

East Coast business vying for oil refining boom

By MICHAEL TUTTON

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Talk among federal politicians may be of a greener nation, but on the East Coast a race to build carbon-dioxide emitting oil refineries is set to take off.

Within weeks, Irving Oil is expected to announce if it will seek environmental permits to build a second, \$5-billion to \$7-billion refinery in Saint John, N.B., by 2012.

Kevin Scott, the project director for the company, said as the company builds a liquified natural gas facility at a site just a few kilometres east of the city, it's ready to start the approval process on the mega-project that would produce 300,000 barrels of oil a day.

"It's where we are as a company in terms of our life cycle. We're ready for another step," he said in an interview.

"We've got customers who are growing their petroleum demand based on their economy and transportation fuels," Scott said.

"It's all those things lining up for us to be comfortable to be pursuing this as a growth opportunity."

The proposal, like others springing up in the region, is driven by voracious demand for Canadian gasoline in the U.S. northeast, and the fact eastern cities are closer to the trans-Atlantic flow of crude oil supply than they are to Houston.

"Location, location, location and when added with entrepreneurial spirit, we'll see the oldest incorporated city in the Dominion of Canada becoming the major energy hub for

the northern Atlantic region of North America," predicts Ian Doig, the editor of the oil and gas newsletter Doig's Digest, in his most recent issue.

Meanwhile, expansion of production facilities have also been proposed in Placentia Bay where Altius Resources Inc. (TSX:ALS) and European investors have spent \$7 million studying the viability of a second refinery in the Southern Head area.

There's also talk of expansion within several years at an existing 105,000-barrel-a-day refinery at Come By Chance, 150 kilometres west of St. John's, acquired by Harvest Energy Trust (TSX:HTE.UN) last year.

"We are marching ahead with the concept that product upgrading is still viable," Jacob Roorda, the trust's vice-president of corporate affairs, said in an interview.

"That's just Phase 1. We could look to expanding this facility very easily."

In the Strait of Canso region of Nova Scotia, American energy services company Headwaters Inc. of Utah has been making inquiries with municipal officials on locating a refinery in the area.

"We, in Canada, are being identified as the refinery location for the U.S. northeast," Roorda said.

He estimated refining margins are in the range of \$6 to \$7 per barrel, a spread three times what it was a decade ago.

Michael Gardner, a consulting economist in Halifax, said one of the attractions is that environmental hearings are less onerous in Canada than those in the United States.

"Why Canada? Part of that is to do with the long lead time to get through environmental hearings in the U.S.," he said.

However, others see environmental and financial obstacles that could yet emerge to stifle the mega-project plans.

Though the provincial Liberal government in New Brunswick is friendly to the project, residents who live in the shadow of the existing refinery have "strong" concerns about air pollution, says the local member of the legislature.

Roly MacIntyre, a Liberal cabinet minister who also represents the riding of East Saint John, said there's a "mixed reaction" in the city.

"We have some of the strongest environmental groups of the province, simply because of the years of fighting. They're here and they're very knowledgeable."