global Methane Pledge - France: Hulot Law; Commitment to End Routine Flaring by 2030 - Netherlands: Plan to Reduce Nitrogen-based Pollution in line with EU rules Water regulations have become more restrictive in Germany, where drilling in Water Protection Zones is no longer permitted. We believe it is reasonable to expect more stringent water regulatory approaches in areas of Canada and France should drought conditions occur. Environmental regulations are evolving in the United States, particularly with respect to oil and gas leasing on federal lands, including lands offered for lease by the Bureau of Land Management, where leases were halted, then reinstated but with fewer acres available. While this did not impact our operations or planning, we monitor such regulatory changes to ensure our strategy manages them effectively.	**Operationally Material:** Jurisdictional compliance is non-discretionary Dynamic materiality: may increase financial materiality 2025-2030 Budgeting forecast tools: capital investment of $10MM will likely be required between 2021 and 2025 to meet our Scope 1 emission intensity 2025 target; however, significant portions of this incorporate operationally important upgrades that are economic based on efficiency gains or maintenance requirements. This phase of emission improvements also benefit by reducing carbon taxes in some jurisdictions. As we progress to emissions that are more challenging to reduce, it's likely that capital investments will need to increase; however, as carbon taxes also rise and carbon markets solidify, we expect abatement costs to be economical for many projects.	**Mitigate – Strategy:** Evolving regulatory requirements feed into our long-term business strategy, which incorporates carbon reduction, including energy efficiency, emission reduction, and new technologies and processes. This includes our two emission reduction targets. Tying in vented equipment to flaring infrastructure in Canada is an example of projects completed to address this risk; in Netherlands we have used NOx scrubbers and purchased NOx certificates for various drills. We work with external partners to further implement and develop emission reduction technologies that are economic, in part due to the potential generation of carbon credits. We have a careful, deliberate approach to project development, to mitigate the risk of investing in unsuccessful technologies. **Mitigate – Financial Planning & Capital Allocation:** - All Risk Register cases are assessed annually for potential sustainability-related impacts, including those climate-related - Emission reduction and water requirements and intensity are factors in budget decisions for capital and operating expenses - Emission and water intensity and other ESG considerations are factors in M&A and divestment decisions - Collateral considerations such as training are included in mitigation **Accept:** - In Germany, we have completed work with the local industry association in support of the government's ban on activity in Water Protection Zones - Regulations are monitored in all business units and reported quarterly to the Executive Committee and the Board

Issue	Description of Impacts[1]	Potential Financial Impact	Management Approach: Business, Strategy, Financial Planning
Short- to Medium-term Transition Risks (0-6 Years)			
Market, Legal and Reputation: Changing Customer Behaviour; Perception of Sector; Changing Market Signals; Exposure to Litigation; Increased Stakeholder Concern	**Impact on Financial Position: potential to decrease share price and shareholder equity, impacting the balance sheet and restricting access to or increasing cost of credit of capital and debt** These risks are allocated into one category, as they are deeply interconnected. We have seen significant negative perceptions of the oil and natural gas industry prevail over the past several years from various governments, communities, investor associations and other stakeholders. This can impact valuations, restrict licensing and permitting, lead to stakeholder concerns and opposition to our activities, and increase the risk of climate-related litigation. In 2022, however, energy security and affordability issues highlighted the importance of multiple energy forms being part of a deliberately planned energy transition that includes responsible oil and natural gas production – e.g. the European Union's decision to consider natural gas a transition fuel – to provide a bridge while renewable energies are building capacity. We expect current energy security concerns to maintain the need for oil and natural gas production while directing increased capital and urgency towards renewable energy in the short to medium term.	**Financially material** based on a proxy approach. The impact of decreased consumer confidence and perception is challenging to calculate; however, on a per share basis, the market impact of the loss of $1 per share would be approximately $162.4MM in enterprise value as of March 2022.	**Mitigate – Business Model:** Our business model prioritizes the responsible production of oil and natural gas to support energy security and accessibility. Our low-carbon strategy includes exploring new and evolving technologies and processes to identify synergistic fits for our business in both traditional and renewable energy production, particularly where have identified potential to repurpose our infrastructure to support the energy transition. We are focusing initially on geothermal and biogas, with early stage exploration of the potential for hydrogen and carbon capture, depending on the jurisdiction. **Mitigate – Strategy:** Based on stakeholder engagement, Vermilion believes that independent assessments of our operations by third parties demonstrate our responsible approach to production of essential energy. We have sought and achieved limited assurance of our Scope 1, 2 and 3 emissions data; Equitable Origin responsible gas producer certification for 3 sites in our West Pembina region in Canada, the AFNOR CSR Committed label in France, and the Business Working Responsibly Mark in Ireland. **Accept:** Our Public and Government Relations staff engage with a variety of key stakeholders in all business units to help inform their and our strategy development

Issue	Description of Impacts[1]	Potential Financial Impact	Management Approach: Business, Strategy, Financial Planning
Short- to Medium-term Physical Risks (0-6 Years)			
Acute: Increased Severity of Extreme Weather Events such as Cyclones, Floods, Wildfires, Windstorms	**Impact on Operations and Financial Performance: increased direct costs to repair damage, increasing insurance costs as coverage premiums rise, decreased production due to facility shut-ins, both impacting the Income and Cash Flow Statements** **Impact on Financial Position: potential to decrease asset value, impacting the balance sheet** Vermilion owns and operates an offshore platform in the Wandoo field off northwestern Australia, co-owns and operates the Corrib project off the Irish coast, and owns and operates oil fields in the coastal area of SW France. As climate effects such as hotter and drier conditions evolve, increased severe weather events have the potential to directly impact our offshore operations resulting in down time or damage to infrastructure, and can impact the downstream handling capacity of our partners, resulting in a limitation to the distribution and sale of our products. Onshore flooding and wildfires are an identified risk in other locations, including our Calgary corporate office (e.g. flooding occurred in 2013, now mitigated through various government projects) and our field locations (e.g. wildfires are already a known risk in Canada and France).	**Financially Material based on Wandoo Platform** **Probabilistic Modelling (catastrophe model):** Based on the value of the Wandoo Platform and a 1-in-10,000-year cyclonic event, the financial implications associated with damage are estimated at $470MM (impact after insurance). **Scenario Analysis:** The operational and financial impact of shutting-in assets (e.g. due to cyclones) is assessed using our Live Forecasting and Long-Range Planning Tools. E.g., based on 2021 production and netback data, Wandoo's impact would be $0.2MM per day, although business interruption insurance coverage could mitigate this.	**Mitigate – Strategy:** Our robust asset integrity program maintains our facilities to appropriate design specifications (e.g. at Wandoo, to CAT 5 hurricane force). Via our Emergency Response Plan and business continuity plans, we also have detailed protocols for monitoring, preparing for, and responding to severe weather events. **Transfer:** We purchase insurance as a mitigative measure to reduce the financial impact associated with damage to our assets due to severe weather events. **Accept:** We track evolving weather trends, such as cyclone season in Australia, wildfire seasons in Canada and the United States, and winter snowpack levels in Alberta.
Long-term Transition Risks (6-50 Years)			
Policy and Legal and Technology: **Substitution of products and services with lower emissions options** **Mandates on and Regulation of Products and Services: e.g. bans on internal combustion engines, natural gas stoves & heating, etc.**	**Impact on Financial Performance: decreased sales and revenue of our traditional products, impacting the Income and Cash Flow Statements** **Impact on Financial Position: potential to decrease asset value, impacting the balance sheet** Although we see demand for oil and natural gas remaining robust in the short- to mid-term, it is likely to fall as the energy transition evolves and various alternatives for renewable energy options become technologically and economically feasible and accessible. This could impact the need for our products long-term, post 2030-2035 for oil, particularly as bans such as on ICE vehicles take effect. However, based on long-term demand and transition scenarios[2], demand for natural gas declines significantly less than oil towards 2050, and potentially remains robust as carbon reduction and removal technologies improve and scale up. As 2021 and 2022 have demonstrated, it will be critical to maintain adequate supplies of both oil and natural gas during the energy transition, to provide energy security and affordability.	**Dynamic Materiality: could become financial material (2030-2035+)** Scenario Analysis: Given the uncertain timeline and progression of the energy transition, and supply-demand dynamics, we are not using a financial forecast for impact. We are, however, identifying and exploring potential opportunities that would mitigate the risk to our product mix.	**Mitigate – Business Model** Based on our scenario analysis, we identified the need to explore new and evolving technologies and processes to identify synergistic fits for our business in both traditional and renewable energy production. We are pursuing this via our established track record in geothermal energy from produced water, for which our internal expertise in engineering, geoscience and drilling is particularly well suited. We are also carefully investing in early R&D in other areas, such as biogas and the conversion of traditional oil and gas assets to geothermal and hydrogen production, to better understand the long-term potential; our deliberate approach to project development, with stage gates and off-ramps built in, is designed to minimize the risk and capital involved in investing in technology or processes in early stages of development.

Issue	Description of Impacts[1]	Potential Financial Impact	Management Approach: Business, Strategy, Financial Planning
Long-term Physical Risks (6-50 Years)			
Chronic: Changes in Temperature Extremes, Including Rising Mean Temperatures	**Impact on Operations and Financial Performance: increased direct costs, impacting the Income and Cash Flow Statements** **Impact on Financial Position: potential to decrease asset value, impacting the balance sheet** A decrease or increase in temperature extremes (i.e. lower seasonal lows, higher seasonal highs) could result in an increase in fuel gas for a variety of equipment, along with additional equipment (e.g. building and line heaters). This would require additional resources (infrastructure) and increase emissions. Temperature extremes could also increase capital costs associated with drilling, completion and workover operations due to increased timelines, decreased productivity, equipment breakdown, etc. For example, warmer winters decrease our ability to access lands and increase construction capital requirements for our Canadian operations.	Not currently forecast as financially or operationally material **Modelling:** The financial implications on an annual basis are difficult to quantify; however, the most significant financial implications would result from shutdowns in drilling or completions locations. The estimated average cost is $0.14MM per day of delay in Canada.	**Mitigate – Strategy:** We reduce the potential impact related to access in remote assets by using multi-well pads wherever possible. This significantly decreases capital considerations in the event that limited frost days occurred, while reducing the aerial impact of these activities, minimizing habitat fragmentation and reducing carbon emissions associated with lease construction and equipment mobilization. We also plan our activity at appropriate times of year as weather conditions allow (i.e drill in winter if summer temps become extreme) **Accept**: As weather extremes cannot be controlled, we will continue to monitor this risk in all our jurisdictions on a case-by-case basis.
Chronic: Changes In Precipitation Patterns and Extreme Variability in Weather Patterns	**Impact on Operations and Financial Performance: increased direct costs, impacting the Income and Cash Flow Statements** **Impact on Financial Position: potential to decrease asset value, impacting the balance sheet** Vermilion holds assets inland, in coastal regions and offshore where a change in precipitation could negatively impact operations due to drought or flooding. Flooding could result in limited access to locations / facilities, and poses a risk to our corporate headquarters (significantly mitigated since flooding occurred 2013). Alternatively, drought conditions could impact the availability of surface and / or groundwater, which Vermilion, in part, relies on for drilling and completion activities, and could negatively impact forecasted growth by increasing timelines and capital costs to bring new infrastructure onto production. This could also increase the likelihood of wildfires.	**Financially material** **Asset-specific hazard identification:** The financial implications of a one-time event (e.g. wildfire) are assessed on a case-specific basis, and are estimated to be greater than $10MM.	**Mitigate – Strategy:** - As these incidents are out of Vermilion's control, we take all measures possible to ensure effective emergency response to extreme weather events, to ensure the protection of the health and safety of our workers, contractors and the public, the protection of the environment and limitation of financial impact of the event. - In the case of a longer term extreme precipitation event or drought, Vermilion would implement water management programs to reduce our reliance on fresh water sources to limit the potential impact on operations. - In the event of a wildfire, we would eliminate water diversion and/or shut-in production to protect the health and safety of our workers, and the community. - We invest >$0.5MM in emergency response training annually. **Transfer:** We maintain insurance coverage for natural disasters such as wildfires with specific deductibles, under which we self-insure.
Chronic: Rising Sea Levels	**Impact on Operations and Financial Performance: increased direct costs, impacting the Income and Cash Flow Statements** **Impact on Financial Position: potential to decrease asset value, impacting the balance sheet** Vermilion owns and operates assets in the Netherlands, where we have assessed the potential risk associated with rising sea levels. This could physically impact our operations due to issues such as flooding, transportation difficulties and supply chain interruptions. Rising sea levels also pose a threat related to the salinization of groundwater.	Not currently forecast as financially or operationally material in the short or medium term; could potentially be material in the longer term **Asset-specific hazard identification:** We have estimated that a rise in sea level could have a maximum foreseeable financial impact of $107MM at our main gas processing facility Garijp (GTC) in the Netherlands, caused by an extreme 1-in-10,000-years tide/extreme wind event, and including physical damage, environmental clean-up, third-party liability and business interruption.	**Transfer:** We maintain insurance coverage for natural disasters such as flooding with specific deductibles, under which we self-insure. **Accept:** Other than conventional berm protection, there is no measure available to protect Vermilion's assets in the Netherlands if water levels rise to a level resulting in one of our main facilities being flooded by sea water. Based on Vermilion's assessment of the probability of these events occurring over the next 5 years being less than 0.05%, we have accepted this level of risk exposure. We review this risk in our annual risk management process.

Issue	Description of Impacts[1]	Potential Financial Impact	Management Approach: Business, Strategy, Financial Planning
Short-term Opportunities (0-3 Years)			
Products and Services, Energy Source and Resilience: Development of New and Low-Emission Products and Services through R&D and Innovation; use of new technologies; and participation in renewable energy programs	**Impact on Financial Performance: increased R&D costs and increased revenue, impacting the Income and Cash Flow Statements** **Impact on Financial Position: potential to decrease liabilities, impacting the balance sheet** The long-term transitional risk associated with the substitution of low-carbon products, also provides an opportunity to participate in their development. For example, we are evaluating the potential to reuse our current infrastructure to provide alternative products, such as biogas or hydrogen, and to develop new products such as geothermal energy, creating new revenue streams. An example of this opportunity is the geothermal heat we are providing from the produced water in our oil operations in France to support sustainable agriculture, residential and education projects near our operations.	**Potential for Financial Materiality** These opportunities are medium- to long-term from the perspective of revenue generation, but short-term for the launch of R&D. As they are in the early stages of assessment, it is difficult to quantify the financial impact, but it is estimated at up to $2.0MM per year in revenue. Potential also exists for significant cost adjustments to ARO, as assets slated for abandonment would be repurposed to enable them to continue to generate energy.	**Business Model:** We are leveraging our technical experts and partnerships to provide input into alternative and renewable energy projects as they are identified. An example of the development of low emission goods/services is our France-based industry partnership with Avenia to expand the use of geothermal energy production in oil production, along with memberships in geothermal associations in Netherlands and Germany. We have also developed clear criteria for approving the move of these ideas into and through our project development process, which provides clear gates and criteria for considering and implementing such projects. Another example is our partnership in Hylight, a 3-year project in Ireland that aims to provide the knowledge, data and tools to guide the cost-effective decarbonisation and roadmaps for sustainable large-scale implementation of hydrogen technologies.
Markets: Access to New Markets	**Impact on Financial Performance: increased revenue, impacting the Income and Cash Flow Statements** More stringent global measures to reduce emissions from individual ships by 30% by 2030, established through amendments to MARPOL Annex VI, came into force on Jan 1 2020, limiting the sulphur content of bunker fuel to a maximum of 0.5%. Vermilion's Australian Wando facility produces 3,810 bbl/d of low sulphur crude oil that meets the needs of refineries to comply with IMO regulations.	Our Wandoo crude is primarily sold to lubricant producers; however, greater proportions may become available to the low sulphur fuel oil market for refining or blending directly in 2023. A financial impact would be available closer to that date.	**Strategy:** Vermilion continues to access local markets for our low sulphur production. **Financial Planning:** Our Marketing group works with Operations to ensure Vermilion meets its contractual obligation with our buyers in terms of volumes, delivery dates and crude quality, thus maintaining our reputation of being a reliable source of low sulphur feedstock to refineries.
Products and Services: Ability to Diversify Business Activities; Shift in Consumer Preferences	**Impact on Financial Performance: increased direct costs of certification, increased revenue from premium pricing, impacting the Income and Cash Flow Statements** **Impact on Financial Position: potential to increase asset value, impacting the balance sheet** Vermilion maintains a diverse, stable global portfolio of oil and gas assets. Our strong record of safe and socially conscious development of energy resources has provided opportunities to access and develop these resources. We see our commitment to sustainability as core to our business, which has provided important organizational focus on emissions quantification and management. As consumers become more aware of and involved in the selection of their energy sources and associated carbon intensity, we believe that Vermilion will continue to be a producer of choice, providing us with opportunities not available to other organizations.	**Potential for Financial Materiality** The financial impact of changing consumer preferences is difficult to quantify. We foresee revenue opportunities in two distinct areas. 1. In our customers selecting premium energy products, with these products demanding a higher price than other energy sources on the market; currently we estimate the potential impact of premium pricing in the long-term to be $1-5 per BOE, or $31MM/year based on $1 at 2021 production levels. 2. Access to more stringent markets, supported by our environmental and sustainability performance. Vermilion has entered into the German, Hungarian, Croatian and Slovak oil and gas operations in the past decade, which our sustainability performance has supported.	**Strategy:** Based on stakeholder engagement, Vermilion believes that independent assessments of our operations by third parties demonstrate our responsible approach to production of essential energy, and have the potential to generate a premium. As a result, we have sought and achieved Equitable Origin responsible gas producer certification for 3 of our Canadian sites, the AFNOR CSR Committed label in France, and the Business Working Responsibly mark in Ireland. We are currently assessing the potential to expand these certifications and our use of methane performance certificates; while we are currently realizing a small premium associated with the sale of responsibly produced natural gas, future consumer preferences may demand that all fuels be certified – we will be in a strong position should that evolve.

Issue	Description of Impacts[1]	Potential Financial Impact	Management Approach: Business, Strategy, Financial Planning
Medium-term Opportunities (3-6 Years)			
Energy Source: Voluntary Participation in Carbon Market	**Impact on Financial Performance: increased revenue, impacting the Income and Cash Flow Statements** **Impact on Financial Position: potential to increase asset value, impacting the balance sheet** Under the EU ETS Directive in effect to 2030, we anticipate an active demand market for the offset credits generated at some of Vermilion's sustainability initiatives. This shift in the cap and trade scheme may provide opportunities for Vermilion to generate certified energy reduction / offset credits through our geothermal projects in France.	Vermilion is not accounting for any short term financial impact while the carbon market and international regulations around carbon offsets are developed through 2022-23 and beyond. This may move into a short-term opportunity based on the final versions.	**Strategy:** We are currently evaluating the benefit that certified offset credits from various emission reduction projects across our operations could provide. Examples of projects that have the potential to generate credits include four geothermal co-production projects in France. Vermilion's project assessment framework is applied to each identified opportunity, including considerations associated with emissions offset.
Products and Services: **Shift in Consumer Preferences**	**Impact on Financial Performance: increased revenue, impacting the Income and Cash Flow Statements** **Impact on Financial Position: potential to increase asset value, impacting the balance sheet** Under the Canadian Environmental Protection Act and based on commitments made by the Canadian and Alberta governments and energy utilities relating to COP21, coal-fired power generation is being replaced by with natural gas. Based on this and with a number of power generating facilities in Alberta nearing the end of their service life, the demand for natural gas is likely to increase due to increased use of combined cycle gas turbine (CCGT) power generation.	The short term impact of this change on gas pricing is anticipated to be low, increasing to medium in the medium- to long-term; however, it is difficult to isolate it from other forces in the energy pricing market. As a natural gas producer, Vermilion would benefit from an increase in marketable prices for natural gas in our Canadian operations. Based on 2021 production, an increase in gas price of $1 per MCF would increase annual sales by approximately $85MM.	**Strategy:** As we move further into the energy transition, we foresee natural gas playing an impactful role as a less carbon intense fuel than coal. Vermilion continues to focus on the identification of resources and assets where we have the opportunity to apply our industry leading expertise to optimize production while reducing emissions. An example of our strategy to realize this opportunity is our asset base in Alberta, which currently includes a large liquids rich gas play, and our 2022 acquisition of Leucrotta, providing us with access to natural gas in the Montney in NE British Columbia and NW Alberta. Vermilion's marketing team also actively pursues options for our natural gas production that enable Vermilion to achieve the optimum netbacks on production.
Long-term Opportunities (6-50 Years)			
Energy Source: Shift Toward Decentralized Energy Generation	**Impact on Financial Performance: increased revenue, impacting the Income and Cash Flow Statements** **Impact on Financial Position: potential to increase asset value, impacting the balance sheet** The carbon intensity of energy used around the world has a direct relationship to where the energy product was generated. Vermilion's business unit structure in Europe supports production and distribution of energy products into local markets. This strategy results in the significant reduction of the carbon footprint of our energy when compared to non-local sources.	On an operating netback (sales) basis, based on 2021 data, the financial premium of our non-Canadian assets was $525MM	Vermilion continues to assess where we can access local markets for our production, and to communicate to regional and national governments the importance of domestic supply to support energy security and affordability. We also have exploration and development programs in regions with relatively low energy production as compared to consumption (e.g. Hungary).

Notes:

(1) Risk summary is based on our fiscal year 2021 environmental reporting. Fiscal year 2022 environmental reporting will be available in mid-2023.

(2) Executive summary – World Energy Outlook 2021 – Analysis - IEA ; Global Energy Outlook 2022: Turning Points and Tension in the Energy Transition (rff.org)