

Saturday » April  
7 » 2007

## Refinery seeks partner

### US\$4.6B project in Newfoundland must have international backer

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CALGARY - The backers of a new refinery on the Newfoundland coast say the US\$4.6-billion project will likely only succeed if a large international oil player steps up as a partner.

Roland Butler, vice-president of Newfoundland and Labrador Refining Corp. (NLRC), a private company whose shareholders include TSX-listed Altius Minerals Corp., with a 37% interest, plus three European investors, said the group hired New York-based investment bank Aegis Energy Advisors Corp. to help land strategic partners and private equity investors.

Discussions so far have included several of Canada's largest oil producers, but NLRC is finding more interest among international oil companies, Mr. Butler said yesterday in an interview.

He would not say what companies were approached.

"What we're hoping to build is an entry opportunity into North America's East Coast gasoline market as well as the European diesel market through a new, grassroots refinery that's basically located -- in shipping terms -- right in between," Mr. Butler said.

"We've had preliminary discussions with Canadian crude producers, but the thing is, we're trying to match this refinery with medium- and heavy-sour oil and right now Canada's East Coast production is light and sweet.

"So from a supply perspective, as well, we're looking at more of an international market."

Mr. Butler said other investors include Dermot Desmond, founder of Dublin-based International Investment and Underwriting, Scottish financier Harry Dobson, and Stephen Posford, former head of European operations for investment bank Salomon Partners.

The 300,000-barrel-a-day plant, located on Placentia Bay southwest of St. John's, would be Newfoundland's second refinery and cost US\$4.6-billion, based on a cost analysis prepared in December by SNC Lavalin, the large Canadian engineering and construction firm.

An earlier cost estimate had the price tag at US\$2-billion.

According to NLRC's tentative schedule, the refinery would be producing gasoline, diesel and jet fuel as early as the fourth quarter of 2011.

At peak construction, the project would create 3,000 construction jobs and later require 750 operational employees.

Mr. Butler said turning NLRC into a publicly traded company could be a partial financing solution given the huge cost, but NLRC also needs a partner because of its absence of expertise in the refining business.

"From a technical and financial view, this is a project that needs some major partner to get involved," he said.

"On our list of contacts are refining companies, marketing companies and also international integrators. We're looking for someone with a lot of physical crude oil that can match it with a refinery like this for the long term."

Irving Oil Ltd. is planning a \$7-billion, 300,000-barrel-a-day facility near its existing refinery in Saint John, N.B., but the privately held company is still deciding whether or not to proceed.

Historically tight refining margins improved last year and led one Calgary-based oil and gas producer, Harvest Energy Trust, to take a bold step last August of paying Swiss-based Vitol SA \$1.6-billion for Newfoundland and Labrador's only existing refinery in Come By Chance.

The plant has daily production capacity of 115,000 barrels and Harvest has talked about adding a \$500-million coker unit so the plant can take heavier blends of crude feedstock.

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