

Thinking big

Refinery proponents not worried about competition

BY MOIRA BAIRD

THE TELEGRAM

Bigger is better for Newfoundland and Labrador Refining Corp. (NLRC), the consortium aiming to build a petroleum refinery at the head of Placentia Bay.

Now pegged at a cost of more than \$4 billion, that refinery is being designed to process 300,000 barrels of crude per day, with the option of doubling capacity to 600,000 barrels per day.

NLRC expects to be producing gasoline, kerosene and other fuels by late 2010 or early 2011, according to the project registration documents filed with the provincial Environment Department Oct. 25.

If approved, it would be the province's second refinery. North Atlantic Refining operates at Come By Chance and it is owned by Calgary-based Harvest Energy.

The proposed site for the second refinery is Southern Head, a small peninsula between North Bay and Come By Chance Bay.

"The project will process imported medium and heavy, high-sulphur crude oils into fuel products suitable for the export market," the NLRC report said.

"This will allow the new refinery to process a wide range of crudes from various parts of the world and provide greater flexibility for operational

and economic success.

"It is expected that the primary sources for the project's feedstock crudes will be the Middle East, Russia, South America and Africa."

Much larger than anticipated

The refinery is much larger and more expensive than originally envisioned last February, when a consortium led by St. John's-based Altius Resources announced a \$7-million, three-phase feasibility study.

"The first phase of the study pointed us in that direction ... quite a larger, very advanced refinery," said Brian Dalton, managing director of NLRC and president of Altius Resources.

"From that point on, we decided Stage 2 and Stage 3 would be designing and costing out that particular type of refinery."

Dalton expects the final phase of the feasibility study to be completed by late November or early December.

In future, he says, new refineries will be larger and more complex.

Dalton isn't worried about competition — namely a recent announcement by Irving Oil that it will build a second refinery in Saint John, N.B.

"The only way you can justify building a complex refinery is to build it fairly big because you just can't make the scales of economy work otherwise.

"The other critical element with a big refinery is that you need deepwater access to be able to move fairly large volumes of material.

"There's only a couple of sites in North America, or even in Europe, that pass that test. Placentia Bay is one and the Irvings have

another.

"We think our site out-competes all."

If approved, NLRC expects to start construction in January 2008.

The company expects to build the refinery,

marine terminal, storage tanks and access road within three to four years — with the construction workforce peaking at 3,000 people.

Once in operation, the company estimates the workforce will be 750 people.

NLRC estimates tanker traffic in Placentia Bay will increase by 400-450 tankers annually.

That's on top of the estimated 220 ships that headed for the Come By Chance refinery in 2005 and the 300 tankers annually at the Whiffen Head transshipment terminal.

Roland Butler, Altius vice-president of community and environmental affairs, has been talking with Placentia Bay town councillors and other community leaders since February.

Among the issues raised in those meetings are increased tanker traffic, air quality, local hiring and local contracting for the project.

"I think most people in the area are familiar with the industry — it's not an unknown," he said. "There's a great deal of familiarity and knowledge."

The formal information sessions start this evening in North Harbour and Thursday evening in Come By Chance.

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"There's a lot more public consultation to be done," Butler said.

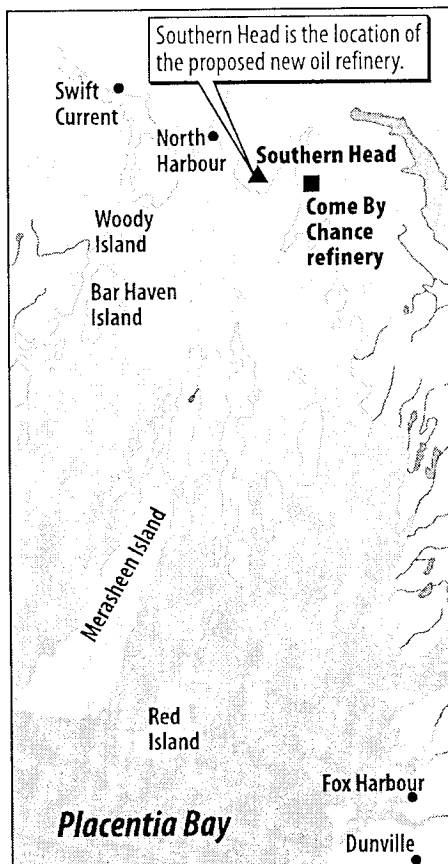
The company registered the project even before its feasibility study was complete because the environmental process could be a long one.

"We're getting an early start. Really, we don't know how long it will take."

(It was also registered with the federal government in September.)

Altius has a 37.5-per-cent ownership stake in NLRC, and is partnered with European businessmen Dermot Desmond, Harry Dobson and Stephen Posford.

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Source: Newfoundland and Labrador Refining Corp.

— Dan Helmbold/The Telegram

REFINERY FACTS

Newfoundland and Labrador Refining Corp. has registered its petroleum refinery with the provincial Environment Department.

The proposed location is Southern Head, a small peninsula between North Bay and Come By Chance Bay.

Here are the deadlines in the environmental review process:

- ▶ Dec. 4 — Public comments are due.
- ▶ Dec. 9 — The environment minister's decision is due.

The NLRC project proposal is contained in a hefty report available at the province's website at www.env.gov.nl.ca/env/ (under environmental assessment public notices.)

Source: Government of Newfoundland and Labrador