

PART I

Item 1. Financial Statements

Condensed Consolidated Statement of Earnings *(unaudited)*

(US\$ millions, except per share amounts)		Three Months Ended March 31,	
		2021	2020
Revenues	(Note 2)		
Product and service revenues	(Note 3)	\$ 2,247	\$ 1,570
Gains (losses) on risk management, net	(Note 19)	(427)	1,055
Sublease revenues	(Note 9)	18	18
Total Revenues		1,838	2,643
Operating Expenses	(Note 2)		
Production, mineral and other taxes		60	52
Transportation and processing		379	396
Operating	(Notes 16, 17)	164	165
Purchased product		604	398
Depreciation, depletion and amortization		308	534
Impairments	(Note 8)	-	277
Accretion of asset retirement obligation		6	9
Administrative	(Notes 15, 16, 17)	122	53
Total Operating Expenses		1,643	1,884
Operating Income (Loss)		195	759
Other (Income) Expenses			
Interest	(Note 4)	87	96
Foreign exchange (gain) loss, net	(Notes 5, 19)	(7)	116
Other (gains) losses, net	(Notes 6, 10, 17)	(18)	(14)
Total Other (Income) Expenses		62	198
Net Earnings (Loss) Before Income Tax		133	561
Income tax expense (recovery)	(Note 6)	(176)	140
Net Earnings (Loss)		\$ 309	\$ 421
Net Earnings (Loss) per Share of Common Stock	(Note 12)		
Basic		\$ 1.19	\$ 1.62
Diluted		1.16	1.62
Weighted Average Shares of Common Stock Outstanding (millions)	(Note 12)		
Basic		260.1	259.8
Diluted		266.0	259.8

Condensed Consolidated Statement of Comprehensive Income *(unaudited)*

(US\$ millions)		Three Months Ended March 31,	
		2021	2020
Net Earnings (Loss)		\$ 309	\$ 421
Other Comprehensive Income (Loss), Net of Tax			
Foreign currency translation adjustment	(Note 13)	19	(134)
Pension and other post-employment benefit plans	(Notes 13, 17)	(1)	(2)
Other Comprehensive Income (Loss)		18	(136)
Comprehensive Income (Loss)		\$ 327	\$ 285

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet *(unaudited)*

(US\$ millions)		As at March 31, 2021	As at December 31, 2020
Assets			
Current Assets			
Cash and cash equivalents		\$ 9	\$ 10
Accounts receivable and accrued revenues (net of allowances of \$4 million (2020: \$4 million))		1,089	928
Risk management	(Notes 18, 19)	11	37
Income tax receivable	(Note 6)	130	272
		1,239	1,247
Property, Plant and Equipment, at cost:	(Note 8)		
Oil and natural gas properties, based on full cost accounting			
Proved properties		54,603	53,883
Unproved properties		2,807	2,962
Other		915	911
Property, plant and equipment		58,325	57,756
Less: Accumulated depreciation, depletion and amortization		(48,811)	(48,306)
Property, plant and equipment, net	(Note 2)	9,514	9,450
Other Assets		1,143	1,143
Risk Management	(Notes 18, 19)	5	4
Goodwill	(Note 2)	2,633	2,625
	(Note 2)	\$ 14,534	\$ 14,469
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 1,868	\$ 1,704
Current portion of operating lease liabilities		74	68
Income tax payable		2	3
Risk management	(Notes 18, 19)	399	130
Current portion of long-term debt	(Note 10)	1,118	518
		3,461	2,423
Long-Term Debt	(Note 10)	5,300	6,367
Operating Lease Liabilities		939	938
Other Liabilities and Provisions	(Note 11)	196	358
Risk Management	(Notes 18, 19)	106	125
Asset Retirement Obligation		398	401
Deferred Income Taxes		-	20
		10,400	10,632
Commitments and Contingencies	(Note 21)		
Shareholders' Equity			
Share capital - authorized 775 million shares of stock			
2021 issued and outstanding: 261.0 million shares (2020: 259.8 million shares)	(Note 12)	3	3
Paid in surplus	(Note 12)	8,525	8,531
Retained earnings (Accumulated deficit)		(5,488)	(5,773)
Accumulated other comprehensive income	(Note 13)	1,094	1,076
Total Shareholders' Equity		4,134	3,837
		\$ 14,534	\$ 14,469

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Shareholders' Equity *(unaudited)*

Three Months Ended March 31, 2021 (US\$ millions)	Share Capital	Paid in Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2020	\$ 3	\$ 8,531	\$ (5,773)	\$ 1,076	\$ 3,837
Net Earnings (Loss)	-	-	309	-	309
Dividends on Shares of Common Stock (\$0.09375 per share) <i>(Note 12)</i>	-	-	(24)	-	(24)
Equity-Settled Compensation Costs <i>(Note 16)</i>	-	(6)	-	-	(6)
Other Comprehensive Income (Loss) <i>(Note 13)</i>	-	-	-	18	18
Balance, March 31, 2021	\$ 3	\$ 8,525	\$ (5,488)	\$ 1,094	\$ 4,134

Three Months Ended March 31, 2020 (US\$ millions)	Share Capital	Paid in Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2019	\$ 7,061	\$ 1,402	\$ 421	\$ 1,046	\$ 9,930
Net Earnings (Loss)	-	-	421	-	421
Dividends on Shares of Common Stock (\$0.09375 per share) <i>(Note 12)</i>	-	-	(24)	-	(24)
Other Comprehensive Income (Loss) <i>(Note 13)</i>	-	-	-	(136)	(136)
Reclassification of Share Capital <i>(Note 12)</i>	(7,058)	7,058	-	-	-
Balance, March 31, 2020	\$ 3	\$ 8,460	\$ 818	\$ 910	\$ 10,191

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows *(unaudited)*

(US\$ millions)	Three Months Ended March 31,	
	2021	2020
Operating Activities		
Net earnings (loss)	\$ 309	\$ 421
Depreciation, depletion and amortization	308	534
Impairments <i>(Note 8)</i>	-	277
Accretion of asset retirement obligation	6	9
Deferred income taxes <i>(Note 6)</i>	(20)	140
Unrealized (gain) loss on risk management <i>(Note 19)</i>	271	(904)
Unrealized foreign exchange (gain) loss <i>(Note 5)</i>	2	101
Foreign exchange on settlements <i>(Note 5)</i>	(6)	20
Other	20	(63)
Net change in other assets and liabilities	(6)	(52)
Net change in non-cash working capital <i>(Note 20)</i>	(57)	83
Cash From (Used in) Operating Activities	827	566
Investing Activities		
Capital expenditures <i>(Note 2)</i>	(350)	(790)
Acquisitions <i>(Note 7)</i>	(1)	(17)
Proceeds from divestitures <i>(Note 7)</i>	2	22
Net change in investments and other	28	130
Cash From (Used in) Investing Activities	(321)	(655)
Financing Activities		
Net issuance (repayment) of revolving long-term debt <i>(Note 10)</i>	(460)	144
Repayment of long-term debt <i>(Note 10)</i>	-	(89)
Dividends on shares of common stock <i>(Note 12)</i>	(24)	(24)
Finance lease payments	(23)	(22)
Cash From (Used in) Financing Activities	(507)	9
Foreign Exchange Gain (Loss) on Cash, Cash Equivalents and Restricted Cash Held in Foreign Currency	-	(7)
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(1)	(87)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	10	190
Cash, Cash Equivalents and Restricted Cash, End of Period	\$ 9	\$ 103
Cash, End of Period	\$ 8	\$ 35
Cash Equivalents, End of Period	1	47
Restricted Cash, End of Period	-	21
Cash, Cash Equivalents and Restricted Cash, End of Period	\$ 9	\$ 103

Supplementary Cash Flow Information

(Note 20)

See accompanying Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation and Principles of Consolidation

Ovintiv is in the business of the exploration for, the development of, and the production and marketing of oil, NGLs and natural gas.

The interim Condensed Consolidated Financial Statements include the accounts of Ovintiv and entities in which it holds a controlling interest. All intercompany balances and transactions are eliminated on consolidation. Undivided interests in oil and natural gas exploration and production joint ventures and partnerships are consolidated on a proportionate basis. Investments in non-controlled entities over which the Company has the ability to exercise significant influence are accounted for using the equity method.

The interim Condensed Consolidated Financial Statements are prepared in conformity with U.S. GAAP and the rules and regulations of the SEC. Pursuant to these rules and regulations, certain information and disclosures normally required under U.S. GAAP have been condensed or have been disclosed on an annual basis only. Accordingly, the interim Condensed Consolidated Financial Statements should be read in conjunction with the annual audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2020, which are included in Item 8 of Ovintiv's 2020 Annual Report on Form 10-K.

The interim Condensed Consolidated Financial Statements have been prepared following the same accounting policies and methods of computation as the annual audited Consolidated Financial Statements for the year ended December 31, 2020.

These unaudited interim Condensed Consolidated Financial Statements reflect, in the opinion of Management, all normal and recurring adjustments necessary to present fairly the financial position and results of the Company as at and for the periods presented. Interim condensed consolidated financial results are not necessarily indicative of consolidated financial results expected for the fiscal year.

2. Segmented Information

Ovintiv's reportable segments are determined based on the following operations and geographic locations:

- **USA Operations** includes the exploration for, development of, and production of oil, NGLs and natural gas and other related activities within the U.S. cost center.
- **Canadian Operations** includes the exploration for, development of, and production of oil, NGLs and natural gas and other related activities within the Canadian cost center.
- **Market Optimization** is primarily responsible for the sale of the Company's proprietary production. These results are reported in the USA and Canadian Operations. Market optimization activities include third-party purchases and sales of product to provide operational flexibility and cost mitigation for transportation commitments, product type, delivery points and customer diversification. These activities are reflected in the Market Optimization segment. Market Optimization sells substantially all of the Company's upstream production to third-party customers. Transactions between segments are based on market values and are eliminated on consolidation.

Corporate and Other mainly includes unrealized gains or losses recorded on derivative financial instruments. Once the instruments are settled, the realized gains and losses are recorded in the reporting segment to which the derivative instruments relate. Corporate and Other also includes amounts related to sublease rentals.

Results of Operations (For the three months ended March 31)

Segment and Geographic Information

	USA Operations		Canadian Operations		Market Optimization	
	2021	2020	2021	2020	2021	2020
Revenues						
Product and service revenues	\$ 1,018	\$ 800	\$ 577	\$ 351	\$ 652	\$ 419
Gains (losses) on risk management, net	(136)	114	(22)	36	2	1
Sublease revenues	-	-	-	-	-	-
Total Revenues	882	914	555	387	654	420
Operating Expenses						
Production, mineral and other taxes	55	48	5	4	-	-
Transportation and processing	113	121	224	213	42	62
Operating	129	139	28	26	7	2
Purchased product	-	-	-	-	604	398
Depreciation, depletion and amortization	208	418	93	109	-	-
Impairments	-	277	-	-	-	-
Total Operating Expenses	505	1,003	350	352	653	462
Operating Income (Loss)	\$ 377	\$ (89)	\$ 205	\$ 35	\$ 1	\$ (42)
			Corporate & Other		Consolidated	
			2021	2020	2021	2020
Revenues						
Product and service revenues			\$ -	\$ -	\$ 2,247	\$ 1,570
Gains (losses) on risk management, net			(271)	904	(427)	1,055
Sublease revenues			18	18	18	18
Total Revenues			(253)	922	1,838	2,643
Operating Expenses						
Production, mineral and other taxes			-	-	60	52
Transportation and processing			-	-	379	396
Operating			-	(2)	164	165
Purchased product			-	-	604	398
Depreciation, depletion and amortization			7	7	308	534
Impairments			-	-	-	277
Accretion of asset retirement obligation			6	9	6	9
Administrative			122	53	122	53
Total Operating Expenses			135	67	1,643	1,884
Operating Income (Loss)			\$ (388)	\$ 855	195	759
Other (Income) Expenses						
Interest					87	96
Foreign exchange (gain) loss, net					(7)	116
Other (gains) losses, net					(18)	(14)
Total Other (Income) Expenses					62	198
Net Earnings (Loss) Before Income Tax					133	561
Income tax expense (recovery)					(176)	140
Net Earnings (Loss)					\$ 309	\$ 421

Intersegment Information

	Marketing Sales		Market Optimization		Total	
	Upstream Eliminations					
For the three months ended March 31,	2021	2020	2021	2020	2021	2020
Revenues	\$ 2,168	\$ 2,095	\$ (1,514)	\$ (1,675)	\$ 654	\$ 420
Operating Expenses						
Transportation and processing	137	168	(95)	(106)	42	62
Operating	7	2	-	-	7	2
Purchased product	2,023	1,967	(1,419)	(1,569)	604	398
Operating Income (Loss)	\$ 1	\$ (42)	\$ -	\$ -	\$ 1	\$ (42)

Capital Expenditures

	Three Months Ended March 31,	
	2021	2020
USA Operations	\$ 261	\$ 628
Canadian Operations	89	161
Corporate & Other	-	1
	\$ 350	\$ 790

Goodwill, Property, Plant and Equipment and Total Assets by Segment

	Goodwill		Property, Plant and Equipment		Total Assets	
	As at		As at		As at	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
USA Operations	\$ 1,938	\$ 1,938	\$ 8,164	\$ 8,103	\$ 10,808	\$ 10,646
Canadian Operations	695	687	1,152	1,142	2,123	2,031
Market Optimization	-	-	-	2	223	233
Corporate & Other	-	-	198	203	1,380	1,559
	\$ 2,633	\$ 2,625	\$ 9,514	\$ 9,450	\$ 14,534	\$ 14,469

3. Revenues from Contracts with Customers

The following table summarizes Ovintiv's revenues from contracts with customers.

Revenues (For the three months ended March 31)

	USA Operations		Canadian Operations		Market Optimization	
	2021	2020	2021	2020	2021	2020
Revenues from Customers						
Product revenues ⁽¹⁾						
Oil	\$ 741	\$ 642	\$ 5	\$ 2	\$ 385	\$ 210
NGLs	158	86	256	179	15	2
Natural gas	123	72	317	172	241	205
Service revenues						
Gathering and processing	-	-	1	-	5	-
Product and Service Revenues	\$ 1,022	\$ 800	\$ 579	\$ 353	\$ 646	\$ 417

	Corporate & Other		Consolidated	
	2021	2020	2021	2020
Revenues from Customers				
Product revenues ⁽¹⁾				
Oil	\$ -	\$ -	\$ 1,131	\$ 854
NGLs	-	-	429	267
Natural gas	-	-	681	449
Service revenues				
Gathering and processing	-	-	6	-
Product and Service Revenues	\$ -	\$ -	\$ 2,247	\$ 1,570

(1) Includes revenues from production and revenues of product purchased from third parties, but excludes intercompany marketing fees transacted between the Company's operating segments.

The Company's revenues from contracts with customers consists of product sales including oil, NGLs and natural gas, as well as the provision of gathering and processing services to third parties. Ovintiv had no contract asset or liability balances during the periods presented. As at March 31, 2021, receivables and accrued revenues from contracts with customers were \$997 million (\$814 million as at December 31, 2020).

Ovintiv's product sales are sold under short-term contracts with terms that are less than one year at either fixed or market index prices or under long-term contracts exceeding one year at market index prices.

The Company's gathering and processing services are provided on an interruptible basis with transaction prices that are for fixed prices and/or variable consideration. Variable consideration received is related to recovery of plant operating costs or escalation of the fixed price based on a consumer price index. As the service contracts are interruptible, with service provided on an "as available" basis, there are no unsatisfied performance obligations remaining at March 31, 2021.

As at March 31, 2021, all remaining performance obligations are priced at market index prices or are variable volume delivery contracts. As such, the variable consideration is allocated entirely to the wholly unsatisfied performance obligation or promise to deliver units of production, and revenue is recognized at the amount for which the Company has the right to invoice the product delivered. As the period between when the product sales are transferred and Ovintiv receives payments is generally 30 to 60 days, there is no financing element associated with customer contracts. In addition, Ovintiv does not disclose unsatisfied performance obligations for customer contracts with terms less than 12 months or for variable consideration related to unsatisfied performance obligations.

4. Interest

	Three Months Ended March 31,	
	2021	2020
Interest Expense on:		
Debt	\$ 84	\$ 89
Finance leases	2	3
Other	1	4
	\$ 87	\$ 96

5. Foreign Exchange (Gain) Loss, Net

	Three Months Ended March 31,	
	2021	2020
Unrealized Foreign Exchange (Gain) Loss on:		
Translation of U.S. dollar financing debt issued from Canada	\$ 1	\$ 76
Translation of U.S. dollar risk management contracts issued from Canada	1	52
Translation of intercompany notes	-	(27)
	2	101
Foreign Exchange on Settlements of:		
U.S. dollar financing debt issued from Canada	(6)	17
U.S. dollar risk management contracts issued from Canada	(7)	3
Intercompany notes	-	3
Other Monetary Revaluations	4	(8)
	\$ (7)	\$ 116

Following the completion of the corporate reorganization and U.S. domestication in 2020, the U.S. dollar denominated unsecured notes issued by Encana Corporation from Canada were assumed by Oventiv Inc., a company incorporated in Delaware with a U.S. dollar functional currency. Accordingly, these U.S. dollar denominated unsecured notes, along with certain intercompany notes, no longer attract foreign exchange translation gains or losses.

6. Income Taxes

	Three Months Ended March 31,	
	2021	2020
Current Tax		
Canada	\$ (156)	\$ -
Total Current Tax Expense (Recovery)	(156)	-
Deferred Tax		
United States	-	128
Canada	(20)	10
Other Countries	-	2
Total Deferred Tax Expense (Recovery)	(20)	140
Income Tax Expense (Recovery)	\$ (176)	\$ 140
Effective Tax Rate	(132.3%)	25.0%

Ovintiv's interim income tax expense is determined using the estimated annual effective income tax rate applied to year-to-date net earnings before income tax plus the effect of legislative changes and amounts in respect of prior periods. The estimated annual effective income tax rate is impacted by expected annual earnings, changes in valuation allowances, income tax related to foreign operations, state tax, the effect of legislative changes, non-taxable capital gains and losses, and tax differences on divestitures and transactions, which can produce interim effective tax rate fluctuations.

During the three months ended March 31, 2021, the current income tax recovery was primarily due to the resolution of prior year tax items. The resolution, along with other items, resulted in a \$222 million reduction of unrecognized tax benefits, offset by a \$66 million reduction in valuation allowance, and recognition of \$12 million in interest income in other (gains) losses. During the three months ended March 31, 2021, the deferred tax recovery was primarily due to the reduction in valuation allowances recorded relating to current year net earnings before tax and from the resolution of prior year tax items. During the three months ended March 31, 2020, the deferred tax expense was primarily due to net earnings before income tax in the period.

The effective tax rate of (132.3) percent for the three months ended March 31, 2021 is lower than the U.S. federal statutory tax rate of 21 percent primarily due to the resolution of certain tax items relating to prior taxation years and the reduction in valuation allowances recorded relating to current year earnings net earnings before tax. The effective tax rate of 25.0 percent for the three months ended March 31, 2020 was higher than the U.S. federal statutory tax rate of 21 percent primarily due to state taxes and foreign jurisdictional tax rates relative to the U.S. federal statutory tax rate applied to jurisdictional earnings.

7. Acquisitions and Divestitures

	Three Months Ended March 31,	
	2021	2020
Acquisitions		
USA Operations	\$ 1	\$ 17
Total Acquisitions	1	17
Divestitures		
USA Operations	(1)	(21)
Canadian Operations	(1)	(1)
Total Divestitures	(2)	(22)
Net Acquisitions & (Divestitures)	\$ (1)	\$ (5)

Acquisitions

For the three months ended March 31, 2020, acquisitions in the USA Operations were \$17 million, which primarily included property purchases with oil and liquids rich potential.

Divestitures

For the three months ended March 31, 2020, divestitures in the USA Operations were \$21 million, which primarily included the sale of certain properties that did not complement Ovintiv's existing portfolio of assets.

Amounts received from the Company's divestiture transactions have been deducted from the respective U.S. and Canadian full cost pools.

8. Property, Plant and Equipment, Net

	As at March 31, 2021			As at December 31, 2020		
	Cost	Accumulated DD&A	Net	Cost	Accumulated DD&A	Net
USA Operations						
Proved properties	\$ 38,287	\$ (32,789)	\$ 5,498	\$ 37,875	\$ (32,581)	\$ 5,294
Unproved properties	2,642	-	2,642	2,785	-	2,785
Other	24	-	24	24	-	24
	40,953	(32,789)	8,164	40,684	(32,581)	8,103
Canadian Operations						
Proved properties	16,316	(15,339)	977	16,008	(15,056)	952
Unproved properties	165	-	165	177	-	177
Other	10	-	10	13	-	13
	16,491	(15,339)	1,152	16,198	(15,056)	1,142
Market Optimization	7	(7)	-	9	(7)	2
Corporate & Other	874	(676)	198	865	(662)	203
	\$ 58,325	\$ (48,811)	\$ 9,514	\$ 57,756	\$ (48,306)	\$ 9,450

USA and Canadian Operations' property, plant and equipment include internal costs directly related to exploration, development and construction activities of \$40 million, which have been capitalized during the three months ended March 31, 2021 (2020 - \$47 million).

For the three months ended March 31, 2021, Ovintiv did not recognize a ceiling test impairment in the USA Operations (2020 - \$277 million before tax) or Canadian Operations (2020 - nil). The non-cash ceiling test impairment recognized in the USA Operations in 2020 is included with accumulated DD&A in the table above and primarily resulted from the decline in the 12-month average trailing prices related to NGLs and natural gas, which reduced proved reserves values.

The 12-month average trailing prices used in the ceiling test calculations were based on the benchmark prices presented below. The benchmark prices were adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality.

	Oil & NGLs		Natural Gas	
	WTI (\$/bbl)	Edmonton Condensate (C\$/bbl)	Henry Hub (\$/MMBtu)	AECO (C\$/MMBtu)
12-Month Average Trailing Reserves Pricing ⁽¹⁾				
March 31, 2021	\$ 40.01	\$ 49.68	\$ 2.16	\$ 2.36
December 31, 2020	39.62	49.77	1.98	2.13
March 31, 2020	56.06	70.32	2.30	1.48

(1) All prices were held constant in all future years when estimating net revenues and reserves.

9. Leases

The following table outlines Ovintiv's estimated future sublease income as at March 31, 2021. All subleases are classified as operating leases.

(undiscounted)	2021	2022	2023	2024	2025	Thereafter	Total
Sublease Income	\$ 39	\$ 48	\$ 47	\$ 46	\$ 47	\$ 528	\$ 755

For the three months ended March 31, 2021, operating lease income was \$13 million (2020 - \$13 million), and variable lease income was \$5 million (2020 - \$5 million).

10. Long-Term Debt

	As at March 31, 2021	As at December 31, 2020
U.S. Dollar Denominated Debt		
Revolving credit and term loan borrowings	\$ 490	\$ 950
U.S. Unsecured Notes:		
3.90% due November 15, 2021	518	518
5.75% due January 30, 2022	600	600
5.625% due July 1, 2024	1,000	1,000
5.375% due January 1, 2026	688	688
8.125% due September 15, 2030	300	300
7.20% due November 1, 2031	350	350
7.375% due November 1, 2031	500	500
6.50% due August 15, 2034	750	750
6.625% due August 15, 2037	462	462
6.50% due February 1, 2038	488	488
5.15% due November 15, 2041	203	203
Total Principal	6,349	6,809
Increase in Value of Debt Acquired	103	111
Unamortized Debt Discounts and Issuance Costs	(34)	(35)
Total Long-Term Debt	\$ 6,418	\$ 6,885
Current Portion	\$ 1,118	\$ 518
Long-Term Portion	5,300	6,367
	\$ 6,418	\$ 6,885

As at March 31, 2021, the Company had outstanding commercial paper of \$490 million maturing at various dates with a weighted average interest rate of approximately 1.03 percent. These amounts are supported, and Management expects that they will continue to be supported by revolving credit facilities that have no repayment requirements within the next year and which expire in 2024.

As at March 31, 2021, total long-term debt had a carrying value of \$6,418 million and a fair value of \$7,206 million (as at December 31, 2020 - carrying value of \$6,885 million and a fair value of \$7,379 million). The estimated fair value of long-term borrowings is categorized within Level 2 of the fair value hierarchy and has been determined based on market information of long-term debt with similar terms and maturity, or by discounting future payments of interest and principal at interest rates expected to be available to the Company at period end.

During the three months ended March 31, 2020, the Company repurchased in the open market approximately \$100 million in principal amount of its senior notes. The aggregate cash payments related to the note repurchases were \$89 million, plus accrued interest, and net gains of approximately \$11 million, were recognized in other (gains) losses, net on the Condensed Consolidated Statement of Earnings.

11. Other Liabilities and Provisions

	As at March 31, 2021	As at December 31, 2020
Finance Lease Obligations	\$ 38	\$ 39
Unrecognized Tax Benefits (Note 6)	-	158
Pensions and Other Post-Employment Benefits	126	129
Long-Term Incentive Costs (See Note 16)	11	9
Other Derivative Contracts (See Notes 18, 19)	5	7
Other	16	16
	\$ 196	\$ 358

12. Share Capital

Authorized

Ovintiv is authorized to issue 750 million shares of common stock, par value \$0.01 per share, and 25 million shares of preferred stock, par value \$0.01 per share. No shares of preferred stock are outstanding.

Issued and Outstanding

	As at March 31, 2021		As at December 31, 2020	
	Number (millions)	Amount	Number (millions)	Amount
Shares of Common Stock Outstanding, Beginning of Year	259.8	\$ 3	259.8	\$ 7,061
Shares of Common Stock Issued (See Note 16)	1.2	-	-	-
Reclassification of Share Capital	-	-	-	(7,058)
Shares of Common Stock Outstanding, End of Period	261.0	\$ 3	259.8	\$ 3

In conjunction with the corporate reorganization and U.S. domestication completed in 2020, the amount recognized in share capital in excess of Ovintiv's established par value of \$0.01 per share was reclassified to paid in surplus. Accordingly, approximately \$7,058 million was reclassified.

Dividends

During the three months ended March 31, 2021, the Company declared and paid dividends of \$0.09375 per share of Ovintiv common stock totaling \$24 million (2020 - \$0.09375 per share of Ovintiv common stock totaling \$24 million).

On April 28, 2021, the Board of Directors declared a dividend of \$0.09375 per share of Ovintiv common stock payable on June 30, 2021 to stockholders of record as of June 15, 2021.

Earnings Per Share of Common Stock

The following table presents the computation of net earnings (loss) per share of common stock:

(US\$ millions, except per share amounts)	Three Months Ended March 31,	
	2021	2020
Net Earnings (Loss)	\$ 309	\$ 421
Number of Shares of Common Stock:		
Weighted average shares of common stock outstanding - Basic	260.1	259.8
Effect of dilutive securities ⁽¹⁾	5.9	-
Weighted Average Shares of Common Stock Outstanding - Diluted	266.0	259.8
Net Earnings (Loss) per Share of Common Stock		
Basic	\$ 1.19	\$ 1.62
Diluted ⁽¹⁾	1.16	1.62

- (1) During the fourth quarter of 2020, Ovintiv's Board of Directors resolved to settle certain Performance Share Units ("PSUs") and Restricted Share Units ("RSUs") with the issuance of the Company's common stock. As a result, the stock-based compensation awards were modified and reclassified as equity-settled awards. See Note 16 for further information.

Shares issued as a result of awards granted from stock-based compensation plans are generally funded out of the common stock authorized for issuance as approved by the Company's shareholders.

Stock-Based Compensation Plans

Ovintiv's PSU and RSU stock-based compensation plans allow the Company to settle the awards either in cash or in the Company's common stock. The PSUs and RSUs are classified as equity-settled if the Company has sufficient common stock reserved for issuance. These awards are included in the computation of diluted net earnings (loss) per share if dilutive.

Ovintiv's stock options with associated Tandem Stock Appreciation Rights ("TSARs") give the employee the right to purchase shares of common stock of the Company or receive cash. Historically, most holders of options have elected to exercise their TSARs in exchange for a cash payment. As a result, outstanding options are not considered potentially dilutive securities.

13. Accumulated Other Comprehensive Income

	Three Months Ended March 31,	
	2021	2020
Foreign Currency Translation Adjustment		
Balance, Beginning of Year	\$ 1,042	\$ 1,004
Change in Foreign Currency Translation Adjustment	19	(134)
Balance, End of Period	\$ 1,061	\$ 870
Pension and Other Post-Employment Benefit Plans		
Balance, Beginning of Year	\$ 34	\$ 42
Amounts Reclassified from Other Comprehensive Income:		
Reclassification of net actuarial (gains) and losses to net earnings (See Note 17)	(1)	(2)
Income taxes	-	-
Balance, End of Period	\$ 33	\$ 40
Total Accumulated Other Comprehensive Income	\$ 1,094	\$ 910

14. Variable Interest Entities

Veresen Midstream Limited Partnership

Veresen Midstream Limited Partnership (“VMLP”) provides gathering, compression and processing services under various agreements related to the Company’s development of liquids and natural gas production in the Montney play. As at March 31, 2021, VMLP provides approximately 1,167 MMcf/d of natural gas gathering and compression and 925 MMcf/d of natural gas processing under long-term service agreements with remaining terms ranging from 10 to 24 years and have various renewal terms providing up to a potential maximum of 10 years.

Ovintiv has determined that VMLP is a VIE and that Ovintiv holds variable interests in VMLP. Ovintiv is not the primary beneficiary as the Company does not have the power to direct the activities that most significantly impact VMLP’s economic performance. These key activities relate to the construction, operation, maintenance and marketing of the assets owned by VMLP. The variable interests arise from certain terms under the various long-term service agreements and include: i) a take or pay for volumes in certain agreements; ii) an operating fee of which a portion can be converted into a fixed fee once VMLP assumes operatorship of certain assets; and iii) a potential payout of minimum costs in certain agreements. The potential payout of minimum costs will be assessed in the eighth year of the assets’ service period and is based on whether there is an overall shortfall of total system cash flows from natural gas gathered and compressed under certain agreements. The potential payout amount can be reduced in the event VMLP markets unutilized capacity to third party users. Ovintiv is not required to provide any financial support or guarantees to VMLP.

As a result of Ovintiv’s involvement with VMLP, the maximum total exposure to loss related to the commitments under the agreements is estimated to be \$1,894 million as at March 31, 2021. The estimate comprises the take or pay volume commitments and the potential payout of minimum costs. The take or pay volume commitments associated with certain gathering and processing assets are included in Note 21 under Transportation and Processing. The potential payout requirement is highly uncertain as the amount is contingent on future production estimates, pace of development and the amount of capacity contracted to third parties. As at March 31, 2021, accounts payable and accrued liabilities included \$0.3 million related to the take or pay commitment.

15. Restructuring Charges

In June 2020, Ovintiv undertook a plan to reduce its workforce by approximately 25 percent as part of a company-wide reorganization in response to the low commodity price environment resulting from the global pandemic and the Company's planned reductions in capital spending. During the three months ended March 31, 2021, the Company incurred restructuring charges of \$6 million, before tax, related to severance costs. Of the \$96 million in restructuring charges incurred to date, \$4 million remains accrued as at March 31, 2021 (\$14 million as at December 31, 2020). The majority of the remaining amounts accrued are expected to be paid in 2021 and total transition and severance costs are expected to be approximately \$104 million before tax.

Restructuring charges are included in administrative expense presented in the Corporate and Other segment in the Condensed Consolidated Statement of Earnings.

	Three Months Ended March 31,	
	2021	2020
Severance and Benefits	\$ 6	\$ -
Outplacement, Moving and Other Expenses	-	-
Restructuring Expenses	\$ 6	\$ -

	As at March 31, 2021	As at December 31, 2020
Outstanding Restructuring Accrual, Beginning of Year	\$ 14	\$ 8
Restructuring Expenses Incurred	6	90
Restructuring Costs Paid	(16)	(84)
Outstanding Restructuring Accrual, End of Period ⁽¹⁾	\$ 4	\$ 14

(1) Included in accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheet.

16. Compensation Plans

Ovintiv has a number of compensation arrangements under which the Company awards various types of long-term incentive grants to eligible employees and Directors. They may include TSARs, Stock Appreciation Rights ("SARs"), PSUs, Deferred Share Units ("DSUs") and RSUs.

Ovintiv accounts for PSUs and RSUs as equity-settled stock-based payment transactions provided there is sufficient common stock held in reserve for issuance. TSARs, SARs and DSUs are accounted for as cash-settled stock-based payment transactions. The Company accrues compensation costs over the vesting period based on the fair value of the rights determined using the Black-Scholes-Merton or other appropriate fair value models.

During the fourth quarter of 2020, Ovintiv's Board of Directors resolved to settle certain PSU awards and RSU awards with the issuance of the Company's common stock. Historically, the Company settled PSU and RSU awards in cash. As a result, the respective awards were modified and reclassified as equity-settled share-based payment transactions at the modification date. The modified awards accrue compensation expense using the modification date fair value of the awards over the remaining vesting period. Common stock used to settle the PSU and RSU awards will be issued from Ovintiv's common stock authorized and held in reserve for issuance under the Company's stock-based compensation plans.

The following weighted average assumptions were used to determine the fair value of TSAR and SAR units outstanding:

	As at March 31, 2021		As at March 31, 2020	
	US\$ SAR Share Units	C\$ TSAR Share Units	US\$ SAR Share Units	C\$ TSAR Share Units
Risk Free Interest Rate	0.23%	0.23%	0.47%	0.47%
Dividend Yield	1.57%	1.58%	13.89%	13.07%
Expected Volatility Rate ⁽¹⁾	105.41%	104.44%	93.81%	93.42%
Expected Term	1.8 yrs	1.8 yrs	2.8 yrs	2.3 yrs
Market Share Price	US\$23.82	C\$29.97	US\$2.70	C\$3.86
Weighted Average Grant Date Fair Value	US\$36.72	C\$49.93	US\$38.13	C\$48.28

(1) Volatility was estimated using historical rates.

The Company has recognized the following share-based compensation costs:

	Three Months Ended March 31,	
	2021	2020
Total Compensation Costs of Transactions Classified as Cash-Settled	\$ 40	\$ (51)
Total Compensation Costs of Transactions Classified as Equity-Settled	11	-
Less: Total Share-Based Compensation Costs Capitalized	(7)	13
Total Share-Based Compensation Expense (Recovery)	\$ 44	\$ (38)
Recognized on the Condensed Consolidated Statement of Earnings in:		
Operating	\$ 9	\$ (12)
Administrative	35	(26)
	\$ 44	\$ (38)

As at March 31, 2021, the liability for cash-settled share-based payment transactions totaled \$51 million (\$34 million as at December 31, 2020), of which \$40 million (\$25 million as at December 31, 2020) is recognized in accounts payable and accrued liabilities and \$11 million (\$9 million as at December 31, 2020) is recognized in other liabilities and provisions in the Condensed Consolidated Balance Sheet. Additionally, paid in surplus includes \$65 million (\$71 million as at December 31, 2020) related to equity-settled share-based compensation plans.

The following units were granted primarily in conjunction with the Company's annual grant of long-term incentive awards. The PSUs and RSUs were granted at the volume-weighted average trading price of shares of Ovintiv common stock for the five days prior to the grant date.

Three Months Ended March 31, 2021 (thousands of units)

RSUs	2,614
PSUs	844
DSUs	8

17. Pension and Other Post-Employment Benefits

The Company has recognized total benefit plans expense which includes pension benefits and other post-employment benefits (“OPEB”) for the three months ended March 31 as follows:

	Pension Benefits		OPEB		Total	
	2021	2020	2021	2020	2021	2020
Net Defined Periodic Benefit Cost	\$ -	\$ -	\$ -	\$ (1)	\$ -	\$ (1)
Defined Contribution Plan Expense	6	8	-	-	6	8
Total Benefit Plans Expense	\$ 6	\$ 8	\$ -	\$ (1)	\$ 6	\$ 7

Of the total benefit plans expense, \$6 million (2020 - \$7 million) was included in operating expense and \$1 million (2020 - \$2 million) was included in administrative expense. Excluding service costs, net defined periodic benefit gains of \$1 million (2020 - gains of \$2 million) were recorded in other (gains) losses, net.

The net defined periodic benefit cost for the three months ended March 31 is as follows:

	Defined Benefits		OPEB		Total	
	2021	2020	2021	2020	2021	2020
Service Cost	\$ -	\$ -	\$ 1	\$ 1	\$ 1	\$ 1
Interest Cost	1	2	-	-	1	2
Expected Return on Plan Assets	(1)	(2)	-	-	(1)	(2)
Amounts Reclassified from Accumulated Other Comprehensive Income:						
Amortization of net actuarial (gains) and losses	-	-	(1)	(2)	(1)	(2)
Total Net Defined Periodic Benefit Cost ⁽¹⁾	\$ -	\$ -	\$ -	\$ (1)	\$ -	\$ (1)

(1) The components of total net defined periodic benefit cost, excluding the service cost component, are included in other (gains) losses, net.

18. Fair Value Measurements

The fair values of cash and cash equivalents, accounts receivable and accrued revenues, and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturity of those instruments. The fair values of restricted cash and marketable securities included in other assets approximate their carrying amounts due to the nature of the instruments held.

Recurring fair value measurements are performed for risk management assets and liabilities and other derivative contracts, as discussed further in Note 19. These items are carried at fair value in the Condensed Consolidated Balance Sheet and are classified within the three levels of the fair value hierarchy in the following tables.

Fair value changes and settlements for amounts related to risk management assets and liabilities are recognized in revenues and foreign exchange gains and losses according to their purpose.

	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting ⁽¹⁾	Carrying Amount
As at March 31, 2021						
Risk Management Assets						
Commodity Derivatives:						
Current assets	\$ -	\$ 62	\$ -	\$ 62	\$ (58)	\$ 4
Long-term assets	-	10	-	10	(5)	5
Foreign Currency Derivatives:						
Current assets	-	24	-	24	(17)	7
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	\$ 3	\$ 241	\$ 230	\$ 474	\$ (58)	\$ 416
Long-term liabilities	-	111	-	111	(5)	106
Foreign Currency Derivatives:						
Current liabilities	-	-	-	-	(17)	(17)
Other Derivative Contracts						
Current in accounts payable and accrued liabilities	\$ -	\$ 1	\$ -	\$ 1	\$ -	\$ 1
Long-term in other liabilities and provisions	-	5	-	5	-	5

	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting ⁽¹⁾	Carrying Amount
As at December 31, 2020						
Risk Management Assets						
Commodity Derivatives:						
Current assets	\$ -	\$ 70	\$ -	\$ 70	\$ (59)	\$ 11
Long-term assets	-	7	-	7	(3)	4
Foreign Currency Derivatives:						
Current assets	-	26	-	26	-	26
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	\$ 1	\$ 114	\$ 74	\$ 189	\$ (59)	\$ 130
Long-term liabilities	-	128	-	128	(3)	125
Other Derivative Contracts						
Current in accounts payable and accrued liabilities	\$ -	\$ 1	\$ -	\$ 1	\$ -	\$ 1
Long-term in other liabilities and provisions	-	7	-	7	-	7

(1) Netting to offset derivative assets and liabilities where the legal right and intention to offset exists, or where counterparty master netting arrangements contain provisions for net settlement.

The Company's Level 1 and Level 2 risk management assets and liabilities consist of commodity fixed price contracts, NYMEX fixed price swaptions, NYMEX three-way options, NYMEX costless collars, NYMEX call options, foreign currency swaps and basis swaps with terms to 2025. Level 2 also includes financial guarantee contracts as discussed in Note 19. The fair values of these contracts are estimated using inputs which are either directly or indirectly observable from active markets, such as exchange and other published prices, broker quotes and observable trading activity throughout the term of the instruments.

Level 3 Fair Value Measurements

As at March 31, 2021, the Company's Level 3 risk management assets and liabilities consist of WTI three-way options and WTI costless collars with terms to 2021. The WTI three-way options are a combination of a sold call, bought put and a sold put. The WTI costless collars are a combination of a sold call and a bought put. These contracts allow the Company to participate in the upside of commodity prices to the ceiling of the call option and provide the Company with complete (collars) or partial (three-way) downside price protection through the put options. The fair values of these contracts are based on the income approach and are modelled using observable and unobservable inputs such as implied volatility. The unobservable inputs are obtained from third parties whenever possible and reviewed by the Company for reasonableness.

A summary of changes in Level 3 fair value measurements for risk management positions is presented below:

	Three Months Ended March 31,	
	2021	2020
Balance, Beginning of Year	\$ (74)	\$ (52)
Total Gains (Losses)	(237)	242
Purchases, Sales, Issuances and Settlements:		
Purchases, sales and issuances	-	-
Settlements	81	(40)
Transfers Out of Level 3	-	-
Balance, End of Period	\$ (230)	\$ 150
Change in Unrealized Gains (Losses) During the Period Included in Net Earnings (Loss)	\$ (156)	\$ 202

Quantitative information about unobservable inputs used in Level 3 fair value measurements is presented below as at March 31, 2021:

	Valuation Technique	Unobservable Input	Range	Weighted Average ⁽¹⁾
Risk Management - WTI Options	Option Model	Implied Volatility	36% - 87%	47%

(1) Unobservable inputs were weighted by the relative fair value of the instruments.

A 10 percent increase or decrease in implied volatility for the WTI options would cause an approximate corresponding \$8 million (\$6 million as at December 31, 2020) increase or decrease to net risk management assets and liabilities.

19. Financial Instruments and Risk Management

A) Financial Instruments

Ovintiv's financial assets and liabilities are recognized in cash and cash equivalents, accounts receivable and accrued revenues, other assets, accounts payable and accrued liabilities, risk management assets and liabilities, long-term debt, and other liabilities and provisions.

B) Risk Management Activities

Ovintiv uses derivative financial instruments to manage its exposure to cash flow variability from commodity prices and fluctuating foreign currency exchange rates. The Company does not apply hedge accounting to any of its derivative financial instruments. As a result, gains and losses from changes in the fair value are recognized in net earnings.

Commodity Price Risk

Commodity price risk arises from the effect that fluctuations in future commodity prices may have on future cash flows. To partially mitigate exposure to commodity price risk, the Company has entered into various derivative financial instruments. The use of these derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors.

Crude Oil and NGLs - To partially mitigate crude oil and NGL commodity price risk, the Company uses WTI-based contracts such as fixed price contracts, options and costless collars. Ovintiv has also entered into basis swaps to manage against widening price differentials between various production areas and benchmark price points.

Natural Gas - To partially mitigate natural gas commodity price risk, the Company uses NYMEX-based contracts such as fixed price contracts, fixed price swaptions, options and costless collars. Ovintiv has also entered into basis swaps to manage against widening price differentials between various production areas and benchmark price points.

Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign currency exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. To partially mitigate the effect of foreign exchange fluctuations on future commodity revenues and expenses, the Company may enter into foreign currency derivative contracts. As at March 31, 2021, the Company has entered into \$263 million notional U.S. dollar denominated currency swaps at an average exchange rate of C\$1.3720 to US\$1, which mature monthly through the remainder of 2021.

Risk Management Positions as at March 31, 2021

	Notional Volumes	Term	Average Price	Fair Value
Crude Oil and NGL Contracts				
Fixed Price Contracts				
WTI Fixed Price	33.3 Mbbls/d	2021	46.83	\$ (102)
Propane Fixed Price	12.0 Mbbls/d	2021	25.78	(26)
Butane Fixed Price	5.0 Mbbls/d	2021	24.83	(17)
WTI Three-Way Options				
Sold call / bought put / sold put	83.4 Mbbls/d	2021	53.13 / 43.85 / 34.19	(175)
WTI Costless Collars				
Sold call / bought put	15.0 Mbbls/d	2021	45.84 / 35.00	(55)
Basis Contracts ⁽¹⁾				(4)
Other Crude Financial Positions				-
Crude Oil and NGLs Fair Value Position				(379)
Natural Gas Contracts				
Fixed Price Contracts				
NYMEX Fixed Price	110 MMcf/d	2021	2.51	(8)
NYMEX Fixed Price	100 MMcf/d	2022	2.60	(1)
NYMEX Fixed Price Swaptions ⁽²⁾				
	165 MMcf/d	2022	2.51	(18)
NYMEX Three-Way Options				
Sold call / bought put / sold put	1,033 MMcf/d	2021	3.36 / 2.88 / 2.50	42
NYMEX Costless Collars				
Sold call / bought put	100 MMcf/d	2022	2.80 / 2.50	-
NYMEX Call Options				
Sold call	330 MMcf/d	2022	2.38	(53)
Basis Contracts ⁽³⁾				
		2021		(30)
		2022		(31)
		2023 - 2025		(37)
Other Financial Positions				2
Natural Gas Fair Value Position				(134)
Other Derivative Contracts				
Fair Value Position				(6)
Foreign Currency Contracts				
Fair Value Position ⁽⁴⁾				24
Total Fair Value Position				\$ (495)

(1) Oventiv has entered into crude and NGL differential swaps associated with Canadian condensate and WTI.

(2) NYMEX Fixed Price Swaptions give the counterparty the option to extend certain 2021 Fixed Price swaps to 2022.

(3) Oventiv has entered into natural gas basis swaps associated with AECO, Dawn, Malin, Waha, Houston Ship Channel and NYMEX.

(4) Oventiv has entered into U.S. dollar denominated fixed-for-floating average currency swaps to protect against fluctuations between the Canadian and U.S. dollars.

Earnings Impact of Realized and Unrealized Gains (Losses) on Risk Management Positions

	Three Months Ended March 31,	
	2021	2020
Realized Gains (Losses) on Risk Management		
Commodity and Other Derivatives:		
Revenues ⁽¹⁾	\$ (156)	\$ 151
Foreign Currency Derivatives:		
Foreign exchange	7	(3)
	\$ (149)	\$ 148
Unrealized Gains (Losses) on Risk Management		
Commodity and Other Derivatives:		
Revenues ⁽²⁾	\$ (271)	\$ 904
Foreign Currency Derivatives:		
Foreign exchange	(2)	(52)
	\$ (273)	\$ 852
Total Realized and Unrealized Gains (Losses) on Risk Management, net		
Commodity and Other Derivatives:		
Revenues ⁽¹⁾⁽²⁾	\$ (427)	\$ 1,055
Foreign Currency Derivatives:		
Foreign exchange	5	(55)
	\$ (422)	\$ 1,000

(1) Includes a realized gain of nil (2020 - gain of \$1 million), related to other derivative contracts.

(2) Includes an unrealized gain of \$2 million (2020 - loss of \$17 million), related to other derivative contracts.

Reconciliation of Unrealized Risk Management Positions from January 1 to March 31

	2021		2020
	Fair Value	Total Unrealized Gain (Loss)	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	\$ (222)		
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Period	(422)	\$ (422)	\$ 1,000
Settlement of Other Derivative Contracts	-		
Fair Value of Contracts Realized During the Period	149	149	(148)
Fair Value of Contracts, End of Period	\$ (495)	\$ (273)	\$ 852

Risk management assets and liabilities arise from the use of derivative financial instruments and are measured at fair value. See Note 18 for a discussion of fair value measurements.

Unrealized Risk Management Positions

	As at March 31, 2021	As at December 31, 2020
Risk Management Assets		
Current	\$ 11	\$ 37
Long-term	5	4
	16	41
Risk Management Liabilities		
Current	399	130
Long-term	106	125
	505	255
Other Derivative Contracts		
Current in accounts payable and accrued liabilities	1	1
Long-term in other liabilities and provisions	5	7
Net Risk Management Assets (Liabilities) and Other Derivative Contracts	\$ (495)	\$ (222)

C) Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. While exchange-traded contracts are subject to nominal credit risk due to the financial safeguards established by the NYSE and the TSX, over-the-counter traded contracts expose Oventiv to counterparty credit risk. Counterparties to the Company's derivative financial instruments consist primarily of major financial institutions and companies within the energy industry. This credit risk exposure is mitigated through the use of credit policies approved by the Board of Directors governing the Company's credit portfolio including credit practices that limit transactions according to counterparties' credit quality. Mitigation strategies may include master netting arrangements, requesting collateral, purchasing credit insurance and/or transacting credit derivatives. The Company executes commodity derivative financial instruments under master agreements that have netting provisions that provide for offsetting payables against receivables. Oventiv actively evaluates the creditworthiness of its counterparties, assigns appropriate credit limits and monitors credit exposures against those assigned limits. As at March 31, 2021, Oventiv's maximum exposure of loss due to credit risk from derivative financial instrument assets on a gross and net fair value basis was \$96 million and \$16 million, respectively, as disclosed in Note 18. The Company had no significant credit derivatives in place and held no collateral at March 31, 2021.

As at March 31, 2021, cash equivalents include high-grade, short-term securities, placed primarily with financial institutions with strong investment grade ratings. Any foreign currency agreements entered into are with major financial institutions that have investment grade credit ratings.

A substantial portion of the Company's accounts receivable are with customers and working interest owners in the oil and gas industry and are subject to normal industry credit risks. As at March 31, 2021, approximately 92 percent (89 percent as at December 31, 2020) of Oventiv's accounts receivable and financial derivative credit exposures were with investment grade counterparties.

During 2015 and 2017, the Company entered into agreements resulting from divestitures, which may require Oventiv to fulfill certain payment obligations on the take or pay volume commitments assumed by the purchasers. The circumstances that would require Oventiv to perform under the agreements include events where a purchaser fails to make payment to the guaranteed party and/or a purchaser is subject to an insolvency event. The agreements have remaining terms of less than four years with a fair value recognized of \$6 million as at March 31, 2021 (\$8 million as at December 31, 2020). The maximum potential amount of undiscounted future payments is \$76 million as at March 31, 2021, and is considered unlikely.

20. Supplementary Information

Supplemental disclosures to the Condensed Consolidated Statement of Cash Flows are presented below:

A) Net Change in Non-Cash Working Capital

	Three Months Ended March 31,	
	2021	2020
Operating Activities		
Accounts receivable and accrued revenues	\$ (166)	\$ 121
Accounts payable and accrued liabilities	122	(31)
Current portion of operating lease liabilities	5	(1)
Income tax receivable and payable	(18)	(6)
	\$ (57)	\$ 83

B) Non-Cash Activities

	Three Months Ended March 31,	
	2021	2020
Non-Cash Operating Activities		
ROU operating lease assets and liabilities	\$ (13)	\$ (1)
Non-Cash Investing Activities		
Asset retirement obligation incurred	\$ -	\$ 7
Asset retirement obligation change in estimated future cash outflows	-	22
Property, plant and equipment accruals	30	150
Capitalized long-term incentives	-	(17)
Property additions/dispositions (swaps)	4	4

21. Commitments and Contingencies

Commitments

The following table outlines the Company's commitments as at March 31, 2021:

		Expected Future Payments						
(undiscounted)	2021	2022	2023	2024	2025	Thereafter	Total	
Transportation and Processing	\$ 562	\$ 769	\$ 723	\$ 516	\$ 450	\$ 2,310	\$ 5,330	
Drilling and Field Services	39	-	-	-	-	-	39	
Building Leases	9	10	6	6	6	2	39	
Total	\$ 610	\$ 779	\$ 729	\$ 522	\$ 456	\$ 2,312	\$ 5,408	

Operating leases with terms greater than one year are not included in the commitments table above. The table above includes short-term leases with contract terms less than 12 months, such as drilling rigs and field office leases, as well as non-lease operating cost components associated with building leases.

Included within transportation and processing in the table above are certain commitments associated with midstream service agreements with VMLP as described in Note 14. Divestiture transactions can reduce certain commitments disclosed above.

Contingencies

Ovintiv is involved in various legal claims and actions arising in the normal course of the Company's operations. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on Ovintiv's financial position, cash flows or results of operations. Management's assessment of these matters may change in the future as certain of these matters are in early stages or are subject to a number of uncertainties. For material matters that the Company believes an unfavorable outcome is reasonably possible, the Company discloses the nature and a range of potential exposures. If an unfavorable outcome were to occur, there exists the possibility of a material impact on the Company's consolidated net earnings or loss for the period in which the effect becomes reasonably estimable. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. Such accruals are based on the Company's information known about the matters, estimates of the outcomes of such matters and experience in handling similar matters.